

Tobacco Company Limited

Annual Report 1999

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BOARD OF DIRECTORS

IQBAL ALI LAKHANI (Chairman & Chief Executive)
AMIN MOHAMMED LAKHANI
E.A. NOMANI
HASAN ALI H. MERCHANT
TASLEEMUDDIN AHMED BATLAY
AZIZ EBRAHIM
SHAHID AHMED KHAN
RAMZANALI HALANI
M.K. NAWAZ
MANSOOR AHMED

ADVISOR

SULTAN ALI LAKHANI

COMPANY SECRETARY

RAMZANALI HALANI

AUDITORS

A.F. FERGUSON & CO.
Chartered Accountants

EBRAHIM & CO.

Chartered Accountants

REGISTERED OFFICE

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

FACTORIES

1. E/15, S.I.T.E., KOTRI
DISTT. DADU, (SINDH)

2. PLOT NO. 20, SECTOR NO. 17
KORANGI INDUSTRIAL AREA, KARACHI.

3. QADIRABAD
DISTT. SAHIWAL

4. VILLAGE: MANDRA
TEH: GUJAR KHAN
DISTT. RAWALPINDI

5. ISMAILA
DISTT. SWABI

Notice of Meeting

NOTICE IS HEREBY GIVEN that the 30th Annual General Meeting of Lakson Tobacco Company Limited will be held at Avari Renaissance Towers Hotel, Fatima Jinnah Road, Karachi on Friday December 17, 1999 at 10.00 a.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, 1999 together with the Directors' and Auditors' Reports thereon.
2. To declare final dividend in cash @ 42% 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. 21,598,040/- by way of issue of 2,159,804 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.

Karachi: November 10, 1999

NOTES:

1. The share transfer books of the Company will remain closed from December 04, 1999 to December 17, 1999 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 03, 1999 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 @ 42% and by way of issue of fully paid bonus shares @ 10% and thereby capitalise a sum of Rs. 21,598,040/- which has been transferred to 'reserve for issue of bonus shares' out of the profit for the year ended June 30, 1999. 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. 21,598,040/- out of the 'reserve for issue of bonus shares' be capitalised and applied in making payment in full of 2,159,804 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, 1999 @ 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, 1999;
- ii) in the event of any member holding less than ten shares or a number of shares which is not

By order of the Board

RAMZANALI HALANI
Director/Company Secretary

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 thirtieth annual report and audited accounts for the year ended June 30, 1999.

	<i>1999</i>	<i>1998</i>
	<i>(Rupees 000's)</i>	
Profit before taxation	349,221	228,566
Taxation	168,836	78,242
	-----	-----
Profit after taxation	180,385	150.32
Un-appropriated profit brought forward	346	268
	-----	-----
	180.73	150,592
Appropriations:		
interim dividend @ nil (1998: Rs. 1.90)		
per ordinary share of Rs. 10/- each	--	37,306
Proposed cash dividend @ Rs. 4.20		
(1998: Rs. 1.90) per ordinary share of Rs. 10/- each	90,712	37,306
	-----	-----
	90,712	74,612
Transfer to reserve for proposed issue of bonus shares		
in ratio of one share for every ten shares		
(1998: one share for every ten shares)	21,598	19,634
Transfer to general reserve	68,000	56,000
	-----	-----
	180,310	150,246
	-----	-----
Un-appropriated profit carried forward	421	346
	=====	=====

OPERATING RESULTS

We are pleased to inform that your Company has continued to maintain a growth momentum, both in turnover and profits, during the year under review. Sales revenue and profit after tax increased by Rs. 1,878 Million and Rs. 30 Million respectively, as compared to last year. Net earnings per share rose from Rs. 6.96 to Rs. 8.35. During the year under review, your Company's contribution to the national exchequer in the shape of excise duties and sales tax rose to Rs. 8.669 Billion as compared to Rs. 7.657 Billion in the previous year. The component of excise duties and sales tax paid during the year was equivalent to 62.20% of domestic sales turnover for cigarettes.

LEAF TOBACCO

The 1998 tobacco crop was adequate to meet industry's requirement and that of the Company. Your Company was able to procure the required quantity at competitive prices.

FUTURE OUTLOOK

Your Company will seek to consolidate its position in the face of challenges and current difficult economic situation and will strive to further improve its quality, volume and profitability. Effective cost control measures will be continued with increasing emphasis and expansion of distribution coverage will receive full focus in the ensuing year. Your Company will continue to invest to gear itself to meet future challenges and market opportunities.

The growing availability in the country of smuggled and counterfeited brands across many product categories, including cigarettes, negatively impacts both the operations of legitimate manufacturers of these products and the amount of duties and taxes collected by the Government. The Company looks forward to more stringent government action to curtail these activities.

The government is expected to remove the discrimination in the dual excise systems, one prevailing for the larger cigarette manufacturing companies and the other for the so called smaller units. As cigarette manufacturing in Pakistan is not a cottage industry, we have recommended that all cigarette manufacturing units must be placed under a uniform excise system.

It will be your Company's endeavour to manage its resources as best as possible, however, the recently imposed L/C margin on the import of industrial raw materials and machinery will likely put a severe strain on the Company's cash flows. We are recommending that a relief from these impositions be allowed as soon as possible.

An underage smoking prevention programme has been initiated in association with other participants in the cigarette industry. Through this campaign we hope to reinforce the message that smoking is an adult informed choice.

BOARD OF DIRECTORS

On September 27, 1999 ten Directors were elected at the EOGM for a period of 3 years ending September 26, 2002. We welcome Mr. Shahid Ahmed Khan and Mr. Mansoor Ahmed who have recently joined the Board as Directors.

ENSURING YEAR 2000 (Y2K) COMPLIANCE

The management of your Company are fully aware of the Y2K issue. All the core computer systems operating in the Company have been tested and where required, new software and hardware have been obtained to ensure full year 2000 compliance. In addition, your Company has worked with key suppliers to address year 2000 compliance issues, and where appropriate has adopted contingency plans to minimize potential disruptions relating

to these suppliers.

