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BBA



**BRITISH AMERICAN
TOBACCO
BANGLADESH**

SUCCESS AND RESPONSIBILITY GO TOGETHER

AN APPRAISAL OF FIXED ASSET MANAGEMENT SYSTEM OF BATB

INTERNSHIP REPORT

PREPARED FOR

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Letter of Transmittal

September 6, 2003

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Dear Sir

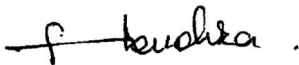
At the end of 12 weeks internship program at British American Tobacco, Bangladesh, and the concluding part of my BBA program at East West University, I take this opportunity to present this report on "~~Fixed Asset Management System~~^{Intriguingly named}" which was assigned on me by my superior at BATB.

It was a pleasure to have the opportunity to prove ^{our} my professionalism and innovation while doing this report. The working environment at BATB was beyond my expectation and I have enjoyed my workings.

^{we} I have tried to incorporate ^{our} my learning and experience at BATB into this report. I hope this report will fulfil the requirement.

Thank you.

Sincerely,



Fatema Bushra

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Acknowledgement

I would like to acknowledge my advisor at East West University, Dr. Tanvir Ahmed Chowdhury, Associate Professor of Finance, Department of Business Administration, for his support, suggestions and time. Without his guidance, I wouldn't have been able to complete this report.

The person I would like to thank is Korobi Quassem, Deputy Corporate Finance Manager at British American Tobacco, Bangladesh, for giving me the opportunity, instruction and guidance for doing this report.

Finally, I would also like to thank AlaUddin, Deputy Corporate Finance Manager for assisting me in gathering relevant information and clarifying my queries regarding Fixed Asset Management.

Executive Summary

This internship report is prepared on the largest tobacco manufacturing company in the country, British American Tobacco, Bangladesh (BATB). The report has been divided into two parts. The first one is the organization part, where I have tried to include as much information as possible on BATB. The last one is the project part, where I have discussed the main project that I have dealt with during my internship period at BATB.

I have dealt with 'Fixed Asset Management System' at BATB. BATB's Fixed Asset Management covers tangible assets which are Freehold Land, Freehold Building, Leasehold Land, Leasehold Building, Plant and Machinery and so on.

For acquiring Fixed Assets, BATB usually calls tenders where both qualities as well as price are taken into accounts. Besides, there are some methods which are used by BATB to evaluate projects and to decide whether assets should be accepted or not. While doing so one method they use is 'Capital Budgeting Evaluation Techniques'. This technique includes NPV, IRR, and Payback Period. On the other hand, for not-so-large capital investments purchase decisions are made through company plan budgets. Company plan budget is the annual budget plan which among other things includes budgets for fixed assets. This includes budget for both large and not-so-large capital investments.

For disposal, formal proposal has to be raised in the pre-printed form i.e. 'Disposal of Fixed Assets' or 'DOFA' by the concerned department in quadruplicate and send those forms accordingly. Moreover, for disposing fixed asset two things can be done. One is selling the asset and the other is scrapping the fixed asset. In order to sell the asset like furniture, car, in-house tender is done and for asset like Plant and Machinery, BATB usually scrap it and then sell it because of strategic reasons.

Whenever an asset is transferred from one location to another, 'Fixed Assets Transfer' or 'FAT' memo should be prepared by the transferor location in Triplicate and upon acknowledgement by receiving location one copy has to be sent to the respective Unit Accounting Department for updating the Fixed Assets record in the module.

BATB uses CS/3 software to maintain and manage its fixed assets. CS/3 is an Enterprise Resource Planning (ERP) system which takes care of finance, operations, and other processes of the company. The Fixed Asset module of CS/3 is used for fixed asset management purpose.

BATB's insurance policy is 'Full Insurance Policy'. This is based on value and insurance policies are renewed on yearly basis and so sum valued will decrease according to the book value of the assets.

Depreciation is usually charged on 'Straight line' method but for tax purpose BATB also use 'Declining Balance Method' or 'Double Digit Method'. By using the straight line method, assets depreciate at a fixed rate each period. This method therefore spreads the provision equally over the period of anticipated life. On the other hand BATB also uses the reducing balance method, which allows assets to depreciate at a diminishing rate each period. This method therefore spreads the provision by decreasing amounts over the period of anticipated life. Relatively heavy charges in depreciation are incurred during the earlier periods of the life and lighter charges in the later periods.

BATB have decided to go for 'Lease Financing', if the value of the car exceeds Tk. 1000000, since lease rent is tax allowable expense.

Table of Contents:

Organization Part

1	BRITISH AMERICAN TOBACCO BANGLADESH	2
1.1	The Vision and Mission of the Company.....	3
1.2	Historical Background of BATB	3
1.3	British American Tobacco Bangladesh: " On the Move"	4
1.4	Relation between BAT & BATB:	4
1.5	Structure of BATB:	6
1.6	Functional Areas:.....	9
1.7	Ownership Status of the Company:.....	9
1.8	Employee and Trade Union of BATB:	10
1.9	Physical Infrastructure of the Company:	10
1.10	Tobacco Cultivation in Kushtia:	11
1.11	Environmental, Health, and Safety Policy and Afforestation Program:	12
1.12	Commitment to Developing the Future:.....	13
1.13	Journey Towards Class A:.....	15
2	PRODUCTION DEPARTMENT.....	17
2.1	Existing Production Facilities:	17
2.2	Initial Storage in Dhaka:	18
2.3	Cigarette production:	18
2.4	Production Process:.....	18
2.5	Filter Rod Department.....	20
	Production Personnel Activities:	20
3	LEAF DEPARTMENT	24
3.1	Green Leaf Threshing Plant (GLT):.....	24
3.2	Tobacco Processing:.....	25
3.3	Leaf Tobacco Export Volume:	27
3.4	Important functions that Leaf Department carries out	27
4	FINANCE DEPARTMENT.....	30
4.1	Structure of Finance Department	30
4.2	Functions of Finance Department:	33
4.3	Financial Performance of BATB over the last seven years:.....	33
5	HUMAN RESOURCE DEPARTMENT	35
5.1	Activities of HR Department:.....	35
5.2	Structure of Human Resource Department:.....	36

