

**Lakson Tobacco Company Limited**  
**Annual Report 1998**

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**Company Information**

**BOARD OF DIRECTORS**

IQBALALI LAKHANI	(Chairman & Chief Executive)
AMIN MOHAMMED LAKHANI	
CHRISTOPHER DENNIS TOMKINSON	(upto October 06, 1998)
PETER GEORGE GREGORY	(upto October 06, 1998)
ROBERT GORDON BARRIE	
ROBIN NICHOLAS WOOD	
E.A. NOMANI	
HASANALI H. MERCHANT	
TASLEEMUDDIN AHMED BATLAY	
AZIZ EBRAHIM	
A.K.M. SAYEED	
RAMZANALI HALANI	
M.K. NAWAZ	

**ADVISOR**

SULTANALI LAKHANI

**COMPANY SECRETARY**

RAM7ANALI HALANI

**AUDITORS**

EBRAHIM & CO.

Chartered Accountants

A.F. FERGUSON & 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. QADIRABAD

DISTT. SAHIWAL

4. VILLAGE: MANDRA

TEH: GUJAR KHAN

DISTT. RAWALPINDI

5. ISMAILA

DISTT. SWABI

**Notice of Meeting**

NOTICE IS HEREBY GIVEN that the 29th Annual General Meeting of Lakson Tobacco Company Limited will be held at Avari Renaissance Towers Hotel, Fatima Jinnah Road, Karachi on Thursday, December 17, 1998 at 4.30 p.m. to transact the following business:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the audited Balance Sheet and Profit & Loss Account for the year ended

June 30, 1998 together with the Directors' and Auditors' Reports thereon.

2. To declare final dividend in cash @ 19% and by way of issue of fully paid bonus shares @ 10% as recommended by the Board of Directors.

3. To consider to appoint auditors and fix their remuneration.

#### **SPECIAL BUSINESS**

4. To consider, subject to declaration of the final dividend as above, to capitalise a sum of Rs. 19,634,580/- by way of issue of 1,963,458 fully paid bonus shares of Rs. 10/- each and if thought fit to pass an ordinary resolution in the matter.

The statement under section 160 of the Companies Ordinance, 1984 and the draft of the ordinary resolution to be passed in the above matter are annexed.

By order of the Board

RAMZANALI HALANI  
Director/Company Secretary

Karachi: November 16, 1998

#### **NOTES:**

1. The share transfer books of the Company will remain closed from December 09, 1998 to December 17, 1998 both days inclusive. Transfers received in order at the Company's registered office situated at Lakson Square, Building No. 2, Sarwar Shaheed Road, Karachi, upto December 08, 1998 will be considered in time for entitlement of the dividend and issue of bonus shares to the transferees.

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

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

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

5. A form of proxy is enclosed herewith.

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

The Board of Directors has recommended to the members of the Company to declare final cash dividend @ 19% and by way of issue of fully paid bonus shares @ 10% and thereby capitalise a sum of Rs. 19,634,580/- which has been transferred to 'reserve for issue of bonus shares' out of the profit for the year ended June 30, 1998. Subject to approval of the Board of Directors' recommendation as above,

the resolution as under will be considered to be passed by the members as an ordinary resolution:

**"RESOLVED THAT:**

i) a sum of Rs. 19,634,580/- out of the 'reserve for issue of bonus shares' be capitalised and applied in making payment in full of 1,963,458 ordinary shares of Rs. 10/- each and that the said shares be allotted as fully paid up bonus shares to those members of the Company whose names appear in the register of members on December 17, 1998 @ 10% i.e. in the proportion of ONE share for every TEN 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, 1998;

ii) in the event of any member holding less than ten shares or a number of shares which is not an exact multiple of TEN, 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 hereby authorised to take all necessary steps in the matter and to settle any question or difficulties that may arise in regard to the distribution of the said new shares as they think fit."

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

**Directors' Report**

The Directors of your Company take pleasure in presenting the twenty ninth annual report and audited accounts for the year ended June 30, 1998.

	<b>1998</b>	<b>1997</b>
	<b>(Rupees 000's)</b>	
Profit before taxation	228,566	129,792
Taxation	78,242	40,034
	-----	-----
Profit after taxation	150,324	89,758
Un-appropriated profit brought forward	268	60,633
Amount transferred from capital reserve	--	4,322
	-----	-----
	150,592	154,713

Appropriations:

Interim dividend @ Rs. 1.90 (1997: Rs. 1.70) per ordinary share of Rs. 10/- each	37,306	27,816
Proposed cash dividend @ Rs. 1.90 (1997: Rs.. 2.50) per ordinary share of Rs. 10/- each	37,306	40,905
	-----	-----
	74,612	68,721
Transfer to reserve for proposed issue of bonus shares in ratio of one share for every ten shares (1997: one share for every five shares)	19,634	32,724
Transfer to general reserve	56,000	53,000
	-----	-----
	150,246	154,445
	-----	-----
Un-appropriated profit carried forward	346	268
	=====	=====

#### **BOARD OF DIRECTORS**

On the resignations of M/s. Peter George Gregory and Christopher Dennis Tomkinson from the directorship of the Company, M/s. Robert Gordon Berrie and Robin Nicholas Wood were co-opted in their place as nominee directors of Rothmans of Pall Mall (International) Limited on the Board.

The Board greatly appreciates and records the services rendered by M/s. Peter George Gregory and Christopher Dennis Tomkinson during their tenure and welcomes M/s. Robert Gordon Berrie and Robin Nicholas Wood on the Board.

#### **OPERATING RESULTS**

The Company continued to maintain growth momentum during the year under review, both in turnover and profit. Sales turnover reached Rs. 12.2 billion reflecting the merger of Premier Tobacco Industries Limited (PTI) into Lakson Tobacco Company Limited (LTC) with effect from January 1, 1997, an increase of 19.9% or Rs. 2.0 billion as compared to combined sales revenue, including those of the first half of the 1996/97 year of PTI, of Rs. 10.2 billion during the prior year period.