APPRECIATION

The Directors wish to place on record their appreciation for the sincere and dedicated services 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, the banks and financial institutions for the continued support and co-operation extended to your Company during the year under report.

PATTERN OF SHAREHOLDING

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

CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS

The Auditors M/s. 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
Chairman

Karachi: October 22, 1999

Auditors' Report to the Members

We have audited the annexed Balance Sheet of LAKSON TOBACCO COMPANY LIMITED as at June 30, 1999 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, 1999 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.

A.F. FERGUSON & CO.
Chartered Accountants

Karachi

Dated: November 08, 1999

EBRAHIM & CO.
Chartered Accountants

Balance Sheet as at June 30, 1999

	<i>NOTE</i>	<i>1999</i> <i>(Rupees 000's)</i>	<i>1998</i>
TANGIBLE FIXED ASSETS			
Operating assets	3	716,362	457,777
Capital work-in-progress	4	48,353	228,586
		-----	-----
		764,715	686,363
LONG TERM INVESTMENT	5	1	1
LONG TERM LOANS	6	548	647
LONG TERM DEPOSITS AND PREPAYMENTS	7	38,797	42,138
CURRENT ASSETS			
Stores and spares	8	96,132	85,094
Stock in trade	9	956,760	884.13
Trade debts	10	76,485	50,500
Loans and advances	11	23,199	42,157
Deposits, prepayments and other receivables	12	39,741	37,810
Cash and bank balances	13	272,650	140,293
		-----	-----
		1,464,967	1,239,986

Less: CURRENT LIABILITIES

Current portion of liabilities against assets subject to finance leases	20	99,361	79,509
Short term redeemable capital		--	300,000
Short term finances	14	647,638	240,334
Creditors, accrued and other liabilities	15	478,062	420,215
Taxation		40,981	--
Dividends	16	93,234	77,350
		-----	-----
		1,359,276	1,117,408
		-----	-----
NET CURRENT ASSETS		105,691	122,578
		-----	-----
		909,752	851,727
		=====	=====
FINANCED BY:			
SHARE CAPITAL	17	215,980	196,345
RESERVES	18	449,591	379,627
UNAPPROPRIATED PROFIT		421	346
		-----	-----
SHAREHOLDERS EQUITY		665,992	576,318
SURPLUS ON REVALUATION OF FIXED ASSETS	19	51,092	51,092
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES	20	142,968	197,617
DEFERRED TAXATION		49,700	26,700
CONTINGENCIES AND COMMITMENTS	21		
		-----	-----
		909,752	851,727
		=====	=====

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

IQBAL ALI LAKHANI
Chairman & Chief Executive

TASLEEMUDDIN A. BATLAY
Director

Karachi: October 22, 1999

Profit & Loss Account
FOR THE YEAR ENDED JUNE 30, 1999

	<i>NOTE</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees 000's)</i>	
Sales		14,073,173	12,195,166

Cost of goods sold	22	12,552,659	11,005,002
		-----	-----
Gross profit		1,520,514	1,190,164
Establishment expenses	23	156,608	145,663
Selling and distribution expenses	24	804,756	655,381
		-----	-----
		961,364	801,044
		-----	-----
Operating profit		559,150	389,120
Other income	25	13,645	14,865
		-----	-----
		572,795	403,985
		-----	-----
Financial charges	26	194,573	157,800
Other charges	27	29,001	17,619
		-----	-----
		223,574	175,419
		-----	-----
Profit before taxation		349,221	228,566
Taxation	28	168,836	78,242
		-----	-----
Profit after taxation		180,385	150,324
Unappropriated profit brought forward		346	268
		-----	-----
Profit available for appropriation		180,731	150,592
Appropriations:			
Proposed dividend			
- Interim @ nil (1998: 19%)		--	37,306
- Final @ .42% (1998: 19%)		90,712	37,306
		-----	-----
		90,712	74,612
Reserve for proposed issue of bonus shares @10% (1998: 10%)		21,598	19,634
Transfer. to general reserve		68,000	56,000
		-----	-----
		180,310	150,246
		-----	-----
Unappropriated profit carried forward		421	346
		=====	=====
Earning per share	29	Rupees 8.35	6.96
		=====	=====

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

IQBAL ALI LAKHANI

TASLEEMUDDIN A. BATLAY

Karachi: October 22, 1999

**Statement of Sources and Application of Funds (Cash Flow Statement)
FOR THE YEAR ENDED JUNE 30, 1999**

	<i>NOTE</i>	<i>1999</i> <i>(Rupees 000's)</i>	<i>1998</i>
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	33	554,342	207,619
Profit paid on short term finance certificates		(45,752)	--
Mark-up paid on short term running finances		(94,875)	(99,836)
Mark-up paid on export refinance		(4,514)	(2,292)
Interest paid on security deposits		(68)	(74)
Payment of finance charges on liabilities against assets subject to finance leases		(44,177)	(38,665)
Taxes paid		(89,245)	(80,662)
Long term loans		99	260
Long term deposits and prepayments (net)		3,341	12,916
		-----	-----
Net cash inflow/(outflow) from operating activities		279,151	26,566
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(111,760)	99,283
Proceeds against disposal of fixed assets		7,398	4,682
Income received from short term deposits and investments		9,772	5,677
		-----	-----
Net cash (outflow) from investing activities		(94,590)	88,924
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of liabilities against assets subject to finance leases		(84,680)	(63,012)
Short term redeemable capital		--	300,000
Repayment of short term redeemable capital		(300,000)	--
Dividends paid		(74,828)	(67,721)
		-----	-----
Net cash inflow from financing activities		(459,508)	169,267
		-----	-----
Net increase in cash and cash equivalents		(274,947)	53,777
Cash and cash equivalents at beginning of the year		(100,041)	(152,518)
Effect of exchange rate changes		--	(1,300)
		-----	-----
Cash and cash equivalents at end of the year	34	(374,988)	(100,041)
		=====	=====

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

IQBAL ALI LAKHANI
Chairman & Chief Executive

TASLEEMUDDIN A. BATLAY
Director

Karachi: October 22, 1999

Notes to the Accounts
FOR THE YEAR ENDED JUNE 30, 1999

1. NATURE AND STATUS OF BUSINESS

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

2. 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 off 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 asset 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 term.