6	BRAND MARKETING DEPARTMENT	39
6.1	Structure of Brand Marketing Department	39
6.2	Vision and Mission of Brand Marketing:.....	39
6.3	Core Strategies of Brand Marketing:.....	40
6.4	Description of the Major Brands:	41
6.4.1	BENSON & HEDGES.....	41
6.4.2	BENSON & HEDGES LIGHTS.....	41
6.4.3	STATE EXPRESS 555.....	41
6.4.4	JOHN PLAYER GOLD LEAF.....	42
6.4.5	JOHN PLAYER GOLD LEAF LIGHTS.....	42
6.4.6	STAR FILTER.....	43
6.4.7	SCISSORES FILTER.....	43
7	TRADE MARKETING AND DISTRIBUTION DEPARTMENT	45
7.1	Mission and Objectives of TM&D Department.....	45
7.1.1	Six critical factors to achieve TM&D mission:	45
7.2	Structure of TM&D Department.....	47
7.3	Channel of Distribution:.....	50
8	IT DEPARTMENT	54
8.1	IT Structure of BAT:.....	54
8.2	IT Strategy:	56
8.3	Key Objectives of IT:	56
9	CORPORATE AND REGULATORY AFFAIRS DEPARTMENT.....	58
9.1	BAT Code of Conducts, instructed by CORA, on Tobacco Marketing:	59
9.2	Activities of CORA:.....	60
9.3	Structure of CORA:	61

Project Part

10	INTRODUCTION.....	64
10.1	Origin of the Report.....	64
10.2	Objectives of the Report.....	64
10.3	Scope of the Report	64
10.4	Limitations of the Report.....	64
10.5	Methodology of the Report.....	64
11	AN INTRODUCTION OF FIXED ASSET.....	66
11.1	Definition of Fixed Asset.....	66
11.2	Types of Fixed Asset.....	66

12 METHODS OF ACQUIRING, DISPOSING, AND TRANSFERRING OF FIXED ASSET AT	
BATB.....	69
12.1 Acquisition.....	69
12.2 Disposal.....	70
12.3 Transfer.....	70
13 RECORD MAINTAINANCE OF FIXED ASSET.....	73
13.1 Numbering of Fixed Assets.....	73
13.2 Transfer of Responsibility.....	73
14 CS/3 SOFTWARE FOR FIXED ASSET MANAGEMENT.....	75
15 INSURANCE.....	77
15.1 Public Liability Policy.....	77
15.2 Fire Policy.....	78
15.3 Cyclone Insurance Policy.....	79
15.4 Flood Insurance Policy.....	80
15.5 Burglary and House Breaking Policy.....	80
15.6 Fidelity Guarantee Policy.....	81
15.7 All Computer Equipment.....	81
15.8 Eclipse Insurance Policy.....	81
16 DEPRECIATION POLICY.....	83
17 ANALYSIS.....	86
18 RECOMMENDATIONS.....	88
19 CONCLUSION.....	92
20 APPENDIX.....	94

ORGANIZATION PART

BRITISH AMERICAN TOBACCO BANGLADESH

1 BRITISH AMERICAN TOBACCO BANGLADESH

British American Tobacco Bangladesh (BATB) is a pioneer and leading multinational cigarette manufacturer. Based in England, British American Tobacco was formed at the turn of the 20th century with the objective of establishing a worldwide business. British American Tobacco is recognized as one of UK's largest companies and the World's most global tobacco company. Today British American Tobacco sells the leading brands in over 30 markets covering 102 countries, has more than 200 brands worldwide, employs more than 55,000 people and produces some 2 billion cigarettes every day. More than a billion people across the globe enjoy smoking tobacco. One in every eight chooses a British American Tobacco brand. In order to support the company's business goals the merger of British American Tobacco with Rothmans International had been announced on 11 January 1999. This global merger was completed on 7th June 1999. This brings together the number 2 and 4 players which together will boast a combined volume exceeding 900 billion cigarettes around the world with some 120,000 employees and a world-wide market share of 16 percent (Phillip Morris has a 17 percent share). The merger is a major step forward in British American Tobacco's *vision of becoming the world's leading International Tobacco Company*.

BATB is one of the largest companies in the country with a long established reputation for consistently providing its consumers with high quality brands. BATB is listed in Dhaka and Chittagong Stock Exchanges. The company markets major International cigarette brands like Benson & Hedges, State Express 555 and John Player Gold Leaf, which are complemented by local brands such as Star and Scissors.

The Company has its Head Office and the cigarette factory in Dhaka, a Green Leaf Threshing Plant in Kushtia and a number of Leafs and Sales Offices throughout the country.

British American Tobacco Bangladesh was previously known as Bangladesh Tobacco Company (BTC). On March 22, 1998 the company changed its identification and established commitment to the highest international standards. The Company's main business is tobacco, which involves growing, processing, manufacturing and marketing of tobacco leaf, cigarettes and pipe tobacco. The company also exports processed tobacco leaf in the international market, mainly in the European Countries with its effort to create an international market of its products.

1.1 The Vision and Mission of the Company

Vision: To extend our leadership through world-class performance.

