

BALANCE SHEET

As at June 30, 2004

	Note	2004 (Rupees 000's)	2003
Non current assets			
Fixed assets	3	1,537,438	1,050,986
Long-term investment	4	1	1
Long-term loans	5	2,202	2,605
Long-term deposits and prepayments	6	8,628	38,498
		<u>1,548,269</u>	<u>1,092,090</u>
Current assets			
Stores and spares	7	99,126	88,657
Stock-in-trade	8	1,466,210	1,650,791
Trade debts	9	20,657	49,369
Loans and advances	10	32,794	20,274
Short term investments	11	1,299,175	359,664
Deposits, prepayments and other receivables	12	182,743	377,869
Cash and bank balances	13	373,436	276,123
		<u>3,474,141</u>	<u>2,822,747</u>
Current liabilities			
Current maturity of liabilities against assets subject to finance leases	19	-	69,792
Creditors, accrued and other liabilities	14	1,532,734	1,275,498
Taxation		214,843	80,268
Dividends	15	548,871	371,466
		<u>2,296,448</u>	<u>1,797,024</u>
Net current assets		<u>1,177,693</u>	<u>1,025,723</u>
		<u>2,725,962</u>	<u>2,117,813</u>
Share capital			
Reserves	16	513,169	427,641
Unappropriated profit	17	2,041,000	1,488,528
Shareholders' equity		637	2,013
Surplus on revaluation of fixed assets - net of tax	18	2,554,806	1,918,182
		<u>13,656</u>	<u>13,998</u>
Non current liabilities			
Liabilities against assets subject to finance lease	19	-	92,133
Deferred taxation	20	157,500	93,500
		<u>157,500</u>	<u>185,633</u>
		<u>2,725,962</u>	<u>2,117,813</u>
Contingencies and commitments			
	21		

The annexed notes form an integral part of these financial statements. ▪


Iqbal Ali Lakhani
Chairman & Chief Executive

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Shahid Ahmed Khan
Director

CASH FLOW STATEMENT

For the year ended June 30, 2004

CASH FLOW FROM OPERATING ACTIVITIES

	2004	2003
	(Rupees 000's)	
Cash generated from operations	2,759,738	728,703
Financial charges paid	(21,955)	(33,442)
Taxes paid	(452,788)	(456,120)
Long-term loans	403	(1,571)
Long-term deposits and prepayments (net)	29,870	8,625
Net cash inflow from operating activities	<u>2,315,268</u>	<u>246,195</u>

CASH FLOW FROM INVESTING ACTIVITIES

Fixed capital expenditure	(683,737)	(197,720)
Proceeds from sale of fixed assets	10,143	9,407
Purchase of short-term investments	(159,608)	-
Proceeds from sale of investments	25,044	-
Income received from short-term deposits	22,329	29,613
Net cash outflow on investing activities	<u>(785,829)</u>	<u>(158,700)</u>

CASH FLOW FROM FINANCING ACTIVITIES

Repayment of liabilities against assets subject to finance leases	(161,925)	(107,710)
Dividends paid	(464,057)	(386,349)
Net cash outflow on financing activities	<u>(625,982)</u>	<u>(494,059)</u>
Net increase / (decrease) in cash and cash equivalents	903,457	(406,564)
Cash and cash equivalents at the beginning of the year	635,787	1,042,351
Cash and cash equivalents at the end of the year	<u>1,539,244</u>	<u>635,787</u>

The annexed notes form an integral part of these financial statements.



Iqbal Ali Lakhani
Chairman & Chief Executive



Shahid Ahmed Khan
Director

STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2004

	Issued, subscribed and paid-up capital	Capital reserves	Revenue reserves	Unappropriated profit	Total
----- (Rupees '000) -----					
Balance as at June 30, 2002	356,367	71,274	1,048,000	967	1,476,608
Profit after taxation for the year ended June 30, 2003	-	-	-	856,783	856,783
Transferred from surplus on revaluation of fixed assets to unappropriated profit:					
- Prior years	-	-	-	33,447	33,447
- Current year - net of tax	-	-	-	367	367
Dividends	-	-	-	(449,023)	(449,023)
Transferred to general reserve	-	-	355,000	(355,000)	-
Transfer to share capital on issue of bonus shares	71,274	(71,274)	-	-	-
Transfer to capital reserves for issue of bonus shares	-	85,528	-	(85,528)	-
Balance as at June 30, 2003	427,641	85,528	1,403,000	2,013	1,918,182
Profit after taxation for the year ended June 30, 2004	-	-	-	1,277,744	1,277,744
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	342	342
Interim dividend	-	-	-	(102,634)	(102,634)
Transfer to share capital on issue of bonus shares	85,528	(85,528)	-	-	-
Proposed final dividend	-	-	-	(538,828)	(538,828)
Transfer to general reserve	-	-	638,000	(638,000)	-
Balance as at June 30, 2004	513,169	-	2,041,000	637	2,554,806

The annexed notes form an integral part of these financial statements.


Iqbal Ali Lakhani
Chairman & Chief Executive


Shahid Ahmed Khan
Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2004

1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan on February 10, 1969 as a public limited Company and its shares are quoted on the Karachi and Lahore Stock Exchanges. The address of its registered office is Lakson Square Building No. 2, Sarwar Shaheed Road, Karachi, Pakistan.

The Company is engaged in the manufacture and sale of cigarettes and tobacco.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards (IASs) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention except that certain fixed assets and certain investments have been included at fair values in accordance with the recognition criteria mentioned in the relevant international accounting standards applicable to these assets.

2.3 Fixed assets and depreciation

Tangible fixed assets are stated at cost or revalued amounts less accumulated depreciation or impairment, if any, except freehold land and capital work-in-progress which are stated at revalued amount and historical cost respectively.

Depreciation on operating assets except for data processing equipment and leasehold land is charged to income using revalued/historical cost, applying the reducing balance method. Depreciation on data processing equipment is calculated using the straight line method based on estimated useful lives. Depreciable cost for operating assets is determined without taking into account any residual values.

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

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.

Surplus arising on revaluation is credited to surplus on revaluation of fixed assets account. The surplus on revaluation of fixed assets to the extent of incremental depreciation charged on the related assets is transferred by the Company to its unappropriated profit.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements, if any, are capitalized.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the relevant assets. These are included in the profit and loss account. When revalued assets are sold, the relevant undepreciated surplus is transferred directly by the Company to its unappropriated profit.

2.4 Capital work-in-progress

All expenditure connected with specific assets incurred during installation and construction period are carried under this head. These are transferred to specific assets as and when these assets are available for use.

2.5 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is recorded when these assets are available for use using straight line method whereby the cost of an intangible asset is written off over its estimated useful life.

2.6 Accounting for leases

The Company accounts for plant and machinery and equipment acquired under finance 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 owned assets, so as to depreciate the assets over their estimated useful lives in view of certainty of ownership of the assets at the end of the lease term.