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

Lease rentals payable on assets held under operating leases are charged 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 the lower of average cost and net realisable value.

Average cost of raw material includes procurement expenses except raw material in bonded warehouse and in transit which are stated at invoice values plus other charges paid thereon.

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

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

Net realisable value represents estimated selling prices in the ordinary course of business less 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 for 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 Following is the statement of operating assets

Assets Category	Cost/Revaluation			Inter-transfers	Depreciation				
	As at 01-07-98	Additions	Disposals		as at 30-06-99	as at 01-07-98	Charge for the year	On Inter-transfers	On disposals
<i>(Rupees 000's)</i>									
Company owned									
Freehold land	13,200	--	--	--	13,200	--	--	--	--
Leasehold land	157	--	--	--	157	94	6	--	--
Buildings on freehold land	132,362	96,770	--	--	229,132	67,303	14,475	--	--
Buildings on leasehold land	549	--	--	--	549	200	18	--	--
Plant and machinery	309,078	71,849	(55,031)	11,997	337,893	187,191	14,430	3,842	(2,000)
Power and other installations	34,376	29,555	--	11,191	75,122	15,957	5,400	4,122	--
Furniture, fixture and equipment	55,528	18,015	--	--	73,543	22,603	6,517	--	--
Vehicles	20,596	5,197	(3,181)	--	22,612	12,170	2,478	--	(1,000)
	565,846	221,386	(58,212)	23,188	752,208	305,518	43,324	7,964	(3,000)
Leased									
Plant and machinery	238,150	169,083	--	(23,188)	384,045	43,080	34,893	(7,964)	--
Transportation equipment	3,650	1,290	--	--	4,940	1,271	734	--	--
	241,800	170,373	--	(23,188)	388,985	44,351	35,627	(7,964)	--
TOTAL 1999	807,646	391,759	(58,212)	--	1,141,193	349,869	78,951	--	(3,000)
TOTAL 1998	657,803	152,513	(2,670)	--	807,646	301,888	49,524	--	(1,000)

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

NOTE

1999

1998

(Rupees 000's)

Purchases, redrying and related expenses	22.1	27,322	2,052
Manufacturing expenses	22.2	40,303	38,024
Establishment expenses	23	8,784	7,431
Selling and distribution expenses	24	2,542	2,017
		-----	-----
		78,951	49,524
		=====	=====

3.3 The company revalued its land, buildings and certain items of plant and machinery in 1978, 1980 and 1984. These revaluations resulted in net surplus of Rs. 17.0 million, Rs. 16.0 million and Rs. 30.0 million respectively. Revalued assets having revaluation surplus of Rs. 11.9 million have been sold to date. The remaining balance of revaluation surplus amounting to Rs. 51.1 million is included in the carrying value of the respective assets with a corresponding amount appearing as "Surplus on Revaluation of Fixed Assets". Element of this revaluation increment included in the book value of these assets as stated in Note. 3.1 amounted to Rs. 19.6 million (1998: Rs. 20.3 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 has not operating since January 1997. Accordingly, depreciation aggregating to Rs. 14.3 million (1998: Rs. 13.2 million) including Rs. 1.1 million for the current year has not been charged in these accounts. The net book value of fixed assets remaining idle at June 30, 1999 amounted to Rs. 23.5 million (1998: Rs. 25.1 million).

3.5 Details of fixed assets disposed off 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	19,407	--	19,407	19,407	Sale and lease back	M/s. First Grindlays Modaraba Karachi
	30,476	--	30,476	30,476	Sale and lease back	M/s. First Grindlays Modaraba Karachi
	3,008	687	2,321	2,500	By negotiation	Ch. Yameen Shahbaz Kabirwala
	2,140	1,354	786	1,200	By negotiation	Mr. A. Hameed Shamsuddin Kabirwala
	55,031	2,041	52,990	53,583		
Vehicles	551	371	180	403	By negotiation	M/s. Nasim Trading Company Karachi.
	510	424	86	272	Insurance claim	M/s. Royal Exchange Assurance Karachi.
	381	256	125	150	By negotiation	Mr. Haroon Chaudhry Lahore.
	246	232	14	330	By negotiation	Mr. Bakhtiar Ali Karachi.
	109	66	43	56	By negotiation	Mr. S. Malook Shah Karachi.

