

Lakson Tobacco Company Limited



CONDENSED INTERIM BALANCE SHEET AS AT JUNE 30, 2009 (UN-AUDITED) (NOTE 2.2)

		June 30, 2009 Un-audited	December 31, 2008 Audited
	Note	(Rupees in thousand)	
NON CURRENT ASSETS			
Property, plant and equipment	3	3,538,879	3,322,278
Investment in a subsidiary company		1	1
Long term loans		1,302	1,681
Long term deposits and prepayments		39,807	37,634
		<u>3,579,989</u>	<u>3,361,594</u>
CURRENT ASSETS			
Stores and spares	4	308,097	245,836
Stock in trade	5	3,616,929	5,327,107
Trade debts		53,205	36,181
Loans and advances		56,574	130,204
Prepayments		125,070	113,834
Profit accrued		8,148	3,959
Other receivables		29,236	23,571
Income tax - net		46,159	150,780
Short term investments		1,050,000	-
Cash and bank balances		313,248	46,718
		<u>5,606,666</u>	<u>6,078,190</u>
		<u>9,186,655</u>	<u>9,439,784</u>
SHARE CAPITAL AND RESERVES			
Authorised capital		<u>1,000,000</u>	<u>1,000,000</u>
Issued, subscribed and paid-up capital		615,803	615,803
Reserves		5,226,455	4,671,938
Unappropriated profit		776,081	706,220
		<u>6,618,339</u>	<u>5,993,961</u>
NON CURRENT LIABILITIES			
Deferred taxation		344,000	392,904
CURRENT LIABILITIES			
Running finance under mark-up arrangements		-	770,668
Trade and other payables		1,199,116	1,212,032
Mark-up on running finance facilities		478	22,465
Sales tax and excise payable		1,009,731	996,495
Provisions	6	14,991	51,259
		<u>2,224,316</u>	<u>3,052,919</u>
		<u>9,186,655</u>	<u>9,439,784</u>
CONTINGENCIES AND COMMITMENTS			
	7		

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.


SALMAN HAMEED
 Chairman & Chief Executive


MOHAMMAD FAROOQ SHAKOOR
 Director



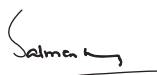
Lakson Tobacco Company Limited

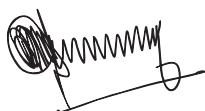
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED-NOTE 2.2)

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2009

	Note	Six months period ended	
		June 30, 2009	June 30, 2008
(Rupees in thousand)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	12	3,002,054	2,204,863
Finance cost paid		(47,428)	(6,453)
Income taxes paid		(334,130)	(307,159)
Long-term loans		379	(1,692)
Long-term deposits and prepayments		(2,173)	(548)
Net cash inflow from operating activities		<u>2,618,702</u>	<u>1,889,011</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(447,735)	(470,287)
Proceeds from sale of property, plant and equipment		29,344	7,893
Income received from short term deposits		40,214	50,095
Net cash outflow from investing activities		<u>(378,177)</u>	<u>(412,299)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(153,327)	(229,733)
Net cash outflow from financing activities		<u>(153,327)</u>	<u>(229,733)</u>
Net increase in cash and cash equivalents		2,087,198	1,246,979
Cash and cash equivalent at the beginning of the period		(723,950)	280,868
Cash and cash equivalent at the end of the period	13	<u><u>1,363,248</u></u>	<u><u>1,527,847</u></u>

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.


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, 2009

	Issued, subscribed and paid-up capital	Reserves		Sub-total	Unappro- priated profit	Total
		(Revenue)	(Capital)			
		General reseve	Other reseves			
------(Rupees in thousand)-----						
Balance as at January 01, 2008	615,803	4,427,000	-	4,427,000	472,018	5,514,821
Transfer to general reserve for the six months period ended December 31, 2007	-	240,000	-	240,000	(240,000)	-
Final dividend for the six months period ended December 31, 2007 @ Rs. 3.75 per share	-	-	-	-	(230,926)	(230,926)
Profit after taxation for the six months period ended June 30, 2008	-	-	-	-	793,819	793,819
Balance as at June 30, 2008	<u>615,803</u>	<u>4,667,000</u>	<u>-</u>	<u>4,667,000</u>	<u>794,911</u>	<u>6,077,714</u>
Balance as at January 01, 2009	615,803	4,667,000	4,938	4,671,938	706,220	5,993,961
Transfer to general reserve for the year ended December 31, 2008	-	550,000	-	550,000	(550,000)	-
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)
Profit after taxation for the six months period ended June 30, 2009	-	-	-	-	773,812	773,812
Balance as at June 30, 2009	<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>

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.