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

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

2.7 Investments

Investment in subsidiary company

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

Other investments

The management determines the appropriate classification of its other investments in accordance with the requirements of International Accounting Standard 39; Financial Instruments: Recognition and Measurement (IAS 39) at the time of purchase and re-evaluates this classification on a regular basis. The existing investment portfolio of the Company has been categorised as held for trading and held to maturity.

Held for trading investments are those that were acquired principally for the purpose of generating a profit from short term fluctuations in price or dealer's margin. Held to maturity investments are financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity.

Investments are initially recognised at cost inclusive of transaction costs. Investments categorised as held for trading are subsequently remeasured at their fair value and surplus / deficit arising due to fluctuation in fair value is taken to profit and loss account. Investments classified as held to maturity are carried at amortised cost.

Investments are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Impairment of investments is recognised when there is a permanent diminution in their value.

2.8 Stores and spares

These are valued at moving average cost less allowance for obsolete and slow moving items except for items in transit which are stated at invoice values plus other charges incurred thereon.

2.9 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 incurred 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-progress includes proportionate production overheads.

Net realisable value signifies the estimated selling price in the ordinary course of business less the estimated cost of completion and costs necessarily to be incurred to make the sale.

2.10 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

2.11 Trade and other payables

Short term liabilities for trade and other amounts payable are carried at amortised cost.

2.12 Provisions

Provisions are recognized when the Company has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

2.13 Taxation

Current

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

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the amounts used for financial reporting purpose and amounts used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the assets may be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

2.14 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents include cash in hand, cheques in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less and short-term running finance accounts under mark-up arrangements.

2.15 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

2.16 Revenue recognition

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

2.17 Staff retirement benefits

The Company operates:

- (a) an approved contributory provident fund for all permanent employees for which contributions are charged to income for the year.
- (b) an approved funded gratuity scheme covering all permanent employees. Contribution is made to this scheme on the basis of actuarial recommendations. The actuarial valuation is carried out using the Project Unit Credit Method.

Staff retirement benefits are payable to staff on completion of prescribed qualifying period of service under these schemes.

2.18 Compensated absences

The Company provides for its estimated liability towards leaves accumulated by employees on an accrual basis using current salary levels.

2.19 Foreign currency translation

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

2.20 Financial instruments

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

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are offset when the Company has a legally enforceable right to offset and it intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

2.21 Related party transactions

All transactions with related parties are carried out by the Company at arm's length prices using the methods prescribed under the Companies Ordinance, 1984.

3. FIXED ASSETS

Tangible:

- Operating fixed assets
- Capital work-in-progress

Intangible

- Assets under development

Note	2004 (Rupees 000's)	2003 (Rupees 000's)
3.1	1,382,780	981,704
3.6	84,109	69,282
	1,466,889	1,050,986
3.7	70,549	-
	<u>1,537,438</u>	<u>1,050,986</u>

3.1 Operating fixed assets

	Cost/ revaluation at July 1, 2003	Additions/ (disposals)/ (write offs)	Transfers *	Cost/ revaluation at June 30, 2004	Accumulated depreciation at July 1, 2003	Depreciation charge for the year/ (accumulated depreciation on disposals/ writeoffs)	Impairment charge for the year	Accumulated depreciation on transfers	Accumulated depreciation/ impairment at June 30, 2004	Book value at June 30, 2004	Annual rate of depreciation
----- (Rupees ' 000) -----											
Company owned											
Freehold land	27,690	-	-	27,690	-	-	-	-	-	27,690	-
Leasehold land	157	-	-	157	124	6	-	-	130	27	25 years
Buildings on freehold land	284,572	35,678	-	320,250	139,601	15,533	-	-	155,134	165,116	5-10%
Buildings on leasehold land	549	-	-	549	280	14	-	-	294	255	5-10%
Plant and machinery	893,926	387,181 (50)	275,174	1,556,231	441,293	106,557 (31)	9,036	74,134	630,989	925,242	10%
Power and other installations	171,834	4,847	1,735	178,416	74,416	10,329	-	711	85,456	92,960	10%
Furniture, fixtures and equipment	66,600	3,355 (6,046)	-	63,909	33,467	4,144 (2,625)	-	-	34,986	28,923	10-15%
Data processing equipment	60,805	40,745 (5,663)	-	95,887	56,302	16,532 (5,663)	-	-	67,171	28,716	33.33%
Vehicles	42,518	126,555 (6,627)	2,214	164,660	24,805	28,463 (3,396)	-	937	50,809	113,851	20%
	1,548,651	598,361 (12,340) (6,046)	279,123	2,407,749	770,288	181,578 (9,090) (2,625)	9,036	75,782	1,024,969	1,382,780	
Assets held under finance lease											
Plant and machinery	277,573	-	(277,573)	-	75,025	-	-	(75,025)	-	-	10%
Transportation equipment	1,550	-	(1,550)	-	757	-	-	(757)	-	-	20%
	279,123	-	(279,123)	-	75,782	-	-	(75,782)	-	-	
2004	1,827,774	598,361 (12,340) (6,046)	-	2,407,749	846,070	181,578 (9,090) (2,625)	9,036	-	1,024,969	1,382,780	
2003	1,651,039	179,934 (3,199)	-	1,827,774	733,117	115,333 (2,380)	-	-	846,070	981,704	

*Transfer includes both inter-category adjustments and transfer from leased assets to owned assets on completion / termination of the respective lease arrangements

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

	Note	2004 (Rupees 000's)	2003 (Rupees 000's)
Purchases, redrying and related expenses	22.1	28,453	29,982
Manufacturing expenses	22.2	101,911	69,117
Establishment expenses	23	31,692	10,965
Selling and distribution expenses	24	19,522	5,269
		<u>181,578</u>	<u>115,333</u>

3.3 The Company had its land, buildings and certain items of plant and machinery including certain power and other installations revalued in 1978, 1980 and 1984 by D.H. Daruvala and Co, Architects. These revaluations resulted in net surplus of Rs 17.0 million, Rs 16.0 million and Rs 30.0 million respectively. Revalued assets having revaluation surplus of Rs. 11.9 million have been sold to date. The remaining balance of revaluation surplus amounting to Rs. 51.1 million has been included in the carrying value of the respective assets. Out of the revaluation surplus, an amount of Rs. 16.6 million remains undepreciated as at June 30, 2004 (2003: Rs. 17.1 million).