Mission: Double the net revenue by 2005
Growing our share of the total tobacco market
Dominating key identified segments

1.2 Historical Background of BATB

British American Tobacco Bangladesh (BATB) Company Limited, a subsidiary of British American Tobacco, is recognized leader in Bangladesh cigarette market, with a long established reputation for providing its consumers with consistently high quality brands. The journey of this company started long back. BATB was established back in 1910 as Imperial Tobacco Company Ltd. with head office in Calcutta. In the very beginning Imperial Tobacco Company (ITC) launched a branch office at Moulivibazar Dhaka in 1926. Cigarettes were made in Carreras Ltd., Calcutta. Imperial and Carreras merged into a single company in 1943. After the partition in 1947, cigarettes were coming freely from Calcutta, but introduction of customs barriers in 1948 between India and Pakistan interrupted the smooth flow of cigarettes from Calcutta to East Pakistan. In March 1, 1949, Pakistan Tobacco Company (PTC) came into existence with head office in Karachi; with the assets and liabilities of ITC Limited held in Pakistan. The then East Pakistan Office was situated in Alico Building, Motijheel. In order to meet the increasing demand, the first factory in the then East Pakistan was established in Chittagong in 1952. From this time onwards requirements for cigarettes for East Pakistan markets were met from products manufactured in Karachi. In 1954 PTC established its first cigarette factory although high-grade cigarettes still came from West Pakistan. The Dhaka factory of PTC went into production in 1965. After the War between India and Pakistan in 1965; the import of tender leaf from India for the production of Biri was stopped. This gave a big boost to cigarette business. It was at that time the East Pakistani entrepreneurs set up 16 cigarette factories in this region.

After independence, Bangladesh Tobacco Company (Pvt.) Limited was formed on 02 February 1972 under the Companies Act 1913, with the assets and liabilities of PTC. Shareholding position for GOB and BAT was 1:2. BTC (Pvt.) was converted into a public limited company on 03 September 1973. British American Tobacco played a pivotal role in BTC's creation in 1972 and

since then has been involved in BTC's development every step of the way. To pronounce the successful relationship with British American Tobacco, BTC has changed its name and identity to British American Tobacco (BAT) Bangladesh Company Limited on March 1998.

1.3 British American Tobacco Bangladesh: " On the Move"

Table 1 : BATB on the move

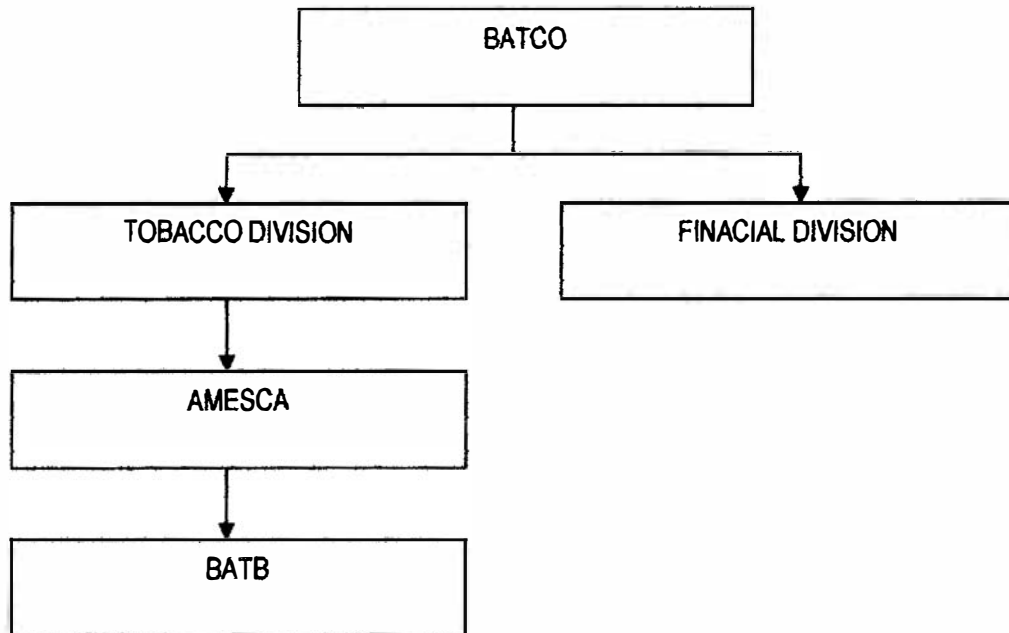
March 1949	Formation of Pakistan Tobacco Company (PTC)
1954	PTC opened its first factory in Fouzdarhat, Chittagong
1962	Opened a branch in Moulavibazar, Dhaka
1965	Building of a factory in Mohakhali, Dhaka
February 1972	Incorporation of Bangladesh Tobacco Company with a paid up capital of Tk. 400 million
March 22, 1998	Changed its identity from Bangladesh Tobacco Company (BTC) to British American Tobacco Bangladesh Company Limited (BATB)

1.4 Relation between BAT & BATB:

The parent company of BATB is called **BATCO** or British American Tobacco Company. They are the major shareholders of BATB. The operations of BATB are regulated according to BATCO regulations and BATCO looks after the management aspects of BATB. BATB management is trained by BATCO and in many occasions BATCO sends over their own management to work in BATB. BAT industries are widely known as BATCO has two major divisions:

1. Tobacco Division
2. Financial Division

With the help of the following organogram we can easily see the relationship between BATCO and BATB very clearly:



Currently British American Tobacco Bangladesh is retaining 63% of the cigarette market in Bangladesh. British American Tobacco Bangladesh is a sister concern of British American Tobacco Company (BATCO). The cigarette division is known as "British American Tobacco Holdings (BAT Holdings)", which operates in more than 78 countries. "BAT Holdings" is a sister concern of BAT industries - a London based world famous business house. BAT industries operate in financial services, paper manufacturing, and tobacco sector. BATCO divided its cigarette operation in five regions. They are:

