Auditors' Report To The Members

We have audited the annexed Balance Sheet of **M/S. PREMIER TOBACCO COMPANY (PVT) LTD**. as at June 30, 2007 and related cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's Management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

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

b) in our opinion:

  i. the Balance Sheet with the notes thereon have been drawn up in conformity with the Companies Ordinance,1984 and are in agreement with the books of accounts and are further in accordance with the accounting policies consistently applied;

  ii the business conducted and investments made 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, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2007 and of its cash flows and changes in equity for the year then ended; and

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

Hyder Bhimji

HYDER BHIMJI & Co.
CHARTERED ACCOUNTANTS

Karachi: July 23, 2007

Premier Tobacco Company (Private) Limited

Balance Sheet as at June 30, 2007

	Note	2007 Rupes	2006 Rupess
CAPITAL & LIABILITIES:			
Authorized Capital:			
1,000,000 Ordinary Shares of Rs.10 each		**10,000,000**	10,000,000
ISSUED, SUBSCRIBED AND PAID UP CAPITAL			
103 Ordinary Shares of Rs 10 each fully paid-up	4	**1,030**	1,030
PROPERTY& ASSETS:			
Current Assets:			
Cash at Bank (in Current account)		**1,030**	1,030

Note: (i) The Company has not carried out any business during the year from July 01, 2006 to June 30, 2007. Hence, no Profit and Loss account has been prepared.

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

Mohammad Farooq Shakoor
Chief Executive

Joseph Mitchell Gault
Director

Karachi: July 23, 2007

Premier Tobacco Company (Private) Limited

Cash Flow Statement for the year ended June 30, 2007

	2007 Rupess	2006 Rupess
Cash Flow from Operating Activities	-	-
Cash Flow from Investing Activities0	-	-
Cash Flow from Financing Activities	-	-
Net Increase/ (Decrease) in Cash and Bank Balance	-	-
	-	-
Cash and Bank Balances at the beginning of the year	1,030	1,030
Cash and Bank Balances at the end of the year	1,030	1,030

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

Mohammad Farooq Shakoor
Chief Executive

Joseph Mitchell Gault
Director

Premier Tobacco Company (Private) Limited

Statement of changes in Equity

For the year ended June 30, 2007

	Issued, Subscribed & Paid-up Capital	General Reserve	Accumulated (Profit/(Loss)	Total
		Rupees		
Balance as at July 01, 2005	**1,030**	-	-	1030
Profit/ (Loss) fot the year	-	-	-	-
Balance as at June 30, 2006	**1,030**	-	-	1030
Profit/ (Loss) for the year	-	-	-	-
Balance as at June 30, 2007	**1,030**	-	-	1030

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

Mohammad Farooq Shakoor
Chief Executive

Joseph Mitchell Gault
Director

Premier Tobacco Company (Private) Limited

Notes to the Financial Statements
For the year ended June 30, 2007

1. THE COMPANY AND ITS OPERATIONS

The copmany was incorporated and registered under the Companies Ordinance, 1984. It is a wholly owned subsidiary of Lakson Tobacco Company Limited. The company is not carrying out any business operations.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the International Accounting Standards as notified under the provision of the Companies Ordinance, 1984.

3. ACCOUNTING CONVENTION

The Financial statements of the Company have been prepared under the historical cost convention.

	2007 Rupees	2006 Rupees
4. Issued, subscribed and paid up capital		
103 Ordinary shares of Rs. 10 each fully paid up - issued for cash	1,030	1,030

Mohammad Farooq Shakoor
Chief Executive

Joseph Mitchell Gault
Director

Balance Sheet
As At June 30, 2007

	Note	2007	2006
		(Rupees '000)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	3	**2,805,140**	2,406,862
Intangible assets	4	**-**	62,537
		2,805,140	2,469,399
Investment in a subsidiary company	5	**1**	1
Long term loans	6	**1,124**	790
Long term deposits and prepayments	7	**12,872**	9,424
		2,819,137	2,479,614
CURRENT ASSETS			
Stores and spares	8	**205,988**	163,013
Stock-in-trade	9	**2,463,179**	2,009,053
Trade debts	10	**85,099**	100,647
Loans and advances	11	**91,222**	102,626
Prepayments		**106,565**	78,606
Profit accrued		**4,175**	1,635
Other receivables	12	**26,777**	38,414
Income tax - net		**15,309**	-
Short term investment	13	**-**	400,114
Cash and bank balances	14	**775,758**	607,281
		3,774,072	3,501,389
TOTAL ASSETS		**6,593,209**	5,981,003
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	15	**615,803**	615,803
General reserve		**3,570,000**	2,880,000
Unappropriated profit		**1,381,190**	1,460,478
		5,566,993	4,956,281
NON CURRENT LIABILITIES			
Deferred taxation	16	**286,820**	188,628
CURRENT LIABILITIES			
Trade and other payables	17	**609,269**	594,739
Provision for taxation		**-**	87,897
Sales tax payable		**64,650**	84,421
Provisions	18	**65,477**	69,037
		739,396	836,094
CONTINGENCIES AND COMMITMENTS	19		
TOTAL EQUITY AND LIABILITIES		**6,593,209**	5,981,003

The annexed notes from 1 to 38 form an integral part of these financial statements.

Salman

Salman Hameed
Chairman & Chief Executive

Mohammad Farooq Shakoor
Director

Cash Flow Statement
For The Year Ended June 30, 2007

	Note	2007	2006
		(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	31	**2,547,817**	2,177,760
Finance cost paid		**(19,148)**	(10,654)
Income taxes paid		**(898,677)**	(1,107,761)
Long term loans		**(334)**	617
Long term deposits and prepayments		**(3,448)**	4,646
Net cash inflow from operating activities		**1,626,210**	1,064,608
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(802,141)**	(782,037)
Proceeds from sale of property, plant and equipment		**29,582**	22,589
Purchase of short term investments		**-**	(400,000)
Proceeds from sale of investments		**411,510**	-
Income received from short term deposits		**24,913**	41,138
Net cash used in investing activities		**(336,136)**	(1,118,310)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(1,121,597)**	(740,678)
Net cash used in financing activities		**(1,121,597)**	(740,678)
Net increase / (decrease) in cash and cash equivalents		**168,477**	(794,380)
Cash and cash equivalents at the beginning of the year		**607,281**	1,401,661
Cash and cash equivalents at the end of the year	**14**	**775,758**	607,281

The annexed notes from 1 to 38 form an integral part of these financial statements.

Salman Hameed
Chairman & Chief Executive

Mohammad Farooq Shakoor
Director

Directors' Report
For The Year Ended June 30, 2007

The Board of Directors of Lakson Tobacco Company Limited takes pleasure in presenting the Annual Report and the Audited Financial Statements of the Company together with the Auditors' Report for the year ended June 30, 2007.

PROFITABILITY PERFORMANCE

The analysis of key operating results for the current year and comparison with the results of the previous year is given below:

Financial Indicators	2007	2006
	(Rupees in million)	
Turnover	22,425	20,620
Gross Profit	4,490	4,177
Operating Profit	2,650	2,391
Profit before tax	2,631	2,380
Profit after tax	1,738	1,555

The turnover is Rs. 22.4 billion as compared to 20.6 billion last year i.e. increase of 9% in comparison. In line with the increase in sales, the gross profit has also increased by 8% over last year. Due to a moderate increase in marketing and distribution, administrative and other operating expenses the operating profit, profit before and after tax has increased by 12% over last year.

EARNINGS PER SHARE

Earnings per share is Rs. 28.22 as compared to Rs. 25.25 last year.

SALES PERFORMANCE

The sales at Rs. 22.43 billion rose by 9% over the prior year mainly due to increased pricing.

COST OF SALES

The cost of sales increased by 8% over the last year. This was mainly due to the increase in tobacco prices by 15% to 17% in prior year which had a full year impact during the current year. This increase in tobacco prices was offset by the actions taken by the company to improve the efficiency in all areas of business.

OPERATING AND OTHER COST

The rise in the marketing and distribution expenses by 2.4% and other operating expenses by 6.86% is relatively low as compared to the increase in turnover i.e. 9% over last year.

The company exercised control over the administrative expenses and during the year there was only a 3.45% increase in the total administrative expenses as compared to last year.

INVESTMENTS

Your company has been investing on a continuous basis and during the year under review capital expenditure stood at Rs. 802 million. These investments are a part of the Balancing and Modernization of the machinery in order to improve product quality and efficiency levels.

DIVIDEND

The Board is pleased to inform you that due to good interim financial results interim cash dividend of 58% was declared and distributed during the year. In addition to the interim dividend the Board has recommended a final dividend of 85% to be paid to the members subject to the approval of the members at the forthcoming Annual General Meeting. By virtue of the above dividend payment and proposal of a final dividend the dividend payout ratio has become 50% of the net profit after tax for the year.

