

## Lakson Tobacco Company Limited

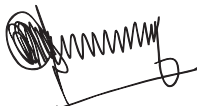


## CONDENSED INTERIM BALANCE SHEET AS AT JUNE 30, 2010 (UN-AUDITED- NOTE 2.2)

	Note	June 30, 2010 Un-audited	December 31, 2009 Audited
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	3	4,035,242	3,845,739
Investment in a subsidiary company		1	1
Long term loans		569	853
Long term deposits and prepayments		55,745	42,603
		<u>4,091,557</u>	<u>3,889,196</u>
<b>CURRENT ASSETS</b>			
Stores and spares	4	349,468	319,477
Stock in trade	5	4,224,383	5,880,236
Trade debts		70,302	65,847
Loans and advances		53,808	50,050
Prepayments		217,962	109,162
Profit accrued		2,087	1,408
Other receivables		176,787	80,697
Income tax - net		64,226	87,122
Cash and bank balances		118,146	109,559
		<u>5,277,169</u>	<u>6,703,558</u>
		<u>9,368,726</u>	<u>10,592,754</u>
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital		1,000,000	1,000,000
Issued, subscribed and paid-up capital		615,803	615,803
Reserves		5,963,024	5,243,473
Unappropriated profit		631,013	960,653
		<u>7,209,840</u>	<u>6,819,929</u>
<b>NON CURRENT LIABILITIES</b>			
Deferred taxation		392,000	391,000
<b>CURRENT LIABILITIES</b>			
Running finance under mark-up arrangements		-	789,525
Trade and other payables	6	1,605,041	1,210,484
Accrued mark-up on running finance facilities		193	35,176
Sales tax and excise payable		161,652	1,346,640
		<u>1,766,886</u>	<u>3,381,825</u>
		<u>9,368,726</u>	<u>10,592,754</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	7		

The annexed notes from 1 to 14 form an integral part of these financial information.

  
**SALMAN HAMEED**  
 Chairman & Chief Executive

  
**MOHAMMAD FAROOQ SHAKOOR**  
 Director

## Lakson Tobacco Company Limited



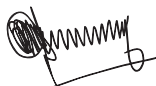
## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED-NOTE 2.2)

## FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2010

	Issued, subscribed and paid-up capital	Reserves		Sub-total	Unappropriated profit	Total
		(Revenue) General reserve	(Capital) Other reserve			
------(Rupees in thousand)-----						
<b>Balance as at January 1, 2009</b>	615,803	4,667,000	4,938	4,671,938	706,220	5,993,961
<b>Transactions with owners</b>						
Share based payments	-	-	4,517	4,517	-	4,517
Final dividend for the year ended December 31, 2008 @ Rs 2.50 per share	-	-	-	-	(153,951)	(153,951)
<b>Total comprehensive income</b>	-	-	4,517	4,517	(153,951)	(149,434)
Transfer to general reserve for the year ended December 31, 2008	-	550,000	-	550,000	(550,000)	-
Profit after taxation for the six months period ended June 30, 2009	-	-	-	-	773,812	773,812
	-	550,000	-	550,000	223,812	773,812
<b>Balance as at June 30, 2009</b>	<u>615,803</u>	<u>5,217,000</u>	<u>9,455</u>	<u>5,226,455</u>	<u>776,081</u>	<u>6,618,339</u>
<b>Balance as at January 1, 2010</b>	615,803	5,217,000	26,473	5,243,473	960,653	6,819,929
<b>Transactions with owners</b>						
Share based payments	-	-	9,551	9,551	-	9,551
Final dividend for the year ended December 31, 2009 @ Rs 4.00 per share	-	-	-	-	(246,321)	(246,321)
Total comprehensive income	-	-	9,551	9,551	(246,321)	(236,770)
Transfer to general reserve for the year ended December 31, 2009	-	710,000	-	710,000	(710,000)	-
Profit after taxation for the six months period ended June 30, 2010	-	-	-	-	626,681	626,681
	-	710,000	-	710,000	(83,319)	626,681
<b>Balance as at June 30, 2010</b>	<u>615,803</u>	<u>5,927,000</u>	<u>36,024</u>	<u>5,963,024</u>	<u>631,013</u>	<u>7,209,840</u>

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.