SALMAN HAMEED
Chairman & Chief Executive


MOHAMMAD FAROOQ SHAKOOR
Director



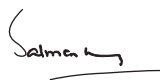
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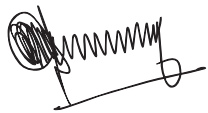
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED-NOTE 2.2)

FOR THE QUARTER AND SIX MONTHS PERIOD ENDED JUNE 30, 2009

	Note	Quarter ended		Six months period ended	
		June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
------(Rupees in thousand)-----					
Gross turnover		8,739,549	6,265,993	16,511,619	12,629,093
Less :Sales tax		1,248,010	854,777	2,331,717	1,715,086
Excise duty		3,546,055	2,574,229	6,609,903	5,181,870
		4,794,065	3,429,006	8,941,620	6,896,956
Turnover - net of sales tax and excise duty		3,945,484	2,836,987	7,569,999	5,732,137
Cost of sales	8	2,390,302	1,784,803	4,733,576	3,538,549
Gross profit		1,555,182	1,052,184	2,836,423	2,193,588
Distribution and marketing expenses		728,151	346,973	1,342,386	693,021
Administrative expenses		138,187	129,348	282,593	241,075
		866,338	476,321	1,624,979	934,096
		688,844	575,863	1,211,444	1,259,492
Other operating expenses		53,079	39,776	88,858	90,081
		635,765	536,087	1,122,586	1,169,411
Other operating income		55,500	33,801	66,514	54,178
Operating profit		691,265	569,888	1,189,100	1,223,589
Finance cost		10,361	2,184	25,441	4,139
Profit before taxation		680,904	567,704	1,163,659	1,219,450
Taxation	9	221,747	211,408	389,847	425,631
Profit after taxation		459,157	356,296	773,812	793,819
------(Rupees)-----					
Earnings per share -- basic	10	7.46	5.79	12.57	12.89

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.


SALMAN HAMEED
 Chairman & Chief Executive


MOHAMMAD FAROOQ SHAKOOR
 Director

Lakson Tobacco Company Limited



NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2009 (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 These condensed interim financial statements have been prepared in accordance with the requirements of the International Accounting Standard No. 34 'Interim Financial Reporting' and are being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984 and the listing regulations of the Karachi and Lahore Stock Exchanges.

2.2 These condensed interim financial statements comprise of the balance sheet as at June 30, 2009 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. These condensed interim financial statements also include the profit and loss account for the quarter ended June 30, 2009 which is not subjected to review.

2.3 Securities and Exchange Commission of Pakistan (SECP) vide its letter EMD/233/619/2002 - 1196 dated November 13, 2008 provided exemption to the company from preparation of consolidated financial statements of the group comprising the company and its subsidiary, Premier Tobacco Company (Private) Limited, for the year ended December 31, 2008. The management of the company is in the process of obtaining a similar exemption for the current year and is confident that such an exemption will be provided by the SECP. Hence, consolidated financial statements of the group have not been prepared.

2.4 The comparative balance sheet presented in these condensed interim financial statements as at December 31, 2008 has been extracted from the audited financial statements of the company for the year then ended (December 2008 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, 2008 have been extracted from the condensed interim financial statements 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, 2008 is also included in these condensed interim financial statements.

2.5 The accounting policies and the methods of computation of balances adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the December 2008 financial statements.

Effective January 1, 2009, the company has changed useful lives of certain items of property, plant and equipment acquired on or after that date. However, the impact of such change is not considered material on the present and future profits of the company.



