

# **Lakson Tobacco Company Limited**

## **ANNUAL REPORT 2002**

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Premier Tobacco Company (Pvt) Limited

Financial Highlights

### **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

### **AUDIT COMMITTEE**

AMIN MOHAMMED L

(Chairman)

AZIZ EBRAHIM

SHAHID AHMED KHAN

### **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 33rd Annual General Meeting of Lakson Tobacco Company Limited will be held on Monday November 04, 2002 at 3.00 p.m. at Avar! Renaissance Towers Hotel, Fatima Jinnah Road, Karachi to transact the following business:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the audited financial statements for the year ended June 30, 2002 together with the Directors' and Auditors' Reports thereon.
2. To declare final dividend in cash @ 85% and by way of issue of fully paid bonus shares @ 20% as recommended by the Board of Directors, in addition to the interim dividend @ 20% already paid.
3. To consider to appoint auditors and fix their remuneration.

**SPECIAL BUSINESS**

4. To consider, subject to declaration of the final dividend by way of issue of bonus shares as above, to capitalise a sum of Rs. 71,273,540 by way of issue of 7,127,354 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. 71,273,540 out of the 'Reserve for issue of bonus shares' be capitalised and applied in making payment in full 7,127,354 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 November 04, 2002 @ 20% i.e. in the proportion of one share for every

five existing shares and that such new shares shall rank pari passu in all respects with the existing ordinary shares of the Company except that they shall not be eligible for dividend declared for the year ended June 30, 2002;

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

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

5. To consider to increase the Authorised Capital of the Company from Rs. 450 million to Rs. 1,000 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. 450 million to Rs. 1,000 million by creation of 55 million ordinary shares of Rs. 10 each and that consequential notes be made under clause V of the Memorandum of Association and Article 3 of the Articles of Association."

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

By Order of the Board

**RAMZAN ALI HALANI**

Director/Company Secretary

Karachi: September 23, 2002

**NOTES:**

1. The share transfer books of the Company will remain closed from October 26, 2002 to November 04, 2002, 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 October 25, 2002 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.

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

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

6. A form of proxy is enclosed herewith.

#### STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984

1. The Board of Directors has recommended to the members of the Company to declare final cash dividend @ 85% and by way of issue of fully paid bonus shares @ 20% and thereby capitalise a sum of Rs. 71,273,540 which has been transferred to 'Reserve for issue of bonus shares' out of the profit for the year ended June 30,2002.

2. At present the Authorised Capital of the Company is Rs. 450 million. The Board of Directors has recommended to increase the Authorised Capital to Rs. 1,000 million to facilitate further increase in the paid-up capital as and when required to do so.

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

The Directors of your Company take pleasure in presenting the thirty-third annual report and audited accounts for the year ended June 30, 2002.

	2002	2001
	(Rupees in '000)	
Profit before taxation	1,072,917	604,914
Taxation	323,894	210,206
Profit after taxation	749,023	394,708
Un-appropriated profit brought forward	412	706
	<b>749,435</b>	<b>395,414</b>
Appropriations:		
Interim cash dividend @ Rs. 2.00 (2001 : Nil) per ordinary share of Rs. 10 each	71,274	-
Proposed cash dividend @ Rs. 8.50 (2001: Rs. 5.50) per ordinary share of Rs. 10 each	302,913	196,002
	<b>374,187</b>	<b>196,002</b>
Transfer to reserve for proposed issue of bonus shares in ratio of one share for every five shares (2001: Nil)	71,274	
Transfer to general reserve	303,007	199,000
	<b>748,468</b>	<b>395,002</b>
Un-appropriated profit carried forward	<b>967</b>	<b>412</b>

#### OPERATING RESULTS

Your Company has continued to maintain a growth momentum during the year under review, in terms of sales turn over as well as Net Profit. Sales turn over increased by Rs. 772 million registering a 5% increase over the results of the same period of preceding year. Profit after tax increased by Rs. 354 million mainly due to stricter financial discipline. In addition to that appreciation of Pak rupee against US \$ together with

a reduction of 10.76% in Selling & Distribution expenses and 34.56% reduction in Financial Charges also contributed to achieve these results. Consequently Net Earnings Per Share stand at Rs. 21.02 as against Rs. 11.08 of the previous financial year. Establishment expenses registered an increase of 2.82% over the results of the last year. During the year under review, your Company's contribution to the national exchequer in the shape of excise duties, sales tax, withholding tax, corporate tax and customs levies also rose to an all time high of Rs. 10.198 billion as compared to Rs. 9.910 billion of the previous year. The component of excise duties, sales tax, withholding tax, corporate tax and customs levies paid during the year, was equivalent to 63.24% of domestic sales turnover for cigarettes.

## **LEAF TOBACCO**

The 2001 tobacco crop was surplus to the industry's requirement and as per practice established by the Pakistan Tobacco Board, the Company had to pick up additional quantities which were purchased at competitive prices.

## **FUTURE OUTLOOK**

Your Company will seek to consolidate its position in the face of challenges and the current difficult economic situation and will strive to further improve its quality and volume and maintain profitability. Effective cost control measures will be continued with increasing emphasis on expansion of distribution coverage. Your Company will continue to invest to meet future challenges and market opportunities. However, operating as a highly taxed industry, your Company's results are in a large measure dependent on government policies towards the excise duty structure, the deferred payment periods, equitable application of the excise duty regime throughout the tobacco industry, control of smuggling, tax evasion and counterfeiting of cigarettes.

## **APPRECIATION**

The human factor has always been of critical importance to us. Our brands were built by entrepreneurial people; they are the results of creativity, courage and vision. To encourage these qualities, we are determined to keep Lakson tobacco an exciting, challenging and eminent fair place to work. This report is dedicated to all our employees, as it reflects their commitment to building the Lakson business. Their strength, skills and ambition can make us the most successful Company in the coming periods.

The report would be incomplete without placing on record the appreciation of your directors for the encouragement and support which we received from our suppliers, shareholders, banks and financial institutions.

## **STATEMENTS ON CORPORATE AND FINANCIAL REPORTING FRAME WORK**

In relation to the financial statements and controls, the directors would like to confirm the following:

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
- The system of internal controls, which was in place, is being continuously reviewed by internal procedures. The process of review will continue and any weaknesses in controls will be removed.
- There are no doubts upon the Company's ability to continue as a going concern.

- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- Key operating and financial data for last six years in summarized form is annexed.
- Outstanding taxes and levies:
- Please refer Note Nos. 14.2, 14.3 & 14.4 to the annexed audited accounts.
- Income tax Rs. 99.560 million.
- The value of investment in provident fund based on last audited accounts is Rs. 209.701 million (2000: Rs. 207.321 million).
- The financial statements have been reviewed by the audit committee established by the Company.
- During the year 3 (three) meetings of the Board of Directors were held. Attendance by each Director is as follows:

Name of Director	No. of Meetings Attended
Mr. Iqbalali Lakhani	3
Mr. Amin Mohammed Lakhani	2
Mr. E. A. Nomani	3
Mr. Tasleemuddin Ahmed Batlay	3
Mr. Nazir Hussain	3
Mr. Aziz Ebrahim	3
Mr. Shahid Ahmed Khan	1
Mr. Ramzan Ali Halani	3
Mr. M. K. Nawaz	3
Mr. Mansoor Ahmed	3

Directors who were not able to attend some of the meetings were granted leave of absence.

#### **PATTERN OF SHAREHOLDING**

A pattern of shareholding in the prescribed form appears at pages 35-37.

#### **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 the Board of Directors

**IQBALALI LAKHANI**  
**Chairman**

Karachi: August 26, 2002

Statement of Compliance with Best Practices of Corporate Governance

The Company is in process of implementing all facets of the Code of Corporate Governance issued by the Karachi and Lahore Stock Exchanges. The Board feel pleasure in stating that provisions of the code, relevant for the period from May 2, 2002 to June 30, 2002 have been duly complied with.

**IQBALALI LAKHANI**

Chairman & Chief Executive

Karachi: August 26, 2002

**REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES  
OF CODE OF CORPORATE GOVERNANCE**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Lakson Tobacco Company Limited to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange and Chapter XIII of the Lahore Stock Exchange where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2002.

Karachi

Dated : September 02, 2002

**A.F. FERGUSON & CO.**

Chartered Accountants

**EBRAHIM&CO.**

Chartered Accountants

Auditors' Report to the Members

We have audited the annexed balance sheet of LAKSON TOBACCO COMPANY LIMITED as at June 30, 2002 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, 2002 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.

Balance Sheet as at June 30, 2002

	NOTE	2002 (Rupees in '000)	2001
<b>FIXED ASSETS</b>			
<b>LONG TERM INVESTMENT</b>	3	969,418	945,592
<b>LONG TERM LOANS</b>	4	1	1
<b>LONG TERM DEPOSITS AND PREPAYMENTS</b>	5	1,034	258
<b>TOTAL LONG TERM ASSETS</b>	6	47,123	42,169
		<b>1,017,576</b>	<b>988,020</b>
<b>CURRENT ASSETS</b>			
Stores and spares	7	87,139	102,260



Stock in trade	8	1,271,508	1,621,662
Trade debts	9	71,276	118,184
Loans and advances	10	16,340	11,200
Deposits, prepayments and other receivables	11	128,033	110,175
Cash and bank balances	12	1,042,392	19,423
<b>TOTAL CURRENT ASSETS</b>		<b>2,616,688</b>	<b>1,982,904</b>
<b>CURRENT LIABILITIES</b>			
Current maturity of liabilities against assets subject to finance lease	19	74,137	69,553
Short term finances	13	41	396,279
Creditors, accrued and other liabilities	14	1,345,936	837,403
Taxation		99,560	40,745
Dividends	15	308,792	200,795
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,828,466</b>	<b>1,544,775</b>
<b>NET CURRENT ASSETS</b>		<b>788,222</b>	<b>438,129</b>
<b>SHARE CAPITAL</b>			
RESERVES	16	356,367	356,367
UNAPPROPRIATED PROFIT	17	1,119,274	744,993
SHAREHOLDERS' EQUITY		967	412
SURPLUS ON REVALUATION OF FIXED ASSETS		1,476,608	1,101,772
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	18	51,092	51,092
DEFERRED TAXATION	19	195,498	185,585
CONTINGENCIES AND COMMITMENTS	20	<b>82,600</b>	<b>87,700</b>
	21	<b>1,805,798</b>	<b>1,426,149</b>

The annexed notes form an integral part of these accounts

Cash Flow Statement

**FOR THE YEAR ENDED JUNE 30, 2002**

	NOTE	2002 (Rupees in '000)	2001
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	33	2,163,445	585,920
Financial charges paid		(95,299)	(111,388)
Taxes paid		(270,179)	(319,769)
Long term loans		(776)	387
Long term deposits and prepayments (net)		(4,954)	(14,651)
Net cash inflow from operating activities		<b>1,792,237</b>	<b>140,499</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(144,758)	(177,017)
Proceeds from sale of fixed assets		6,681	5,584
Income received from short term deposits		16,740	7,180
Net cash outflow on investing activities		<b>(121,337)</b>	<b>(164,253)</b>

**CASH FLOW FROM FINANCING ACTIVITIES**

Proceeds from sale and lease back of fixed assets		87,726	192,409
Repayment of liabilities against assets subject to finance lease		(73,229)	(80,239)
Dividends paid		(266,190)	(188,635)
Net cash outflow on financing activities		(251,693)	(76,465)
Net increase/(decrease) in cash and cash equivalents		1,419,207	(100,219)
Cash and cash equivalents at July 1		(376,856)	(276,637)
Cash and cash equivalents at June 30	34	<b>1,042,351</b>	<b>(376,856)</b>

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**CASH FLOW FROM OPERATING ACTIVITIES**

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The annexed notes form an integral part of these accounts