	64	13	51	63 Insurance claim	M/s. Century Insurance	Karachi.
	61	12	49	58 Insurance claim	M/s. Century Insurance	Karachi.
	61	12	49	55 Insurance claim	M/s. Century Insurance	Karachi.
	61	12	49	54 Insurance claim	M/s. Century Insurance	Karachi.
	61	12	49	47 Insurance claim	M/s. Century Insurance	Karachi.
	60	12	48	48 Insurance claim	M/s. Century Insurance	Karachi.
	59	21	38	50 Insurance claim	M/s. Century Insurance	Karachi.
Vehicles	59	12	47	55 Insurance claim	M/s. Century Insurance	Karachi.
	59	21	38	48 Insurance claim	M/s. Century Insurance	Karachi.
	59	28	31	50 Insurance claim	M/s. Century Insurance	Karachi.
	58	21	37	47 Insurance claim	M/s. Century Insurance	Karachi.
	47	26	21	40 Insurance claim	M/s. Century Insurance	Karachi.
	42	28	14	14 By negotiation	Mr. Shakeel A. Khan (Employee)	Karachi.
	41	28	13	14 By negotiation	Mr. Zakir Hussain (Employee)	Karachi.
	41	28	13	14 By negotiation	Mr. Viqar Siddiqui (Employee)	Karachi.
	40	27	13	13 By negotiation	Mr. Zafar Amin Khan (Employee)	Karachi.
	38	25	13	13 By negotiation	Mr. Amin Seth (Employee)	Karachi.
	38	--	38	305 Insurance claim	M/s. Century Insurance	Karachi.
	31	21	10	10 By negotiation	Mr. Mashkooor (Employee)	Karachi.
	31	21	10	10 By negotiation	Mr. Shamim (Employee)	Karachi.
	31	21	10	10 By negotiation	Mr. Sarfaraz (Employee)	Karachi.
	31	22	9	9 By negotiation	Mr. Malik Noor (Employee)	Karachi.
	30	20	10	196 By negotiation	Mr. T.A. Batlay (Director)	Karachi.
	29	19	10	9 By negotiation	Mr. M. Aslam (Employee)	Karachi.
	29	19	10	9 By negotiation	Mr. S.A. Khurshid (Employee)	Karachi.
	22	10	12	12 By negotiation	Mr. Yakoob (Employee)	Karachi.
	20	--	20	170 Insurance claim	M/s. Century Insurance	Karachi.
	16	7	9	85 By negotiation	Mr. Aamir Pasha	Karachi.
	14	6	8	90 By negotiation	Mr. Iftikhar Ali	Lahore.
	9	2	7	130 Insurance claim	M/s. Century Insurance	Karachi.
	9	2	7	121 By negotiation	Mr. Nadeem Ahmed	Karachi.
	8	2	6	84 By negotiation	Mr. Aamir Pasha	Karachi.
	8	2	6	104 By negotiation	Mr. S. Malook Shah	Karachi.
	8	2	6	102 By negotiation	Mr. Naveed Hussain	Karachi.
Items with written down value below Rs. 5,000 each.	109	85	24	348		
	-----	-----	-----	-----		
	3,181	1,948	1,233	3,698		
	-----	-----	-----	-----		
	58,212	3,989	54,223	57,281		
	=====	=====	=====	=====		

NOTE

1999

1998

(Rupees 000's)

4. CAPITAL WORK IN PROGRESS

Company owned

Civil works		13,904	67,079
Consultancy fee and other reports		--	2,426
Plant and machinery		31,948	17,719
Electric and gas installations		1,946	16,817
Furniture, fixture and equipments		555	4,055
		-----	-----
		48,353	108,096

Leased

Plant and machinery		--	119,200
Transportation equipment		--	1,290
		-----	-----
		--	120,490
		-----	-----
		48,353	228,586
		=====	=====

4.1 This includes machine in transit amounting to Rs.9.3 million (1998: 4.9 million).

5. LONG TERM INVESTMENT

This represents the cost of 103 (1998: 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, 1999 amounted to Rs. 10 (1998: Rs. 10) per share.

6. LONG TERM LOANS

Secured and considered good			
Loans to executives	6.1	818	907
Less: Recoverable within one year shown under current assets	11	270	260
		-----	-----
		548	647
		=====	=====

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. 0.9 million (1998: Rs. 1.1 million).

7. LONG TERM DEPOSITS AND PREPAYMENTS

Security deposits		38,436	41,741
Prepayments		361	397
		-----	-----

38,797	42,138
=====	=====

NOTE

1999

1998

(Rupees 000's)

8. STORES AND SPARES

Stores		1,982	1,660
Spares	8.1	94,150	83,434
		-----	-----
		96,132	85,094
		=====	=====

8.1 This includes spares in transit amounting to Rs. Nil (1998:2.2 million).

9. STOCK IN TRADE

Raw and packing materials	9.1	810,690	746,831
Work in process		11,680	15,143
Finished goods		134,390	122,158
		-----	-----
		956,760	884,132
		=====	=====

9.1 This includes stock in transit amounting to Rs. 52.5 million (1998: Rs. 67.0 million).

9.2 Stock in trade amounting to Rs. 34.2 million (1998:31.4 million) were held by Delta Tobacco Company (Private) Limited, Paramount Tobacco Company (Private) Limited and Amber Tobacco Company (Private) Limited who manufacture cigarettes for the Company under toll manufacturing agreements.

10. TRADE DEBTS

Considered good			
Secured		12,889	32,654
Unsecured		63,596	17,846
		-----	-----
		76,485	50,500
		=====	=====

11. LOANS AND ADVANCES

Considered good			
Secured			
Loans to executives	6	270	260
Unsecured			
Advances			
Chief executive	11.1	52	--

Director	11.1	10	--
Executives	11.1	1,129	2,011
Employees		7,622	6,520
		-----	-----
		8,813	8,531
Suppliers and contractors		14,116	17,757
		-----	-----
		22,929	26,288
Income tax		--	15,609
		-----	-----
		23,199	42,157
		=====	=====

11.1 The maximum aggregate balance of advances due from chief executive, director and executives at the end of any month during the year were Rs. 0.05 million (1998: Rs. Nil) Rs.0.01 million (1998: Rs. Nil) and Rs. 5.1 million (1998: Rs. 2.2 million) respectively.

NOTE

1999

(Rupees 000's)

1998

12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Considered good			
Security deposits		11,121	6,543
Prepayments		5,420	6,858
Current account balances with statutory authorities		10,505	10,100
Interest/ profit receivable		2,698	4,307
Provident fund trust		--	2,887
Others	12.1	9,997	7,115
		-----	-----
		39,741	37,810
		=====	=====

12.1 This includes an amount of Rs. 1.2 million (1998: Rs. 0.9 million) due from associated companies. The maximum balance due from associated companies at the end of any month during the year was Rs. 2.2 million (1998:Rs.1.2 million).