APPROPRIATION OF PROFIT

Profit for the year has been appropriated as follows:

	2007	2006
	------- Rupees '000	------
Profit before taxation	2,631,296	2,380,124
Taxation	893,663	825,239
Profit after taxation	1,737,633	1,554,885
Un-appropriated profit brought forward	724	8,227
Profit available for appropriation	1,738,357	1,563,112
Appropriations:		
Interim cash dividend @ 58% (2006 (Stock dividend @ 20%) per ordinary share of Rs. 10 each	357,167	102,634
Proposed cash dividend @ 85% (2006: Cash dividend @ 125%) per ordinary share of Rs 10 each	523,433	769,754
Transfer to general reserve	857,000	690,000
Un-appropriated profit carried forward	757	724

CONTRIBUTION TO NATIONAL EXCHEQUER

Your company contributes substantially to the national economy in terms of taxes and duties and the contribution is increasing along with the improved performance. This year the Company contributed Rs. 13.096 billion to the national exchequer in the form of Central Excise Duty, Sales Tax, Custom Duties, Income Tax etc.

COMMUNITY INVOLVEMENT

The company's commitment to community welfare in the form of contributions to various sectors like health, education, social sectors etc. continued during the year.

CORPORATE GOVERNANCE

The Directors are pleased to state that all the necessary steps have been taken to comply with the requirements of the Code of Corporate Governance as required by Securities & Exchange Commission of Pakistan (SECP).

Following are the Statements on Corporate and Financial Reporting Frame Work:

- The financial statements prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in its equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been applied consistently in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, are followed in preparation of all financial statements.
- The Company's system of internal controls is sound and has been effectively implemented and continuously reviewed.
- There are no doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- The summary Key operating and financial data of last six years is annexed to these financial statements.
- Information about taxes and levies is given in the notes to the accounts.

- The values of investments of staff retirement benefits (i.e. the Provident Fund and the Gratuity Fund) according to their respective audited accounts are as at June 30, 2007:

	(Rupees in Million)
Provident Fund	366.9
Gratuity Fund	229.2

ACQUISITION OF SHARES

As you are aware, Philip Morris Participations B.V (PMP) acquired 50.21% being 30,917,939 Ordinary Shares @ Rs. 666.89 per share of the issued and paid up shares of the Company from certain principal shareholders and their associated companies. PMP also acquired a further 7.41% being 4,565,260 Ordinary Shares @ Rs. 666.89 per share of the issued and paid up shares of the Company (same price offered to the principal shareholders) through an offer to the general public for acquisition of further shares under Listed Companies (Substantial Acquisition of Voting Shares and Take-overs) Ordinance.

Prior to the acquisition of shares from principal shareholders and general public PMP and FTR Holding S.A (FTR) both subsidiaries of Philip Morris International Inc. each held 20% of the issued and paid up capital of the Company. Now in aggregate PMP and FTR hold 97.62% of the issued and paid up shares of the Company.

BOARD OF DIRECTORS

Following PMP's acquisition of a majority of the shares in the Company, the Board of Directors was reconstituted and the following persons resigned as Directors of the Company:

1.	Mr. Iqbal Ali Lakhani	Chairman & Chief Executive
2.	Mr. Zulfiqar Ali Lakhani	Director
3.	Mr. Amin Mohammed Lakhani	Director
4.	Mr. M. J. Jaffer	Director
5.	Mr. Tasleemuddin A. Batlay	Director
6.	Mr. Shahid Ahmed Khan	Director
7.	Mr. Aziz Ebrahim	Director

With seven casual vacancies arising from the resignation of the above Directors the following persons were appointed to fill the casual vacancies:

1. Mr. Salman Hameed
2. Mr. Joseph Mitchell Gault
3. Mr. Michael Patrick Murphy
4. Mr. Timothy John Southey
5. Mr. Alan Ewan Hunking
6. Mr. Mohammad Farooq Shakoor
7. Mr. Asmer Naim

At present the Board comprises 5 non-executive Directors.

I would like to thank the retiring Directors for their dedication and commitment to the Company and for assisting the Company to flourish and become a leading Company in the industry as a whole and in the tobacco sector. I also welcome the new directors and hope that their contribution will enable the Company to achieve the goals that have been set.

During the year under review, the Board of Directors held five meetings. The attendance of Directors in the meetings is given here under:

Name of Directors	No. of meetings attended
Mr. Iqbal Ali Lakhani	4
Mr. Zulfiqar Ali Lakhani	3
Mr. Amin Mohammed Lakhani	4
Mr. E.A. Nomani	-
Mr. M.J. Jaffer	3
Mr. Tasleemuddin Ahmed Batlay	4
Mr. Aziz Ebrahim	3
Mr. Shahid Ahmed Khan	4
Mr. Matteo Lorenzo Pellegrini	2
Mr. Douglas Walter Werth	1
Mr. Kevin Douglas Click	3
Mr. Kurt Hunkeler	1
Mr. Salman Hameed	2
Mr. Joseph Mitchell Gault	2
Mr. Michael Patrick Murphy	1
Mr. Timothy John Southey	2
Mr. Alan Ewan Hunking	2
Mr. Mohammad Farooq Shakoor	2
Mr. Asmer Naim	1

Leaves of absence were granted to the Directors who could not attend some of the Board meetings.

COMMITTEES

The Board of Directors formed several Committees for smooth and timely performance of the business activities.

AUDIT COMMITTEE

The Audit Committee after acquisition of LTC by PMP was reconstituted and the following persons were appointed in place of the resigning members:

1. Mr. Joseph Mitchell Gault (Chairman Audit Committee)
2. Mr. Douglas Walter Werth
3. Mr. Timothy John Southey
4. Mr. Alan Ewan Hunking

The Audit Committee operates according to the terms of reference determined by the Board of Directors of the Company which conform with the requirements of the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan.

The Audit Committee is comprised of four members, of which one is a non-executive director. The Audit Committee held 4 meetings during the year as required by the Code of Corporate Governance.

SHARE TRANSFER COMMITTEE

The Share Transfer Committee was reconstituted as under and the following members were appointed:

1. Mr. Salman Hameed
2. Mr. Joseph Mitchell Gault
3. Mr. Mohammad Farooq Shakoor

CHANGE OF WEBSITE ADDRESS

It has been decided by the Board in the recent Board of Directors meeting that the website address of the Company be changed from www.lakson.com.pk to www.laksontobacco.com.pk to enable the posting of quarterly accounts. The requisite approvals will be sought prior to launch of the new website.

COMPANY'S RECOGNITION

The Directors are pleased to state that your Company has been nominated for the eighth time as one of the top 25 Companies on the Karachi Stock Exchange for the financial year 2005.

REGISTRAR SERVICES

By virtue of the amendment through the finance bill for the year 2007-08 every listed company is required to appoint Share Registrar for efficient and timely response to the shareholders. In this regard, the Board of Directors has decided to appoint Ferguson Associates (Pvt.) Limited, effective from August 06, 2007.

PATTERN OF SHAREHOLDING

A statement of the pattern of shareholding as at June 30, 2007 is attached in the prescribed form as required under Code of Corporate Governance.

The Directors, Chief Executive Officer, Company Secretary, their spouses and minor children and associated Companies sold shares of the Company to Philip Morris Participations B.V on 9 March 2007. The number of shares sold by each listed entity or person is given hereunder:

Name	No. of Shares
SIZA (Private) Limited	9,484,470
SIZA Services (Private) Limited	4,898,378
SIZA Commodities (Private) Limited	1,062,815
Premier Fashions (Private) Limited	2,624,911
Mr. Iqbal Ali Lakhani	1,516,947
Mr. Zulfiqar Ali Lakhani	1,274,133
Mr. Amin Mohammed Lakhani	2,177,443
Mrs. Ronak Iqbal Lakhani	1,344,675
Mrs. Fatima Zulfiqar Lakhani	695,382
Mrs. Saira Amin Lakhani	1,046,910
Mr. Tasleemuddin A. Batlay	4,320
Mr. A. Aziz Ebrahim	4,320
Mr. Shahid Ahmed Khan	4,320
Mr. Ramzan Ali Halani	4,320
Mr. M. J. Jaffer	14,851

The Chief Financial Officer, his spouse and minor children did not carry out any transaction in the shares of the Company during the year.

MATERIAL CHANGES

There have been no material changes since June 30, 2007 and the Company has not entered into any commitment which would affect its financial position at that date.

AUDITORS

The present Auditors M/s Ford Rhodes Sidat Hyder & Co, Chartered Accountants, retire at the conclusion of the meeting. As they have not offered themselves for re-appointment the management has decided to appoint M/s A. F. Ferguson & Co. Chartered Accountants for the next period ending on 31 December 2007. In this regard, M/s A. F. Ferguson has shown their interest for appointment as statutory auditor for the next period.