3.4 Had there been no revaluation, the net book value of the specific classes of operating assets would have been as follows:

	Net Book Value 2004 2003 (Rupees '000)	
Freehold land	19,417	19,417
Buildings on freehold land	157,398	136,790
Plant and machinery	924,817	452,161
Power and other installations	92,822	97,264
	<u>1,194,454</u>	<u>705,632</u>

3.5 The following assets were disposed off during the year:

	Original Cost	Accumulated depreciation	Book Value	Disposal Proceeds	Mode of disposal	Particulars of Buyers
	----- (Rupees '000) -----					
Plant and machinery	50	31	19	69	Tender	Pacific Pearl General Trading, Dubai
Data processing equipment						
Items having written down value below Rs. 5,000 each	5,663	5,663	-	6	Tender	Waqar Ahmed
Furniture and fixtures	6,046	2,625	3,421	-	Written-off	
Vehicles	63 30 24 23 26 63 181 24	38 18 16 16 12 23 163 16	25 12 8 7 14 40 18 8	263 227 157 163 150 530 96 154	Tender Tender Tender Tender Tender Insurance Claim Tender Tender	Laique Ahmed Shahid-uz-Zaman Sharif Khan Karim Abdul Mohd. Younus Century Insurance Co.Ltd. * Abid Iqbal Mofti Syed Munir
Balance carried forward	434	302	132	1,740		

	Original Cost	Accumulated depreciation	Book Value	Disposal Proceeds	Mode of disposal	Particulars of Buyers
	----- (Rupees '000) -----					
Balance brought forward	434	302	132	1,740		
Vehicles	36	-	36	205	Insurance Claim	Century Insurance Co. Ltd *
	76	51	25	550	Tender	Colgate Palmolive (Pak) Ltd *
	18	12	6	132	Tender	S. Viqar Ali
	28	17	11	180	Tender	Ashfaq Abdul
	19	13	6	91	Tender	M. Basit Abdul Wahid
	18	12	6	105	Tender	Aashiq Hussain
	53	-	53	200	Insurance Claim	Century Insurance. Co. Ltd. *
	689	407	282	450	Tender	Mr. Mazharuddin
	18	12	6	141	Tender	Aziz-ul-Haq Siddiqui
	1,549	310	1,239	1,080	Insurance Claim	Century Insurance Co. Ltd *
	49	33	16	258	Tender	Abdul Khaliq
	38	26	12	257	Tender	Abdul Khaliq
	36	-	36	252	Tender	Imran Younus
	18	12	6	121	Tender	Laique Ahmed
	225	-	225	230	Insurance Claim	Century Insurance Co. Ltd *
	20	13	7	134	Tender	Khalid Mehboob Khan
	628	594	34	537	Tender	Siraj Ahmed
	23	16	7	162	Tender	M.Noman
	20	13	7	135	Tender	Asim Iqbal Khan
	24	17	7	170	Tender	Mohammad Akber
	14	7	7	177	Tender	Laique Ahmed
	24	16	8	179	Tender	Laique Ahmed
	23	16	7	177	Tender	Laique Ahmed
	24	15	9	155	Tender	Mohammad Akber
	263	-	263	305	Insurance Claim	Century Insurance Co. Ltd. *
	29	17	12	181	Tender	Samiuddin
	28	17	11	167	Tender	Samiuddin
	61	41	20	20	Company Policy	M. Yousuf Yaqoob - (Executive)
	60	40	20	20	Company Policy	Tanveer A. Khan - (Executive)
	48	43	5	38	Tender	Siza Foods (Pvt) Ltd. *
	60	36	24	33	Tender	Siza Foods (Pvt) Ltd. *
	56	45	11	37	Tender	Siza Foods (Pvt) Ltd. *
	79	16	63	66	Insurance Claim	Century Insurance Co. Ltd *
	61	41	20	20	Company Policy	Asif Saleem - (Executive)
	61	41	20	20	Company Policy	Arshad Ghaznavi - (Executive)
	61	40	21	20	Company Policy	Ashraf A. Jabbar - (Executive)
	58	39	19	19	Company Policy	Asif Hussain Qureshi - (Executive)
	58	39	19	19	Company Policy	Sarfraz Ahmed - (Executive)
	58	38	20	19	Company Policy	Mohammad Imran ullah - (Executive)
	61	48	13	36	Tender	Laeque Ahmed
	35	17	18	24	Tender	M.Shakeel
	60	40	20	20	Company Policy	Khalid Hussain Meher Hussain - (Executive)
	60	40	20	20	Company Policy	M.Yaqoob Jan Muhammad - (Executive)
	60	40	20	20	Company Policy	S.Irfan Yousuf - (Executive)
	35	17	18	24	Tender	Clover Pakistan Ltd. *
	68	25	43	43	Insurance Claim	Century Insurance Co. Ltd *
	68	24	44	38	Insurance Claim	Century Insurance Co. Ltd. *
	35	17	18	23	Tender	Sayed Shahid Ali
	60	41	19	20	Company Policy	S. Iqbal Murtaza - (Executive)
	60	40	20	20	Company Policy	M. Amjad Markatia - (Executive)
	60	40	20	20	Company Policy	S. Ahsan Raza - (Executive)
	62	42	20	20	Company Policy	M. Umer - (Executive)
	60	41	19	20	Company Policy	K.M. Anwar - (Executive)
	64	43	21	20	Company Policy	Shakeel A. Khan - (Employee)
	60	40	20	19	Company Policy	M. Younus - (Executive)
	60	41	19	19	Company Policy	M.Alamgir - (Employee)
	60	41	19	19	Company Policy	Ashraf Ali - (Executive)
	60	41	19	19	Company Policy	Zulfiqar - (Executive)
	64	42	22	19	Company Policy	M. Zafar A Khan - (Employee)
	61	41	20	20	Company Policy	Mirza Munawar Baig - (Executive)
	61	40	21	19	Company Policy	Ghulam Subhani - (Executive)
Items having written down value below Rs. 5,000	208	188	20	764	Tender	Various
	6,627	3,396	3,231	10,068		
	18,386	11,715	6,671	10,143		

* Associated companies

3.6 Capital work-in-progress

Civil works
Plant and machinery
Power and other installations
Furniture, fixtures and data processing equipment

Note	2004 (Rupees 000's)	2003
	4,322	16,458
3.6.1	70,955	16,118
	2,004	2,280
	6,828	34,426
	<u>84,109</u>	<u>69,282</u>

3.6.1 This includes plant and machinery in transit amounting to Rs 27.7 million (2003: Rs 4.8 million).

3.7 This represents consideration paid to Siemens Pakistan Limited for use of beneficial rights in respect of software under installation.

4. LONG-TERM INVESTMENT

This represents the cost of 103 (2003: 103) fully paid ordinary shares of Rs 10 each in Premier Tobacco Company (Private) Limited, a wholly owned subsidiary of the Company. The value of the company's investment on the basis of net assets of the subsidiary as disclosed in its audited financial statements for the year ended June 30, 2004 amounted to Rs 10 (2003: Rs 10) per share.