13. CASH AND BANK BALANCES

Cash in hand		1,908	1,399
Cash at banks			
in current accounts	13.1	158,034	9,945
in saving accounts		112,708	13,949
in foreign currency deposit account		--	115,000
		-----	-----
		270,742	138,894
		-----	-----

272,650	140,293
=====	=====

13.1 This includes foreign currency account amounting to Rs. 0.1 million (1998: Rs. 0.1 million).

14. SHORT TERM FINANCES

Secured

Banking companies

Syndicate finance

14.1

300,000

--

Term finance

14.2

190,000

--

Running finance under mark-up arrangements 14.3

86,638

210,834

Export refinance

14.4

71,000

29,500

-----	-----
647,638	240,334
=====	=====

14.1 This finance is secured by Mortgage of deposit of title deeds in respect of immovable properties of the Company and carry mark-up at 13.9% per annum payable quarterly. The principal amount is payable in lumpsum on June 24,2000.

14.2 The facilities of term finance available from two banks amounted to Rs. 190.0 million and carry mark-up at rates ranging from 33 paisas per rupee thousand per diem to 38 paisas per rupee thousand per diem. The purchase price are payable by August 29, 1999. These finances are secured against joint hypothecation of tobacco, other raw materials, finished goods and personal guarantee of Directors.

14.3 The facilities for running finance utilised under mark-up arrangements available from various banks amounted to Rs. 1,884.0 million (1998: Rs. 1,565.5 million) and carry mark-up at rates ranging from 38 paisas per rupee thousand per diem to 50 paisas per rupee thousand per diem. The purchase price are payable on various dates by June 30, 2000. These finances are secured against joint hypothecation of tobacco, other raw materials, finished goods and personal guarantee of Directors.

14.4 Export refinance has been obtained under State Bank of Pakistans' Export Refinance Scheme. This finance carries service charges at 7% per annum and is secured against joint registered pari passu hypothecation of Companys' stocks. Sanctioned limit is Rs.111.0 million (1998: Rs. 49.5 million).

NOTE

1999

1998

(Rupees 000's)

15. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors

Associated companies

2,698

8,802

Others

141,202

122,480

-----	-----
143,900	131,282

Accrued expenses		110,838	46,442
Bills payable		24,977	66,910
Royalty payable		12,071	7,786
Profit accrued on short term finance certificates		--	890
Mark-up accrued on secured finances		15,395	14,458
Security deposits	15.1	3,377	3,698
Contractors' retention money		4,548	3,440
Advances from customers		30,258	41,743
Tobacco cess payable		4,019	4,101
Sales tax payable		97,732	80,024
Workers' profit participation fund	15.2	18,870	13,796
Workers' welfare fund		9,987	4,200
Provident fund trust		350	--
Others		1,740	1,445
		-----	-----
		478,062	420,215
		=====	=====

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

	<i>NOTE</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees 000's)</i>	
15.2 Workers' profit participation fund			
Balance as on July 1		13,796	11,635
Interest credited at prescribed rates	26	1,362	2,178
		-----	-----
		15,158	13,813
Amount paid to the fund		15,158	12,567
		-----	-----
		--	1,246
Allocation for the year	27	18,870	12,550
		-----	-----
		18,870	13,796
		=====	=====

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.

16. DIVIDENDS

Unclaimed		2,738	2,522
Proposed			
Interim		--	37,306
Final		90,712	37,306
		-----	-----

90,712	74,612
-----	-----
93,234	77,350
=====	=====

17. SHARE CAPITAL

Authorised capital

30,000,000 ordinary shares of Rs. 10/- each

300,000	300,000
=====	=====

Issued, subscribed and paid-up capital

Fully paid ordinary shares of Rs. 10 each.

1999

1998

5,541,429
7,740,615
8,316,000

5,541,429 issued for cash
5,777,157 issued as bonus shares
8,316,000 issued for consideration
other than cash

55,414	55,414
77,406	57,771
83,160	83,160
-----	-----
215,980	196,345
=====	=====

21,598,044

19,634,586

=====

=====

NOTE

1999

1998

(Rupees 000's)

18. RESERVES

Reserve for issue of bonus shares

Balance as on July 01

Transfer from profit and loss account

19,634	32,724
21,598	19,634
-----	-----
41,232	52,358
19,634	32,724
-----	-----
21,598	19,634

Utilised for issue of bonus shares

Revenue reserves - General

Balance as on July 01

Transfer from profit and loss account

359,993	303,993
68,000	56,000
-----	-----
427,993	359,993
-----	-----
449,591	379,627
=====	=====

19. SURPLUS ON REVALUATION OF FIXED ASSETS

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

20. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

Secured		
Balance as on July 01	277,126	213,308
Additions during the year	49,883	126,830
	-----	-----
	327,009	340,138
Payments during the year	84,680	63,012
	-----	-----
	242,329	277,126
Less: Shown under current liabilities payable within one year	99,361	79,509
	-----	-----
	142,968	197,617
	=====	=====

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. 303.7 million inclusive of mark-up of Rs.61.4 million are payable in equal monthly and quarterly installments under various lease agreements as shown below:

(Rupees 000's)

1999-2000	131,994
2000-2001	91,594
2001-2002	41,887
2002-2003	25,913
2003-2004	12,352

	303,740
	=====

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

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

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

21. CONTINGENCIES AND COMMITMENTS

21.1 Contingencies

a) The Deputy Collector Central Excise and Sales Tax had issued show cause notices on various dates alleging short payment of tobacco excise duty by the Company amounting to Rs. 46.4 million (1998: 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) During the year, the Deputy Commissioner of Income Tax (DCIT) has issued show cause notices to the Company in respect of the assessment years 1995-96 to 1997-98. In these notices the DCIT has expressed his intention to reopen the assessment for these years and make add back of certain expenses which had been allowed in the original assessment orders. The estimated liabilities as a result of these add backs would amount to Rs. 55.6 million. The management is of the view that these show cause notices have been issued without any basis and is confident that no additional liability will accrue to the Company. Consequently no provision have been made in these accounts in respect of the aforementioned amount.