Statement of Changes in Equity

**FOR THE YEAR ENDED JUNE 30, 2002**

	issued,subs cribed and paid-up capital	Capital reserves	Revenue reserves, (Rupees '000)	Unappro priated profit	Total
Balance as at June 30, 2000	237,578	118,789	545,993	706	903,066
Profit after taxation for the year					

ended June 30, 2001	-	-	-	394,708	394,708
Final dividend	-	-	-	(196,002)	(196,002)
Issue of bonus shares	118,789	(118,789)	-	-	-
Transfer to reserves	-	-	199,000	(199,000)	-
Balance as at June 30, 2001	356,367	-	744,993	412	1,101,772
Profit after taxation for the year ended June 30, 2002	-	-	-	749,023	749,023
Dividends	-	-	-	(374,187)	(374,187)
Transfer to capital reserves for issue of bonus shares	-	71,274	-	(71,274)	-
Transfer to general reserves	-	-	303,007	(303,007)	-
Balance as at June 30, 2002	<b>356,367</b>	<b>71,274</b>	<b>1,048,000</b>	<b>967</b>	<b>1,476,608</b>

The annexed notes form an integral part of these accounts

#### Profit and Loss Account

#### FOR THE YEAR ENDED JUNE 30, 2002

	NOTE	2002 (Rupees in '000)	2001
Sales		16,237,960	15,466,198
Cost of goods sold	22	14,004,147	13,584,619
Gross profit		2,233,813	1,881,579
Establishment expenses	23	206,670	200,994
Selling and distribution expenses	24	812,443	910,358
		1,019,113	1,111,352
Operating profit		1,214,700	770,227
Other income	25	27,657	9,743
		1,242,357	779,970
Financial charges	26	87,206	133,256
Other charges	27	82,234	41,800
		169,440	175,056
Profit before taxation	28	1,072,917	604,914
Taxation		323,894	210,206
Profit after taxation		749,023	394,708
Unappropriated profit brought forward		412	706
Profit available for appropriation		749,435	395,414
Appropriations :			
Dividends			
- Interim at 20% (2001 : nil)		71,274	196,002
Proposed final at 85% (2001 : 55%)		302,913	-
		374,187	196,002
Transfer to capital reserve for issue of bonus shares		71,274	-
Transfer to general reserves		303,007	199,000
		748,468	395,002
Unappropriated profit carried forward		967	412

Earnings per share  
The annexed notes form an integral part of these accounts

	Rupees	
29	21.02	11.08

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 owned 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.

**e) Investments**

Investment in wholly owned subsidiary Company is stated at cost less provision for diminution in value. In arriving at the provision in respect of any diminution in the value, consideration is given only if there is a permanent impairment in the value of the investment.

**f) 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.

**g) 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.

**h) Trade debts**

Trade debts are carried at original invoice amount less management's best estimate for doubtful receivables. Balances considered bad and irrecoverable are written off when identified.

**i) Trade and other payables**

Liabilities for trade and other amounts payable are carried at amortised cost.

**j) Provisions**

Provisions are recognised when the Company has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

**k) Taxation****Current**

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.

**Deferred**

Provision for deferred taxation is made on all significant timing differences using the liability method.

**l) Cash and cash equivalents**

For cash flow statement, cash and cash equivalents include cash and bank balances in current and deposit accounts less balance in short-term running finance accounts under mark-up arrangements.

**m) 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.

**n) 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.

**o) Compensated absences**

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

**p) Foreign currency translation**

Assets and liabilities in foreign currencies are translated into rupees at the rates of exchange which approximate those prevailing at the balance sheet date. Exchange differences are taken to profit and loss account.

**q) Financial instruments**

Financial instruments carried on the balance sheet include investments, receivables, cash and bank balances and trade creditors. The particular recognition methods adopted are disclosed in the individual policy statements associated with each financial instrument.

3. FIXED ASSETS	NOTE	2002	2001
		(Rupees '000)	
Operating fixed assets	3.1	917,922	898,763
Capital work-in-progress	3.5	51,496	46,829
		<b>969,418</b>	<b>945,592</b>

**3.1 Operating Fixed Assets**

	Cost/ revaluation at July 1,2001	Additions/ (disposals)	Transfers	Cost; revaluation at June 30,2002	Accumulated depreciation at July 1,2001	Charge for the year/ (accumulated depreciation or disposals)	Accumulated depreciation on transfers
	Rupees'000						
Company owned							
Freehold land	13,200	-	-	13,200	-	-	-
Leasehold land	157	-	-	157	112	6	-
Buildings on freehold land	255,092	20,170	-	275,262	110,804	14,670	-
Buildings on leasehold land	549	-	-	549	251	15	-
Plant and machinery	623,654	13,422 (17,796)	69,557	688,837	317,224	38,567 (14,681)	-
Power and other installations	140,376	2,590 (22)	-	142,944	47,689	9,527 (15)	-
Furniture, fixtures and equipment	57,518	8,584	-	66,102	24,689	5,097	-
Data processing equipment	43,782	4,194	6,090	54,066	32,360	12,615	-
Vehicles	33,259	3,405 (2,035)	-	34,629	18,173	3,512 (1,107)	-
	1,167,587	52,365 (19,853)	75,647	1,275,746	551,302	84,009 (15,803)	-
Assets held under finance lease							
Plant and machinery	353,034	87,726	(69,557)	371,203	74,447	32,390	-
Transportation equipment	4,090	-	-	4,090	1,678	483	-
Data processing equipment	6,090	-	(6,090)	-	4,611	-	-
	363,214	87,726 (75,647)	-	375,293	80,736	32,873	-
2002	<b>1,530,801</b>	<b>140,091 (19,853)</b>	-	<b>1,651,039</b>	<b>632,038</b>	<b>116,882 (15,803)</b>	-
2001	<b>1,213,304</b>	<b>322,470 (4,973)</b>	-	<b>1,530,801</b>	<b>507,614</b>	<b>126,109 (1,685)</b>	-

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

	NOTE	2002 (Rupees '000)	2001
Purchases, redrying and related expenses	22.1	32,451	34,207
Manufacturing expenses	22.2	62,010	70,445
Establishment expenses	23	16,091	15,262
Selling and distribution expenses	24	6,330	6,195
		<b>116,882</b>	<b>126,109</b>

3.3 The Company had its land, buildings and certain items of plant and machinery revalued in 1978,1980 and 1984 by D.H. Daruvala and Co., Architects. 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. 17.6 million (2001: Rs. 18.2 million).