- North and Central America
- Europe
- South America
- Asia Pacific
- AMESCA

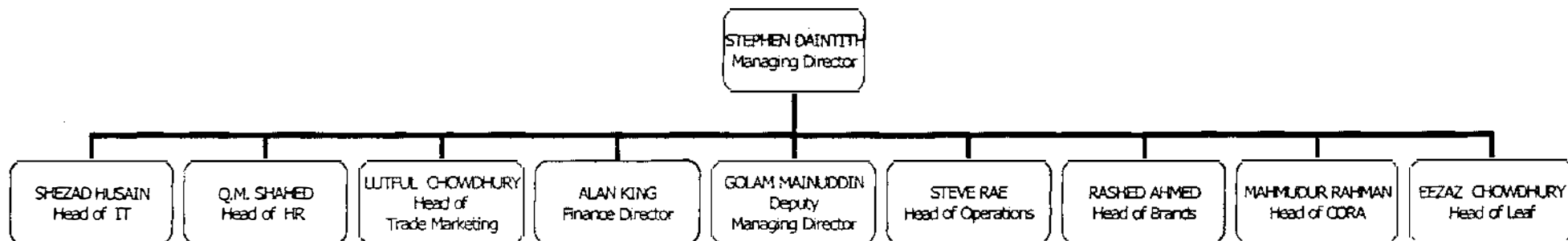
BATB actually maintains a relationship with BATCO through AMESCA. It is actually a region of BATCO to which BATB reports. AMESCA is made up of: A = Africa, ME = Middle East, S = Subcontinent, CA = Central Asia.

1.5 Structure of BATB:

BATB is a public limited company. Management Director is the operational head and appointed by the British American Tobacco. Head of every department carries out their functions with the help of line managers. Different departments have different structure according to their function and responsibility.

The "Board of Directors" and Executive Committee (EXCO) govern the overall activities of the company. The "Board of Directors" is composed of 10 members who are called Directors. The Chairman heads the "Board of Directors". Chief Executive of British American Tobacco Bangladesh is called the "Managing Director" who is normally appointed by "BAT Holdings". Managing Director of the company is the chairman of the Executive Committee. This committee includes the head of all the functional departments.

British American Tobacco Bangladesh Executive Committee



23/09/2002



1.6 Functional Areas:

BATB has been operating its business under the following major functional areas:

- Production
- Leaf
- Finance
- Human Resource
- Brand Marketing
- Trade Marketing and Distribution
- Information Technology
- Corporate and Regulatory Affairs
- Business Development

1.7 Ownership Status of the Company:

British American Tobacco Bangladesh is listed in the "Dhaka Stock Exchange (DSE)". It has an authorized capital of Tk. 400,000,000 of 40,000,000 ordinary shares of Tk. 10 each. British American Tobacco Bangladesh, which encompasses 62% of the shares of the British American Tobacco, London. The Government held 32% of its shares. Subsequently the government has gradually sold its holdings to different organizations of the country. The composition of shareholders on December 31, 1999 were:

Table 2: Ownership status of BATB

Raleigh Investment Co. Ltd. UK	65.91%
Investment Corporation of Bangladesh	26.99%
Sadharan Bima Corporation	2.86%
Bangladesh Silpa Rin Sangstha	0.84%
Government of Bangladesh	0.65%
Sena Kalyan Sangstha	0.52%
Others	2.23%



1.8 Employee and Trade Union of BATB:

The employees of the BATB are dynamic, self-motivated and energetic to perform any assigned job, because they are selected on the basis of excellent academic and experience. The company employs 1,244 permanent employees and varying number of seasonal and temporary workers as required. Each permanent employee receives remuneration in excess of Tk. 36,000 per annum. Remuneration depends on the nature and conditions of work. The workers are labeled in the following categories:

- Permanent
- Probationer
- Temporary (seasonal)
- Badli
- Casual

Trade union are established in the following company's working locations:

- Head office and Dhaka factory
- Chittagong factory
- Rangpur leaf factory

There is a positive relationship between the company and the trade union based on mutual trust and respect. All the employees of the company belong to the trade union. When a worker becomes a member of the union, according to his request a certain amount of his wage is deducted as the union subscription fees on a check off system. Trade union election is held after every two years and governed by their respective constitutions. The terms and conditions of services of the employee are negotiated and determined through a process of collective bargaining between the company and the union.

1.9 Physical Infrastructure of the Company:

The infrastructure of the company has a broader field where the company plays its important role. BATB has 6 Regional Trade Marketing Offices (RTMOs), 12 Regional Sales Depots, 1 Factory, 1 Green Leaf Threshing Plant, 7 Leaf Depots and a Head office consisting of Corporate Head office and Production Head office. The Company's Head office and Cigarette factory are located in Dhaka. A Green Leaf Threshing (GLT) Plant has been set up in Kushtia and it has started operation from April 1995.

The company's products are manufactured in the factory at Mohakhali, Dhaka. The Plant Manager who reports to the Production Director at the Head Office heads Dhaka factory. The company procures tobacco leaf maintaining the international standard and it imports processed tobacco leaf for its international brands. It procures green tobacco from the registered farmers of the leaf area mainly for its local brands.

The company's authorized leaf areas are located in Kushtia, Chittagong and Manikgonj. But bulk of tobacco leafs comes from Kushtia region. The Chittagong area is under development process and it now covers Rangunia and Lama. The company operates 7 leaf depots in the leaf area. 4 of them are located in Kushtia region, 2 of them are located in CDA and other 1 is in Manikgonj. The company provides all sorts of supports to the registered growers through its depot personnel. This includes technical know how, agricultural inputs and financial assistance.