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. 486.6 million (1998:Rs.67.7 million).

21.2 Commitments

Letters of credit

<i>1999</i>	<i>1998</i>
<i>(Rupees 000's)</i>	
150,769	32,765
=====	=====

Capital expenditure	111,160	44,229
	=====	=====

Rentals under operating lease agreements in respect of vehicles amounting to Rs. 68,693 thousand (1998: Rs. 71,405 thousand) are payable over the next five years as under:

(Rupees 000's)

1999-2000	28.71	
2000-2001	17,019	
2001-2002	10,640	
2002-2003	8,776	
2003-2004	3,551	

	68,693	
	=====	

22. COST OF GOODS SOLD

Raw material consumed		
Opening stock		746,831
Purchases, redrying and related expenses	22.1	3,563,115

		4,309,946
Closing stock		(810,690)

		3,499,256
Excise duties and other levies		8,669,230
Manufacturing expenses	22.2	400,360

		12,568,846
Work in process		
Opening stock		15,143

		(11,680)
Closing stock		(7,418)
Sale of waste		(6,166)

		(19,098)

		(3,955)

Cost of goods manufactured		12,564,891
Finished good		
Opening stock		122,158
Purchases		--

		122,158
Closing stock		(134,390)

		10,981,647

		2,989,157

		3,735,988

		3,182,457

		553,531

		10,985,064

		139,196

		2,900

		142,096

		(122,158)

-----	-----
(12,232)	19,938
-----	-----
12,552,659	11,005,002
=====	=====

NOTE

1999

1998

(Rupees 000's)

22.1 Purchases, Redrying and Related Expenses

Raw and packing material		3,368,704	3,026,273
Salaries, wages and other benefits	22.1.1	65,297	60,392
Stores and spares consumed	22.1.2	16,727	5,914
Fuel and power		36,370	28,839
Rent, rates and taxes		77	17
Freight and stacking		35,496	47,157
Printing and stationery		569	377
Depreciation		27,322	2,052
Other expenses		12,553	11,436
		-----	-----
		194,411	156,184
		-----	-----
		3,563,115	3,182,457
		=====	=====

22.1.1. This includes employees retirement benefits amounting to Rs. 1.2 million (1998:Rs.1.1 million).

22.1.2 This includes stores and spares written off amounting to Rs. Nil (1998: Rs. 0.7 million).

22.2 Manufacturing expenses

Salaries, wages and other benefits	22.2.1	147,155	130,362
Cigarette manufacturing charges to third parties		42,862	34,514
Stores and spares consumed	22.2.2	57,812	50,760
Fuel and power		64,217	581,217
Insurance		3,368	3,106
Cartage		44,643	20,220
Depreciation		40,303	38,024
		-----	-----
		400,360	335,113
		=====	=====

22.2.1 This includes employees retirement benefits amounting to Rs. 3.8 million (1998: Rs 3.3 million).

22.2.2 This includes stores and spares written off amounting to Rs. Nil (1998: Rs. 3.4 million).

23. ESTABLISHMENT EXPENSES

Salaries, allowances and other benefits	23.1	58,107	52,505
Rent, rates and taxes		17,959	16,304
Rentals of leased assets		10,457	10,380
Travelling, conveyance and cartages		11,460	8,694
Repairs and maintenance		3,232	3,809
Legal and professional charges		4,025	5,081
Vehicle running expenses		16,954	14,666
Postage, telephone and telegram		7,301	6,703
Printing and stationery		5,169	4,648
Utilities		6,004	7,048
Fees and subscription		1,702	1,629
Entertainment		2,094	1,914
Insurance		233	808
Depreciation		8,784	7,431
Security services charges		1,687	1,873
Other expenses		1,440	2,170
		-----	-----
		156,608	145,663
		=====	=====

23.1 This includes employees retirement benefits amounting to Rs. 2.2 million (1998: Rs. 2.0 million).

	<i>NOTE</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees 000's)</i>	
24. SELLING AND DISTRIBUTION EXPENSES			
Salaries, wages and other benefits	24.1	58,553	46,816
Travelling expenses		26,198	21,151
Marketing expenses		532,461	413,073
Vehicle running expenses		35,704	29,988
Freight and octroi expenses		105,267	97,395
Rent, rates and taxes		5,724	4,611
Rentals of leased assets		21,866	22,922
Insurance		595	480
Postage, telegram and telephone		7,524	7,211
Depreciation		2,542	2,017
Royalty		4,285	4,362
Other expenses	24.2	4,037	5,355
		-----	-----
		804,756	655,381
		=====	=====

24.1 This includes employees retirement benefits amounting to Rs. 1.6 million (1998: Rs. 1.3 million).

24.2 This includes trade debt written off amounting to Rs. Nil (1998: Rs. 1.2 million).

25. OTHER INCOME

Profit on disposal of fixed assets	3,058	3,555
Interest/profit on short term investments	8,163	9,984
Royalty income	848	602
Others	1,576	724
	-----	-----
	13,645	14,865
	=====	=====

26. FINANCIAL CHARGES

Profit on short term finance certificates	44,862	890
Mark-up/interest on:		
Liabilities against assets subject to finance leases	43,073	39,977
Syndicate finance	800	--
Short term running finances	95,845	106,393
Export refinance	4,785	2,802
Workers' profit participation fund	1,362	2,178
Security deposits	68	74
Exchange loss on foreign currency deposit	--	1,300
Bank commission and other charges	3,778	4,186
	-----	-----
	194,573	157,800
	=====	=====

NOTE**1999****1998****(Rupees 000's)****27. OTHER CHARGES**

Workers' profit participation fund		18,870	12,550
Workers' welfare fund		9,287	4,290
Auditors' remuneration	27.1	230	238
Donation	27.2	614	541
		-----	-----
		29,001	17,619
		=====	=====