3.4 The following fixed assets were disposed off during the year:

	Original cost	Accumulated depreciation	Book value (Rupees '000)	Disposal proceeds	Mode of disposal	Particulars of buyers
Plant and machinery	17,715	14,639	3,076		Written off	
	24	4	20	25	Tender	Merit packaging Limited
	57	38	19	50	Negotiation	Tritex Cotton Mills Limited
	17,796	14,681	3,115	75		
Power and other installations	22	15	7	500	Tender	Paramount Tobacco Company (Private) Limited
Vehicles	15	9	6	102	Tender	Mr. AbdulHasnat
	36	22	14	251	Tender	Mr. Abrar Baig
	29	10	19	127	Tender	Mr. Arif Hafeez
	267	198	69	670	Tender	Cyber Internet Services (Private) Limited
	47	38	9	35	Tender	Mr. Farhan Samiuddin
	15	9	6	80	Tender	Mr. Iqbal Rasheed
	18	13	5	130	Tender	Mr. Kamal Kaleem
	27	18	9	125	Tender	Mr. M. Munir
	55	46	9	16	Tender	Mr. Mohammad Idrees
	33	12	21	21	Tender	Mr. Mohammad Imran Anwar
	23	11	12	118	Tender	Mr. Mohammad Javed
	34	7	27	252	Tender	Mr. Mohammad Taimur
	47	38	9	13	Tender	Mr. Sajid Iqbal
	41	15	26	314	Tender	Mr. Shameem Ahmed
	41	20	21	295	Tender	Mr. Syed Hasnani
	20	10	10	144	Tender	Mr. Syed Kashif Zamir
206	172	34	185	Tender	Mr, Syed Taqi Mehdi	
34	29	5	36	Tender	Mr. Zafar Ahmed	
249	92	157	572	Insurance Claim	Century Insurance Company Limited	

	30	15	15	290 Negotiation	Reliance Chemical (Private) Limited
	59	39	20	19 Employee Scheme	Mr. Dawood Usman (Employee)
	59	39	20	19 Employee Scheme	Mr. Farooq Gitali (Employee)
	62	41	21	20 Employee Scheme	Mr. Hanif Suleman (Employee)
	62	41	21	20 Employee Scheme	Mr. Mohammad Anwar (Employee)
	62	41	21	20 Employee Scheme	Mr. Mohammad Imran (Employee)
	294		294	600 Employee Scheme	Mr. Mohammad Suleman (Employee)
	14	8	6	65 Employee Scheme	Mr. Sher Jan Khan (Employee)
Items with written down value below Rs. 5,000 each	156	114	42	1,567 Various	
	2,035	1,107	928	6,106	
	<b>19,853</b>	<b>15,803</b>	<b>4,050</b>	<b>6,681</b>	

	NOTE	2002 (Rupees in '000)	2001
3.5 Capital work in progress			
Civil works		3,392	11,011
Plant and machinery		31,695	33,041
Power and other installations		2,974	2,688
Furniture, fixtures and equipment		13,435	89
		<b>51,496</b>	<b>46,829</b>

#### 4. LONG TERM INVESTMENT

This represents the cost of 103 (2001: 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, 2002 amounted to Rs. 10 (2001: Rs. 10) per share.

#### 5. LONG TERM LOANS-CONSIDERED GOOD

	NOTE	2002 (Rupees in '000)	2001
Secured			
Loans to executives		1,402	465
Receivable within one year	10	(368)	(207)
		<b>1,034</b>	<b>258</b>
Outstanding for periods			
- less than three year		1,034	258
- three years and more		-	-
		<b>1,034</b>	<b>258</b>

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

The maximum aggregate amount of loans due from Executive at the end of any month during the year was Rs. 1.4 million (2001: Rs. 0.9 million)



**LONG TERM DEPOSITS AND PREPAYMENTS**

Security deposits	46,982	41,713
Prepayments	141	456
	<b>47,123</b>	<b>42,169</b>

**2,002**  
**(Rupees in '000)**

**2,001**

NOTE

**7. STORES AND SPARES**

Stores	<b>5,849</b>	<b>6,557</b>
Spares (including in transit Rs. 2.1 million; 2001: Rs. 1.3 million)	81,290	95,703
	<b>87,139</b>	<b>102,260</b>

**8. STOCK IN TRADE**

Raw and packing materials (including in transit Rs. 128.7 million; 2001 : Rs. 191.7 million)	1,037,550	1,461,588
Work in process	17,311	19,415
Finished goods	216,647	140,659
	<b>1,271,508</b>	<b>1,621,662</b>

8.1 Stock-in-trade amounting to Rs. 19.4 million (2001 : Rs. 34.4 million) were held by Paramount Tobacco Company (Private) Limited and Ambar Tobacco Company. (Private) Limited who manufacture cigarettes for the company under toll manufacturing agreements.

**9. TRADE DEBTS - CONSIDERED GOOD**

Secured	13,982	36,874
Unsecured	57,294	81,310
	<b>71,276</b>	<b>118,184</b>

**10. LOANS AND ADVANCES**

Secured			
Loans due from executives	5	<b>368</b>	<b>207</b>
Unsecured			
Advances to			
Executives	10.1	8,092	8,733
Employees		283	143
		<b>8,375</b>	<b>8,876</b>
Suppliers and contractors		7,597	2,117
		15,972	10,993
		<b>16,340</b>	<b>11,200</b>

10.1 The maximum aggregate balance of advances due from Executives at the end of any month during the year was Rs. 10.5 million (2001: Rs. 10.4 million).

NOTE

2002

2001

(Rupees in '000)

### 11. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Security deposits		6,131	8,233
Prepayments		96,453	75,312
Current account balances with statutory authorities		3,477	2,442
Sales tax refundable	11.1	2,111	19,872
Export rebate receivable		2,747	
Profit receivable on short-term deposits		<b>6,525</b>	<b>681</b>
Due from associated undertakings			
- Insurance claim		8,519	-
- Others		817	1,574
	11.2	9,336	1,574
Others		1,253	2,061
		<b>128,033</b>	<b>110,175</b>

11.1 This amount is net of provision for doubtful receivable amounting to Rs. 18.6 million (2001: Rs.Nil).

11.2 The maximum aggregate amount due from associated undertakings at the end of any month during the year was Rs.9.3 million (2001: Rs. 2.2. million).