Profit after taxation was Rs. 150 million as compared to last year's combined net profit of LTC and PTI of Rs. 132 million, an increase of 14%.

Your Company's contribution to the national exchequer in the shape of excise duties and sales tax rose to Rs. 7,657 million as compared to combined figures of LTC and PTI of Rs. 6,674 million for previous year. The component of excise duty and sales tax paid during the period was equivalent to 63.6% of domestic sales turnover for cigarettes.

## **LEAF TOBACCO**

Due to unfavourable weather conditions prior to harvesting the 1997 tobacco crop, the resulting quantity of tobacco declined versus the prior crop and all varieties of tobacco fell short of the industry's requirement. However, your Company was able to buy the required quantity, albeit at substantially increased prices.

## **FUTURE OUTLOOK**

The Economic Co-ordination Committee of the Cabinet decided to increase the support price of tobacco to offer better prices to growers. An increasingly challenging socio-economic environment of the business is foreseen due to the deteriorating foreign exchange situation since mid-1998. This will inevitably increase the cost of inputs. Production and sales may suffer due to delays or refusal within the banking system in establishing letters of credit.

The financial and economic environment of Pakistan has undergone substantial adverse changes, including deposit requirements of 30% L/C margin and increased mark-up rates by almost all banks of 1 to 2%. Your Company will continue its attempts to maintain profitability and performance in this difficult business environment.

## **YEAR 2000 COMPLIANCE OF COMPUTER SYSTEMS**

Your Company takes the Year 2000 issue very seriously and it has had a Year 2000 program since 1996. This work is supervised by a program steering committee comprising of our Information Technology staff and departmental co-ordinators selected from each department of the Company. The committee is chaired by the Director of Information Technology.

As a result of this co-ordinated approach, the Year 2000 issue has already been addressed in major areas of the Company, with the remaining work expected to be completed by the end of the current Year.

## **SOCIAL SERVICE**

Your Company's commitment to the community in the area of social services remains a high priority. Your Company continues to play a leading role in social services against blindness by holding free eye camps. This year free eye camps were held with the support of leading eye specialists in different parts of the country, particularly in the tobacco growing Mardan area.

## **APPRECIATION**

The Directors wish to place on record their appreciation of the sincere and dedicated services and contribution rendered by all employees, at all levels, and for the constructive co-operation extended by them in ensuring the high levels of performance and growth that your Company has achieved during the year. The Board of Directors also thank, on behalf of the Company, the banks and financial institutions used by the Company for their continued support and co-operation.

## **PATTERN OF SHAREHOLDING**

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

## **AUDITORS**

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

On behalf of the Board of Directors

**IQBALALI LAKHANI**

Karachi: November 06, 1998

Chairman

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

We have audited the annexed Balance Sheet of LAKSON TOBACCO COMPANY LIMITED as at June 30, 1998 and the related Profit and Loss Account and Statement of Sources and Application of Funds, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

i) the Balance Sheet and Profit and Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of 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 and the Statement of Sources and Application of Funds together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 1998 and of the profit and the changes in sources and application of funds for the year then ended; and

d) in our opinion, zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

EBRAHIM & CO.  
Chartered Accountants

A.F. FERGUSON & CO.  
Chartered Accountants

Karachi: Dated: November 16, 1998

**Balance Sheet as at June 30, 1998**

	NOTE	1998 (Rupees 000's)	1997
<b>TANGIBLE FIXED ASSETS</b>			
Operating assets	3	457,777	355,915
Capital work-in-progress	4	228,586	154,986
		-----	-----
		686,363	510,901
<b>LONGTERM INVESTMENT</b>			
	5	1	1
<b>LONGTERM LOANS</b>			
	6	647	907
<b>LONGTERM DEPOSITS AND PREPAYMENTS</b>			
	7	42,138	29,222
<b>CURRENT ASSETS</b>			
Stores and spares	8	85,094	73,031
Stock in trade	9	8,841,321	717,453
Trade debts	10	505,001	23,809
Loans and advances	11	421,571	29,247
Deposits, prepayments and other receivables	12	378,101	56,073
Cash and bank balances	13	1,402,931	19,858
		-----	-----
		239,986	919,471
<b>Less: CURRENT LIABILITIES</b>			
Current portion of liabilities against assets subject to finance leases	21	79,509	54,230
Short term redeemable capital	14	300,000	--
Short term finances	15	2,403,341	172,376
Creditors, accrued and other liabilities	16	4,202,151	430,195
Dividends	17	773,501	70,459
		-----	-----
		1,117,408	727,260
<b>NET CURRENT ASSETS</b>			
		-----	-----
		122,578	192,211
		-----	-----
		851,727	733,242
		=====	=====



**FINANCED BY:**

<b>SHARE CAPITAL</b>	18	196,345	163,621
<b>RESERVES</b>	19	379,627	336,717
<b>UNAPPROPRIATED PROFIT</b>		346	268
		-----	-----
<b>SHAREHOLDERS EQUITY</b>		576,318	500,606
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>	20	51,092	51,092
<b>LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES</b>	21	197,617	159,078
<b>DEFERRED TAXATION</b>		26,700	22,466
<b>CONTINGENCIES AND COMMITMENTS</b>	22		
		-----	-----
		851,727	733,242
		=====	=====

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

**Profit & Loss Account  
FOR THE YEAR ENDED JUNE 30, 1998**

	NOTE	1998 (Rupees 000's)	1997
Sales		12,195,166	6,697,980
Cost of goods sold	23	11,070,555	6,059,147
		-----	-----
Gross profit		1,124,611	638,833
		-----	-----
Establishment expenses	24	145,641	108,113
Selling and distribution expenses	25	655,381	361,653
		-----	-----
		801,022	469,766
		-----	-----
Operating profit		323,589	169,067
Other income	26	14,865	17,919
		-----	-----
		338,454	186,986
		-----	-----