27.1 Auditors' remuneration

	Ebrahim	A.F. Ferguson		
	& Co.	& Co.		
			1999	1998
			(Rupees 000's)	
Audit fee	110	110	220	220
Special reports and certificates	10	--	10	15
Out of pocket expenses	--	--	--	3

-----	-----	-----	-----
120	110	230	238
=====	=====	=====	=====

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

NOTE	1999	1998
	<i>(Rupees 000's)</i>	
28. TAXATION		
Current - for the year	98,000	70,000
- for prior years	47,836	4,008
Deferred	23,000	4,234
	-----	-----
	168,836	78,242
	=====	=====
29. EARNING PER SHARE		
Profit for the year	180,385	150,324
	=====	=====
	Number of shares	
Average issued ordinary shares	21,598,044	21,598,044
	=====	=====
	Rupees	
Earning per share	8.35	6.96
	=====	=====

30. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	<i>(Rupees 000's)</i>			
	<i>CHIEF</i>	<i>DIRECTOR</i>	<i>EXECUTIVES</i>	<i>TOTAL</i>
	<i>EXECUTIVE</i>			
Remuneration	756	323	31,421	32,500
House rent	324	142	13,382	13,848
Bonus	--	53	4,699	4,752
Provident fund	--	29	2,572	2,601
Motor vehicle expenses	303	69	3,456	3,828
Utilities	313	31	797	1,141
	-----	-----	-----	-----

TOTAL 1999	1,696	647	56,327	58,670
TOTAL 1998	1,449	564	41,386	43,399
NUMBER OF PERSONS- 1999	1	1	169	171
NUMBER OF PERSONS - 1998	1	1	130	132

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

	<i>NOTE</i>	<i>1999</i> <i>(Rupees 000's)</i>	<i>1998</i>
31. TRANSACTIONS WITH ASSOCIATED COMPANIES			
Purchase of goods and services		246,366	241,235
Sales of goods and services		2,932	2,658
Rent and allied charges		7,747	7,254
32. CAPACITY AND PRODUCTION			
		(Figures in million)	
Installed capacity		31,350	29,400
Actual production			
Company		26,096	24,218
Contracted		2,381	2,158
		28,477	26,376
Number of shifts per day		Two and a half shifts	Two and a half shifts

Actual production was sufficient to meet the demand.

	<i>NOTE</i>	<i>1999</i> <i>(Rupees 000's)</i>	<i>1998</i>
33. CASH GENERATED FROM OPERATIONS			
Profit before taxation		349,221	228,566
Adjustments for non cash charges and other items:			
Depreciation		78,951	49,752
Profit on disposal of fixed assets		(3,058)	(3,555)
Income from short term investments		(8,163)	(9,984)
Profit on short term finance certificates		44,862	890

Mark-up on syndicate finance		800	--
Mark-up on short term running finances		95,845	106,393
Mark-up on export refinance		4,785	2,802
Finance charges on liabilities against assets subject to finance leases		43,073	39,977
Interest on security deposits		68	74
Exchange loss on foreign currency deposit		--	1,300
Working capital changes	33.1	(52,042)	208,368
		-----	-----
		554,342	207,619
		=====	=====

33.1 Working capital changes

(Increase)/ decrease in current assets

Stores and spares		(11,038)	(12,063)
Stock-in-trade		(72,628)	166,679
Trade debts		(25,985)	(26,691)
Loans and advances		3,349	(6,256)
Deposits, prepayments and other receivables		(3,540)	22,570
		-----	-----
		(109,842)	189,119

Increase/(decrease) in current liabilities

Creditors, accrued and other liabilities		57,800	(19,249)
		-----	-----
		(52,042)	(208,368)
		=====	=====

34. CASH AND CASH EQUIVALENTS

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

Cash and bank balances		272,650	140,293
Short term finances		(647,638)	(240,334)
		-----	-----
		(374,988)	(100,041)
		=====	=====

35. INTEREST RATE RISK

Interest rate risk of the Company's financial assets and financial liabilities as at June 30, 1999 can be evaluated from the following:

<i>Rupees 000's</i>				
<i>Interest bearing</i>		<i>Non interest bearing</i>		
<i>Within</i>	<i>More than</i>	<i>Within</i>	<i>More than</i>	
<i>one year</i>	<i>one year</i>	<i>one year</i>	<i>one year</i>	<i>Total</i>

Financial assets					
Loans to executive	--	--	270	548	818
Long term deposits	--	--	--	38,436	38,436
Trade debts	--	--	76,485	--	76,485
Deposits and other receivables	--	--	23,816	--	23,816
Cash and bank balances	112,708	--	159,942	--	272,650
	-----	-----	-----	-----	-----
	112,708	--	260,513	38,984	412,205
	-----	-----	-----	-----	-----
Financial liabilities					
Liabilities against assets subject to finance leases	99,361	142,968	--	--	242,329
Short term finances	647,638	--	--	--	647,638
Creditors, accrued and other liabilities	3,377	--	308,921	--	312,298
Dividends	--	--	93,234	--	93,234
	-----	-----	-----	-----	-----
	750,376	142,968	402,155	--	1,295,499
	-----	-----	-----	-----	-----
Net financial assets/(liabilities)	(637,668)	(142,968)	(141,642)	38,984	(883,294)
	=====	=====	=====	=====	=====

35.1 Financial assets include 397.4 million which are subject to credit risk.

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

37. NUMBER OF EMPLOYEES

Average number of employees during the year was 2,570 (1998: 2,551).

38. GENERAL

- i) Figures have been rounded off to the nearest thousands rupees unless otherwise stated.
- ii) Corresponding figures have been rearranged, wherever necessary, for the purposes of comparison.

IQBAL ALI LAKHANI
Chairman & Chief Executive

TASLEEMUDDIN A. BATLAY
Director

Karachi: October 22, 1999

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, 1998 to June 30,

1999.