### 12. CASH AND BANK BALANCES

With banks			
- on deposit accounts		835,000	-
- on saving accounts		108,884	3,424
- on current accounts	12.1	96,942	14,883
		1,040,826	18,307
Cash in hand		1,566	1,116
		<b>1,042,392</b>	<b>19,423</b>

12.1 This includes foreign currency account balances amounting to Rs. 01. million (2001 : Rs. 01 million).

### 13. SHORT TERM FINANCES - SECURED

Running finances utilised under			
mark up arrangements	13.1	41	356,279
Export refinance	13.2	-	40,000
		<b>41</b>	<b>396,279</b>

13.1 The facility for running finances available from various banks amounted to Rs. 2,673.5 million (2001:

Rs. 2,863.5 million). The rates of mark-up range from Re 0.287 to Re 0.493 per Rs. 1,000 per day (2001: Re 0.34 to Re 0.49 per Rs. 1,000 per day). The purchase prices are payable on various dates by June 30, 2003. These arrangements are secured against joint hypothecation of tobacco, other raw materials, finished goods and personal guarantee of Directors.

13.2 Export refinance has been obtained under State Bank of Pakistan Export Refinance Scheme. This finance carries mark-up charges at 7% per annum and is secured against joint registered pari passu hypothecation of the Company's stocks. Sanctioned limit is Rs. 40.0 million (2001: Rs. 76.5 million).

	NOTE	2002 (Rupees in '000)	2001
<b>14. CREDITORS, ACCRUED AND OTHER LIABILITIES</b>			
Creditors			
Associated companies		3,890	5,903
Others		225,127	213,984
		<b>229,017</b>	<b>219,887</b>
Bills payable			
Bills payable		104,168	50,794
Royalty payable to an associated company		19,395	17,474
Accrued expenses		127,981	154,468
Mark up accrued on secured finances		4,692	18,073
Security deposits	14.1	2,691	2,924
Contractors' retention money		4,050	3,723
Advances from customers		51,038	12,978
Tobacco development cess	14.2 & 14.5	162,093	139,500
Tobacco excise duty	14.3 & 14.5	212,483	131,561
Tobacco cess		2,709	3,093
Sales tax	14.4	343,147	34,142
Workers' profit participation fund	14.6	57,662	32,453
Workers' welfare fund		22,278	11,535
Provident fund trust		652	2,344
Others		1,880	2,454
		<b>1,345,936</b>	<b>837,403</b>

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

14.2. With effect from July 1, 1999, the Tobacco Development Cess had been levied on the purchases of tobacco leaf. The Company has filed a constitutional petition in the Supreme Court against the levy which is currently pending for adjudication. Meanwhile, the Company is making a monthly payment of Rs. 2.5 million under protest. Pending outcome of the matter, the Company has made the above provision.

14.3 The Collectorate of Sales Tax and Central Excise (Adjudication) has issued show cause notices on various dates alleging payment of tobacco excise duty by the Company at rates lower than those notified by the Government. The Company has filed appeal against the claim raised by the authorities. Pending outcome of the matter, the Company has made a provision for the amount of differential of tobacco excise duty calculated at the notified rates upto June 30, 2002.

14.4 The Collectorate of Sales Tax and Central Excise (Adjudication) has issued a demand notice for an aggregate amount of Rs. 204.5 million on account of short payment of sales tax on cigarettes manufactured by toll manufacturers. In addition, certain other demand notices have also been issued aggregating to Rs. 2.8 million. The Company has filed appeals before the Customs, Excise & Sales Tax Appellate Tribunal against the above demands raised by the authorities which are currently pending for adjudication. Pending outcome of the matter, the Company has made the above provision in respect of these demands.

	NOTE	Tobacco development cess  (Rupees '000)	Tobacco excise duty
14.5 Movement of provision			
Balance as at July 1		139,500	131,561
Provision for the year		55,323	80,922
		<b>194,823</b>	<b>212,483</b>
Less : Payments made during the year	14.2	(32,730)	-
		<b>162,093</b>	<b>212,483</b>
		2,002	2,001
14.6 Workers' profit participation fund		<b>(Rupees '000)</b>	
Balance as at July 1		<b>32,453</b>	<b>38,156</b>
Interest on funds utilised in the company's business	26	948	3,184
		33,401	41,340
Less : Paid to the fund		33,401	41,340
Allocation for the year	27	57,662	32,453
		<b>57,662</b>	<b>32,453</b>
		<b>2,002</b>	<b>2,001</b>
		<b>(Rupees in '000)</b>	
<b>15. DIVIDENDS</b>			
Unclaimed		5,879	4,793
Proposed - final		302,913	196,002
		<b>308,792</b>	<b>200,795</b>
<b>16. SHARE CAPITAL</b>			
Authorised capital			
45,000,000	Ordinary shares of Rs. 10 each	<b>450,000</b>	<b>450,000</b>
<b>Issued, subscribed and paid-up capital</b>			
5,541,429	Ordinary shares of Rs. 10 each fully paid in cash.	55,414	55,414
21,779,343	Ordinary shares of Rs. 10 each issued as bonus shares	217,793	217,793
8,316,000	Ordinary shares of Rs. 10 each issued for consideration other than cash	83,160	83,160
<b>35,636,772</b>		<b>356,367</b>	<b>356,367</b>
<b>17. RESERVES</b>			
Capital reserves for issue of bonus shares			
Balance as at July 1			118,789
Transferred from profit and loss account		71,274	-

	71,274	118,789
Less : Utilised for issue of bonue shares	-	<b>(118,789)</b>
	71,274	-
Revenue reserves - General		
Balance as at July 1	744,993	545,993
Transferred from profit and loss account	303,007	199,000
	1,048,000	744,993
	<b>1,119,274</b>	<b>744,993</b>

#### 18. 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.

#### 19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The Company has entered into lease agreements with various leasing companies for lease of plant and machinery, motor vehicles and EDP equipment. The liabilities under these agreements are payable by the year 2007 and are subject to finance charge at rates ranging from 14 to 22 percent per annum. Additional charge ranging from 1 to 3 percent is also leviable on overdue rentals.