  
**SALMAN HAMEED**  
 Chairman & Chief Executive

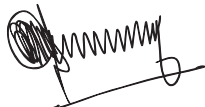
  
**MOHAMMAD FAROOQ SHAKOOR**  
 Director


**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED-NOTE 2.2)**
**FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2010**

	Note	Six months period ended	
		June 30, 2010	June 30, 2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
		(Rupees in thousand)	
Cash generated from operations	12	1,838,802	3,002,054
Finance cost paid		(51,249)	(47,428)
Income taxes paid		(348,437)	(334,130)
Long-term loans		284	379
Long-term deposits and prepayments		(13,142)	(2,173)
<b>Net cash inflow from operating activities</b>		<b>1,426,258</b>	<b>2,618,702</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(477,019)	(447,735)
Proceeds from disposal of items of property, plant and equipment		50,619	29,344
Income received from short term deposits		43,597	40,214
<b>Net cash used in investing activities</b>		<b>(382,803)</b>	<b>(378,177)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(245,343)	(153,327)
<b>Net cash outflow from financing activities</b>		<b>(245,343)</b>	<b>(153,327)</b>
<b>Net increase in cash and cash equivalents during the period</b>		<b>798,112</b>	<b>2,087,198</b>
Cash and cash equivalent at the beginning of the period		(679,966)	(723,950)
<b>Cash and cash equivalent at the end of the period</b>	13	<b>118,146</b>	<b>1,363,248</b>

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.

  
**SALMAN HAMEED**  
 Chairman & Chief Executive

  
**MOHAMMAD FAROOQ SHAKOOR**  
 Director

## Lakson Tobacco Company Limited



## CONDENSED INTERIM BALANCE SHEET AS AT JUNE 30, 2010 (UN-AUDITED- NOTE 2.2)

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The annexed notes from 1 to 14 form an integral part of these financial information.

  
**SALMAN HAMEED**  
 Chairman & Chief Executive

  
**MOHAMMAD FAROOQ SHAKOOR**  
 Director

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION****FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2010 (UN-AUDITED-Note 2.2)****1. INTRODUCTION**

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 4th Floor, Bahria Complex III, M. T. Khan Road, Karachi, Pakistan.

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

- 2.1 This condensed interim financial information of the company for the six months period ended June 30, 2010 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed.
- 2.2 This condensed interim financial information comprise of the balance sheet as at June 30, 2010 and the profit and loss account, statement of changes in equity and the cash flow statement for the six months period then ended which have been subjected to a review in accordance with the listing regulations but not audited. This condensed interim financial information also includes the profit and loss account for the quarter ended June 30, 2010 which was not subjected to review.
- 2.3 The consolidated financial statements of the group comprising the company and its subsidiary, Premier Tobacco Company (Private) Limited, have not been attached with this condensed interim financial information in view of the exemption granted by the Securities & Exchange Commission of Pakistan (the SECP) vide its letter No. EMD/233/619/2002-1718 dated June 25, 2010 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 available for inspection at the registered office of the company and would be available to the members on request without any cost.
- 2.4 The comparative balance sheet presented in this condensed interim financial statements as at December 31, 2009 has been extracted from the audited financial statements of the company for the year then ended (December 2009 financial statements). The comparative profit and loss account, statement of changes in equity and cash flow statement for the six months period ended June 30, 2009 have been extracted from the condensed interim financial information of the company for the six months period then ended, which were subjected to review but unaudited. The comparative profit and loss account for the quarter ended June 30, 2009 is also included in this condensed interim financial information.
- 2.5 The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the December 2009 financial statements.



## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)

	Note	June 30, 2010	December 31, 2009
(Rupees in thousand)			
<b>3. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating property, plant and equipment	3.1 to 3.5	<b>3,078,809</b>	3,166,076
Capital work-in-progress	3.6	<b>956,433</b>	679,663
		<b><u>4,035,242</u></b>	<b><u>3,845,739</u></b>
<b>3.1 Operating property, plant and equipment</b>			
Book value at the beginning of the period / year		<b>3,166,076</b>	2,993,619
Additions during the period / year		<b>200,249</b>	693,239
		<b><u>3,366,325</u></b>	<b><u>3,686,858</u></b>
Disposals during the period / year			
- net book value		<b>(24,643)</b>	(15,739)
Write offs		-	(70)
Impairment of Plant and Machinery		<b>(3,750)</b>	(21,921)
Depreciation charge during the period / year		<b>(259,123)</b>	(483,052)
		<b><u>(287,516)</u></b>	<b><u>(520,782)</u></b>
<b>Book value at the end of the period / year</b>		<b><u>3,078,809</u></b>	<b><u>3,166,076</u></b>
<b>Six months period ended</b>			
<b>June 30, 2010                      June 30, 2009</b>			
(Rupees in thousand)			
<b>3.2 Additions during the period</b>			
Land on freehold		-	27,452
Buildings on freehold		<b>20,935</b>	13,372
Plant and machinery		<b>84,214</b>	117,028
Furniture and fixtures		<b>34,519</b>	3,956
Office equipment		<b>604</b>	7,283
Vehicles		<b>52,569</b>	91,273
Power and other installations		<b>7,032</b>	784
Computer equipment		<b>376</b>	35,224
		<b><u>200,249</u></b>	<b><u>296,372</u></b>
<b>3.3 Disposals during the period - net book value</b>			
Vehicles		<b>24,643</b>	8,577
Office equipments		-	513
		<b><u>24,643</u></b>	<b><u>9,090</u></b>
<b>3.4 Depreciation charge during the period</b>			
		<b><u>259,123</u></b>	<b><u>222,044</u></b>
<b>3.5</b> During the period the company has recorded an impairment charge of Rs 3.75 million in respect of certain items of property, plant and equipment which the company neither intends to utilise nor it can dispose off in accordance with the company's policy except as scrap material. The recoverable amount of such scrap is expected to be immaterial.			