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

	Note	June 30, 2009	December 31, 2008
(Rupees in thousand)			
3. PROPERTY, PLANT AND EQUIPMENT			
Operating property, plant and equipment	3.1 to 3.5	3,058,857	2,993,619
Capital work-in-progress	3.6	480,022	328,659
		<u>3,538,879</u>	<u>3,322,278</u>
3.1 Operating property, plant and equipment			
Book value at the beginning of the period / year		2,993,619	2,482,138
Additions during the period / year		296,372	946,642
		<u>3,289,991</u>	<u>3,428,780</u>
Disposals during the period / year			
- net book value		(9,090)	(7,071)
Impairment of Plant and Machinery		-	(29,779)
Depreciation charge during the period / year		(222,044)	(398,311)
		<u>(231,134)</u>	<u>(435,161)</u>
Book value at the end of the period / year		<u>3,058,857</u>	<u>2,993,619</u>
Six months period ended			
June 30, 2009 June 30, 2008			
(Rupees in thousand)			
3.2 Additions during the period			
Land on freehold		27,452	-
Buildings on freehold land		13,372	2,362
Plant and machinery		117,028	152,534
Furniture and fixtures		3,956	3,790
Office equipments		7,283	-
Vehicles		91,273	63,823
Power and other installations		784	7,250
Computer equipment		35,224	1,225
		<u>296,372</u>	<u>230,984</u>
3.3 Disposals during the period - net book value			
Vehicles		8,577	3,466
Office equipment		513	-
Computer equipment		-	2
		<u>9,090</u>	<u>3,468</u>
3.4 Depreciation during the period			
		<u>222,044</u>	<u>187,721</u>
3.5 During the period the company has written off certain items of property, plant and equipment having a cost and accumulated depreciation of Rs. 75.006 million (June 30, 2008: Rs. Nil).			

Lakson Tobacco Company Limited



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

	Note	June 30, 2009 (Rupees in thousand)	December 31, 2008
3.6 Capital work-in-progress			
Civil works		57,899	35,828
Plant and machinery		258,784	189,893
Power and other installations		49,313	3,581
Furniture and fittings		28,744	2,006
Computer equipment		11,201	31,402
Advance to suppliers and contractors		74,081	65,949
		<u>480,022</u>	<u>328,659</u>
4. STORES AND SPARES			
During the period, the company has written off stores and spares aggregating Rs. 17.914 million (June 30, 2008: Rs. 7.929 million).			
5. STOCK-IN-TRADE			
Raw and packing materials	5.1 to 5.4	3,344,435	5,049,456
Work-in-process		14,812	12,824
Finished goods	5.3	257,682	264,827
		<u>3,616,929</u>	<u>5,327,107</u>
5.1 Includes stock in transit amounting to Rs. 99.970 million (December 31, 2008: Rs. 213.925 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. 7.132 million (June 30, 2008: Rs. 2.649 million).			
5.4 Raw and packing material includes 'Tobacco Development Cess' aggregating Rs. 60.385 million (December 31, 2008: Rs. 108.889 million).			
6. PROVISIONS			
Tobacco Development Cess	6.1	<u>14,991</u>	<u>51,259</u>
6.1 There is no change in the status of case as set out in note 19.1 to the December 2008 financial statements, except for the fact that further provision of Rs. 0.147 million and payments aggregating Rs. 36.416 million under protest have been made during the current period.			
7. CONTINGENCIES AND COMMITMENTS			
7.1 Commitments			
Capital expenditure contracted for but not incurred		<u>350,144</u>	<u>220,392</u>
Letters of credit		<u>113,566</u>	<u>208,077</u>



Lakson Tobacco Company Limited

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

7.2 There is no change in the status of guarantees and contingent liability set out in note 20.1 and 20.3 to the December 2008 financial statements respectively.

8. COST OF SALES

	Quarter ended		Six months period ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
----- (Rupees in thousand) -----				
Raw and packing material consumed				
Opening stock	4,016,085	3,315,299	5,049,456	3,408,272
Purchases, redrying and related expenses	1,249,438	795,704	2,364,080	2,062,626
	5,265,523	4,111,003	7,413,536	5,470,898
Closing stock	(3,344,435)	(2,565,302)	(3,344,435)	(2,565,302)
	1,921,088	1,545,701	4,069,101	2,905,596
Government levies	30,178	34,668	63,967	57,791
Manufacturing expenses	305,005	285,196	587,623	526,617
	2,256,271	1,865,565	4,720,691	3,490,004
Work-in-process				
Opening stock	10,462	16,161	12,824	12,058
Closing stock	(14,812)	(14,959)	(14,812)	(14,959)
Sale of waste	(6,761)	(5,400)	(18,359)	(9,964)
	(11,111)	(4,198)	(20,347)	(12,865)
Cost of goods manufactured	2,245,160	1,861,367	4,700,344	3,477,139
Finished goods				
Opening stock	376,736	57,579	264,827	195,553
Finished goods purchased	26,087	-	26,087	-
Closing stock	(257,681)	(134,143)	(257,682)	(134,143)
	145,142	(76,564)	33,232	61,410
	<u>2,390,302</u>	<u>1,784,803</u>	<u>4,733,576</u>	<u>3,538,549</u>
9. TAXATION				
Current				
- for the period	225,973	205,000	393,973	418,000
- for prior year	44,778	-	44,778	1,223
	270,751	205,000	438,751	419,223
Deferred	(49,004)	6,408	(48,904)	6,408
	<u>221,747</u>	<u>211,408</u>	<u>389,847</u>	<u>425,631</u>