TOBACCO PRICES

For the 2007 crop, the increase in prices is expected to range between 15 to 17 percent over the previous years crop. This is a major increase in the main input cost and is going to affect the future cost of production and the profitability of the Company.

FUTURE OUTLOOK

Your Company is now a part of the global Philip Morris family and with the expertise available internationally in all the fields, your Company is poised to grow. The new management is focused to bring an improvement in the overall performance of the Company. This will be achieved through strategic marketing activities, cost control measures, development of human resource and improvement in production technology and quality of the finished product.

CONCLUSION

The Directors wish to acknowledge and appreciate the untiring efforts, dedication and commitment demonstrated by all employees and their strong performance, significant contributions and excellent response to the challenges faced during the year. Our growth has been possible because of their enduring commitment which has ensured a sound base for the Company.

On behalf of the Board of Directors, we are pleased to record our appreciation to our employees, distributors, suppliers, customers, shareholders and other institutions for their trust in the management of the Company.

On behalf of the Board of Directors

Salman

Salman Hameed
Chairman & Chief Executive

Karachi: July 31, 2007

Statement Of Changes In Equity For The Year Ended June 30, 2007

	Issued, subscribed and paid-up capital	RESERVES REVENUE RESERVES General Reserve	Unappro-priated profit	Sub Total	Total
	(Rupees in'000)				
Balance as at July 01, 2005	513,169	2,041,000	1,591,322	3,632,322	4,145,491
Profit after taxation for the year ended June30, 2006	-	-	1,554,885	1,554,885	1,554,885
Transfer to general reserve for the year ended June 30, 2005	-	839,000	(839,000)	-	-
Final dividend for the year ended June 30, 2005 @ Rs. 14.5 per share	-	-	(744,095)	(744,095)	(744,095)
Bonus shares issued during the year ended June 30, 2006 in the ratio of 1 share for every 5 shares held	102,634	-	(102,634)	(102,634)	-
Balance as at June 30, 2006	**615,803**	**2,880,000**	**1,460,478**	**4,340,478**	**4,956,281**
Balance as at July 01, 2006	615,803	2,880,000	1,460,478	4,340,478	4,956,281
Profit after taxation for the year ended June 30, 2007	-	-	1,737,633	1,737,633	1,737,633
Transfer to general reserve for the year ended June 30, 2006	-	690,000	(690,000)	-	-
Final dividend for the year ended June 30, 2006 @ Rs. 12.5 per share	-	-	(769,754)	(769,754)	(769,754)
Interim dividend for the year ended June 30, 2007 @ Rs. 5.8 per share	-	-	(357,167)	(357,167)	(357,167)
Balance as at June 30, 2007	**615,803**	**3,570,000**	**1,381,190**	**4,951,190**	**5,566,993**

The annexed notes from 1 to 38 form an integral part of these financial statements.

Salman Hameed
Chairman & Chief Executive

Mohammad Farooq Shakoor
Director

Financial Highlights For Last Six Years

	YEAR ENDED JUNE 30					
	2007	**2006**	**2005**	**2004**	**2003**	**2002**
	(Rs. in thousand except last five items)					
Share Capital	**615,803**	615,803	513,169	513,169	427,641	356,367
Reserves & Surplus	**4,951,190**	4,340,478	3,640,595	2,594,121	1,504,539	1,171,333
Share Holders' Equity	**5,566,993**	4,956,281	4,153,764	3,107,290	1,932,180	1,527,700
Liabilities against assets subject to finance lease	**-**	-	-	-	161,925	269,635
Deferred liabilities	**286,820**	188,628	174,078	157,500	93,500	82,600
TOTAL CAPITAL EMPLOYED	**5,853,813**	**5,144,909**	**4,327,842**	**3,264,790**	**2,187,605**	**1,879,935**
Fixed assets - NET	**2,805,140**	2,469,399	2,139,086	1,537,438	1,050,986	969,418
Long-term investment	**1**	1	1	1	1	1
Long-term deposits & prepayments	**13,996**	10,214	15,477	10,830	41,103	48,157
Working capital	**3,034,676**	2,665,295	2,173,278	1,716,521	1,095,515	862,359
TOTAL ASSETS	**5,853,813**	**5,144,909**	**4,327,842**	**3,264,790**	**2,187,605**	**1,879,935**
Turnover	**22,425,268**	20,619,711	20,584,045	17,307,599	15,746,083	16,237,960
Profit before tax	**2,631,296**	2,380,124	2,571,950	1,929,107	1,301,231	1,072,917
Profit after tax & adjustment	**1,737,633**	1,554,885	1,685,037	1,277,744	856,783	749,023
Dividends declared (Cash)	**880,600**	769,754	846,730	641,462	449,023	374,187
Bonus shares	**-**	102,634	-	-	85,528	71,274
Break-up value of shares (inclusive of Fixed Assets Revaluation)	**90.40**	80.48	80.94	60.55	45.18	42.87
Break-up value of shares (excluding of Fixed Assets Revaluation)	**90.40**	80.48	80.78	60.28	44.85	41.44
Dividend (Rupees Per Share)	**14.30**	12.50	16.50	12.50	10.50	10.50
Bonus shares	**-**	1 : 5	-	-	1 : 5	1 : 5
Net Earning per Share	**28.22**	25.25	27.36	24.90	20.03	21.02

Note: Dividend for the years 2003-2004, 2004-2005, 2005-2006 and 2006-2007 are included as part of shareholders Equity. For previous years, dividend payable is included as part of working capital.

Notes To The Financial Statements For The Year Ended June 30, 2007

1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan on February 10, 1969 as a public limited company under the Companies Act, 1913 (now Companies Ordinance, 1984) and its shares are quoted on the Karachi and Lahore Stock Exchanges. The principal activity of the Company is manufacturing and sale of cigarettes and tobacco. The address of its registered office is Lakson Square Building No. 2, Sarwar Shaheed Road, Karachi, Pakistan.

As of January 18, 2007 Philip Morris Participations B.V. (PMP) and FTR Holding S.A. (FTR), both subsidiaries of Philip Morris International Inc. (PMI), owned (respectively) 12,316,061 and 12,316,062 ordinary shares of the Company, which together totals 24,632,123 ordinary shares constituting 40% of the issued and paid up shares of the Company.

On March 9, 2007 acquired a further 30,917,939 ordinary shares of the Company (constituting 50.21% of the issued and paid up shares) from certain principal shareholders at the purchase price of Rs. 666.89 per share.

On March 31, 2007 following a public offer to purchase all of the remaining issued and paid up shares of the Company (constituting 9.79% of the issued and paid up shares) at the same price paid to certain principal shareholders PMP acquired a further 4,565,260 shares constituting 7.41% of the issued and paid up shares of the Company.

As at March 31, 2007 in total PMP and FTR hold 60,115,322 ordinary shares constituting 97.62% of the issued and paid up shares of the Company.

The Company became a subsidiary of PMI, and its ultimate parent company is Altria Group Inc.

The consolidated financial statements of the group comprising the Company and its subsidiary, Premier Tobacco Company (Private) Limited, have not been attached with these financial statements in view of exemption granted by the Securities & Exchange Commission of Pakistan (SECP) vide its letter No. EMD/233/619/2002-6071 dated April 09, 2007, from the requirement of Section 237 of the Ordinance. The exemption is however subject to certain conditions including that the audited financial statements of the subsidiary company will be open for inspection of shareholders during the Annual General Meeting of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

These financial statements have been prepared under the historical cost convention except for certain investments that have been included at fair values in accordance with the recognition criteria mentioned in the relevant International Accounting Standards applicable to these assets.

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) 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.

Accounting standards not yet effective

The following standards and amendments of approved accounting standards, with effective dates mentioned against each, are either not relevant to the Company's operations or are not expected to have significant effect on the Company's financial statements:

IAS - 1 Presentation of Financial Statements - amendments relating to capital disclosures	effective from accounting period beginning on or after January 01, 2007
IAS - 41 Agriculture	effective from accounting period beginning on or after May 22, 2007
IFRS - 2 Share based Payment	effective from accounting period beginning on or after December 06, 2006
IFRS - 3 Business Combinations	effective for business combinations for which agreement date is on or after December 06, 2006
IFRS - 5 Non-current Assets Held for Sale and Discontinued Operations	effective from accounting period beginning on or after December 06, 2006
IFRS - 6 Exploration for and Evaluation of Mineral Resources	effective from accounting period beginning on or after December 06, 2006

2.2. Significant accounting judgements and estimates

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimate and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the process of applying the Company's accounting policies, management has made the following estimates and judgements which are significant to the financial statements:

Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 17.4.1 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might affect unrecognized gains and losses in those years.