Financial charges	27	92,247	47,463
Other charges	28	17,641	9,731
		-----	-----
		109,888	57,194
		-----	-----
Profit before taxation		228,566	129,792
Taxation	29	78,242	40,034
		-----	-----
Profit after taxation		150,324	89,758
Unappropriated profit brought forward		268	60,633
		-----	-----
Profit available for appropriation		150,592	150,391
Transfer from capital reserve		--	4,322
		-----	-----
Balance available for appropriation		150,592	154,713
Appropriations:			
Proposed dividend			
-Interim @19% (1997: 17%)		37,306	27,816
-Final @19% (1997: 25%)		37,306	40,905
		-----	-----
		74,612	68,721
Reserve for proposed issue of bonus shares @10% (1997: 20%)		19,634	32,724
Transfer to general reserve		56,000	53,000
		-----	-----
		150,246	154,445
		-----	-----
Unappropriated profit carried forward		346	268
		=====	=====

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

**Statement of Sources and Application of Funds (Cash Flow Statement)  
FOR THE YEAR ENDED JUNE 30, 1998**

NOTE	1998 (Rupees 000's)	1997
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		

Cash generated from operations	33	142,066	409,503
Profit paid on term finance certificates		--	(8,916)
Mark-up paid on short term running finances		(34,283)	(16,364)
Mark-up paid on export refinance		(2,292)	(4,314)
Interest paid on security deposits		(74)	(74)
Payment of finance charges on liabilities against assets subject to finance leases		(38,665)	(13,568)
Taxes paid		(80,662)	(51,147)
Long term loans		260	(802)
Long - term deposits and prepayments (net)		(12,916)	(11,103)
		-----	-----
<b>Net cash (outflow)/inflow from operating activities</b>		(26,566)	303,215
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(99,283)	(42,831)
Proceeds against disposal of fixed assets		4,682	5,969
Income received from short-term deposits and investments		5,677	13,093
		-----	-----
<b>Net cash (outflow) from investing activities</b>		(88,924)	(23,769)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Repayment of liabilities against assets subject to finance leases		(63,012)	(24,993)
Short term redeemable capital		300,000	--
Repayment of short term redeemable capital		--	(75,000)
Dividends paid		(67,721)	(14,854)
		-----	-----
<b>Net cash inflow/(outflow) from financing activities</b>		169,267	(114,847)
		-----	-----
Net increase in cash and cash equivalents		53,777	164,599
Cash and cash equivalents at beginning of the year		(152,518)	(317,117)
Effect of exchange rate changes		(1,300)	--
		-----	-----
Cash and cash equivalents at end of the year	34	(100,041)	(152,518)
		=====	=====

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

**Notes to the Accounts  
FOR THE YEAR ENDED JUNE 30, 1998**

## **1. NATURE AND STATUS OF BUSINESS**

1.1 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.

1.2 The corresponding figures given in these accounts are in respect of activities of former Premier Tobacco Industries Limited for the six months from January 01 to June 30, 1997 and of Lakson Tobacco Company Limited for the twelve months ended June 30, 1997.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **2.1 Basis of accounting**

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

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

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

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.

### **2.3 Accounting for leases**

The company accounts for plant and machinery and equipment obtained 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 write off the assets over its estimated useful life in view of certainty of the ownership of the assets at the end of the lease.

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

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

#### **2.4 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.

#### **2.5 Stock in trade**

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

Average cost of raw material includes procurement expenses except raw material in bonded warehouse and in transit which are stated at 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 price in the ordinary course of business less cost necessarily to be incurred to make the sale.

#### **2.6 Foreign Currency Translation**

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

#### **2.7 Taxation**

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

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

## 2.8 Staff retirement benefits

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

## 2.9 Revenue recognition

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

## 3. OPERATING ASSETS

### 3.1 Statement of operating assets

Assets Category	Cost/Revaluation				Depreciation				
	as at 01-07-97	Additions	Disposals	Inter-transfers	as at 30-06-98	as at 01-07-97	Charge for the year	On Inter- transfers	On disposals
(Rupees 000's)									
<b>Company owned</b>									
Freehold land	10,254	1,978	--	968	13,200	--	--	--	--
Leasehold land	1,125	--	--	(968)	157	88	6	--	--
Buildings on freehold land	103,812	12,305	--	16,245	132,362	52,957	5,976	8,370	--
Buildings on leasehold land	16,794	--	--	(16,245)	549	8,552	18	(8,370)	--
Plant and machinery	257,269	20,947	(638)	31,500	309,078	164,894	12,364	10,384	(451)
Power and other installations	28,030	6,461	(115)	--	34,376	14,163	1,868	--	(74)
Furniture, fixture and equipment	44,314	11,224	(10)	--	55,528	17,697	4,915	--	(9)
Vehicles	19,245	3,258	(1,907)	--	20,596	11,072	2,107	--	(1,009)
	480,843	56,173	(2,670)	31,500	565,846	269,423	27,254	10,384	(1,543)
<b>Leased</b>									
Plant and machinery	174,560	95,090	--	(31,500)	238,150	31,789	21,675	(10,384)	--
Transportation equipment	2,400	1,250	--	--	3,660	676	595	--	--

	176,960	96,340	--	(31,500)	241,800	32,465	22,270	(10,384)	--
TOTAL 1998	657,803	152,513	(2,670)	--	807,646	301,888	49,524	--	(1,543)
TOTAL 1997	558,703	107,816	(8,716)	--	657,803	276,252	31,609	--	(5,973)

**3.2 Depreciation for the year has been allocated as follows:**

	NOTE	1998 (Rupees 000's)	1997
Purchases, redrying and related expenses	23.1	2,052	1,787
Manufacturing expenses	23.2	38,024	23,203
Establishment expenses	24	7,431	5,367
Selling and distribution expenses	25	2,017	1,252
		-----	-----
		49,524	31,609
		=====	=====

3.3 The company revalued its land, buildings and certain items of plant and machinery in 1978, 1980 and 1984. Consequently, these assets were written up to the extent 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. 20.3 million (1997: Rs. 21.2 million).