5. LONG-TERM LOANS

Considered good
Secured

Loans to executives
Receivable within one year

Outstanding for periods
- less than three years
- three years and more

Note	2004 (Rupees 000's)	2003
	3,100	3,501
10	(898)	(896)
	<u>2,202</u>	<u>2,605</u>
	2,202	1,793
	-	812
	<u>2,202</u>	<u>2,605</u>

5.1 These represent interest free loans given to staff members for the purchase of vehicles and are repayable in five years in equal monthly installments. The loans are secured by pledge of original registration documents of the vehicles and demand promissory notes.

The maximum aggregate amount of loans due from executives at the end of any month during the year was Rs. 3.8 million (2003: Rs. 3.6 million).

6. LONG-TERM DEPOSITS AND PREPAYMENTS

Security deposits
Prepayments

	2004 (Rupees 000's)	2003
	8,346	38,211
	282	287
	<u>8,628</u>	<u>38,498</u>

7. STORES AND SPARES

Stores
Spares (including in transit Rs 2.8 million;
2003: Rs 2.5 million)

2004	2003
(Rupees 000's)	
4,947	5,901
94,179	82,756
<u>99,126</u>	<u>88,657</u>

8. STOCK-IN-TRADE

Raw and packing materials (including in transit
Rs 172.8 million; 2003: Rs. 75.8 million)
Work-in-process
Finished goods

1,215,607	1,226,265
13,496	17,881
237,107	406,645
<u>1,466,210</u>	<u>1,650,791</u>

8.1 Stock in trade amounting to Rs. 8.8 million was held by Paramount Tobacco Company (Private) Limited (2003: Rs 11.3 million were held by Paramount Tobacco Company (Private) Limited) who manufacture cigarettes for the Company under toll manufacturing agreements.

9. TRADE DEBTS

Considered good
- Secured
- Unsecured

Note	2004	2003
	(Rupees 000's)	
	8,235	19,175
	12,422	30,194
	<u>20,657</u>	<u>49,369</u>

10. LOANS AND ADVANCES

Considered good
Secured
Loans due from executives

5	898	896
---	-----	-----

Unsecured
Advances to:
Executives
Employees

10.1	9,060	12,848
	6	18
	9,066	12,866
	22,830	6,512
	31,896	19,378
	<u>32,794</u>	<u>20,274</u>

Suppliers and contractors

10.1 The maximum aggregate balance of advances due from executives at the end of any month during the year was Rs. 10.0 million (2003: Rs. 12.8 million).

11. SHORT-TERM INVESTMENTS

Held for trading

1,711 (2003: Nil) units of Unit Trust of Pakistan
 500,000 (2003: Nil) units of Faysal Balanced Growth Fund
 395,910 (2003: Nil) units of Meezan Islamic Fund

Held to maturity

Short term deposits

Note	2004 (Rupees 000's)	2003
	14,582	-
	49,297	-
	24,488	-
	<u>88,367</u>	<u>-</u>
11.1	<u>1,210,808</u>	<u>359,664</u>
	<u>1,299,175</u>	<u>359,664</u>

- 11.1 These represent short term deposits of fixed maturities maintained with banks and financial institutions. The rate of profit on these deposits ranges from 1.75% per annum to 3.25% per annum (2003: 3% per annum to 6.1% per annum).

12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Security deposits

Prepayments

Current account balances with statutory authorities

Sales tax refundable

Export rebate receivable - net

Profit receivable on savings accounts

Due from associated undertakings

- Insurance claim

- Others

Others

Note	2004 (Rupees 000's)	2003
	-	8,579
	103,291	107,444
	65,903	252,012
12.1	89	121
	69	270
	1,130	-
	345	-
	171	-
12.2	516	-
12.3	<u>11,745</u>	<u>9,443</u>
	<u>182,743</u>	<u>377,869</u>

- 12.1 This amount is net of provision for doubtful receivable amounting to Rs. 23.6 million (2003: Rs. 23.6 million).
- 12.2 The maximum aggregate amount due from associated undertakings at the end of any month during the year was Rs. 2.4 million (2003: Rs. 1.1 million).
- 12.3 This includes amounts receivable from transporters amounting to Rs. 11.4 million (2003: Rs. 8.4 million) in respect of goods damaged in transit during transportation.

13. CASH AND BANK BALANCES

With banks

- on saving accounts
- on current accounts

Cash in hand

Cheques in hand

Note	2004 (Rupees 000's)	2003 (Rupees 000's)
	306,819	206,872
13.1	63,065	68,132
	369,884	275,004
	1,802	1,119
	1,750	-
	<u>373,436</u>	<u>276,123</u>

13.1 This includes foreign currency account balances amounting to Rs. 0.2 million (2003: Rs. 0.2 million).

14. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors

- Associated companies
- Others

Bills payable

Royalty payable to an associated company

Accrued expenses

Payable to gratuity fund

Mark-up accrued on secured finances

Security deposits

Contractors' retention money

Advance from customers

Tobacco development cess

Tobacco excise duty

Tobacco cess

Sales tax

Workers' profit participation fund

Workers' welfare fund

Provident fund trust

Others

Note	2004 (Rupees 000's)	2003 (Rupees 000's)
	38,250	18,238
	229,653	184,696
	267,903	202,934
	97,294	48,977
	1,630	5,068
	83,965	111,858
14.1	-	44,648
	-	2,789
14.2	2,188	2,236
	2,062	1,558
	23,634	14,138
14.3 & 14.6	193,261	201,111
14.4 & 14.6	402,447	264,743
	2,581	1,580
14.5	307,385	272,666
14.7	103,451	69,896
	36,680	25,759
	3,721	3,585
	4,532	1,952
	<u>1,532,734</u>	<u>1,275,498</u>

The maximum aggregate amount due to an associated company at the end of any month during the year was Rs. 44.5 million (2003: Rs. 36.3 million).

14.1 Staff retirement benefit

14.1.1 Defined benefit plan

As mentioned in note 2.17(b), the Company operates an approved funded gratuity scheme for all its permanent employees. Actuarial valuation of the scheme is carried out at least once in every three years and the latest actuarial valuation was carried out as at June 30, 2003.

The fair value of scheme's assets and the present value of obligation under the scheme at the balance sheet date were as follows:

Note	2004 (Rupees 000's)	2003 (Rupees 000's)
Present value of defined benefit obligation	143,752	132,545
Fair value of scheme assets	(143,752)	(86,705)
Deficit in the fund	-	45,840
Unrecognized past service cost	-	(1,192)
Liability recognised in the balance sheet	-	44,648

The following amounts have been charged to profit and loss account during the current year in respect of the scheme:

	2004 (Rupees 000's)	2003 (Rupees 000's)
Current service cost	8,769	7,768
Interest cost	7,953	10,948
Expected return on plan assets	(5,202)	(2,458)
Past service cost	1,192	108,286
Actuarial loss recognized	-	7,114
	<u>12,712</u>	<u>131,658</u>
Movement in the liability recognised in the balance sheet:		
Balance as at July 01	44,648	-
Net charge for the year	12,712	131,658
Contribution to the fund	(57,360)	(87,010)
Balance as at June 30	-	44,648

Project unit credit method using the following significant assumptions was used for valuation of the scheme:

- Expected increase in salary level 6% per annum.
- Discount rate 6% per annum.
- Rate of return on scheme assets 6% per annum.