The company performs its sales and distribution operation all over the country through its five regional sales offices. They are located in Dhaka, Khulna, Chittagong, Sylhet and Rajshahi. Each of the regions is again divided into operational areas, each of which in turn is divided into territories. To perform its sales and distribution smoothly, the company operates 10 sales depots in different locations of the country and it has 63 authorized distributors.

1.10 Tobacco Cultivation in Kushtia:

Tobacco cultivation in Kushtia Leaf area was first introduced in 1967 with an area of 10 acres. It was expected to expand to 650 acres by 1971. Flue-cured and air-cured tobacco were cultivated in Kushtia and the Leaf Department achieved self-sufficiency in cigarette tobacco by 1975. Tobacco cultivation through registered growers and procurement of the product tobacco is done through four leaf depots in Kushtia. Those depots are Meherpur, Jhenidah, Chechua and Allardarga Leaf Depot. Kushtia Leaf Factory stands on 4.31 acres of land and is located at about three kilometers away from main town. The Green Leaf Threshing (GLT) plant could complete the entire leaf purchase in 1995. A team of management including the Plant Engineer, Processing Manager, Shift Manager, Quality Control Manager, Leaf Account and the Leaf personal Manager is managing the GLT plant. The Plant Manager is the team leader of GLT management team.

1.11 Environmental, Health, and Safety Policy and Afforestation Program:

All the activities in the manufacturing unit and Green Leaf Threshing Plant ensure that work is conducted in a manner to minimize environmental pollution. Kushtia a GLT has won British American Tobacco's Environment, Health and Safety Merit award for the year 1995 and 1996 for achieving consecutive two years of operation with zero accident. The company also received the prestigious EHS Silver Award for 1999 without any lost time accident in any part of the company, which was the second year in a row.

In line with BAT's environmental, health, and safety policy, the company is involved in an afforestation program. The contribution of the company in afforestation program in Bangladesh has earned recognition in the country through winning of the Prime Minister's Trophy in 1993. In 1998 the company distributed 3.5 million free saplings in Dhaka through the Bonsai Nursery project. This program had caused more than 28.5 million trees planted or distributed till 1998 and is expected to yield around 120,000 metric tons of timber for fuel-wood, furniture making, or construction process in 1998¹. The Food and Agricultural Organization (FAO) has awarded British American Tobacco Bangladesh for pioneering the development of vegetable seed industry in Bangladesh. The company had started its vegetable seed multiplication program in 1990 with the technical support of FAO with a view to provide quality vegetable saplings for free distribution amongst farmers in the tobacco growing areas.

It is not enough for BATB to only contribute to the afforestation of the country. The company felt the need to promote the use of alternate wood fuel for tobacco curing by its farmers. Briquette as an alternate was introduced to the farmers, to reduce their dependency on trees for wood fuels. Briquettes made of paddy husk and sugarcane bagasse. Briquettes can be used for cooking, in burns for curing tobacco and brick. The company promotes Briquette manufacturing in the tobacco growing areas and tries to make them easily available to the farmers.

A company wide safety awareness program was initiated and completed in 1996. The objective of this program was to brief employees about the techniques to reduce the risk of occurrence of preventable accidents. The company's commitment to the highest level of safety practices is recognized with awards being received from the British American Tobacco Group headquarters in

¹ British American Tobacco Publication: "The Green Campaign"



more than one year. Workers and management are provided regular safety training. Hard hats are required during shift work. All movable machine parts have guards to prevent workers from accidental injury.

1.12 Commitment to Developing the Future:

British American Tobacco has over the decades consistently invested in the Bangladesh market through BATB. Thus BATB has always been in the business of manufacturing and marketing brands that meet standards found anywhere in the world.

The company believes in attracting the best talent available by offering a challenging working environment with international career development opportunities. Individuals here are entrusted with significant responsibility and autonomy, and investment in people through regular training and career development has helped to establish a culture, which encourages people to think creatively, generate new ideas and approach problems from a number of different perspectives. In the quest of becoming a World Class Company by achieving the visions, strategic imperatives and the values, the company has launched a change management program called – *Winning In Our World* in 1999. The objective is to bring about a cultural change by embedding the *WOW* Values and removal of barriers. To this effect the company has organized different workshops, employee care and development activities throughout the year with direct participation of its people.

With state-of-the-art machinery, world-class people, and a portfolio of world-beating brands, British American Tobacco Bangladesh couldn't be anything but instinctively international.

People's attitudes have changed much over the time. Without this changed attitude of excelling in their performance it would not have been possible to make so much progress. This spirit of people will help in achieving the company's Vision and Mission and ultimately to be a world class company.

Lotus notes is a highly evolved advanced communication system of BAT through which all the employees of BAT worldwide communicate among themselves. This is a hi-tech device that helps to provide quick and uninterrupted communication and factual information. Quantum is a marketing information tool with the objective of effective utilization of marketing spends through



better targeting and evaluation of BATB's marketing activities. This is a strategic investment that helps BAT to achieve competitive edge in case of facing any competition. The company has implemented Tetra CS/3, a totally integrated software package that links Manufacturing, Finance, and Distribution providing one set of clearly understood information that can be used throughout the company. Apart from this software, the company uses several other software packages for some specific purposes that can also be shared throughout the company.

Another important development with regard to accessibility of information is the implementation of the Global Enterprise Network (GEN) standard. GEN provides a standardized IT infrastructure throughout the British American Tobacco group that allows users to access their work areas from any location within the group.

Also the company has developed a system to have better control of its supply chain process. This has made a major impact in terms of automating the entire supply chain process from shipping godown to retailer, providing on-line information at every stage of the secondary supply chain.