3.4 The Company's cigarette factories at Kotri and at Mardan are not operating since June 1988 and July 1991 respectively and Redrying factory at Jehangira is not operating since January 1997. Accordingly, depreciation aggregating to Rs. 13.2 million (1997: Rs. 11.9 million) including Rs. 1.3 million for the current year has not been charged in these accounts. The net book value of fixed assets thus remaining idle at June 30, 1998 amounted to Rs. 25.1 million (1997: Rs. 25.1 million).

**3.5 Details of fixed assets disposed of during the year:**

(Rupees 000's)

Description of Assets	Original cost	Accumulated depreciation	Written down value	Disposal proceeds	Mode of disposal	Name and Addresses
Plant and machinery	461	331	130	1,400	By negotiation	Mr. Jamal Khan Kundi Mardan.
	80	23	57	300	By negotiation	M/s Aafan Enterprises Islamabad.
Items with written down value below Rs. 5,000 each	97	97	--	50		
	638	451	187	1,750		
Power and other installations	115	74	41	250	By negotiation	Ch. Din Mohammed Gujar Khan.
Furniture, fixture and equipment. Items with written down value below Rs. 5,000 value	10	9	1	3		
Vehicles	268	158	110	242	By negotiation	Mr. M. Jawed Karachi.
	150	88	62	82	By negotiation	Mr. Syed Quraish Karachi.
	59	--	59	58	Insurance claim	M/s Century Insurance Karachi.
	268	212	56	240	By negotiation	M/s. Express Distributor Karachi.
	61	12	49	57	Insurance claim	M/s. Century Insurance Karachi.
	61	12	49	56	Insurance claim	M/s. Century Insurance Karachi.
	61	12	49	55	Insurance claim	M/s. Century Insurance Karachi.
	61	12	49	56	Insurance claim	M/s. Century Insurance Karachi.
Vehicles	59	11	48	53	Insurance claim	M/s Century Insurance Karachi.
	59	12	47	56	Insurance claim	M/s Century Insurance Karachi.
	138	93	45	45	By negotiation	Mr. Riaz Khan (Executive) Karachi.
	135	92	43	43	By negotiation	Mr. Bahadur Khan (Executive) Mardan
	59	17	42	50	Insurance claim	M/s Century Insurance Karachi.
	55	30	25	50	Insurance claim	M/s Century Insurance Karachi.
	55	33	22	50	Insurance claim	M/s Century Insurance Karachi.
	47	26	21	37	Insurance claim	M/s Century Insurance Karachi.
	34	20	14	45	Insurance claim	M/s Century Insurance Karachi.
	34	20	14	43	Insurance claim	M/s Century Insurance Karachi.
	16	4	12	103	By negotiation	Mr. M. Munir Karachi.
	34	23	11	11	By negotiation	Mr. M. Ashraf (Employee) Karachi.
	34	23	11	11	By negotiation	Mr. Amjad Markitia (Employee) Karachi.
	19	11	8	144	By negotiation	Mr. Saleem Farhan Karachi.
	19	11	8	149	By negotiation	Mr. S. Malookshah Karachi.



	16	9	7	106	By negotiation	Mr. Liaquat Siddiqi	Karachi.
	16	9	7	103	By negotiation	Mr. Khalid Khan	Karachi.
	14	8	6	123	By negotiation	Mr. Syed Akbar Shah	Karachi.
	14	8	6	124	By negotiation	Mr. Syed Akbar Shah	Karachi.
	14	8	6	122	By negotiation	Mr. Nasir Abdullah	Karachi.
	13	8	5	121	By negotiation	Mr. Furqan Ahmed	Karachi.
Items with written down value below Rs. 5,000 each	34	27	7	244			
	-----	-----	-----				
	1,907	1,009	898	2,679			
	-----	-----	-----				
	2,670	1,543	1,127	4,682			
	=====	=====	=====				

	NOTE	1998 (Rupees 000's)	1997
<b>4. CAPITAL WORK IN PROGRESS</b>			
<b>Company owned</b>			
Civil works		66,841	48,236
Consultancy fee and other reports		2,426	1,141
Plant and machinery	4.1	33,662	13,715
Furniture, fixture and equipment		5,167	1,894
		-----	-----
		108,096	64,986
<b>Leased</b>			
Plant and machinery		119,200	90,000
Transportation equipment		1,290	--
		-----	-----
		120,490	90,000
		-----	-----
		228,586	154,986
		=====	=====

4.1 This includes machine in transit amounting to Rs. 4.9 million ( 1997: Nil).

#### 5. LONGTERM INVESTMENT

This represents the cost of 103 (1997: 103) fully paid ordinary shares of Rs. 10 each in Premier

Tobacco Company (Private) Limited, a wholly owned unquoted subsidiary of the Company. The value of the Company's investment on the basis of net assets of the subsidiary as disclosed in its audited accounts for the year ended June 30, 1998 amounted to Rs. 10 (1997: Rs. 10) per share.

## 6. LONGTERM LOANS

Secured and considered good			
Loans to executives	6.1	907	1,167
Less: Recoverable within one year shown under current assets	11	260	260
		-----	-----
		647	907
		=====	=====

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 were Rs. 1.1 million (1997: Rs. 1.2 million).

## 7. LONGTERM DEPOSITS AND PREPAYMENTS

Security deposits		41,741	29,116
Prepayments		397	106
		-----	-----
		42,138	29,222
		=====	=====

NOTE

1998  
(Rupees 000's)

1997

## 8. STORES AND SPARES

Stores		1,660	714
Spares	8.1	83,434	72,317
		-----	-----
		85,094	73,031
		=====	=====

8.1 This includes spares in transit amounting to Rs. 2.2 million (1997: Nil).

**9. STOCK IN TRADE**

Raw and packing materials	9.1	746,831	553,531
Work in process		15,143	24,726
Finished goods		122,158	139,196
		-----	-----
		884,132	717,453
		=====	=====

9.1 This includes stock in transit amounting to Rs. 67.0 million (1997: Rs. 61.0 million).

9.2 Stock in trade amounting to Rs. 31.4 million (1997:32.4 million ) were held by Delta Tobacco Company (Private) Limited, Paramount Tobacco Company (Private) Limited and Amber Tobacco Company (Private) Limited who manufacture cigarettes under an agreement for the Company.