Actual return on plan assets during the year was Rs. 5.2 million (2003: Rs. 9.6 million).

14.1.2 Defined contribution plan

An amount of Rs 16.5 million (2003: Rs 14.8 million) has been charged during the year in respect of contributory provident fund plan maintained by the Company.

- 14.2 This amount represents local distributors' security deposits which are repayable on cessation of distributorship and carries interest at 2 per cent per annum.
- 14.3 With effect from July 1, 1999, Tobacco Development Cess had been levied on the purchases of tobacco leaf. The Company has filed a constitutional petition in the Supreme Court against the levy which is currently pending for adjudication. Meanwhile, the Company is making a monthly payment of Rs 4 million under protest. Pending outcome of the matter, the Company has made the above provision in their books of accounts.
- 14.4 The Collectorate of Sales Tax and Central Excise (Adjudication) has issued show cause notices on various dates alleging payment of tobacco excise duty by the Company at rates lower than those notified by the Government. The Company has filed appeals against the claim raised by the authorities. Pending outcome of the matter, the Company has made a provision for the amount of differential of tobacco excise duty calculated at the notified rates upto June 30, 2004.
- 14.5 The Collectorate of Sales Tax and Central Excise (Adjudication) has issued a demand notice for an aggregate amount of Rs 204.5 million on account of short payment of sales tax on cigarettes manufactured by toll manufacturers. In addition, certain other demand notices have also been issued aggregating to Rs 2.8 million. The Company has filed appeals before the Customs, Excise & Sales Tax Appellate Tribunal against the above demands raised by the authorities which are currently pending for adjudication. Pending outcome of the matter, the Company has made a provision of Rs 207.3 million (2003: Rs 207.3 million) in respect of these demands.

14.6 Movement of provision

Balance as at July 01, 2003
 Provision for the year
 Less: Payments made during the year
 Balance as at June 30, 2004

Note	Tobacco Development Cess (Rupees 000's)	Tobacco Excise Duty
	201,111	264,743
	58,832	137,704
	<u>259,943</u>	<u>402,447</u>
14.3	<u>(66,682)</u>	-
	<u>193,261</u>	<u>402,447</u>

14.7 Workers' profit participation fund

Balance as at July 01
 Interest on funds utilised in the Company's business
 Paid to the fund
 Allocation for the year

Note	2004 (Rupees 000's)	2003
	69,896	57,662
26	562	1,922
	<u>70,458</u>	<u>59,584</u>
	<u>(70,458)</u>	<u>(59,584)</u>
	-	-
27	<u>103,451</u>	<u>69,896</u>
	<u>103,451</u>	<u>69,896</u>

15. DIVIDENDS

Unclaimed
Proposed - Final

2004 2003
(Rupees 000's)

10,043	7,971
538,828	363,495
<u>548,871</u>	<u>371,466</u>

16. SHARE CAPITAL

16.1 Authorised capital

2004 2003

100,000,000 100,000,000 Ordinary shares of
Rs. 10 each

<u>1,000,000</u>	<u>1,000,000</u>
------------------	------------------

16.2 Issued, subscribed and paid-up capital

Fully paid ordinary shares of Rs 10 each

2004 2003

5,541,429	5,541,429	Issued for cash
37,459,523	28,906,697	Issued as bonus shares
8,316,000	8,316,000	Issued for consideration other than cash
<u>51,316,952</u>	<u>42,764,126</u>	

55,414	55,414
374,595	289,067
<u>83,160</u>	<u>83,160</u>
<u>513,169</u>	<u>427,641</u>

Out of the total share capital of the Company, associated companies held 35,233,710 (2003: 29,357,769) ordinary shares of Rs 10 as at June 30, 2004.

17. RESERVES

Capital reserves for issue of bonus shares

Balance as at July 01
Transferred from profit and loss account

Utilised for issue of bonus shares

Revenue reserves - General

Balance as at July 01
Transferred from profit and loss account

2004 2003
(Rupees 000's)

85,528	71,274
-	85,528
<u>85,528</u>	<u>156,802</u>
<u>(85,528)</u>	<u>(71,274)</u>
-	85,528

1,403,000	1,048,000
638,000	355,000
<u>2,041,000</u>	<u>1,403,000</u>
<u>2,041,000</u>	<u>1,488,528</u>

18. SURPLUS ON REVALUATION OF FIXED ASSETS - net of tax

Surplus on revaluation of fixed assets as at July 01
 Surplus relating to incremental depreciation charged on related assets in prior years
 - transferred to unappropriated profits

Transfer to unappropriated profit in respect of incremental depreciation charged during the year - (net of deferred tax)
 Related deferred tax liability

Surplus on revaluation of fixed assets as at June 30
 Related deferred tax liability on:
 Revaluation as at July 01
 Incremental depreciation charged during the year transferred to profit and loss account

	2004	2003
	(Rupees 000's)	
Surplus on revaluation of fixed assets as at July 01	17,081	51,092
Surplus relating to incremental depreciation charged on related assets in prior years - transferred to unappropriated profits	-	(33,447)
	<u>17,081</u>	<u>17,645</u>
Transfer to unappropriated profit in respect of incremental depreciation charged during the year - (net of deferred tax)	(342)	(367)
Related deferred tax liability	(184)	(197)
	<u>(526)</u>	<u>(564)</u>
Surplus on revaluation of fixed assets as at June 30	16,555	17,081
Related deferred tax liability on:		
Revaluation as at July 01	3,083	3,280
Incremental depreciation charged during the year transferred to profit and loss account	(184)	(197)
	<u>2,899</u>	<u>3,083</u>
	<u>13,656</u>	<u>13,998</u>

19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

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

Year

2002-2003
 2003-2004
 2004-2005
 2005-2006
 2006-2007

Finance charge not due

Current maturity shown under current liabilities

	2004	2003
	(Rupees 000's)	
2002-2003	-	-
2003-2004	-	84,350
2004-2005	-	39,645
2005-2006	-	42,220
2006-2007	-	25,113
	<u>-</u>	<u>191,328</u>
Finance charge not due	-	(29,403)
	<u>-</u>	<u>161,925</u>
Current maturity shown under current liabilities	-	(69,792)
	<u>-</u>	<u>92,133</u>

The Company has terminated all lease agreements which it had entered into with various leasing companies for lease of plant and machinery and motor vehicles by exercising its option to purchase these assets. All the amounts payable to leasing companies on premature termination were settled and there is no amount outstanding at the year-end.