**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.

The amount of future payments for the finance lease and the period in which these payments will become due are as follows:

	2002	2001
	(Rupees in '000)	
Year		
2001-2002	-	101,993
2002-2003	101,429	84,166
2003-2004	87,407	77,717
2004-2005	52,464	30,673
2005-2006	44,795	35,133
2006-2007	53,871	-
	<b>339,966</b>	<b>329,682</b>
Less : Finance charge not due	(70,331)	(74,544)
	<b>269,635</b>	<b>255,138</b>
Less : Current maturity shown under current liabilities	(74,137)	(69,553)
	<b>195,498</b>	<b>185,585</b>

## 20. DEFERRED TAXATION

This is composed of the following:

Deferred liability arising in respect of  
tax depreciation allowances and finance leases

2002  
(Rupees in '000)

2001

Deferred asset in respect of short term provisions

<b>85,944</b>	<b>91,032</b>
3,344	3,332
<b>82,600</b>	<b>87,700</b>

## 21. CONTINGENCIES AND COMMITMENTS

### 21.1 Contingencies

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. 54.9 million (2001:

Rs. 72.2 million).

### 21.2 Commitments

Capital expenditure contracted for but not incurred

<b>62,625</b>	<b>81,571</b>
---------------	---------------

Rentals under operating lease agreements in respect of vehicles amounting to Rs. 66,322 thousand (2001: Rs. 68,439 thousand) are payable over the next five years as under:

Year	(Rupees '000)
2002-2003	31,071
2003-2004	21,293
2004-2005	7,489
2005-2006	4,212
2006-2007	2,257
	<b>66,322</b>

## COST OF GOODS SOLD

Raw material consumed

Opening stock

Purchases, redrying and related expenses

NOTE

2002  
(Rupees in '000)

2001

1,461,588	1,081,986
22.1 3,851,462	4,656,054

		<b>5,313,050</b>	<b>5,738,040</b>
Closing stock		(1,037,550)	(1,461,588)
		<b>4,275,500</b>	<b>4,276,452</b>
Excise duties and other levies		9,347,880	8,888,422
Manufacturing expenses	22.2	456,819	465,463
		<b>14,080,199</b>	<b>13,630,337</b>
Work in process			
Opening stock		<b>19,415</b>	<b>17,575</b>
Closing stock		(17,311)	(19,415)
Sale of waste		(5,340)	(6,734)
		<b>(22,651)</b>	<b>(26,149)</b>
		(3,236)	(8,574)
Cost of goods manufactured		<b>14,076,963</b>	<b>13,621,763</b>
Finished goods			
Opening stock		140,659	103,515
Purchases		3,172	-
		<b>143,831</b>	<b>103,515</b>
Closing stock		(216,647)	(140,659)
		(72,816)	(37,144)
		<b>14,004,147</b>	<b>13,584,619</b>
22.1 Purchases, redrying and related expenses			
Raw and packing material		<b>3,645,194</b>	<b>4,407,188</b>
Salaries, wages and other benefits	22.1.1	83,601	87,351
Stores and spares consumed		10,220	15,870
Fuel and power		35,640	54,621
Rent, rates and taxes		70	48
Freight and stacking		31,176	41,229
Printing and stationery		414	516
Depreciation	3.2	32,451	34,207
Other expenses		12,696	15,024
		206,268	248,866
		<b>3,851,462</b>	<b>4,656,054</b>

22.1.1 This includes employees' retirement benefits amounting to Rs. 1.7 million (2001: Rs. 1.6 million),

	NOTE	2002	2001
		(Rupees in '000)	
<b>24. SELLING AND DISTRIBUTION EXPENSES</b>			
Salaries, allowances and other benefits	24.1	80,712	76,248

Travelling expenses		27,814	27,911
Marketing expenses		545,902	650,247
Vehicle running expenses		47,009	48,892
Freight and octroi expenses		58,369	54,331
Rent, rates and taxes		8,073	7,361
Rental of leased assets		18,396	21,610
Insurance		396	180
Postage, telegram and telephone		8,918	8,906
Depreciation	3.2	6,330	6,195
Royalty		1,920	1,961
Bad debts		862	-
Other expenses		7,742	6,516
		<b>812,443</b>	<b>910,358</b>

24.1 This includes employees' retirement benefits amounting of Rs. 2.4 million (2001: Rs. 2.1 million).

## 25. OTHER INCOME

Profit on disposal of fixed assets		2,631	2,296
Profit on short term deposits		22,584	6,012
Royalty income		882	818
Others		1,560	617
		<b>27,657</b>	<b>9,743</b>

## 26. FINANCIAL CHARGES

Mark up/interest on :			
Liabilities against assets subject to finance lease		34,236	19,360
Short term running finances		47,284	102,017
Export refinance		356	3,682
Workers' profit participation fund	14.6	948	3,184
Security deposits		42	50
Bank commission and other charges		4,340	4,963
		<b>87,206</b>	<b>133,256</b>

## 27. OTHER CHARGES

Workers' profit participation fund	14.6	57,662	32,453
Workers' welfare fund		21,719	8,649
Auditors' remuneration	27.1	300	300
Donations	27.2	2,553	398
		<b>82,234</b>	<b>41,800</b>

## 27.1 Auditors' remuneration

	Ebrahim & Co.	A.F. Ferguson & Co.	2002	2001
			(Rupees in '000)	
<b>Audit fee</b>	150	150	300	300



27.2 This includes a donation of Rs. 1.0 million to the Lakson Medical Trust Complex, in which the Chief Executive, Mr. Iqbalali Lakhani, is a Trustee. Besides this none of the Directors and their spouses have any interest in any donee fund to which donations have been made.