As a company that aspires to be the world class, the company also looks at the interests of its suppliers and trading partners. A team is currently looking at how the company can support them as they strive to improve their performance.

1.13 Journey Towards Class A:

At the end of 1993 the company adopted a change management program called MRPII, the acronym for Manufacturing Resource Planning, with the objective of becoming a world-class company with world-class systems, processes, products, and people. The strategy for "Partnership Excellence Program" is based on a clear understanding on meeting world-class performance and to achieve MRPII Class A. BATB conducted series of training for the vendors and the result was very positive in terms of quality and delivery improvements. Back in 1997, the organization was a Class C company. In 1999 it had achieved the status of Class B and in this year, 2000 the company was awarded Class A status which has made BATB the only member in BAT group to achieve A in four categories. The categories are:

1. Strategic Planning
2. People and Team
3. Planning and Controlling
4. New product development, reducing lead time
5. Continuous improvement

BATB has achieved Class A in the first four categories.

PRODUCTION DEPARTMENT

2 PRODUCTION DEPARTMENT

The Head of Production looks after the production and takes necessary steps to smooth out the production process. The entire production process is performed at the Dhaka Factory. The motto of Production Department is to ensure the high quality and productivity steadily for the last few years. The production department has been very successful in meeting the challenges and the company now produces a wide range of filter cigarettes to meet the market demands. All the local brands are now available with its international brands.

2.1 Existing Production Facilities:

Capacity Output: The country's biggest manufacturing plant is owned by BATB with a capacity of 80 million (rounded) sticks of cigarettes per day in 3 shifts.

Actual Output: Presently the factory is producing 60 million sticks per day hence they need 70.000 kg of tobacco leaf.

Reasons for the difference: The market is the main reason for the difference between actual and capacity output. Wastage is approximately 4% - 5% of the tobacco leaf used and it occurs in three from namely - rejection, yield loss and accountable loss.

Raw Material Used: The following table summarizes the raw materials used for producing cigarettes. The procurement sources are shown in the same table.

Table 3: Source of Raw Materials

<i>Raw Materials</i>	<i>Source</i>
Bulk Tobacco	Locally produced in leaf areas
Blending Tobacco	Imported
Cigarette Paper	Imported
Filter Material	Imported
Packing Material	Local

2.2 Initial Storage in Dhaka:

Processed tobacco from the Green Leaf Threshing Plant (GLT) in Kushtia and imported tobacco are brought and stored in the Bangladesh Machine Tools Factory (BMTF) godown. BATB has rented 5 godowns at the location with a total area of around 130,000 square feet. The tobacco is transferred to Dhaka factory for cigarette production as needed. The godowns are maintained and guarded by the outside contractors.

Tobacco is brought in from the BMTF to Dhaka factory as is required for production. Dhaka factory has one bonded godown, which is used to store, imported wrapping materials and two non-bonded godowns to store tobacco. The tobacco is released from the godowns to the production floor as specified by the production schedule. Issues from the bonded godown are in control of custom officials and transferred in small quantities as needed. Relevant taxes and tariffs are paid at issue. Issues of tobacco to the production floor from the non-bonded godowns conducted daily in large quantities as specified in the production schedule.

2.3 Cigarette production:

Table 4: Yearly Cigarette production

	1996	1997	1998
Cigarettes (in million SMD)	9,600	15,700	18,000
Raw tobacco (in kg)	33,000		

2.4 Production Process:

The Primary Manufacturing Department: The primary manufacturing department (PMD) is responsible for further conditioning the domestic and imported tobacco to make it ready for production. The tobacco passes through a set of integrated and regulated machinery whose purpose is to blend the different 'packing grades' in specified proportions, convert the bales into 'rag' suitable for use in cigarettes, and bring tobacco to a uniform temperature and moisture.

The Secondary Manufacturing Department: The secondary manufacturing department (SMD) uses the tobacco that is blended and conditioned by the PMD along with wrapping materials to manufacture cigarettes. The PMD delivers its final processed tobacco to the Cut Tobacco Store



(CTS). The CTS has a 50-ton storage capacity and the tobacco is stored there typically for one and a half days before it is used. The SMD brings in the processed tobacco from the CTS as needed for production along with wrapping material.

Currently there are 16 cigarette-making machines at Dhaka factory, which are operated in three daily shifts. Shift engineers and officer's monitor shift activities to ensure quality production. The flow of tobacco and cigarette paper to the cigarette making machines are regulated by six (programmable Logic Controlled) PLC controlled feeders. These feeders send in the required quantities at the right time to ensure smooth production. Each brand of cigarette is monitored by a separate feeder. In addition to the tobacco and cigarette wrapping material, filter rods are fed into the machines for cigarette production. The machines combine these three inputs to generate cigarettes as output. Defective cigarettes are either identified manually or by built in sensors and removed from the production flow. The tobacco from these wastes is removed and reused for cigarette production. The manufactured cigarettes are deposited in trolleys and carted to the packing machines.

There are currently 18 packing machines at Dhaka factory. These machines are equipped with the wrapping material used to pack the cigarettes. Almost all of the wrapping materials used are imported. Local companies, however, conduct the printing work that is required. The manufactured cigarettes are fed from trolleys into the packing machines, which generate the packed cigarette as output. The flow is monitored closely to identify and eliminate defective products.

In addition to the cigarette manufacturing and packing machines, Dhaka factory has two Secondary Production Units (SPU). These are used exclusively to produce the State Express 555 and John Player Gold Leaf brands. These modern production lines are different from the other machinery in that both cigarette manufacturing and cigarette packing can be conducted in one process flow. This reduces the time needed to manually put the cigarettes into trolleys and cart them to the packing machinery. The SPU makes approximately 8000 cigarettes per minute. Defective cigarettes are detected by sensors in the machines and are removed automatically. In addition manual checking is conducted for quality control purpose.