Property, plant and equipment

Estimates with respect to residual values and depreciable lives and pattern of flow of economic benefits are based on the recommendation of technical team of the Company. Further, the Company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipments with a corresponding affect on the depreciation charge and impairment.

Income Taxes

In making the estimates for income taxes payable by the Company, the management considers current Income Tax law and the decisions of appellate authorities on certain cases issued in past.

2.3. Fixed assets and depreciation

2.3.1 Operating property, plant and equipment

These are stated at cost less accumulated depreciation and impairment, if any, except freehold land and capital work-in-progress which are stated at historical cost.

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

Depreciation is charged to income over straight-line method so as to write off the historical cost of the assets over their estimated useful lives at the rates given below. Depreciation on additions is charged from the month in which the asset is put to use and on disposals upto the month the asset is in use. Assets' residual values and useful lives are reviewed, and adjusted, if appropriate annually.

Leasehold land	4%
Building on freehold land	5% to 10%
Building on leasehold land	4% to 10%
Plant and machinery	10%
Furniture and fixture	20%
Office equipment	20%
Vehicles	20%
Power and other installations	10%
Computer equipment	33.33%

The carrying values of property, plant and equipment are reviewed at each reporting date for indication that an asset may be impaired and carrying values may not be recovered. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements, if any, are capitalized when it is probable that respective future economic benefits will flow to the Company.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. 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.

Change in accounting estimate

During the current year, the Company has made a change in accounting estimate in respect of charging depreciation on fixed assets to comply with the requirements of Circular No. 10/2002 dated November 11, 2002 issued by the Institute of Chartered Accountants. Previously, depreciation was being charged for the full year in the year of addition with no depreciation in the year of disposal. Now the Company is charging depreciation on additions from the month in which the asset is acquired or capitalized with no depreciation charge from the month in which the asset is not in use. Furthermore, the residual value of vehicles is considered to be 20 percent of their cost to comply with the requirements of International Accounting Standard - 16 "Property, Plant and Equipment", whereas the same was previously considered to be insignificant.

The above change has been accounted for as a change in accounting estimate in accordance with the requirements of International Accounting Standard (IAS) - 8 "Accounting Policies, Changes in Accounting Estimates and Errors" whereby the effects of these changes are recognized prospectively.

Had the Company not made the above referred change in accounting estimate, profit before tax for the year would have been lower by Rs. 86.391 million.

2.3.2 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.

2.3.3 Intangible assets

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and that the cost of such asset can also be measured reliably.

Computer software

These are stated at cost less accumulated amortization and impairment, if any. Generally, costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. However, costs that are directly associated with identifiable software and have probable economic benefit exceeding the cost beyond one year, are recognized as intangible assets. Direct costs include the purchase cost of software and directly attributable cost of preparing the asset for its intended use.

Expenditure which enhances or extends the performance of computer software beyond its original specification and useful life is recognized as a capital improvement and added to the original cost of the software.

Intangible assets are amortized on straight-line basis over their estimated useful life. Amortisation is charged in the month in which the asset is put to use. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

2.4. Investments

2.4.1 Investment in a subsidiary company

Investment in a subsidiary company is recognized when the Company has established control over the investee company. Investment in subsidiary company is stated at cost less impairment, if any.

2.4.2 Other investments

Financial assets in the scope of IAS 39, 'Financial Instruments: Recognition and Measurement' are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction cost. The Company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading and those designed as such are included in the category 'Financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on remeasurement of such investments are recognized in profit and loss account.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

Fair value of financial instruments

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuations techniques.

2.5. Stores and spares

These are valued at lower of moving average cost and net realizable value, except for items in transit which are stated at invoice values plus other charges incurred thereon. Provision is made for slow moving items where necessary to bring this down to approximate net realiseable value and is recognized in income.

Net realizable 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.

2.6. Stock in trade

These are stated at the lower of average cost and net realizable 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 and overheads incurred on redrying of tobacco leaf.

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

2.7. Trade debts and other receivables

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

2.8. Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services.

2.9. Provisions

Provisions are recognized when the Company has a present, legal or constructive obligation as a result of past events and 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.

2.10. Taxation

2.10.1 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.

2.10.2 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.

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 utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the year when the asset is utilized or the liability is settled, based on the tax rates that have been enacted or substantially enacted at the balance sheet date.

2.11. Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of cash flow statement, cash and cash equivalents consist of 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.

2.12. Borrowing costs

Borrowing costs are recognized as an expense in the period in which these are incurred.

2.13. Revenue recognition

Sales are recognized on dispatch 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.

2.14. 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; and

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. Actuarial gains and losses are recognized as income or expense in the same accounting period.

2.15. Compensated absences

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

2.16. Foreign currency translation

Foreign currency transactions are translated into Pak Rupees (functional currency) using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees using the exchange rate at the balance sheet date. 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.

2.17. Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are charged to income.

2.18. Financial assets and liabilities

Financial assets and liabilities 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 realize the asset and settle the liability simultaneously.

2.19. Dividend and appropriation to reserves

Dividend and appropriation to reserves is recognised in the Company's financial statements in the period in which these are approved.

2.20. Related Party Transactions

All transactions with related parties are carried out by the Company using the methods prescribed under the Companies Ordinance, 1984.

	Note	2007	2006
		(Rupees '000)	
3. PROPERTY, PLANT AND EQUIPMENT			
Operating property, plant and equipment	3.1	2,372,600	1,826,835
Capital work-in-progress	3.2	432,540	580,027
		2,805,140	2,406,862

3.1. Operating property, plant and equipment

	COST			DEPRECIATION			
	At July 01, 2006	Additions/ (disposals)/ transfers*	At June 30, 2007	At July 01, 2006	For the year / (disposals) / transfers	At June 30, 2007	Book value at June 30, 2007
	(Rupees '000)						
Property, plant and equipment							
Freehold land	70,893	8,919 1,186*	80,998	-	-	-	80,998
Leasehold land	157	2,284	2,441	142	29	171	2,270
Buildings on freehold land	366,030	55,930 (1,186)*	420,774	232,960	42,739	275,699	145,075
Buildings on leasehold land	549	53,071	53,620	324	1,271	1,595	52,025
Plant and machinery	2,482,286	607,053 (2,554)	3,086,785	1,090,313	268,294 (2,554)	1,356,053	1,730,732
Furniture and fixtures	51,738	4,619 (33)	56,324	47,171	4,194 (33)	51,332	4,992
Office equipment	30,778	7,177 (958)	36,997	24,834	2,973 (878)	26,929	10,068
Vehicles	306,623	95,510 (19,980)	382,153	153,999	38,644 (13,891)	178,752	203,401
Power and other installations	178,132	107,187 (1,762)	283,557	129,088	21,411 (1,762)	148,737	134,820
Computer equipment	145,926	7,879 (375)	153,430	127,446	18,085 (320)	145,211	8,219
2007	**3,633,112**	**949,629 (25,662)**	**4,557,079**	**1,806,277**	**397,640 (19,438)**	**2,184,479**	**2,372,600**

* This includes inter-category adjustment.

	COST			DEPRECIATION			
	At July 01, 2005	Additions/ (disposals)/ transfers / adjustments*	At June 30, 2006	At July 01, 2005	For the year / (disposals) / transfers	At June 30, 2006 Book value at June 30, 2006	Book value at June 30, 2006
	--(Rupees '000)						
Property, plant and equipment							
Freehold land	55,262	27,924 (12,293) *	70,893	-	-	-	70,893
Leasehold land	157	-	157	136	6	142	15
Buildings on freehold land	334,045	27,965 4,020*	366,030	201,650	31,310	232,960	133,070
Buildings on leasehold land	549	-	549	309	15	324	225
Plant and machinery	2,295,056	252,017 (61,787) (3,000)*	2,482,286	921,017	231,083 (61,787)	1,090,313	1,391,973
Furniture and fixtures	49,265	3,130 (657)	51,738	43,750	4,078 (657)	47,171	4,567
Office equipment	28,784	2,008 (14)	30,778	21,144	3,696 (6)	24,834	5,944
Vehicles	257,438	57,828 (8,643)	306,623	101,248	57,356 (4,605)	153,999	152,624
Power and other installations	172,398	2,734 3,000*	178,132	110,390	18,698	129,088	49,044
Data processing equipment	142,822	4,268 (1,164)	145,926	97,983	30,627 (1,164)	127,446	18,480
2006	**3,335,776**	**377,874 (72,265) (8,273)***	**3,633,112**	**1,497,627**	**376,869 (68,219)**	**1,806,277**	**1,826,835**

* This includes inter-category adjustments and reversal of revaluation as a change in accounting policy. Details of property, plant and equipment sold are given in note 36.