20. DEFERRED TAXATION

This comprises of the following:

Deferred tax liability on taxable temporary differences:

Surplus on revaluation of fixed assets
Tax depreciation allowance and finance lease

Deferred tax asset on deductible temporary differences:

Provision for employee compensated absences
Provision for post retirement benefits

Note	2004 (Rupees 000's)	2003
18	2,899	3,083
	158,770	110,072
	<u>161,669</u>	<u>113,155</u>
	4,169	4,028
	-	15,627
	<u>4,169</u>	<u>19,655</u>
	<u>157,500</u>	<u>93,500</u>

21. CONTINGENCIES AND COMMITMENTS

21.1 Contingencies

Guarantees

Contingent liability in respect of indemnities given to banks and insurance companies for guarantees issued by them in the normal course of business aggregated to Rs. 54.5 million (2003: Rs. 53.4 million).

21.2 Commitments

Capital expenditure contracted for but not incurred

Acceptances and letters of credit

	2004 (Rupees 000's)	2003
Capital expenditure contracted for but not incurred	<u>500,765</u>	<u>53,486</u>
Acceptances and letters of credit	<u>178,687</u>	<u>261,736</u>

Rentals under operating lease agreements in respect of vehicles amounting to Rs. Nil (2003: Rs. 75,616 thousand) are payable over the next five years as under:

2003-2004
2004-2005
2005-2006
2006-2007
2007-2008

	2004 (Rupees 000's)	2003
2003-2004	-	34,931
2004-2005	-	21,378
2005-2006	-	11,496
2006-2007	-	6,602
2007-2008	-	1,209
	<u>-</u>	<u>75,616</u>

22. COST OF GOODS SOLD

Raw material consumed

Opening stock

Purchases, redrying and related expenses

Closing stock

Excise duties, sales tax and other levies

Manufacturing expenses

Work in process

Opening stock

Closing stock

Sale of waste

Cost of goods manufactured

Finished goods

Opening stock

Less: Adjustment (claim)

Closing stock

22.1 Purchases, redrying and related expenses

Raw and packing material

Salaries, wages and other benefits

Stores and spares consumed

Fuel and power

Rent, rates and taxes

Freight and stacking

Printing and stationery

Depreciation

Other expenses

Note	2004 (Rupees 000's)	2003 (Rupees 000's)
	1,226,265	1,037,550
22.1	3,903,366	3,896,360
	5,129,631	4,933,910
	(1,215,607)	(1,226,265)
	3,914,024	3,707,645
	9,509,689	8,901,124
22.2	494,176	485,884
	13,917,889	13,094,653
	17,881	17,311
	(13,496)	(17,881)
	(11,388)	(12,121)
	(24,884)	(30,002)
	(7,003)	(12,691)
	13,910,886	13,081,962
	406,645	216,647
	(2,760)	-
	403,885	216,647
	(237,107)	(406,645)
	166,778	(189,998)
	14,077,664	12,891,964
	3,678,093	3,660,816
22.1.1	98,946	108,658
	16,909	9,366
	41,781	44,027
	73	60
	26,991	31,062
	355	442
3.2	28,453	29,982
	11,765	11,947
	225,273	235,544
	3,903,366	3,896,360

22.1.1 This includes employees' retirement benefits amounting to Rs. 3.8 million (2003: Rs. 20.6 million).

	2004	2003
Note	(Rupees 000's)	
22.2 Manufacturing expenses		
Salaries, wages and other benefits	22.2.1 195,935	229,727
Cigarette manufacturing charges to third parties	14,726	33,708
Stores and spares consumed	54,627	38,444
Fuel and power	85,911	76,885
Insurance	4,073	3,512
Cartage	36,993	34,491
Depreciation	3.2 101,911	69,117
	<u>494,176</u>	<u>485,884</u>
22.2.1 This includes employees' retirement benefits amounting to Rs. 10.9 million (2003: Rs. 56.2 million).		
23. ESTABLISHMENT EXPENSES		
Salaries, allowances and other benefits	23.1 112,338	142,340
Rent, rates and taxes	25,728	25,808
Rentals of leased assets	9,509	14,449
Travelling, conveyance and cartage	15,958	12,968
Repairs and maintenance	2,363	2,400
Legal and professional charges	10,974	5,681
Vehicle running expenses	24,855	22,044
Postage, telephone and telegram	10,749	7,044
Printing and stationery	4,829	4,651
Utilities	8,695	6,626
Fee and subscription	4,520	5,231
Entertainment	2,640	2,202
Insurance	122	112
Depreciation	3.2 31,692	10,965
Security service charges	2,583	2,653
Other expenses	3,176	2,444
	<u>270,731</u>	<u>267,618</u>
23.1 This includes employees' retirement benefits amounting to Rs. 8.2 million (2003: Rs 46.9 million).		
24. SELLING AND DISTRIBUTION EXPENSES		
Salaries, allowances and other benefits	24.1 118,021	114,607
Travelling expenses	28,445	30,788
Marketing expenses	568,524	874,767
Vehicle running expenses	52,858	51,020
Freight and octroi expenses	60,901	55,538
Rent, rates and taxes	8,696	7,625
Rental of leased assets	9,118	24,699
Insurance	820	832
Postage, telegram and telephone	9,319	9,222
Depreciation	3.2 19,522	5,269
Royalty	1,630	1,187
Other expenses	6,197	5,583
	<u>884,051</u>	<u>1,181,137</u>
24.1 This includes employees' retirement benefits amounting to Rs. 6.3 million (2003: Rs 22.6 million).		

	Note	2004 (Rupees 000's)	2003
25. OTHER INCOME			
Profit on disposal of fixed assets		6,893	8,588
Profit on disposal of investments		287	-
Profit on short-term deposits		23,459	23,088
Royalty income		268	398
Others		1,085	869
		<u>31,992</u>	<u>32,943</u>
26. FINANCIAL CHARGES			
Mark-up/interest on:			
Liabilities against assets subject to finance leases		5,440	24,622
Short-term running finances		264	5,628
Export refinance		-	1,252
Workers' profit participation fund	14.7	562	1,922
Security deposits		36	37
Bank commission and other charges		12,864	6,515
		<u>19,166</u>	<u>39,976</u>
27. OTHER CHARGES			
Fixed assets written off		3,421	-
Impairment loss on fixed assets		9,036	-
Unrealised loss on revaluation of investments held for trading		1,484	-
Workers' profit participation fund	14.7	103,451	69,896
Workers' welfare fund		35,874	24,900
Auditors' remuneration	27.1	648	849
Donations	27.2	4,958	1,455
		<u>158,872</u>	<u>97,100</u>

27.1 Auditors' remuneration

	A. F. Ferguson & Co.	Ebrahim & Co.	2004	2003
	----- (Rupees 000's) -----			
Audit fee	250	250	500	500
Review of half yearly financial statements	62.5	62.5	125	126
Other services	-	-	-	200
Out of pocket expenses	23	-	23	23
	<u>335.5</u>	<u>312.5</u>	<u>648</u>	<u>849</u>

27.2 This includes donations of Rs. 1 million, Rs. 0.2 million and Rs. 0.1 million (2003: Rs. 1 million, Rs. Nil and Rs. Nil) to the Lakson Medical Trust Complex, Special Olympics Pakistan and Rotary Club of Karachi Metropolitan, respectively in which the Chief Executive, Mr. Iqbal Ali Lakhani or his spouse is interested. Besides this none of the Directors and their spouses had any interest in any donee fund to which donations have been made.