**10. TRADE DEBTS**

Considered good			
Secured		32,654	8,661
Unsecured		17,846	15,148
		-----	-----
		50,500	23,809
		=====	=====

**11. LOANS AND ADVANCES**

Considered good			
Secured			
Loans to executives	6	260	260
Unsecured			
Advances			
to executives	11.1	2,011	1,530
to employees		5,897	4,456
		-----	-----
		7,908	5,986
to suppliers and contractors		18,380	14,046
		-----	-----
		26,288	20,032
Income tax	11.2	15,609	8,955
		-----	-----
		42,157	29,247

11.1 The maximum aggregate balance of advances due from executives at the end of any month during the year were Rs. 2.2 million (1997: Rs. 1.5 million).

	NOTE	1998 (Rupees 000's)	1997
<b>11.2 Income Tax</b>			
Advance income tax		85,609	69,955
Less: Provision for taxation		70,000	61,000
		-----	-----
		15,609	8,955
		=====	=====

## 12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Considered good			
Security deposits		6,543	11,664
Prepayments		6,858	12,526
Current account balances with statutory authorities		10,100	24,631
Export rebate receivable		--	191
Interest/profit receivable		4,307	--
Provident fund trust		2,887	--
Others	12.1	7,115	7,061
		-----	-----
		37,810	56,073
		=====	=====

12.1 This includes an amount of Rs. 0.9 million (1997: Rs. 1.1 million) due from associated companies. The maximum balance due from associated companies at the end of any month during the year was Rs. 1.2 million (1997:Rs.1.3 million).

## 13. CASH AND BANK BALANCES

Cash in hand		1,399	1,200
Cash at banks			
in current accounts	13.1	9,945	6,410
in saving accounts		13,949	12,248

in foreign currency deposit account	13.2	115,000	--
		-----	-----
		138,894	18,658
		-----	-----
		140,293	19,858
		=====	=====

13.1 This includes foreign currency account amounting to Rs. 0.1 million (1997: Nil).

13.2 This deposit is held under lien for running finance facility as described in Note 15.1.

	NOTE	1997 (Rupees 000's)	1998
<b>14. SHORT TERM REDEEMABLE CAPITAL</b>			
Short term finance certificates	14.10	300,000	--
		=====	=====

14.1 The company has obtained financing by private placements through ANZ Grindlays Bank Limited against issue of short term finance certificates. These certificates will be redeemed by payment of principal in lumpsum on June 24, 1999. The profit is payable quarterly at 15.25% per annum. The facilities against term finance certificates are secured under "Security Agent Agreement" with First International Investment Bank Limited by Mortgage of deposit of title deeds in respect of immovable property of the Company.

#### 15. SHORT TERM FINANCES

##### Secured

##### Banking companies

Running finance	15.1	116,300	--
Mark-up agreements	15.2	94,534	163,876
Export refinance	15.3	29,500	8,500
		-----	-----
		240,334	172,376
		=====	=====

15.1 This finance is secured against hypothecation of stock and lien over foreign currency deposits and carries mark-up at the rate of 13.75% per annum. The sanctioned limit is Rs. 120.0 million and is repayable on or before January 16, 1999.

15.2 The facilities for all mark-up agreements available from various banks amount to Rs. 1,565.5 million ( 1997:1,270.5 million ) and carry mark-up at rates ranging from 41 paisa per rupee thousand per diem to 63 paisa per rupee thousand per diem. The purchase price are payable on various dates by June 30, 1999. These finances are secured against joint hypothecation of tobacco, other raw materials, finished goods and personal guarantee of Directors.

15.3 Export refinance has been obtained under State Bank of Pakistans' Export Refinance Scheme. This finance carries service charges at rates ranging from 10% to 11% per annum and is secured against joint registered pari passu hypothecation of Companys' stocks. Sanctioned limit is Rs.49.5 million (1997: Rs. 28.5 million).

	NOTE	1998 (Rupees 000's)	1997
<b>16. CREDITORS, ACCRUED AND OTHER LIABILITIES</b>			
Creditors			
Associated companies		8,802	18,843
Others		122,480	112,150
		-----	-----
		131,282	130,993
Accrued expenses		46,442	45,245
Bills payable		66,910	130,843
Royalty payable		7,786	3,425
Profit accrued on short term finance certificates		890	--
Mark-up accrued on secured finances		14,458	5,189
Security deposits	16.1	3,698	3,680
Contractors' retention money		3,440	2,122
Advances from customers		41,743	22,473
Tobacco cess payable		4,101	1,023
Sales tax payable		80,024	67,623
Workers' profit participation fund	16.2	13,796	11,635
Workers' welfare fund		4,200	3,750
Provident fund trust		--	453
Others		1,445	1,741
		-----	-----
		420,215	430,195
		=====	=====

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

**16.2 Workers' profit participation fund**

Balance as on July I	11,635	14,104
Interest credited at prescribed rates	2,178	735
	-----	-----
	13,813	14,839
Amount paid to fund	12,567	10,162
	-----	-----
	1,246	4,677
Current year's allocation at 5%	12,550	6,958
	-----	-----
	13,796	11,635
	=====	=====

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

	NOTE	1998 (Rupees 000's)	1997
<b>17. DIVIDENDS</b>			
Unclaimed		2,738	1,738
Proposed			
Interim		37,306	27,816
Final		37,306	40,905
		-----	-----
		74,612	68,721
		-----	-----
		77,350	70,459
		=====	=====