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

	Note	2007	2006
		(Rupees '000)	
Purchases, redrying and related expenses	20.1	**69,314**	70,392
Manufacturing expenses	20.2	**278,148**	229,185
Distribution and marketing expenses	21	**27,543**	45,883
Administrative expenses	22	**22,635**	31,409
		397,640	**376,869**

3.2. Capital work-in-progress

Civil works		**48,961**	36,998
Plant and machinery	3.2.1	**330,011**	353,101
Power and other installations		**10,425**	75,619
Furniture and fittings		**2,346**	3,554
Computer equipment pending installation		**756**	364
Advance to suppliers and contractors		**40,041**	110,391
		432,540	580,027

3.2.1 This includes plant and machinery in transit amounting to Rs. 31.7 million (2006: Rs. 22.0 million).

4. INTANGIBLE ASSETS - computer software

	2007	2006
	(Rupees '000)	
Net carrying value		
Balance at the beginning of the year	**62,537**	125,073
Amortization charged for the year	**(62,537)**	(62,536)
Balance at the end of the year	**-**	62,537
Gross carrying value		
Cost	**187,609**	187,609
Accumulated amortization	**(187,609)**	(125,072)
Balance at the end of the year	**-**	62,537

4.1 Represents software purchase cost of "System, Application and Products in Data Processing" (SAP) paid to Siemens Pakistan Limited for use of beneficial rights in respect of software and implementation and consultation charges paid to consultants.

4.2 The cost has been amortised over a period of 3 years.

4.3 The amortization charge for the year has been allocated as follows:

	Note	2007	2006
		(Rupees '000)	
Purchases, redrying and related expenses	20.1	**1,435**	3,127
Manufacturing expenses	20.2	**4,173**	8,334
Distribution and marketing expenses	21	**10,166**	26,260
Administrative expenses	22	**46,763**	24,815
		62,537	62,536

5. INVESTMENT IN A SUBSIDIARY COMPANY

This represents the cost of 103 (2006: 103) fully paid ordinary shares of Rs. 10/- each in Premier Tobacco Company (Private) Limited. The break up value of shares calculated by reference to net assets worked out to be Rs. 10 per share (2006: Rs. 10 per share) based on the management accounts for the year ended June 30, 2007.

	Note	2007	2006
		(Rupees '000)	
6. LONG TERM LOANS - considered good			
Loans			
- Executives	6.1, 6.2 & 6.3	**147**	227
- Employees	6.2	**1,555**	1,274
		1,702	1,501
Less: Current portion shown under current assets	11	**(578)**	(711)
		1,124	790

	2007	2006
	(Rupees '000)	
6.1 Reconciliation of carrying amount of loans to executives		
Balance at the beginning of the year	**227**	307
Less : Repayments	**(80)**	(80)
Balance at end of the year	**147**	227

6.2 These represent interest free loans given to executives and employees for purchase of vehicles in accordance with the Company policy and are secured by pledge of original registration documents of the vehicles and demand promissory notes. These loans are recoverable in equal monthly installments over a period of five years.

6.3 The maximum aggregate amount outstanding at the end of any month during the year in respect of loans to executives was Rs. 0.220 million (2006: Rs. 0.307 million).

	2007	2006
	(Rupees '000)	
7. LONG TERM DEPOSITS AND PREPAYMENTS		
Deposits	**12,518**	9,226
Prepayments	**354**	198
	12,872	9,424
8. STORES AND SPARES		
Stores	**4,449**	4,848
Spares	**201,539**	158,165
	205,988	163,013

8.1 This includes spares in transit amounting to Rs. 19.5 million (2006 : Rs. 6.4 million).

	Note	2007	2006
		(Rupees '000)	
9. STOCK-IN-TRADE			
Raw and packing materials	9.1	**2,256,826**	1,559,346
Work-in-process		**21,231**	21,260
Finished goods		**185,122**	428,447
		2,463,179	2,009,053

9.1 This includes raw and packing material in transit amounting to Rs. 172.5 million (2006: Rs. 88.8 million).

9.2 During the year, the Company has directly written off inventory amounting to Rs. 42.177 million (2006: Rs. 3.550 million).

	Note	2007	2006
		(Rupees '000)	
10. TRADE DEBTS			
Considered good			
- Secured		**70,555**	76,491
- Unsecured		**14,544**	24,156
		85,099	100,647
11. LOANS AND ADVANCES - considered good			
Secured			
Loans to executives and employees			
- Current portion of long term loans including executives Rs. 80 thousand (2006: Rs. 80 thousand).	6	**578**	711
Unsecured			
Advances to:			
- Executives	11.1 & 11.2	**8,784**	9,583
- Employees	11.2	**15,521**	33,604
		24,305	43,187
Suppliers and contractors		**66,339**	58,728
		90,644	101,915
		91,222	102,626

11.1. The maximum aggregate balance of advances due from executives at the end of any month during the year was Rs. 13.1 million (2006: Rs. 17.9 million).

11.2. The advances to executives and employees are given to meet business expenses and are settled as and when the expenses are incurred.

	Note	2007	2006
		(Rupees '000)	
12. OTHER RECEIVABLES			
Current account balance with statutory authorities		**1,321**	1,205
Export rebate receivable - net		**-**	71
Federal Excise Duty refundable - imported tobacco		**1,083**	2,145
Receivable against insurance claim		**10,676**	-
Due from related parties			
- Insurance claim		**-**	20,306
- Others		**-**	3,265
	12.1	**-**	23,571
Others	12.3	**13,697**	11,422
		26,777	38,414

	2007	2006
	(Rupees '000)	

12.1 The amount due from related parties comprises:

	2007	2006
Philip Morris Asia Limited	-	83
Century Insurance Company Limited	-	23,405
Princeton Travels (Private) Limited	-	2
Lakson Business Solutions Limited [formerly Cyber Rapid Integrated Software Solutions (Private) Limited]	-	14
Cyber Internet Services (Private) Limited	-	67
	-	23,571

12.2 The maximum aggregate amount due from related parties at the end of any month during the year was Rs. 24.26 million (2006: Rs. 23.5 million).

12.3 This includes amount receivables from transporters amounting to Rs. 13.015 million (2006: Rs. 8.120 million) in respect of goods damaged in transit during transportation.

	Note	2007	2006
		(Rupees '000)	

13. SHORT TERM INVESTMENT

Held for trading

2007 Units	2006 Units		2007	2006
-	3,789,314	Faysal Income Growth Fund	-	400,114

14. CASH AND BANK BALANCES

	Note	2007	2006
With banks			
- on deposit accounts	14.1	**500,000**	457,000
- on saving accounts	14.2	**243,531**	77,411
- on current accounts			
Foreign currency		**8,558**	7,175
Local currency		**20,859**	64,343
		29,417	71,518
		772,948	605,929
Cash in hand		**2,810**	1,352
		775,758	607,281

14.1. These represent short term deposit of fixed maturities maintained with commercial banks. These carry profit at the rate of 8.05% per annum (2006: 5% to 10% per annum).

14.2. These carry mark-up rates ranging from 1.25% to 7.5% per annum (2006: 1% to 5.5% per annum).

		2007	2006
		(Rupees '000)	

15. SHARE CAPITAL

15.1. Authorised capital

2007	2006		2007	2006
100,000,000	100,000,000	Ordinary shares of Rs. 10/- each	**1,000,000**	1,000,000

15.2. Issued, subscribed and paid-up capital

Fully paid ordinary shares of Rs 10/- each

2007	2006	Issued for / as	2007	2006
5,541,429	5,541,429	Cash	**55,414**	55,414
		Bonus shares		
47,722,912	37,459,522	- Opening balance July 01	**477,229**	374,595
-	10,263,390	- Issued during the year	**-**	102,634
47,722,912	47,722,912	- Closing balance June 30	**477,229**	477,229
8,316,000	8,316,000	Consideration other than cash	**83,160**	83,160
61,580,341	61,580,341		**615,803**	615,803

As at June 30, 2007, the number of shares held by Philip Morris Participations B.V. and FTR Holdings S.A., subsidiaries of Philip Morris International Inc., were 47,799,251 and 12,316,060 (2006: 12,316,052 and 12,316,060) ordinary shares of Rs. 10/- each.