	NOTE	2002 (Rupees in '000)	2001
<b>28. TAXATION</b>			
Current - for the year	28.1	376,000	189,600
- for prior years (net)		(47,006)	6,606
Deferred		(5,100)	14,000
		<b>323,894</b>	<b>210,206</b>
28.1 Relationship between tax expense and accounting profit			
Accounting profit before tax		1,072,917	
Tax rate		0	
Tax on accounting profit		375,521	
Deferred tax reversal		<b>5,100</b>	
Tax effect of differences relating to			
- excess perquisites		105	
- depreciation charged in the accounts on leasehold land		2	
- others		367	
Effect of applicability of lower tax rates on certain income		<b>(5,095)</b>	
Tax expense for the current year		<b>376,000</b>	
<b>29. EARNINGS PER SHARE</b>			
Profit for the year after taxation		<b>749,023</b>	<b>394,708</b>
Average issued ordinary shares		35,636,772	35,636,772
Earnings per share		Rupees 21	11

30. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives		To
	2002	2001	2002	2001	2002	2001	2002
	(Rupees in thousands)						
Remuneration	3,000	3,000	1,454	1,424	60,578	56,068	
House rent	-	-	516	492	23,583	20,732	
Bonus	-	.	243	235	9,111	8,280	
Provident fund		.	132	127	4,973	4,425	
Motor vehicle expenses	310	338	101	100	4,881	5,215	
Utilities	158	358	145	141	2,926	2,375	
Others	-	-	121	-	3,271	.	
	<b>3,468</b>	<b>3,696</b>	<b>2,712</b>	<b>2,519</b>	<b>109,323</b>	<b>97,095</b>	

Number of persons	1	1	2	2	282	275
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In addition, the Chief Executive, Directors and some Executives are provided with free use of Company maintained cars.

	NOTE	2002 (Rupees in '000)	2001
<b>31. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS</b>			
Sale of goods and services	31.1	3,267	2,143
Purchase of goods and services		364,279	313,704
Royalty charges		1,920	1,961
Rent and allied expenses		<b>9,911</b>	<b>12,443</b>

31.1 This amount includes disposal of fixed assets having written down value of Rs. 0.108 million disposed of Rs. 0.745 million.

31.2 Sale 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.

	2002	2001
	Number of cigarettes In millions	
Installed capacity	<b>34,800</b>	<b>34,740</b>
Actual production		
Company	28,127	28,673
Contracted	1,877	2,116
	<b>30,004</b>	<b>30,789</b>
Number of shifts per day	Two and a half shifts	Two and a half shifts

Actual production was sufficient to meet the demand.

	NOTE	2002 (Rupees in '000)	2001
<b>33. CASH GENERATED FROM OPERATIONS</b>			
Profit before taxation		<b>1,072,917</b>	<b>604,914</b>

Adjustments for non cash charges and other items:

Depreciation		116,882	126,109
Profit on disposal of fixed assets		(2,631)	(2,296)
Income from short term deposits		(22,584)	(6,012)
Financial charges		81,918	125,109
Working capital changes	33.1	916,943	(261,904)
		<b>2,163,445</b>	<b>585,920</b>

### 33.1 WORKING CAPITAL CHANGES

(Increase) / decrease in current assets

Stores and spares		15,121	(5,962)
Stock in trade		350,154	(418,586)
Trade debts		46,908	11,740
Loans and advances		(5,140)	(293)
Deposits, prepayments and other receivables		(12,014)	(35,466)
		<b>395,029</b>	<b>(448,567)</b>

Increase in current liabilities

Creditors, accrued and other liabilities		521,914	186,663
		<b>916,943</b>	<b>(261,904)</b>

### 34. CASH AND CASH EQUIVALENTS

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

Cash and bank balances	12	1,042,392	19,423
Short term finances	13	(41)	(396,279)
		<b>1,042,351</b>	<b>(376,856)</b>

### 35. FINANCIAL ASSETS AND LIABILITIES

Financial Assets

	Interest/mark-up bearing			Non-interest bearing			Total
	Maturity upto one year	Maturity after one year	sub-total	Maturity upto one year (Rupees'000)	Maturity after one year	sub-total	
Loans to executives	.	.	.	368	1,034	1,402	
Long term deposits	-	-	-	-	46,982	46,982	
Trade debts	-	-	-	71,276	-	71,276	
Deposits and other receivables	-	-	-	25,992	-	25,992	
Cash and bank balances	943,884	-	943,884	98,508	-	98,508	1,042,351
	943,884	-	943,884	196,144	48,016	244,160	1,042,351
2001	3,424	-	3,424	146,939	41,971	188,910	1,042,351

Financial Liabilities

Liabilities against assets subject to finance lease	74,137	195,498	269,635	-	-	-
Short term finances	41	-	41	-	-	-
Creditors, accrued and other liabilities	2,691	-	2,691	491,835	-	491,835
Dividends	-	-	-	308,792	-	308,792
	<b>76,869</b>	<b>195,498</b>	<b>272,367</b>	<b>800,627</b>	<b>-</b>	<b>800,627</b>
2001	<b>468,756</b>	<b>185,585</b>	<b>654,341</b>	<b>474,010</b>	<b>-</b>	<b>474,010</b>

### 35.1 Fair value of financial assets and liabilities

The carrying amounts of the financial assets and liabilities are equal to their fair values.

### 35.2 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. 1,188.0 million, the financial assets which are subject to credit risk are Rs. 1,172.5 million. The Company believes that it is not exposed to major concentration of credit risk.

### 35.3 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulties in raising funds to meet commitments associated with financial instruments. The Company believes that it is not exposed to any significant level of liquidity risk.

### 35.4 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign rates. The Company's exposures to currency risk in respect of financial assets and financial liabilities is Rs. 12.7 million and Rs. 104.2 million respectively.

## 36. NUMBER OF EMPLOYEES

Total number of employees as at June 30, 2002 was 2,428 (2001: 2,522).

## 37. CORRESPONDING FIGURES

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

During the year the Company has adopted recognition and measurement principles specified in International Accounting Standard 39 (IAS 39). This has no material effect on the financial results of the Company for the current or for prior years.

### 38. DATE OF AUTHORISATION

These financial statements were authorised for issue on August 26, 2002 by the Board of Directors of the Company.