	2004	2003
	(Rupees 000's)	
28. TAXATION		
Current - for the year	613,400	444,812
Current - for prior years (net)	<u>(26,037)</u>	<u>(7,984)</u>
	587,363	436,828
Deferred	64,000	7,620
	<u>651,363</u>	<u>444,448</u>
28.1 Relationship between tax expense and accounting profit		
Accounting profit before tax	<u>1,929,107</u>	<u>1,301,231</u>
Tax rate	35%	35%
Tax on accounting profit	675,187	455,431
Tax effect of expenses that are inadmissible in determining taxable profit	5,911	72
Tax effect of income exempt from tax	(94)	(139)
Tax effect of lower tax rates on certain income	(9,312)	(3,173)
Others	5,708	241
	<u>677,400</u>	<u>452,432</u>
Tax effect of adjustments in respect of income tax of prior years	<u>(26,037)</u>	<u>(7,984)</u>
Tax expense for the current year	<u>651,363</u>	<u>444,448</u>
29. EARNINGS PER SHARE		
Profit for the year after taxation	<u>1,277,744</u>	<u>856,783</u>
	Number of Shares	
Average issued ordinary shares	<u>51,316,952</u>	<u>51,316,952</u>
	Rupees	
Earnings per share (basic and diluted)	<u>24.90</u>	<u>16.70</u>

30. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives		Total	
	2004	2003	2004	2003	2004	2003	2004	2003
	-----Rupees '000-----							
Remuneration	4,637	3,751	2,010	1,751	89,674	75,878	96,321	81,380
House rent	-	-	703	610	34,721	29,127	35,424	29,737
Bonus	-	-	336	292	13,413	11,227	13,749	11,519
Retirement benefits	-	-	931	4,105	22,376	66,346	23,307	70,451
Motor vehicle expenses	511	478	101	101	5,891	5,463	6,503	6,042
Utilities	1,043	760	201	175	4,418	3,349	5,662	4,284
Others	-	-	121	121	4,728	3,519	4,849	3,640
	<u>6,191</u>	<u>4,989</u>	<u>4,403</u>	<u>7,155</u>	<u>175,221</u>	<u>194,909</u>	<u>185,815</u>	<u>207,053</u>
Number of persons	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>	<u>353</u>	<u>323</u>	<u>356</u>	<u>326</u>

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

31. TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings comprise local associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and associated undertakings other than remuneration and benefits to key management personnel under the terms of their employment are as follows:

	Note	2004 (Rupees 000's)	2003
Sale of goods and services	31.1	7,194	2,645
Purchase of goods and services	31.2	467,531	434,704
Royalty charges		1,630	1,186
Rent and allied expenses		11,430	9,361
Contribution to staff retirement benefit plans		29,229	146,364

31.1 This amount includes disposal of fixed assets having written down value of Rs. 0.085 million (2003: Rs 0.1 million) disposed off for Rs. 0.715 million (2003: Rs 0.030 million).

31.2 This amount includes purchase of fixed assets amounting to Rs. 0.875 million (2003: Rs 6.9 million).

31.3 The Company enters into transactions with related parties for the sale of its products and purchase of raw materials. Services, royalty charges and rent and allied expenses are charged between associated undertakings on the basis of mutually agreed terms.

32. CAPACITY AND PRODUCTION

Installed capacity
Actual production
Company
Contracted

2004 2003
Number of cigarettes in million

37,872	34,800
27,785	24,639
648	1,485
28,433	26,124

Number of shifts per day

Two and a half shifts Two and a half shifts

Actual production was sufficient to meet the demand.

33. CASH GENERATED FROM OPERATIONS

Profit before taxation

Note 2004 2003
(Rupees 000's)

1,929,107 1,301,231

Adjustments for:

Depreciation
Profit on disposal of fixed assets
Profit on disposal of investments
Profit on short-term deposits
Write-off of fixed assets
Impairment of fixed assets
Loss on revaluation of investments
Financial charges
Working capital changes

181,578	115,333
(6,893)	(8,588)
(287)	-
(23,459)	(23,088)
3,421	-
9,036	-
1,484	-
19,166	31,539
33.1 646,585	(687,724)
2,759,738	728,703

33.1 Working capital changes

Decrease / (Increase) in current assets

Stores and spares
Stock-in- trade
Trade debts
Loans and advances
Deposits, prepayments and other receivables

(10,469)	(1,518)
184,581	(379,283)
28,712	13,472
(12,520)	(3,934)
196,256	(247,926)
386,560	(619,189)

Increase / (Decrease) in current liabilities

Creditors, accrued and other liabilities

260,025	(68,535)
646,585	(687,724)

Note	2004 (Rupees 000's)	2003
13	373,436	276,123
	1,165,808	359,664
	<u>1,539,244</u>	<u>635,787</u>

34. CASH AND CASH EQUIVALENTS

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

Cash and bank balances
Short-term investments

35. FINANCIAL ASSETS AND LIABILITIES

35.1 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to change in the interest rates. The Company manages this risk through risk management strategies. Interest rate risk of the Company's financial assets and financial liabilities can be evaluated from the following schedule:

	Interest/mark-up bearing			Non-interest bearing			Total
	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	
	(Rupees '000)						
Financial Assets							
Loans to executives	-	-	-	898	2,202	3,100	3,100
Long-term deposits	-	-	-	-	8,346	8,346	8,346
Trade debts	-	-	-	20,657	-	20,657	20,657
Short-term investments	1,210,808	-	1,210,808	88,367	-	88,367	1,299,175
Deposits and other receivables	-	-	-	13,460	-	13,460	13,460
Cash and bank balances	306,819	-	306,819	66,617	-	66,617	373,436
	<u>1,517,627</u>	<u>-</u>	<u>1,517,627</u>	<u>189,999</u>	<u>10,548</u>	<u>200,547</u>	<u>1,718,174</u>
Financial Liabilities							
Creditors, accrued and other liabilities	2,188	-	2,188	461,107	-	461,107	463,295
Dividends	-	-	-	548,871	-	548,871	548,871
	<u>2,188</u>	<u>-</u>	<u>2,188</u>	<u>1,009,978</u>	<u>-</u>	<u>1,009,978</u>	<u>1,012,166</u>

As at June 30, 2004, interest/mark-up rates per annum applicable on financial assets and financial liabilities were as follows:

- Short-term deposits with banks and financial institution 1.75 - 3.25%
- Deposits and saving accounts included in bank balances 0.5 - 1.25%
- Security deposit payable 2%

35.2 Fair value of financial assets and liabilities

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

35.3 Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted. Out of the total financial assets of Rs. 1,718.2 million, the financial assets which are subject to credit risk are Rs. 1,716.4 million. The Company believes that it is not exposed to major concentration of credit risk.