**18. SHARE CAPITAL**

Authorised capital			
30,000,000 (1997: 20,000,000) ordinary shares of Rs. 10/- each		300,000	200,000
		=====	=====

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

<b>1998</b>	<b>1997</b>		
5,541,429	5,541,429 issued for cash	55,414	55,414
5,777,157	2,504,726 issued as bonus shares	57,771	25,047
8,316,000	8,316,000 issued for consideration other than cash	83,160	83,160
19,634,586	16,362,155	196,345	163,621

## 19. RESERVES

Reserve for issue of bonus shares			
Balance as on July 01		32,724	--
Transfer from profit and loss account		19,634	32,724
		52,358	32,724
Utilised for issue of bonus shares		32,724	--
		19,634	32,724
Revenue reserves - General			
Balance as on July 01		303,993	250,993
Transfer from profit and loss account		56,000	53,000
		359,993	303,993
		379,627	336,717

## 20. 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.

NOTE	1998	1997
	(Rupees 000's)	

## 21. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES



Secured		
Balance as on July 01	213,308	68,441
Additions during the year	126,830	169,872
	-----	-----
	340,138	238,313
Payments during the year	63,012	25,005
	-----	-----
	277,126	213,308
Less: Shown under current liabilities payable within one year	79,509	54,230
	-----	-----
	197,617	159,078
	=====	=====

The above liabilities represent the unpaid balance of the total of minimum lease payments and the residual value payable at the end of lease discounted at rates ranging between 18% to 22% per annum.

Remaining aggregate rentals of Rs. 361.0 million inclusive of mark-up of Rs. 83.9 million are payable in equal monthly and quarterly installments under various lease agreements as shown below:

	<b>(Rupees 000's)</b>
1998-1999	122,106
1999-2000	119,544
2000-2001	78,249
2001-2002	28,542
2002-2003	12,569
	-----
	361,010
	=====

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

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

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

## 22. CONTINGENCIES AND COMMITMENTS

### 22.1 Contingencies

a) The Deputy Collector, Central Excise and Sales Tax had issued show cause notices on various dates alleging short payment of tobacco excise duty by the Company amounting to Rs. 46.4 million (1997: Rs. 46.4 million) on unmanufactured tobacco consumed for manufacturing of cigarettes. The Company maintains that the actual tobacco excise duty which was assessed by the excise officials prior to entry of the tobacco into the Company's warehouse has been paid by it and there have been no violations of the provisions of the Central Excise Act, 1944. Pending outcome of the case and because Management is confident that the above show cause notices will be withdrawn, no provision has been made in these accounts for the aforesaid amount.

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

c) This represents amount claimed by the Punjab Employees Social Security Institution amounting to Rs. 0.4 million (1997: Rs. 0.4 million) from the Company which have not been acknowledged as debts.

#### d) 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. 67.7 million (1997:Rs.23.6 million).

### 22.2 Commitments

	1998 (Rupees 000's)	1997
Letters of credit	32,765	53,191

Capital expenditure

44,229	64,764
--------	--------

Rentals under operating lease agreements in respect of vehicles amounting to Rs. 71,405 thousand (1997: Rs. 70,668 thousand) are payable over the next five years as under:

**(Rupees 000's)**

1998-1999	29,631
1999-2000	23,254
2000-2001	12,384
2001-2002	4,017
2002-2003	2,119
	-----
	71,405
	=====

**NOTE**

**1998  
(Rupees 000's)**

**1997**

**23. COST OF GOODS SOLD**

Raw material consumed			
Opening stock		553,531	855,028
Purchases, redrying and related expenses	23.1	3,248,010	1,243,021
		-----	-----
Closing stock		3,801,541	2,098,049
		(746,831)	(553,531)
		-----	-----
Excise duties and other levies		3,054,710	1,544,518
Manufacturing expenses	23.2	7,657,377	4,327,559
		335,113	167,321
		-----	-----
		11,047,200	6,039,398
Work in process			
Opening stock		24,726	23,010
		-----	-----
Closing stock		(15,143)	(24,726)

Sale of waste		(6,166)	(3,470)
		-----	-----
		(21,309)	(28,196)
		-----	-----
		3,417	(5,186)
		11,050,617	6,034,212
Cost of goods manufactured			
Finished good			
Opening stock		139,196	163,681
Purchases		2,900	450
		-----	-----
		142,096	164,131
Closing stock		(122,158)	(139,196)
		-----	-----
		19,938	24,935
		-----	-----
		11,070,555	6,059,147
		=====	=====

### 23.1 Purchases, Redrying and Related Expenses

Raw and packing material		3,091,826	1,171,896
Salaries, wages and other benefits		60,392	36,765
Stores and spares consumed	23.1.1	5,914	3,158
Fuel and power		28,839	14,181
Rent, rates and taxes		17	5
Freight and stacking		47,157	17,964
Printing and stationery		377	222
Depreciation		2,052	1,787
Other expenses		11,436	6,132
		-----	-----
		156,184	80,214
		-----	-----
		3,248,010	1,252,110
Less: Tobacco processing charges recovered from an associated company		--	9,089
		-----	-----
		3,248,010	1,243,021
		=====	=====

23.1.1 This includes stores and spares written off amounting to Rs. 0.7 million (1997: Rs. Nil).

	NOTE	1 998 (Rupees 000's)	1997
<b>23.2 Manufacturing expenses</b>			
Salaries, wages and other benefits		130,362	85,822
Cigarette manufacturing charges to third parties		34,514	21,473
Stores and spares consumed	23.2.1	50,760	34,078
Fuel and power		58,127	41,490
Insurance		3,106	2,867
Cartage		20,220	14,353
Depreciation		38,024	23,203
		-----	-----
		335,113	223,286
Less: Cigarette manufacturing charges recovered from an associated company		--	55,965
		-----	-----
		335,113	167,321
		=====	=====