16. DEFERRED TAXATION

	Note	2007	2006
		(Rupees '000)	
Deferred tax liability on taxable temporary differences:			
Tax depreciation allowance		**291,785**	193,383
Deferred tax asset on deductible temporary differences:			
Accrual for employees compensated absences		**(4,965)**	(4,755)
		286,820	188,628

17. TRADE AND OTHER PAYABLES

	Note	2007	2006
Creditors	17.1	**291,191**	327,506
Bills payable		**98,293**	55,981
Royalty payable to a related party		**1,708**	1,966
Accrued expenses		**93,094**	111,432
Provident fund trust		**1,383**	1,476
Contractors' retention money		**5,308**	2,392
Advance from customers		**26,952**	15,184
Tobacco development cess		**1,806**	2,285
Workers' profits participation fund	17.2	**11,000**	2,788
Workers' welfare fund		**46,021**	48,430
Unpaid and unclaimed dividends		**21,965**	16,641
Security deposits	17.3	**1,253**	1,338
Others		**9,295**	7,320
		609,269	594,739

17.1. This includes due to related parties amounting to Rs. Nil (2006: Rs. 39.890 million).

	Note	2007	2006
		(Rupees '000)	
17.2. Workers' profits participation fund			
Balance as at July 01		**2,788**	13,089
Interest on funds utilised in the Company's business	25	**165**	768
		2,953	13,857
Allocation for the year	23	**141,000**	127,788
Paid to the fund:			
- for prior year		**(2,953)**	(13,857)
- for current year in advance		**(130,000)**	(125,000)
		(132,953)	(138,857)
		11,000	2,788

17.3. Represents local distributors' security deposits repayable on cessation of distributorship and carries interest at the rate of 2 per cent per annum.

17.4. Staff retirement benefits

17.4.1 Defined benefit plan

As mentioned in note 2.14, the Company operates an approved funded gratuity scheme for all its permanent employees. Actuarial valuation of the scheme is carried out every year and the latest actuarial valuation was carried out as at June 30, 2007.

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	2007	2006
		(Rupees '000)	
Present value of defined benefit obligation		**226,849**	195,605
Fair value of plan assets		**(226,849)**	(195,605)
Liability recognised in the balance sheet		**-**	-
Amounts charged to profit and loss account:			
Current service cost		**12,748**	11,806
Interest cost		**19,560**	15,993
Expected return on plan assets		**(15,648)**	(15,993)
Actuarial loss recognized		**649**	23,871
		17,309	35,677
The charge for the year has been allocated as follows:			
Purchases, redrying and related expenses	20.1	**2,016**	3,620
Manufacturing expenses	20.2	**7,009**	15,257
Distribution and marketing expenses	21	**4,069**	7,944
Administrative expenses	22	**4,215**	8,856
		17,309	35,677

	Note	2007	2006
		(Rupees '000)	
Movement in the liability recognised in the balance sheet:			
Balance as at July 01		**-**	-
Net charge for the year		**17,309**	35,677
Contribution to the fund		**(17,309)**	(35,677)
Balance as at June 30		**-**	-
Movement in the present value of defined benefit obligation:			
Opening balance		**195,605**	159,930
Current service cost		**12,748**	11,806
Interest cost		**19,560**	15,993
Benefits paid		**(18,613)**	(8,794)
Actuarial gain		**17,549**	16,670
Balance as at June 30		**226,849**	195,605
Movement in the fair value of plan assets:			
Opening balance		**195,605**	159,930
Expected return		**15,648**	15,993
Contributions		**17,309**	35,677
Benefits paid		**(18,613)**	(8,794)
Actuarial gain / (loss)		**16,900**	(7,201)
Balance as at June 30		**226,849**	195,605
Principal actuarial assumptions used are as follows:			
Expected rate of increase in salary level		**10%**	10%
Valuation discount rate		**10%**	10%
Rate of return on plan assets		**8%**	8%

Comparisons for five years:

As at June 30,	2007	2006	2005	2004	2003
	---------- (Rupees '000) ----------				
Present value of defined benefit obligation	**226,849**	**195,605**	**159,930**	**143,752**	**132,545**
Fair value of plan assets	**(226,849)**	**(195,605)**	**(159,930)**	**(143,752)**	**(86,705)**
Surplus / (deficit)	**-**	**-**	**-**	**-**	**(45,840**
Experience adjustment on plan liabilities	**(17,549)**	**(16,670)**	**(19,793)**	**-**	**(6,163)**
Experience adjustment on plan assets	**16,900**	**(7,201)**	**(1,993)**	**-**	**(951)**

	2007	2006
	(Rupees '000)	
Major categories / composition of plan assets are as follows:		
Debt instruments	**33,812**	33,589
Equity	**98,557**	41,696
Cash	**94,480**	120,320
	226,849	195,605

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

The return on plan assets was assumed to equal the discount rate. Actual return on plan assets during 2007 was Rs. 32.548 million (2006: Rs.8.792 million).

	Note	2007	2006
		(Rupees '000)	
17.4.2 Defined contribution plan			
The charge for the year has been allocated as follows:			
Purchases, redrying and related expenses	20.1	**2,608**	2,272
Manufacturing expenses	20.2	**9,392**	8,609
Distribution and marketing expenses	21	**6,701**	4,871
Administrative expenses	22	**5,400**	4,769
		24,101	20,521
18. PROVISIONS			
Tobacco Development Cess	18.1&18.3	**62,661**	66,221
Sales tax	18.2&18.3	**2,816**	2,816
		65,477	69,037

18.1. 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 Honorable Supreme Court of Pakistan against the levy which is currently pending for adjudication. Meanwhile, the Company is paying the said levy under protest. Pending outcome of the matter, the Company has made the above provision in its books of account.

18.2. The Collectorate of Sales Tax had issued a demand notice for Rs. 2.279 million on account of short payment of sales tax on disposals of fixed assets during the year from 1994 to 1998. The Company has filed appeals before the Additional Collector of Sales Tax against the above demands raised by the authorities. Claim of Rs. 2.279 million is currently pending for adjudication. Pending outcome of the matter, the Company has made a provision of Rs. 2.279 million alongwith Rs. 0.537 million, being 20 percent of the amount of demand for additional tax/penalty.

	Sales tax	Tobacco Development Cess
	---- (Rupees '000) ----	
18.3. The movement of provision is as follows:		
Balance as at July 01, 2006	2,816	66,221
Provision for the year	-	72,189
	2,816	138,410
Less: Payments made during the year	-	(75,749)
Balance as at June 30, 2007	**2,816**	**62,661**

19. CONTINGENCIES AND COMMITMENTS

19.1. 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. 9.982 million (2006: Rs. 81.44 million).

	Note	2007	2006
		(Rupees '000)	
19.2. Commitments			
Capital expenditure contracted for but not incurred		**447,165**	261,584
Acceptances and letters of credit		**205,118**	172,209

20. COST OF SALES

	Note	2007	2006
Raw material consumed			
Opening stock		**1,559,346**	1,061,023
Purchases, redrying and related expenses	20.1	**5,569,938**	5,604,279
		7,129,284	6,665,302
Closing stock		**(2,256,826)**	(1,559,346)
		4,872,458	5,105,956
Export rebate		**(193)**	(302)
		4,872,265	5,105,654
Excise duties, and other levies		**8,947,270**	8,434,994
Manufacturing expenses	20.2	**944,280**	793,728
		14,763,815	14,334,376
Work in process			
Opening stock		**21,260**	14,977
Closing stock		**(21,231)**	(21,260)
Sale of waste		**(43,229)**	(31,994)
		(64,460)	(53,254)
		(43,200)	(38,277)
Cost of goods manufactured		**14,720,615**	14,296,099
Finished goods			
Opening stock		**428,447**	28,197
Closing stock		**(185,122)**	(428,447)
		243,325	(400,250)
		14,963,940	13,895,849

	Note	2007	2006
		(Rupees '000)	
20.1. Purchases, redrying and related expenses			
Raw and packing material		**5,185,385**	5,236,299
Salaries, wages and other benefits	17.4	**132,532**	114,995
Stores and spares consumed		**15,149**	15,746
Fuel and power		**58,038**	57,956
Rent, rates and taxes		**11,302**	10,920
Freight and stacking		**49,222**	52,446
Postage, telephone and stationery		**4,782**	5,896
Depreciation	3.1.1	**69,314**	70,392
Amortization	4.3	**1,435**	3,127
Insurance		**6,317**	7,363
Repair and maintenance		**3,828**	3,149
Traveling and vehicle expenses		**17,490**	15,406
Professional charges		**3,060**	-
Other expenses		**12,084**	10,584
		384,553	367,980
		5,569,938	5,604,279

	Note	2007	2006
20.2. Manufacturing expenses			
Salaries, wages and other benefits	17.4	**293,682**	275,629
Stores and spares consumed		**144,867**	72,908
Fuel and power		**109,698**	106,802
Rent, rates and taxes		**13,999**	8,844
Cartage		**55,416**	52,658
Postage, telephone and stationery		**3,640**	4,164
Depreciation	3.1.1	**278,148**	229,185
Amortization	4.3	**4,173**	8,334
Traveling and vehicle expenses		**21,799**	23,107
Insurance		**6,085**	4,928
Other expenses		**12,773**	7,169
		944,280	793,728