35.4 Liquidity risk

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

35.5 Currency risk and foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company is exposed to foreign currency risk in respect of financial assets and financial liabilities is Rs. 0.2 million and Rs. 97.0 million respectively on sales, purchases and borrowings that are entered in a currency other than Pak rupees. The Company uses forward foreign exchange contracts to hedge its foreign currency risks, when considered appropriate.

36. NUMBER OF EMPLOYEES

Total number of employees as at June 30, 2004 was 2,388 (2003: 2,345).

37. DATE OF AUTHORISATION

These financial statements were authorised for issue on September 7, 2004 by the Board of Directors of the Company.

38. GENERAL

38.1 Figures have been rounded to the nearest thousand Rupees.

38.2 Corresponding figures have been rearranged and reclassified for the purposes of comparison. Significant reclassifications made are as follows:

- Balances receivable from transporters on account of goods damaged in transit amounting to Rs. 8.4 million have reclassified from trade debts to other receivables.
- Short-term deposits and interest accrued thereon amounting to Rs. 357.0 million and Rs. 2.7 million respectively have been reclassified from cash and bank balances and other receivables to investments - held to maturity as the relevant short-term deposits have been classified under the caption of investments - 'held to maturity'.
- Other expenses amounting to Rs. 1.461 million included in establishment expenses have been reclassified in selling and distribution expenses.

38.3 The financial statements of Premier Tobacco Company (Private) Limited, a wholly owned subsidiary of the Company, have not been consolidated as its balances are considered immaterial.



Iqbal Ali Lakhani

Chairman & Chief Executive



Shahid Ahmed Khan

Director

Pattern of Holding of the Shares held by the Shareholders

As at June 30, 2004

INCORPORATION NUMBER: KAR-2607/1968-69

NO. OF SHAREHOLDERS	SHARE HOLDING			TOTAL SHARES HELD
	FROM	-	TO	
824	1	-	100	21,801
575	101	-	500	149,788
230	501	-	1,000	168,396
363	1,001	-	5,000	739,546
63	5,001	-	10,000	431,104
14	10,001	-	15,000	170,191
6	15,001	-	20,000	102,518
2	20,001	-	25,000	44,323
2	25,001	-	30,000	55,183
1	35,001	-	40,000	38,200
2	45,001	-	50,000	97,641
2	50,001	-	55,000	108,249
1	65,001	-	70,000	65,145
1	105,001	-	110,000	109,771
1	165,001	-	170,000	167,065
1	195,001	-	200,000	199,757
1	205,000	-	210,000	208,197
1	210,001	-	215,000	210,448
2	220,001	-	225,000	443,174
1	410,001	-	415,000	412,272
1	575,001	-	580,000	579,485
1	625,001	-	630,000	625,852
1	870,001	-	875,000	872,425
1	1,060,001	-	1,065,000	1,061,778
2	1,115,001	-	1,120,000	2,236,573
1	1,240,001	-	1,245,000	1,240,423
1	1,260,001	-	1,265,000	1,264,123
1	1,465,001	-	1,470,000	1,467,649
1	1,610,001	-	1,615,000	1,612,840
1	1,810,001	-	1,815,000	1,814,536
1	2,085,001	-	2,090,000	2,087,021
1	4,080,001	-	4,085,000	4,080,982
1	7,900,001	-	7,905,000	7,903,725
2	10,260,001	-	10,265,000	20,526,770
2,109				51,316,951

CATEGORIES OF SHAREHOLDERS	SHARES HELD	PERCENTAGE
Directors, Chief Executive Officer, their spouse and minor children	6,743,287	13.14
Associated Companies, Undertakings and related parties	35,233,710	68.66
NIT and ICP	1,469,653	2.86
Banks, Development Financial Institutions, Non Banking Financial Institutions	117,020	0.23
Insurance Companies	1,372,566	2.68
Modaraba and Mutual Funds	11,520	0.02
Shareholders holding 10%	28,430,495	55.40
General Public		
(a) Local	5,787,032	11.27
(b) Foreign	412,272	0.80
Others		
(a) Joint Stock Companies	14,744,752	28.76
(b) Govt Organisations	48,225	0.09
(c) Charitable Institutions	66,809	0.13
(d) Investment Companies	17,045	0.03

Note: Some of the shareholders are reflected in more than one category.

PROFIT AND LOSS ACCOUNT

For the year ended June 30, 2004

Sales (including sales tax of Rs 2,316.5 million
(2003: Rs 2,177.8 million))

Cost of goods sold

Gross profit

Establishment expenses

Selling and distribution expenses

Operating profit

Other income

Financial charges

Other charges

Profit before taxation

Taxation

Profit after taxation

Unappropriated profit brought forward

Transfer from surplus on revaluation of fixed assets

- Prior years

- Current year - net of tax

Profit available for appropriation

Appropriations:

Dividends:

- Interim at Rs. 2.00 per share (2003: Rs. 2.00 per share)

- Proposed final at Rs. 10.50 per share (2003: Rs. 8.50 per share)

Transfer to capital reserves for issue of bonus shares

Transfer to general reserves

Unappropriated profit carried forward

Earnings per share

Note	2004	2003
	(Rupees 000's)	
	17,307,599	15,746,083
22	14,077,664	12,891,964
	<u>3,229,935</u>	<u>2,854,119</u>
23	270,731	267,618
24	884,051	1,181,137
	<u>1,154,782</u>	<u>1,448,755</u>
	2,075,153	1,405,364
25	31,992	32,943
	<u>2,107,145</u>	<u>1,438,307</u>
26	19,166	39,976
27	158,872	97,100
	<u>178,038</u>	<u>137,076</u>
	1,929,107	1,301,231
28	651,363	444,448
	<u>1,277,744</u>	<u>856,783</u>
	2,013	967
	-	33,447
18	342	367
	<u>342</u>	<u>33,814</u>
	2,355	34,781
	<u>1,280,099</u>	<u>891,564</u>
	102,634	85,528
	538,828	363,495
	<u>641,462</u>	<u>449,023</u>
	-	85,528
	638,000	355,000
	<u>1,279,462</u>	<u>889,551</u>
	<u>637</u>	<u>2,013</u>
	Rupees	
29	24.90	16.70

The annexed notes form an integral part of these financial statements.


Iqbal Ali Lakhani
Chairman & Chief Executive


Shahid Ahmed Khan
Director