Lakson Tobacco Company Limited



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

10. EARNINGS PER SHARE - BASIC

	Quarter ended		Six months period ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
	----- (Rupees in thousand) -----			
Profit for the period after taxation	459,157	356,296	773,812	793,819
	----- (Number of shares) -----			
Number of ordinary shares	61,580,341	61,580,341	61,580,341	61,580,341
	----- (Rupees) -----			
Earnings per share - basic	7.46	5.79	12.57	12.89

There were no convertible dilutive potential ordinary shares outstanding as at June 30, 2008 and 2009.

11. 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 related parties are as follows:

Relationship	Nature of transaction	Six months period ended	
		June 30, 2009	June 30, 2008
		(Rupees in thousand)	
Group companies	Sale of goods and services	255,334	958
	Purchase of goods, fixed assets and services	70,472	23,053
	Royalty	3,930	3,509
Staff retirement plans	Contribution to gratuity fund	8,955	8,541
	Contribution to provident fund	18,744	15,439
Key management personnel	Remuneration and benefits	211,419	126,630
Other related parties	Donation - note 11.2	5,000	2,500

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



Lakson Tobacco Company Limited

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

	June 30, 2009 (Rupees in thousand)	December 31, 2008
11.1 The amount due to related parties comprises:		
Group companies	15,668	29,452
Key management personnel	3,161	45,358
Staff retirement plans	7,897	7,036
	<u>26,726</u>	<u>81,846</u>
11.2 Donation represents payment to Lakson Medical Trust in which a Director, Mr. Farooq Shakoor, was interested as a trustee. Besides this, none of the Directors and their spouses have any interest in any donee to which donations have been made.		
11.3 As at June 30, 2009 trade debts from associated undertakings amounts to Rs. 20.491 million (December 31, 2008: Rs. 1.551 million).		
12. CASH GENERATED FROM OPERATIONS		
	Six months period ended	
	June 30, 2009	June 30, 2008
	(Rupees in thousand)	
Profit before taxation	1,163,659	1,219,450
Adjustments for:		
Depreciation	222,044	187,721
Expenses arising from equity-settled share - based payment plan	4,517	-
Profit on short-term deposits	(44,403)	(54,180)
Stores and spares written off	17,914	7,929
Stock in trade written off	7,132	2,649
Gain on disposal of property, plant and equipment	(20,254)	(4,425)
Finance cost	25,441	4,139
Working capital changes	12.1 1,626,004	841,580
	<u>3,002,054</u>	<u>2,204,863</u>
12.1 Working capital changes		
(Increase)/decrease in current assets		
Stores and spares	(80,175)	(14,819)
Stock-in-trade	1,703,046	898,830
Trade debts	(17,024)	144,321
Loans and advances	73,630	(27,190)
Prepayments	(11,236)	(12,884)
Other receivables	(5,665)	56,146
	<u>1,662,576</u>	<u>1,044,404</u>
(Decrease) / increase in current liabilities		
Trade and other payables	(13,540)	(186,164)
Sales tax and excise payable	13,236	21,238
Provisions	(36,268)	(37,898)
	<u>(36,572)</u>	<u>202,824</u>
	<u>1,626,004</u>	<u>841,580</u>

Lakson Tobacco Company Limited



NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

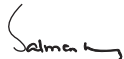
	Note	June 30, 2009 (Rupees in thousand)	June 30, 2008
13. CASH AND CASH EQUIVALENT			
Short term investments		1,050,000	1,000,000
Cash and bank balances		313,248	527,847
		<u>1,363,248</u>	<u>1,527,847</u>

14. CORRESPONDING AMOUNTS

For better presentation excise duty has been shown separately on the condensed interim profit and loss account as a deduction from gross turnover. Accordingly, corresponding amounts of turnover and cost of sales have been reclassified for the purpose of comparison.

15. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on July 30, 2009 by the Board of Directors of the Company.


SALMAN HAMEED
 Chairman & Chief Executive


MOHAMMAD FAROOQ SHAKOOR
 Director