2.5 Filter Rod Department:

The filter rod department is responsible for manufacturing the filters needed in each cigarette. It plans its production in coordination with the PMD and SMD to make sure that the right quantity is available at the right time. Two filter sizes are produced- 11 mm and 20 mm. There is one machine that produces 3333 rods/minute and 2 others that produce 1800 rods/minute. For filter rod manufacturing, 100% of the materials are imported and therefore, wastage is closely monitored.

The finished cigarette stock is brought in from the holding room at the SMD and kept at the shipping godown prior to delivery. The godown has a capacity of 260 million cigarettes. Trucks belonging to the outside contractors arrive daily to deliver the stock to the various Regional Trade Offices (RTO) around the country. The marketing department issues a daily shipping program specifying the stock that needs to be allocated. This information is input in software to generate a truck allocation scheme. Trucks going to Dhaka carry 2 million cigarettes per trip and those going outside Dhaka carry 3 million cigarettes per trip. VAT documents are sent along with the trucks.

In the manufacturing area significant progress had been made in the computerization of business process. Planning, scheduling, and material ordering are operating under an integrated system. This approach is likely to reduce stocks in hand thereby releasing cash tied up in working capital. In 1997 wireless networks had been installed in the Kushtia leaf areas linking the four depots and the GLT plant for both voice and data communication. These investments support the core operational processes bring efficiency and productivity gain to these areas.

Production Personnel Activities:

Production HR Manager: Production HR Manager deals with the factory personnel department and he is the head of this department. Production Training and development Manager and Employee Relations Officer help him to deal with the personnel affairs and trade union.

Operations Development & Regional EHS Manager: He has been assigned the responsibility to ensure the overall safety of the factory. He is responsible for monitoring and maintaining the safety standards in the factory. Management of the factory is very much concerned about safety of the workers at the production premises.



Quality Services Manager: Quality Services Manager is responsible for enduring the quality of the products. The quality of the products has been given the prime importance by the management. “Quality First” is the slogan of the company and all products undergo rigorous quality testing.

LEAF DEPARTMENT



3 LEAF DEPARTMENT

At the time of the liberation war in 1971, only 600 acres of land were used for the production of cigarette type of tobacco. Major portion of the total local requirement of cigarettes were imported from West Pakistan. Immediately after the independence, owing to the shortage of foreign exchange, import had to be reduced. There was an urgent need for increasing local production of tobacco. The sustaining efforts of the company and the response of the farmers were so effective that the country became self sufficient in cigarette tobacco by 1975. In recognition to that outstanding performance, the company was awarded the President's Medal in 1976. In 1996, the company purchased about 5500 tons of tobacco leaf from its registered farmers.

The Leaf department is involved in cultivating and purchasing flue-cured tobacco. BAT does not do not own farmland nor does it employ farmers directly to produce the tobacco it uses for cigarette production. Instead, each year the company registers thousands of farmers along with their land, to grow and cultivate tobacco crop. The company provides seed, fertilizer, and other loans to the farmers throughout the crop season to ensure quality growth. At the end of the season BAT buys fixed quantities of tobacco from the farmers, paying rates based on the grade of the crop. Tobacco growing and buying activities are conducted throughout the country. The two main areas are Kushtia Leaf Division and Chittagong Development Area.

3.1 Green Leaf Threshing Plant (GLT):

The tobacco crop is processed at the Green Leaf Threshing (GLT) plant in Kushtia. The purpose of the GLT is to convert the tobacco into a form suitable for cigarette production. The tobacco is brought to a uniform moisture level and temperature. Initial blending of the different grades of tobacco takes place at the GLT. The processed tobacco is sized and packed before delivery to Dhaka factory.

The Leaf department makes an estimate of the quantity of tobacco that BAT will need to purchase for the based on the input of the Sales & Operation Planning (SOP) committee. Based on these



estimates the number of farmers and the amount of land, which will have to be registered, are fixed.

The leaf season begins in the month of July. At this time tobacco seedbeds are prepared to generate the seed that will be distributed to the farmers for cultivation. Plantation in the registered lands occurs during October and November. BAT provides the necessary fertilizer, pesticides, and other loans to ensure proper growth for the crop. Farmers use their own irrigation and ploughing methodology to prepare the land. Harvesting and curing begins at the end of January and continues till March. Almost 100% of raw tobacco is 'flue' cured.

The buying process begins in mid-February and continues till the end of May. The farmers bring in their cured tobacco in the form of bales to the buying courts in the depots. The tobacco is graded according to set criteria and purchased at these sites. All relevant information is marked on the bales and stored at the depots till shipment to the GLT.

At the beginning of the season the various depots distribute registration forms to the farmers in its region. BAT strives to maintain an ongoing relationship with its registered farmers. Information on each farmer is maintained at the depots through in-house database software called Integrated Leaf System (ILS). On the basis of these records a decision is made on whether to register the farmer for the following crop season.

Buying courts are located at the depots. The farmers bring their tobacco to these sites in the form of bales on a specific day and time. At the buying courts the bales are graded, priced and weighed. After the tobacco is bought and graded it is stored in the depot godowns; each bale identified with its grade, weight, and price. These bales are stored in the depots and moved to the GLT when needed for processing.

3.2 Tobacco Processing:

The Green Leaf Threshing Plant in Kushtia is used to treat the raw tobacco and convert it to a form suitable for use in cigarette production. It is a seasonal factory operating for six months of the year, on two shifts per day. The remainder of the year is used to clean the machinery and make modifications as necessary.