21. DISTRIBUTION AND MARKETING EXPENSES

	Note	2007	2006
Salaries, allowances and other benefits	17.4	**205,065**	178,036
Selling expenses		**978,859**	952,348
Freight on sales		**92,915**	95,618
Rent, rates and taxes		**20,170**	14,332
Postage, telephone and stationery		**21,016**	22,545
Depreciation	3.1.1	**27,543**	45,883
Amortization	4.3	**10,166**	26,260
Traveling and vehicle expenses		**21,007**	21,695
Insurance		**4,348**	1,555
Royalty		**6,092**	6,055
Repair and maintenance		**8,048**	2,394
Other expenses		**19,698**	14,448
		1,414,927	1,381,169

		Note	2007	2006
			(Rupees '000)	
22.	**ADMINISTRATIVE EXPENSES**			
	Salaries, allowances and other benefits	17.4	**140,426**	128,458
	Rent, rates and taxes		**14,414**	10,635
	Postage, telephone and stationery		**9,850**	10,437
	Traveling and vehicle expenses		**30,436**	28,536
	Repairs and maintenance		**2,523**	1,257
	Legal and professional charges		**11,915**	19,372
	Utilities		**4,565**	4,621
	Fee and subscription		**11,171**	10,605
	Insurance		**347**	289
	Auditors' remuneration	22.1	**1,179**	807
	Donations	22.2	**3,031**	16,978
	Depreciation	3.1.1	**22,635**	31,409
	Amortization	4.3	**46,763**	24,815
	Other expenses		**9,030**	9,778
			308,285	297,997
22.1.	**Auditors' remuneration**			
	Audit fee		**700**	500
	Review of half yearly financial statements		**163**	125
	Special certification and related services		**207**	100
	Out of pocket expenses		**109**	82
			1,179	807

22.2. Donation includes payment amounting to Rs. 2.5 million to Lakson Medical Trust Complex in which the ex Chief Executive, Mr. Iqbal Ali Lakhani was interested. Besides this, none of the directors and their spouses have any interest in any donee's to which donations were made.

		Note	2007	2006
			(Rupees '000)	
23.	**OTHER OPERATING EXPENSES**			
	Workers' profits participation fund	17.2	**141,000**	127,788
	Workers' welfare fund		**45,861**	47,074
			186,861	174,862
24.	**OTHER OPERATING INCOME**			
	Profit on disposal of fixed assets		**23,358**	18,543
	Profit on short term deposits		**27,452**	33,960
	Gain on sale of investment		**11,396**	11,857
	Unrealized gain on held for trading investments		**-**	114
	Royalty income		**360**	-
	Others		**7,476**	3,785
			70,042	68,259

	Note	2007	2006
		(Rupees '000)	
25. FINANCE COST			
Mark-up / interest on:			
- Mark up on running finance	33	**11,493**	-
- Workers' profit participation fund		**165**	768
- Security deposits		**16**	19
		11,674	787
Bank commission and other charges		**7,474**	9,867
		19,148	10,654
26. TAXATION			
Current - for the year		**780,000**	822,000
- for prior years		**15,471**	(11,311)
		795,471	810,689
Deferred		**98,192**	14,550
	26.1	**893,663**	825,239
26.1. Relationship between tax expense and accounting profit			
Accounting profit before tax		**2,623,653**	2,380,124
Tax rate		**35%**	35%
Tax on accounting profit		**918,279**	833,043
Tax effect of - expenses that are inadmissible in determining taxable profit		**913**	23,726
- income exempt from tax		**(3,988)**	(4,150)
- lower tax rates on certain income		**(38,389)**	(15,397)
- others		**1,377**	(672)
		878,192	836,550
- adjustments in respect of income tax of prior years		**15,471**	(11,311)
Tax expense for the current year		**893,663**	825,239

27. EARNINGS PER SHARE

There is no dilution effect on the basic earnings per share of the Company, which is based on:

	2007	2006
Profit for the year after taxation	**1,737,633**	1,554,885
	Number of Shares	
Weighted average number of shares in issue during the year	**61,580,341**	61,580,341
	Rupees	
Earnings per share - Basic	**28.22**	25.25

28. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

28.1. The aggregate amount, charged in the financial statements for the year are as follows:

	Chief Executive 2007	Chief Executive 2006	Directors 2007	Directors 2006	Executives 2007	Executives 2006	Total 2007	Total 2006
	Rupees '000							
Remuneration	**13,212**	7,530	**17,232**	2,953	**46,232**	45,772	**76,676**	56,255
House rent	**-**	270	**5,172**	827	**19,616**	13,536	**24,788**	14,633
Bonus	**-**	-	**2,510**	345	**5,850**	5,334	**8,360**	5,679
Motor vehicle expenses	**654**	773	**550**	160	**4,582**	4,038	**5,786**	4,971
Retirement benefits	**-**	-	**9,599**	1,416	**12,916**	17,907	**22,515**	19,323
Utilities	**447**	632	**574**	295	**133**	4,458	**1,154**	5,385
Others	**600**	-	**2,473**	594	**7,219**	8,804	**10,292**	9,398
	14,913	**9,205**	**38,110**	**6,590**	**96,548**	**99,849**	**149,571**	**115,644**
Number of persons	2	1	6	2	56	49	64	52

Effective March 9, 2007, Mr. Salman Hameed has been appointed as Chairman & Chief Executive replacing Mr. Iqbal Ali Lakhani.

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

29. RELATED PARTIES DISCLOSURES

The related parties comprise subsidiary company, Premier Tobacco Company (Private) Limited, Philip Morris Participations B.V., FTR Holding S.A., related group companies, staff retirement funds, companies where directors also held directorship, directors and key management personnel. Transactions with associated companies and other related parties other than remuneration and benefits to key management personnel under the terms of their employment as disclosed in Note 28, are as follows:

Relationship	Nature of transactions	2007 (Rupees '000)	2006 (Rupees '000)
Group companies	Sale of goods and services	**9,819**	10,824
	Purchase of goods and services	**520,428**	690,210
	Rent and allied expenses	**1,282**	1,626
Staff retirement benefit plans	Contribution to gratuity fund	**17,309**	35,677
	Contribution to provident fund	**24,102**	20,534
Other related parties	Sale of goods and services	**17**	6
	Purchase of goods,fixed assets and services	**20,445**	45,707
	Donation	**2,500**	8,087
	Rent and allied expenses	**7,688**	9,787
	Royalty charges	**5,802**	6,055

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 related parties on the basis of mutually agreed terms.

The related party status of outstanding balances as at June 30, 2007 is included in other receivables and trade and other payables.

	2007	2006
	Number of cigarettes In millions	
30. CAPACITY AND PRODUCTION		
Installed capacity	**40,620**	40,883
Actual production	**29,211**	30,355
Number of shifts per day	**Two and a half shifts**	Two and a half shifts

Actual production was sufficient to meet the demand.

	Note	2007	2006
		(Rupees '000)	
31. CASH GENERATED FROM OPERATIONS			
Profit before taxation		**2,631,296**	2,380,124
Adjustments for:			
Depreciation		**397,640**	376,869
Amortization		**62,537**	62,536
Profit on disposal of fixed assets		**(23,358)**	(18,543)
Gain on sale of investment		**(11,396)**	-
Profit on short term deposits		**(27,452)**	(33,960)
Unrealized gain on held for trading investments		**-**	(114)
Finance cost		**19,148**	10,654
Working capital changes	31.1	**(500,598)**	(599,806)
		2,547,817	2,177,760

31.1. Working capital changes

	2007	2006
Decrease / (increase) in current assets		
Stores and spares	**(42,975)**	(60,145)
Stock-in- trade	**(454,126)**	(904,856)
Trade debts	**15,548**	669,214
Loans and advances	**11,404**	(23,486)
Prepayments	**(27,959)**	(65,238)
Other receivables	**11,637**	19,975
	(486,471)	(364,536)
Increase / (decrease) in current liabilities		
Trade and other liabilities	**9,204**	46,582
Sales tax payable	**(19,771)**	(13,883)
Provisions	**(3,560)**	(267,969)
	(500,598)	(599,806)

32. FINANCIAL ASSETS AND LIABILITIES

32.1. 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								
Long-term deposits		-	-	-	-	12,518	12,518	12,518
Trade debts		-	-	-	85,099	-	85,099	85,099
Loans and advances		-	-	-	91,222	1,124	92,346	92,346
Other receivables		-	-	-	10,676	-	10,676	10,676
Cash and bank balances		743,531	-	743,531	32,227	-	32,227	775,758
	2007	**743,531**	**-**	**743,531**	**219,224**	**13,642**	**232,866**	**976,397**
	2006	534,411	-	534,411	700,539	10,016	710,555	1,244,966
Financial Liabilities								
Trade and other payables	**2007**	**1,253**	**-**	**1,253**	**549,612**	**-**	**549,612**	**550,865**
	2006	1,338	-	1,338	540,737	-	540,737	542,075
Off Balance Sheet Items								
Acceptances and letter of credit	**2007**	**-**	**-**	**-**	**205,118**	**-**	**205,118**	**205,118**
	2006	-	-	-	172,209	-	172,209	172,209

Interest / mark-up rates per annum applicable on financial assets and financial liabilities are disclosed in the respective notes.