## Lakson Tobacco Company Limited

### NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)

	Note	June 30, 2010 (Rupees in thousand)	December 31, 2009
<b>3.6 Capital work-in-progress</b>			
Civil works		104,460	86,640
Plant and machinery		487,413	281,114
Power and other installations		269,287	158,939
Furniture and fittings		5,471	45,013
Computer equipment		22,037	16,345
Advance to suppliers and contractors		67,765	91,612
		956,433	679,663

#### 4. STORES AND SPARES

During the period, the company has written off stores and spares aggregating Rs. Nil (June 30, 2009: Rs. 17.914 million).

	Note	June 30, 2010 (Rupees in thousand)	December 31, 2009
<b>5. STOCK-IN-TRADE</b>			
Raw and packing materials	5.1 to 5.4	3,891,531	5,549,885
Work-in-process		10,651	16,994
Finished goods	5.3	322,201	313,357
		4,224,383	5,880,236

5.1 Includes stock in transit amounting to Rs. 266.843 million (December 31, 2009: Rs. 69.752 million).

5.2 Includes impact of seasonal purchases on account of harvest of tobacco crop during the months of July to September.

5.3 During the period, the company has written off inventory aggregating Rs. 3.082 million (June 30, 2009: Rs. 7.132 million).

5.4 Raw and packing material includes 'Tobacco Development Cess' aggregating Rs. 47.753 million (December 31, 2009: Rs. 87.392 million).

#### 6. TRADE AND OTHER PAYABLES

6.1 There is no change in the status of case as set out in note 18.3 to the December 2009 financial statements, except for the fact that further provision of Rs 0.080 million and payments aggregating Rs 33.409 million under protest have been made during the current period.

	Note	June 30, 2010 (Rupees in thousand)	December 31, 2009
<b>7. CONTINGENCIES AND COMMITMENTS</b>			
<b>7.1 Commitments</b>			
Capital expenditure contracted for but not incurred		329,085	247,488
Letters of credit		55,910	25,951



## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)

7.2 There is no change in the status of guarantees and contingent liability set out in note 19.1 and 19.3 to the December 2009 financial statements respectively.

**8. COST OF SALES**

	Quarter ended		Six months period ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
	----- (Rupees in thousand) -----			
<b>Raw and packing material consumed</b>				
Opening stock	4,876,622	4,016,085	5,549,885	5,049,456
Purchases, redrying and related expenses	1,038,087	1,249,438	2,124,304	2,364,080
	5,914,709	5,265,523	7,674,189	7,413,536
Closing stock	(3,891,531)	(3,344,435)	(3,891,531)	(3,344,435)
	2,023,178	1,921,088	3,782,658	4,069,101
Government levies	28,338	30,178	52,855	63,967
Manufacturing expenses	311,998	305,005	589,339	587,623
	2,363,514	2,256,271	4,424,852	4,720,691
<b>Work-in-process</b>				
Opening stock	12,446	10,462	16,994	12,824
Closing stock	(10,651)	(14,812)	(10,651)	(14,812)
Sale of waste	(10,640)	(6,761)	(19,621)	(18,359)
	(8,845)	(11,111)	(13,278)	(20,347)
<b>Cost of goods manufactured</b>	2,354,669	2,245,160	4,411,574	4,700,344
<b>Finished goods</b>				
Opening stock	271,318	376,736	313,357	264,827
Finished goods purchased	50,821	26,087	95,427	26,087
Closing stock	(322,201)	(257,681)	(322,201)	(257,682)
	(62)	145,142	86,583	33,232
	2,354,607	2,390,302	4,498,157	4,733,576
<b>9. TAXATION</b>				
Current - for the period	163,600	225,973	371,333	393,973
- for prior year	-	44,778	-	44,778
	163,600	270,751	371,333	438,751
Deferred	12,000	(49,004)	1,000	(48,904)
	175,600	221,747	372,333	389,847