23.2.1. This includes stores and spares written off amounting to Rs. 3.4 million (1997: Rs. Nil).

#### 24. ESTABLISHMENT EXPENSES

Salaries, allowances and other benefits	52,505	39,875
Rent, rates and taxes	16,304	10,899
Rentals of leased assets	10,380	9,216
Travelling, conveyance and cartages	8,694	5,670
Repairs and maintenance	3,809	2,187
Legal and professional charges	5,081	3,085
Vehicle running expenses	14,666	11,893
Postage, telephone and telegram	6,703	6,295
Printing and stationery	4,648	3,412
Electricity, water and gas charges	7,048	3,683
Fees and subscription	1,629	702
Entertainment	1,892	1,515
Insurance	808	1,014
Depreciation	7,431	5,367
Security services charges	1,873	1,397
Other expenses	2,170	1,903

-----	-----
145,641	108,113
=====	=====

## 25. SELLING AND DISTRIBUTION EXPENSES

Salaries, wages and other benefits		46,816	23,581
Travelling expenses		21,151	13,144
Marketing expenses		413,073	225,050
Vehicle running expenses		29,988	16,716
Freight and octroi expenses		97,395	55,552
Rent, rates and taxes		4,611	3,080
Rentals of leased assets		22,922	13,767
Insurance		480	930
Postage, telegram and telephone		7,211	4,872
Depreciation		2,017	1,252
Royalty		4,362	1,851
Other expenses	25.1	5,355	1,858
		-----	-----
		655,381	361,653
		=====	=====

25.1 This includes trade debt written off amounting to Rs. 1.2million(1997: Rs. Nil).

## 26. OTHER INCOME

Profit on disposal of fixed assets		3,555	3,226
Interest/profit on short term investments		9,984	13,093
Royalty income		602	1,058
Others		724	542
		-----	-----
		14,865	17,919
		=====	=====

## 27. FINANCIAL CHARGES

Profit on short term finance certificates		--	6,171
Mark-up/interest on:			
Liabilities against assets subject to finance leases		39,977	15,459
Short term running finances		41,730	15,855
Export refinance		2,802	4,178
Workers' profit participation fund		2,178	735

Security deposits		74	74
Exchange loss on foreign currency deposit		1,300	--
Bank commission and other charges		4,186	4,991
		-----	-----
		92,247	47,463
		=====	=====

## 28. OTHER CHARGES

Workers' profit participation fund		12,550	6,958
Workers' welfare fund		4,290	2,400
Auditors remuneration	28.1	260	181
Donation	28.2	541	192
		-----	-----
		17,641	9,731
		=====	=====

### 28.1 Auditors' remuneration

	<b>Ebrahim &amp; Co.</b>	<b>A.F. Ferguson &amp; Co.</b>	<b>1998</b>	<b>1997</b>
	<b>(Rupees 000's)</b>			
Audit fee	110	110	220	110
Special reports and certificates	--	15	15	--
Out of pocket expenses	22	3	25	71
	-----	-----	-----	-----
	132	128	260	181
	=====	=====	=====	=====

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

## 29. TAXATION

Current - for the year		70,000	38,000
- for prior years		4,008	(794)
Deferred		4,234	2,828
		-----	-----
		78,242	40,034
		=====	=====

**30. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

	(Rupees 000's)			
	Chief Executive	Directors	Executives	Total
Remuneration	756	283	22,778	23,817
House rent	324	125	9,860	10,309
Bonus	--	47	3,502	3,549
Provident fund	--	25	1,879	1,904
Motor vehicle expenses	144	56	2,704	2,904
Utilities	225	28	663	916
<b>TOTAL 1998</b>	1,449	564	41,386	43,399
<b>TOTAL 1997</b>	1,146	1,149	25,112	27,407
NUMBER OF PERSONS - 1998	01	01	130	132
NUMBER OF PERSONS - 1997	01	2	84	87

Chief Executive and some Directors and Executives are provided with free use of Company maintained cars.

	NOTE	1998 (Rupees 000's)	1997
<b>31. TRANSACTIONS WITH ASSOCIATED COMPANIES</b>			
Purchase of goods and services		241,235	306,652
Sales of goods and services		2,658	464,563
Rent and allied charges		7,254	4,356

**32. CAPACITY AND PRODUCTION**

(Figures in million)

Installed capacity	29,400	27,000
Actual production		



Company	24,218	20,900
Contracted	2,158	2,158
	-----	-----
	26,376	23,058
	=====	=====
Number of shifts per day	Two and a half shifts	Two and a half shifts

The Company's actual production includes production Nil (1997:4,305 million) cigarettes for an associated company. Actual production was sufficient to meet the demand.

### 33. CASH GENERATED FROM OPERATIONS

(Rupees 000's)

Profit before taxation		228,566	129,792
Adjustments for non cash charges and other items:			
Depreciation		49,524	31,609
Profit on disposal of fixed assets		(3,555)	(3,226)
Income from short term investments		(9,984)	(13,093)
Profit on short term finance certificates		--	6,171
Mark-up on short term running finances		41,730	15,855
Mark-up on export refinance		2,802	4,178
Finance charge on liabilities against assets subject to finance lease		39,977	15,459
Interest on security deposits		74	74
Exchange loss on foreign currency deposit		1,300	--
Working capital changes	33.1	(208,368)	222,684
		-----	-----
		142,066	409,503
		=====	=====

#### 33.1 Working capital changes

(Increase)/decrease in current assets			
Stores and spares		(12,063)	(8,207)
Stock-in-trade		(166,679)	324,267
Trade debts		(26,691)	14,401
Loan and advances		(6,256)	4,943
Deposits, prepayments and other receivables		22,570	(7,413)

	-----	-----
	(189,119)	327,991
Increase/(decrease) in current liabilities		
Creditors, accrued and other liabilities	(19,249)	(105,307)
	-----	-----
	(208,368)	222,684
	=====	=====

### 34. CASH AND CASH EQUIVALENTS

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

Cash and bank balances	140,293	19,858
Short term finances	(240,334)	(172,376)
	-----	-----
	(100,041)	(152,518)
	=====	=====

### 35. GENERAL

Figures have been rounded off to the nearest thousands rupees unless otherwise stated.