#### HELD BY THE SHAREHOLDERS OF LAKSON TOBACCO COMPANY LIMITED AS AT JUNE 30, 2002

No. of Shareholders	Shareholding			Total Shares held
	from	to		
905	1	100	SHARES	24,963
612	101	500	SHARES	159,802
250	501	1,000	SHARES	183,808
260	1,001	5,000	SHARES	543,765
38	5,001	10,000	SHARES	255,619
8	10,001	15,000	SHARES	96,851
4	15,001	20,000	SHARES	73,679
2	30,001	35,000	SHARES	67,808
2	35,001	40,000	SHARES	75,907
1	45,001	50,000	SHARES	45,240
1	75,001	80,000	SHARES	76,230
1	115,001	120,000	SHARES	116,018
1	135,001	140,000	SHARES	138,721
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	285,001	290,000	SHARES	286,300
1	400,001	405,000	SHARES	402,422
1	430,001	435,000	SHARES	430,939
1	605,001	610,000	SHARES	605,853
1	735,001	740,000	SHARES	737,346
2	775,001	780,000	SHARES	1,553,178
1	860,001	865,000	SHARES	861,405
1	875,001	880,000	SHARES	877,865
1	1,015,001	1,020,000	SHARES	1,019,201
1	1,120,001	1,125,000	SHARES	1,120,029
1	1,260,001	1,265,000	SHARES	1,260,096
1	1,445,001	1,450,000	SHARES	1,449,322
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	14,254,703
<b>2,106</b>	Total:-			<b>35,636,772</b>

Categories of Shareholders	Number	Share held	Percentage
Individuals	2,072	9,004,113	25.27

Investment companies	3	11,863	0.03
Insurance companies	6	953,174	2.68
Joint stock companies	16	24,469,741	68.66
Financial institutions	6	1,119,148	3.14
<b>OTHERS</b>			
Charitable Institution	1	45,240	0.13
Government organisations	2	33,493	0.09
Total:-	<b>2,106</b>	<b>35,636,772</b>	<b>100</b>

**IQBALALI LAKHANI**

Chairman & Chief Executive

**TASLEEMUDDIN A. BATLAY**

Director

**DETAILS OF PATTERN OF SHAREHOLDING AS PER  
REQUIREMENTS OF CODE OF CORPORATE GOVERNANCE**

<b>CATEGORIES OF SHAREHOLDERS</b>	<b>NUMBER</b>	<b>NO. OF SHARES HELD</b>
<b>ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTNER</b>		
1. Siza (Private) Limited		5,488,699
2. Siza Services (Pvt) Limited		2,832,516
3. Siza Commodities (Pvt) Limited		430,939
4. Premier Fashions (Pvt) Limited		1,449,322
5. Century Insurance Co. Limited		6,500
	5	10,207,976
<b>NIT/ICP</b>		
1. National Bank of Pakistan, Trustee Deptt.		1,019,201
2. Investment Corp. of Pakistan		18,681
	2	1,037,882
<b>DIRECTORS, CEO, THEIR SPOUSE AND MINOR CHILDREN</b>		
1. Mr. Iqbalali Lakhani - Director/CEO		877,865
Mrs. Ronak Iqbal		778,170
2. Mrs. Amin Mohammed Lakhani - Director		1,260,096
Mrs. Saira Amin		605,853
3. Mr. Tasleemuddin A. Batlay - Director		2,500
4. Mr. Nazir Hussain - Director		2,500
5. Mr. Aziz Ebrahim - Director		2,500
6. Mr. Shahid Ahmed Khan - Director		2,500

7. Mr. Ramzan Ali Halani - Director / Co. Secretary		2,500
8. Mr. Mansoor Ahmed - Director		2,525
9. Mr. M.K. Nawaz - Director		2,506
10. Mr. E.A. Nomani - Director		1
	10	3,539,516

Balance Sheet as at June 30, 2002

	<b>June 30, 2002 Rupees</b>	<b>June 30, 2001 Rupees</b>
<b>CAPITAL AND LIABILITIES</b>		
<b>AUTHORISED CAPITAL</b>		
1,000,000 ordinary shares of Rs.10 each	<u>10,000,000</u>	<u>10,000,000</u>
<b>ISSUED TO PAID UP CAPITAL</b>		
103 ordinary shares of Rs.10 each fully paid up	1,030	1,030
<b>Total Rupees</b>	1,030	1,030
<b>PROPERTY AND ASSETS</b>		
<b>CASH AND BANK BALANCES</b>		
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, 2001 to June 30, 2002.

Auditors' Report to the Members

We have audited the annexed Balance Sheet of Premier Tobacco Company (Pvt) Limited as at June 30, 2002 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, 2002 ; and

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

**HYDER BHIMJI & CO.**

Chartered Accountants

**Karachi: August 15, 2002**

**Financial Highlights**

	(Rs. in thousand except last five items)					
	June 30, 2002	June 30, 2001	June 30, 2000	June 30, 1999	June 30, 1998	June 30, 1997
Share capital	356,367	356,367	237,578	215,980	196,345	163,621
Reserves & surplus	1,171,333	796,497	716,580	501,104	431,065	388,077
Share holders' equity	1,527,700	1,152,864	954,158	717,084	627,410	551,698
Redeemable capital and liabilities against assets subject to lease finance	269,635	255,138	142,968	242,329	577,126	213,383
Deferred liabilities	82,600	87,700	73,700	49,700	26,700	22,466
<b>TOTAL CAPITAL EMPLOYED</b>	<b>1,879,935</b>	<b>1,495,702</b>	<b>1,170,826</b>	<b>1,009,113</b>	<b>1,231,236</b>	<b>787,547</b>



Fixed assets - NET	969,418	945,592	897,972	764,715	686,363	510,901
Long - term investment	1	1	1	1	1	1
Long-term deposits & prepayments	48,157	42,427	28,163	39,345	42,785	30,129
Working capital	862,359	507,682	244,690	205,052	502,087	246,516
TOTAL ASSETS	1,879,935	1,495,702	1,170,826	1,009,113	1,231,236	787,547

Turnover	16,237,960	15,466,198	14,730,137	14,073,173	12,195,166	6,697,980
Profit before tax	1,072,917	604,914	710,484	349,221	228,566	129,792
Profit after tax & adjustment	749,023	394,708	474,653	180,385	150,324	89,758
Dividend declared (cash)	374,187	196,002	237,579	90,712	74,612	68,721
Bonus shares	71,274	-	118,789	21,598	19,634	32,724

Break-up value of shares (inclusive of fixed assets revaluation)	42.87	32.35	40.16	33.20	31.95	33.72
Break-up value of shares (excluding fixed assets revaluation)	41.44	30.92	38.01	30.84	29.35	30.60
Dividend (rupees per share)	10.50	5.50	10.00	4.20	3.80	4.20
Bonus shares	1:5		1 :2	1:10	1:10	1:5
Net earning per share	21.02	11.08	13.32	8.35	7.66	5.49