## Lakson Tobacco Company Limited

### NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)

#### 10. EARNINGS PER SHARE - BASIC

	Quarter ended		Six months period ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
	------(Rupees in thousand)-----			
Profit for the period after taxation	<u>269,961</u>	<u>459,157</u>	<u>626,681</u>	<u>773,812</u>
	------(Number of shares)-----			
Number of ordinary shares	<u>61,580,341</u>	<u>61,580,341</u>	<u>61,580,341</u>	<u>61,580,341</u>
	------(Rupees)-----			
Earnings per share - basic	<u>4.38</u>	<u>7.46</u>	<u>10.18</u>	<u>12.57</u>

There were no convertible dilutive potential ordinary shares outstanding as at June 30, 2009 and 2010.

#### 11. RELATED PARTIES DISCLOSURES

11.1 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 related parties are as follows:

Relationship	Nature of transaction	Six months period ended	
		June 30, 2010	June 30, 2009
		(Rupees in thousand)	
<b>Group companies</b>	Sale of goods and services	<b>281,122</b>	255,334
	Purchase of goods, fixed assets and services	<b>86,785</b>	70,472
	Royalty	<b>15,090</b>	3,930
	Proceeds received for Corporate Social Responsibility activities note 11.1.1	<b>33,482</b>	-
<b>Staff retirement benefit plans</b>	Contribution to gratuity fund	<b>11,870</b>	8,955
	Contribution to provident fund	<b>22,787</b>	18,744
<b>Key management personnel</b>	Remuneration and benefits	<b>265,126</b>	211,419
<b>Other related parties</b>	Donation	-	5,000

The company enters into transactions with related parties on the basis of mutually agreed terms.



## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)

11.1.1 These represent proceeds received from group companies to carry out social projects in Pakistan.

June 30,  
2010  
(Rupees in thousand)

December 31,  
2009

11.2 The amount due to related parties comprises:

Group companies	56,714	37,903
Staff retirement plans	9,300	–
	<u>66,014</u>	<u>37,903</u>

11.3 The amount due from related parties comprises:

Group companies	<u>100,084</u>	<u>6,897</u>
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## 12. CASH GENERATED FROM OPERATIONS

Six months period ended

Note  
June 30,  
2010  
(Rupees in thousand)

June 30,  
2009

<b>Profit before taxation</b>	<b>999,014</b>	1,163,659
Adjustments for non cash changes and other items:		
Depreciation	259,123	222,044
Impairment charge on items of property, plant and equipment	3,750	–
Expenses arising from equity-settled share - based payment plan	9,551	4,517
Profit on short term deposits	(44,276)	(44,403)
Stores and spares written off	–	17,914
Stock in trade written off	3,082	7,132
Profit on disposal of fixed assets	(25,976)	(20,254)
Finance cost	16,266	25,441
Working capital changes	12.1 <u>618,268</u>	<u>1,626,004</u>
	<u>1,838,802</u>	<u>3,002,054</u>
12.1 <b>Working capital changes</b>		
<b>Decrease / (increase) in current assets</b>		
Stores and spares	(29,991)	(80,175)
Stock-in-trade	1,652,771	1,703,046
Trade debts	(4,455)	(17,024)
Loans and advances	(3,758)	73,630
Prepayments	(108,800)	(11,236)
Other receivables	(96,090)	(5,665)
	<u>1,409,677</u>	<u>1,662,576</u>
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	393,579	(49,808)
Sales tax and excise payable	(1,184,988)	13,236
	<u>(791,409)</u>	<u>(36,572)</u>
	<u>618,268</u>	<u>1,626,004</u>



## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

	Note	June 30, 2010 (Rupees in thousand)	June 30, 2009
<b>13. CASH AND CASH EQUIVALENT</b>			
Short term investments		–	1,050,000
Cash and bank balances		<u>118,146</u>	<u>313,248</u>
		<u><u>118,146</u></u>	<u><u>1,363,248</u></u>

### 15. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial information was authorised for issue on August 02, 2010 by the Board of Directors of the Company.

  
**SALMAN HAMEED**  
 Chairman & Chief Executive

  
**MOHAMMAD FAROOQ SHAKOOR**  
 Director