Corresponding figures have been rearranged, wherever necessary, for the purposes of comparison.

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

Premier Tobacco Company (Private) Limited is wholly owned subsidiary with 103 ordinary shares of Rs. 10 each fully paid up. The Company has not done any business from July 01, 1997 to June 30, 1998.

### Pattern of Holding of Shares

#### HELD BY THE SHAREHOLDERS OF LAKSON TOBACCO COMPANY LTD. AS AT JUNE 30, 1998

No. of Shareholders	From	Shareholding To	Total Shares held
------------------------	------	--------------------	----------------------

1,171	1	100	Shares	34,622
659	101	500	Shares	168769
204	501	1,000	Shares	146086
144	1,001	5,000	Shares	293,619
34	5,001	10,000	Shares	223,471
6	10,001	15,000	Shares	76,974
3	15,001	20,000	Shares	55,473
4	20,001	25,000	Shares	92,544
2	25,001	30,000	Shares	55,715
2	40,001	45,000	Shares	82,962
1	60,001	65,000	Shares	63,372
1	75,001	80,000	Shares	79,660
3	80,001	85,000	Shares	250,087
1	110,001	115,000	Shares	114,264
1	150,001	155,000	Shares	150,811
1	190,001	195,000	Shares	190,288
1	220,001	225,000	Shares	221,048
1	280,001	285,000	Shares	282,564
2	370,001	375,000	Shares	741,521
1	405,001	410,000	Shares	406,252
2	425,001	430,000	Shares	852,706
1	480,001	485,000	Shares	483,673
1	680,001	685,000	Shares	680,458
1	690,001	695,000	Shares	894,269
1	790,001	795,000	Shares	794,804
1	1,520,001	1,525,000	Shares	1,520,665
1	3,020,001	3,025,000	Shares	3,024,078
2	3,925,001	3,930,000	Shares	7,853,831

-----	-----
2,252	19,634,586
=====	=====

Categories of Shareholders	Number	Shares held	Percentage
Individuals	2,221	5,008,975	25.51
Investment companies	2	742	--
Insurance companies	6	521,087	2.65
Joint stock companies	11	5,567,475	28.36
Financial institutions	3	587,994	3.00
Charitable institution	1	24,927	0.13
Government organisations	2	18,457	0.09

Foreign companies	4	7,901,834	40.24
Banks	2	3,095	0.02
	-----	-----	-----
	2,252	19,634,586	100.00
	=====	=====	=====

### **Premier Tobacco Company (Private) Limited**

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

We have audited the annexed Balance Sheet of PREMIER TOBACCO COMPANY (PRIVATE)

LIMITED as at June 30, 1998 and we state that we have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purposes of our audit and after due verification thereof, we report that:

a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

(i) the Balance Sheet has been drawn up in conformity with the Companies Ordinance, 1984 and is in agreement with the books of accounts and is further in accordance with the accounting policies consistently applied;

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

(iii) the business conducted, investments made and the expenditure incurred during the year if any were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and accordance to the explanations given to us the Balance Sheet gives information required by the Companies Ordinance, 1984 in the manner so required and gives true and fair view of the state of the Company's affairs as at June 30, 1998; and

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

Karachi: September 25, 1998

Hyder Bhimji & Co.  
Chartered Accountants

**Balance Sheet as at June 30, 1998**

	<b>June 30 1998 Rupees</b>	<b>June 30 1997 Rupees</b>
<b>CAPITAL AND LIABILITIES</b>		
<b>AUTHORISED CAPITAL</b>		
1,000,000 ordinary shares of Rs. 10/- each	10,000,000	10,000,000
<b>ISSUED TO PAID-UP CAPITAL</b>		
103 ordinary shares of Rs. 10/- each fully paid-up	1,030	1,030
Total Rupees	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, 1997 to June 30, 1998.

**Financial Highlights**

(Rupees in 000's except last five items)

	<b>June 30 1998</b>	<b>June 30 1997</b>	<b>June 30 1996</b>	<b>June 30 1995</b>	<b>June 30 1994</b>
Share capital	196,345	163,621	80,461	80,461	80,461
Reserves & surplus	431,065	388,077	147,394	99,274	78,499
Share holders equity	627,410	551,968	227,855	179,735	158,960
Long-term loans, debentures, redeemable capital & liabilities against assets subject to lease finance	577,126	213,383	49,066	30,451	28,627
Deferred liabilities	26,700	22,466	10,092	11,179	12,900
<b>TOTAL CAPITAL EMPLOYED</b>	<b>1,231,236</b>	<b>787,547</b>	<b>287,013</b>	<b>221,365</b>	<b>200,487</b>

Fixed assets - NET	686,363	510,901	184,675	159,897	155,093
Long-term investment	1	1	--	--	--
Long-term deposits & deferred cost	42,785	30,129	10,367	7,127	5,895
Working capital	502,087	246,516	91,971	54,341	39,499
TOTAL ASSETS	1,231,236	787,547	287,013	221,365	200,487
=====					
Turnover	12,195,166	6,697,980	2,727,448	2,629,577	2,405,443
Profit before tax	228,566	129,792	66,419	60,934	65,154
Profit after tax & adjustment	150,324	89,758	48,156	42,500	33,025
Dividend declared (cash)	74,612	68,721	16,092	21,725	18,104
Bonus shares	19,634	32,724	--	--	--
=====					
Break-up value of shares (inclusive of fixed assets revaluation)	31.95	33.72	28.32	22.34	19.76
Break-up value of shares (excluding of fixed assets revaluation)	29.35	30.60	26.80	20.82	18.24
Dividend (Rupees per share)	3.80	4.20	2.00	2.70	2.25
Bonus shares	1:10	1:5	--	--	--
Net earning per share	7.66	5.49	5.98	5.28	4.10