32.2. Fair value of financial assets and liabilities

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

32.3. 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. 988 million, the financial assets which are subject to credit risk are Rs. 14.5 million. The Company believes that it is not exposed to major concentration of credit risk.

32.4. 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.

32.5. 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 of Rs. 8.558 million and financial liabilities of Rs. 98.3 million. The Company's foreign exchange risk exposure is restricted to bank balances and payable to foreign entities.

33. UNAVAILED SHORT TERM FINANCING FACILITIES

As of the balance sheet date, the company has unavailed short-term financing facilities aggregating to Rs. 475 million (2006: Rs. 475 million) from commercial banks. These arrangements are generally for a period of twelve months and are renewable. The facilities are secured by way of hypothecation of stock in trade of the company and carrying mark up rates ranging from 9.5% to 10.75% (2006: 9.5% to 10.75%) per annum.

34. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on July 31, 2007 by the Board of Directors of the Company.

35. DIVIDEND AND APPROPRIATIONS

Subsequent to the year ended June 30, 2007, the Board of Directors has proposed a final dividend of Rs.8.50 per share, (2006: Rs. 12.50 per share) amounting to a total dividend of Rs.523.433 million (2006: Rs. 769.754 million) in its meeting held on July 31, 2007 for approval of the members at the Annual General Meeting. The Board has also approved appropriation to general reserve of Rs.857 million (2006: Rs. 690 million). The final dividend and appropriation will be accounted for in the financial statements for the six months period ending December 31, 2007.

36. DETAILS OF PROPERTY, PLANT AND EQUIPMENT SOLD

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) -------------------------					
Motor Cars						
	560	112	448	510	INS CLAIM	CENTURY INSURANCE COMPANY LTD
	163	98	65	320	INS CLAIM	
	367	73	293	325	INS CLAIM	
	315	13	302	290	INS CLAIM	
	618	268	350	430	INS CLAIM	
	367	96	271	320	INS CLAIM	
	625	406	219	495	INS CLAIM	
	2,228	1,504	724	1480	INS CLAIM	
	165	103	61	212	TENDER	MOHD TAIMUR DYER
	114	64	51	207	TENDER	
	153	100	53	216	TENDER	
	165	107	58	267	TENDER	
	270	175	95	412	TENDER	
	463	317	146	322	TENDER	
	193	108	85	211	TENDER	SAMIUDDIN
	300	188	113	345	TENDER	MOHD ISMAIL
	1,169	930	239	600	TENDER	SIZA SERVICES (PVT) LTD
	892	590	302	489	TENDER	CYBER INTERNET SERVICES (PVT) LTD
	1,169	779	390	700	TENDER	SIZA COMMODITIES (PVT) LTD
	671	447	224	460	TEDNER	SYED MOHAMMAD ALI
	1,169	773	396	550	TENDER	MRS.ALAM AARA SHAHID
	270	157	113	493	TENDER	ZAKIR ANWAR
	482	321	161	590	TENDER	MOHAMMAD RAFIQUE
	178	122	56	198	TENDER	BASHIR HUSSAIN
	195	133	62	360	TENDER	WASIM MIRZA
	205	140	65	501	TENDER	SALEEM AZIZ
	571	395	176	372	TENDER	SAMIUDDIN
	199	138	61	99	TENDER	ASHRAF KAPRAYWALA
Data Processing Equipment	123	68	55	90	TENDER	ZAHID SALEEMUDDIN JEELANI

	Original Cost	Accumulated depreciation	Book value	Disposal Proceeds
	------------------------- (Rupees '000)			-------------------------
Aggregate of assets				
Disposed-off having book value below Rs. 50,000 each				
Plant and machinery	2,554	2,554	-	2,288
Office equipment	958	878	80	225
Power & other installation	1,762	1,762	-	304
Data processing equipment	252	252	-	155
Furniture and fixture	33	33	-	4
Motor Cars	5,002	4,534	468	14,461
Motor Cycles	742	700	42	280
Total Disposals	**25,662**	**19,438**	**6,224**	**29,582**

37. CORRESPONDING FIGURES

Previous year's repair and maintenance expenses of Rs. 2.394 million in Note 21 has been reclassified from other expenses.

38. GENERAL

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

Salman Hameed
Chairman & Chief Executive

Mohammad Farooq Shakoor
Director

Profit And Loss Account
For The Year Ended June 30, 2007

	Note	2007	2006
		(Rupees '000)	
Gross turnover		**22,425,268**	20,619,711
Sales tax		**2,970,853**	2,547,315
Turnover - net of sales tax		**19,454,415**	18,072,396
Cost of sales	20	**14,963,940**	13,895,849
Gross profit		**4,490,475**	4,176,547
Distribution and marketing expenses	21	**1,414,927**	1,381,169
Administrative expenses		**308,285**	297,997
		1,723,212	1,679,166
		2,767,263	2,497,381
Other operating expenses	23	**186,861**	174,862
		2,580,402	2,322,519
Other operating income	24	**70,042**	68,259
Operating profit		**2,650,444**	2,390,778
Finance cost	25	**19,148**	10,654
Profit before taxation		**2,631,296**	2,380,124
Taxation	26	**893,663**	825,239
Profit after taxation		**1,737,633**	1,554,885
		Rupees	
Earnings per share - Basic	27	**28.22**	25.25

The annexed notes from 1 to 38 form an integral part of these financial statements.

Salman Hameed
Chairman & Chief Executive

Mohammad Farooq Shakoor
Director

Pattern Of Holding Of The Shares Held By The Shareholders As At June 30, 2007

INCORPORATION NUMBER: KAR-2607/1968-69

NO. OF SHAREHOLDERS	SHARE HOLDING FROM	-	TO	TOTAL SHARES HELD
805	001	-	100	21,285
408	101	-	500	103,858
166	501	-	1,000	117,486
259	1,001	-	5,000	516,626
40	5,001	-	10,000	285,094
9	10,001	-	15,000	110,081
1	15,001	-	20,000	16,387
1	20,001	-	25,000	21,206
1	25,001	-	30,000	28,915
1	40,001	-	45,000	44,526
1	50,001	-	55,000	53,366
1	145,001	-	150,000	146,200
1	12,315,001	-	12,320,000	12,316,060
1	47,795,001	-	47,800,000	47,799,251
1695				61,580,341

CATEGORIES OF SHAREHOLDERS	SHARES HELD	PERCENTAGE
Directors, Chief Executive Officer, their spouse and minor children	11	
Associated Companies, Undertakings and related parties	60,115,311	97.62
Banks, Development Financial Institutions, Non Banking Financial Institutions	151,671	0.24
Insurance Companies	21,206	0.03
Modarabas and Mutual Funds	14,880	0.02
Shareholders holding 10% and above	60,115,311	97.62
General Public		
Local	1,199,330	1.94
Others		
(a) Joint Stock Companies	16,176	0.02
(b) Govt Organisations	57,870	0.09
(c) Charitable Institutions	1,800	0.002
(d) Investment Companies	2,000	0.003

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

Salman Hameed
Chairman & Chief Executive

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

CATEGORIES OF SHAREHOLDERS		NO. OF SHARES HELD
ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES		
Philip Morris Participations B.V		47,799,251
FTR Holding S.A		12,316,060
		60,115,311
DIRECTORS, CEO AND THEIR SPOUSE AND MINOR CHILDREN		
1. Mr. Salman Hameed	Director/CEO	1
2. Mr. Matteo Lorenzo Pellegrini	Director	1
3. Mr. Douglas Walter Werth	Director	1
4. Mr. Kevin Douglas Click	Director	1
5. Mr. Kurt Hunkeler	Director	1
6. Mr. Joseph Mitchell Gault	Director	1
7. Mr. Michael Patrick Murphy	Director	1
8. Mr. Timothy John Southey	Director	1
9. Mr. Alan Ewan Hunking	Director	1
10. Mr. Mohammad Farooq Shakoor	Director	1
11. Mr. Asmer Naeem	Director	1
		11
BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS		
1) Industrial Development Bank of Pakistan (ICP Unit)		11
2) Bank of New York		146,200
3) AKD Index Tracker Fund		14,880
4) Habib Bank Limited		5,460
5) Pakistan Reinsurance		21,206
		187,757
SHAREHOLDERS HOLDING 10% OR MORE		
1. Philip Morris Participations B.V		47,799,251
2. FTR Holding S.A		12,316,060
		60,115,311