IQBAL ALI LAKHANI
Chairman & Chief Executive

TASLEEMUDDIN A. BATLAY
Director

Karachi: October 22, 1999

Pattern of Holding of Shares
HELD BY THE SHAREHOLDERS OF LAKSON TOBACCO COMPANY LTD.
AS AT JUNE 30, 1999

<i>No. of Shareholders</i>	<i>From</i>	<i>Shareholding</i>	<i>To</i>	<i>Total Shares held</i>
1,078	1	100	Shares	30,617
635	101	500	Shares	162,995
202	501	1,000	Shares	141.14
169	1,001	5,000	Shares	344,895
29	5,001	10,000	Shares	197,299
5	10,001	15,000	Shares	58,057
3	15,001	20,000	Shares	50,135
4	20,001	25,000	Shares	89.35
2	25,001	30,000	Shares	54,351
1	30,001	35,000	Shares	32,007
1	45,001	50,000	Shares	45,058
1	65,001	70,000	Shares	69,709
1	75,001	80,000	Shares	76,534
2	85,001	90,000	Shares	176,199
2	90,001	95,000	Shares	186,522
1	165,001	170,000	Shares	165,892
1	175,001	180,000	Shares	178,514
1	205,001	210,000	Shares	209,316
1	240,001	245,000	Shares	243,152
1	310,001	315,000	Shares	310,820
2	405,001	410,000	Shares	815,672
1	445,001	450,000	Shares	446,877
2	465,001	470,000	Shares	937,976
1	530,001	535,000	Shares	532,040
1	745,001	750,000	Shares	748,503
1	760,001	765,000	Shares	763,695
1	870,001	875,000	Shares	874,834
1	1,690,001	1,695,000	Shares	1,690,188
1	3,325,001	3,330,000	Shares	3,326,485
2	4,315,001	4,320,000	Shares	8,639,213
-----				-----
2,153				21,598,044

<i>Categories of Shareholders</i>	<i>Number</i>	<i>Shares held</i>	<i>Percentage</i>
Individuals	2,122	5,517,059	25.55
Investment companies	2	816	--
Insurance companies	6	573.19	2.65
Joint stock companies	11	6,142,595	28.44
Financial institutions	3	621,598	2.88
Charitable institution	1	27,419	0.13
Government organisations	2	20,301	0.09
Foreign companies	4	8,692,013	40.24
Banks	2	3,049	0.02
	-----	-----	-----
	2,153	21,598,044	100.00
	=====	=====	=====

IQBAL ALI LAKHANI
Chairman & Chief Executive

TASLEEMUDDIN A. BATLAY
Director

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, 1999 and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and after due verification thereof, we report that:

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

b) in our opinion:

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

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

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

c) in our opinion and to the best of our information and according to the explanations given to us the Balance Sheet gives information required by the Companies Ordinance, 1984 in the manner so

required and gives true and fair view of the state of the Company's affairs as at June 30, 1999; and

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

Karachi: August 10, 1999

Hyder Bhimji & Co.
Chartered Accountants

Balance Sheet as at June 30, 1999

	<i>June 30 1999 Rupees</i>	<i>June 30 1998 Rupees</i>
CAPITAL AND LIABILITIES		
AUTHORISED CAPITAL		
1,000,000 ordinary shares of Rs. 10/- each	10,000,000	10,000,000
	=====	=====
ISSUED TO PAID-UP CAPITAL		
103 ordinary shares of Rs. 10/- each fully paid-up	1,030	1,030
	-----	-----
Total Rupees	1,030	1,030
	-----	-----
PROPERTY AND ASSETS		
CASH AND BANK BALANCES		
Cash at bank (in current account)	1,030	1,030
	-----	-----
Total Rupees	1,030	1,030
	=====	=====

NOTE: The Company has not done any business during the year from July 1, 1998 to June 30, 1999.

FAROOQ SHAKOOR
Chief Executive

RAMZAN ALI HALANI
Director

Karachi: August 10, 1999

Financial Highlights

(Rupees in 000's except last five items)

	<i>June 30 1999</i>	<i>June 30 1998</i>	<i>June 30 1997</i>	<i>June 30 1996</i>	<i>June 30 1995</i>
Share capital	215,980	196,345	163,621	80,461	80,461
Reserves & surplus	501,104	431,065	388,077	147,394	99,274

Share holders equity	717,084	627,410	551,968	227,855	179,735
Long-term loans, debentures, redeemable capital & liabilities against assets subject to lease finance	242,329	577,126	213,383	49,066	30,451
Deferred liabilities	49,700	26,700	22,466	10,092	11,179
TOTAL CAPITAL EMPLOYED	1,009,113	1,231,236	787,547	287,013	221,365
Fixed assets - NET	764,715	686,363	510,901	184,675	159,897
Long-term investment	1	1	1	--	--
Long-term deposits & deferred cost	39,345	42,785	30,129	10,367	7,127
Working capital	205,052	502,087	246,516	91,971	54,341
TOTAL ASSETS	1,009,113	1,231,236	787,547	287,013	221,365
Turnover	14,073,173	12,195,166	6,697,980	2,727,448	2,629,577
Profit before tax	349,221	228,566	129,792	66,419	60,934
Profit after tax & adjustment	180,385	150,324	89,758	48,156	42,500
Dividend declared (cash)	90,712	74,612	68,721	16,092	21,725
Bonus shares	21,598	19,634	32,724	--	--
Break-up value of shares (inclusive of fixed assets revaluation)	33.20	31.95	33.72	28.32	22.34
Break-up value of shares (excluding of fixed assets revaluation)	30.84	29.35	30.60	26.80	20.82
Dividend (Rupees per share)	4.20	3.80	4.20	2.00	2.70
Bonus shares	1:10	1:10	1:5	--	--
Net earning per share	8.35	6.96	5.49	5.98	5.28