Each tobacco leaf that is processed at the GLT is separated into four components- tip, lamina, stem, and by product. At the beginning of the process flow, tips of the tobacco leaves are cut off by a calibrated cutter. The leaves are then passed through the sand reel where foreign materials and dirt are separated. The tobacco leaves are then proceeds to the threshing line to separate the lamina from the stem by hitting the leaves. The separated laminas are then dried and the re-dried lamina is then packed at a temperature of about 43 Degrees Centigrade with approximately 12% moisture content for storage. The separated stem, meanwhile, moves to the stem dryer where it is re-dried for storage purposes and then sent to the stem packer. The moisture content level of the stem is brought to around 12% at the time of storage. By-products are sold to the outside contractors.

The GLT's main objectives are as follows:

1. Separate Lamina from Stem
2. Retain physical and chemical properties of the leaf.
3. Removal of foreign materials.
4. Conversion of bale to packed dry product capable of long storage.

After the tobacco is stored in the depots, it is brought to the godown at the GLT for processing. The GLT godown has a capacity of around 500 tons. The different 'buying' grades of tobacco are combined in fixed proportions to create 'packing' grades. The packing grades are further blended at Dhaka factory. This final blend goes into the different brands of cigarettes.

Although the primary objective of leaf department is to ensure continuous supply of tobacco, leaves were exported in a highly competitive world market as well. Exports of tobacco during 1997 earned BATB in excess of two million dollars, with sales being made to UK, Hungary, New Zealand, Egypt, and the USA.



3.3 Leaf Tobacco Export Volume:

Table 5: Leaf tobacco export volume

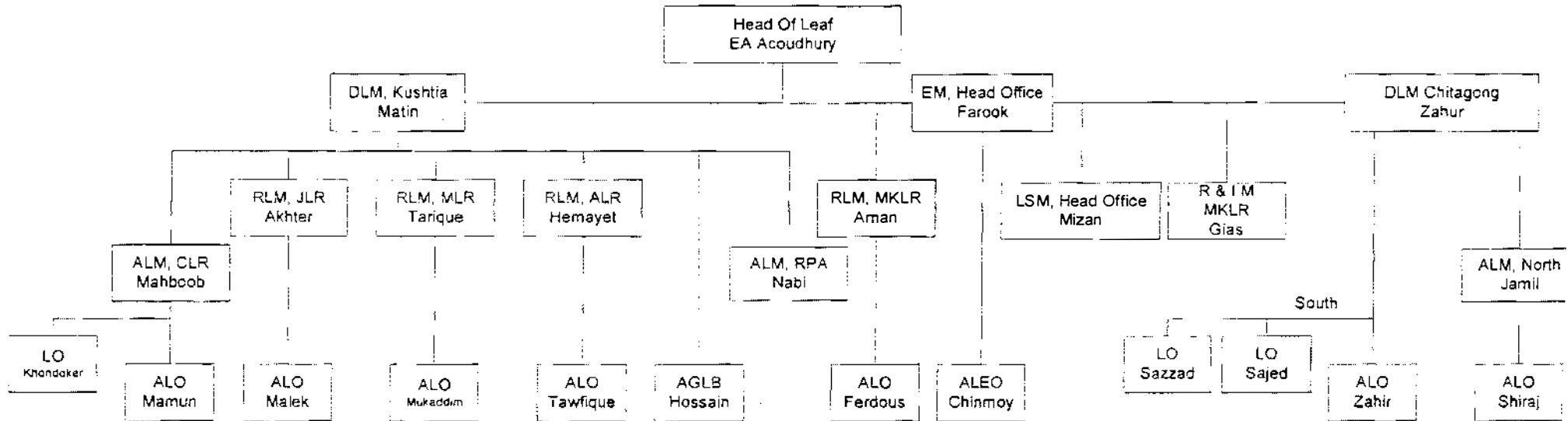
Year	Quantity (Metric Ton)	Value (U.S. Dollars)	Price/kg
1993	329.1	877,000	2.66
1994	259.2	677,400	2.61
1995	279.2	672,700	2.41
1996	182.4	516,400	2.83
1997	987	2,201,500	2.23
1998	1130.2	2,250,400	1.99

Source: BATB

3.4 Important functions that Leaf Department carries out:

- Provides technical know how, financial assistance and agricultural inputs to the Registered farmers.
- Purchases tobacco leaf from the growers.
- Processes tobacco leaf ready for insertion in the Production Department.
- Provides storage and transportation facilities in carrying tobacco to and from the factory.
- Strengthens social relationship through different community development projects in the leaf areas, like encouraging and helping to build a vegetable garden at the premises of the growers.
- Exports tobacco leaf.

Leaf Organogram



Abbreviations:

DLM- Divisional Leaf Manager
EM- Export Manager
RLM- Regional Leaf Manager
LSM- Leaf Social Manager
R & I M- Research & Innivation Manager

ALM- Area Leaf Manager
LO- Leaf Officer
ALO- Assistant Leaf Officer
AGLB- Assistant Green Leaf Blender
ALEO- Assistant Leaf Export Officer

CLR- Chechua Leaf Region
JLR- Jhenidah Leaf Region
MLR- Meherpur Leaf Region
ALR- Allahrdarga Leaf Region
MKLR- Manikgonj Leaf Region
RPA- Rangpur Project Area



FINANCE DEPARTMENT



4 FINANCE DEPARTMENT

4.1 Structure of Finance Department:

The Supporting Finance managers, Audit Manager and Treasury Manager assist the Head of Finance. The Finance Department comprises of six areas. They are:

- Treasury: Corporate (L/C opening, fund management, banking relationship etc.)
- Core Finance and Management Accounts: Corporate
- Marketing Finance: Supporting
- Excise Management: Supporting
- Taxation: Corporate
- Audit: Separate
- Insurance: Corporate

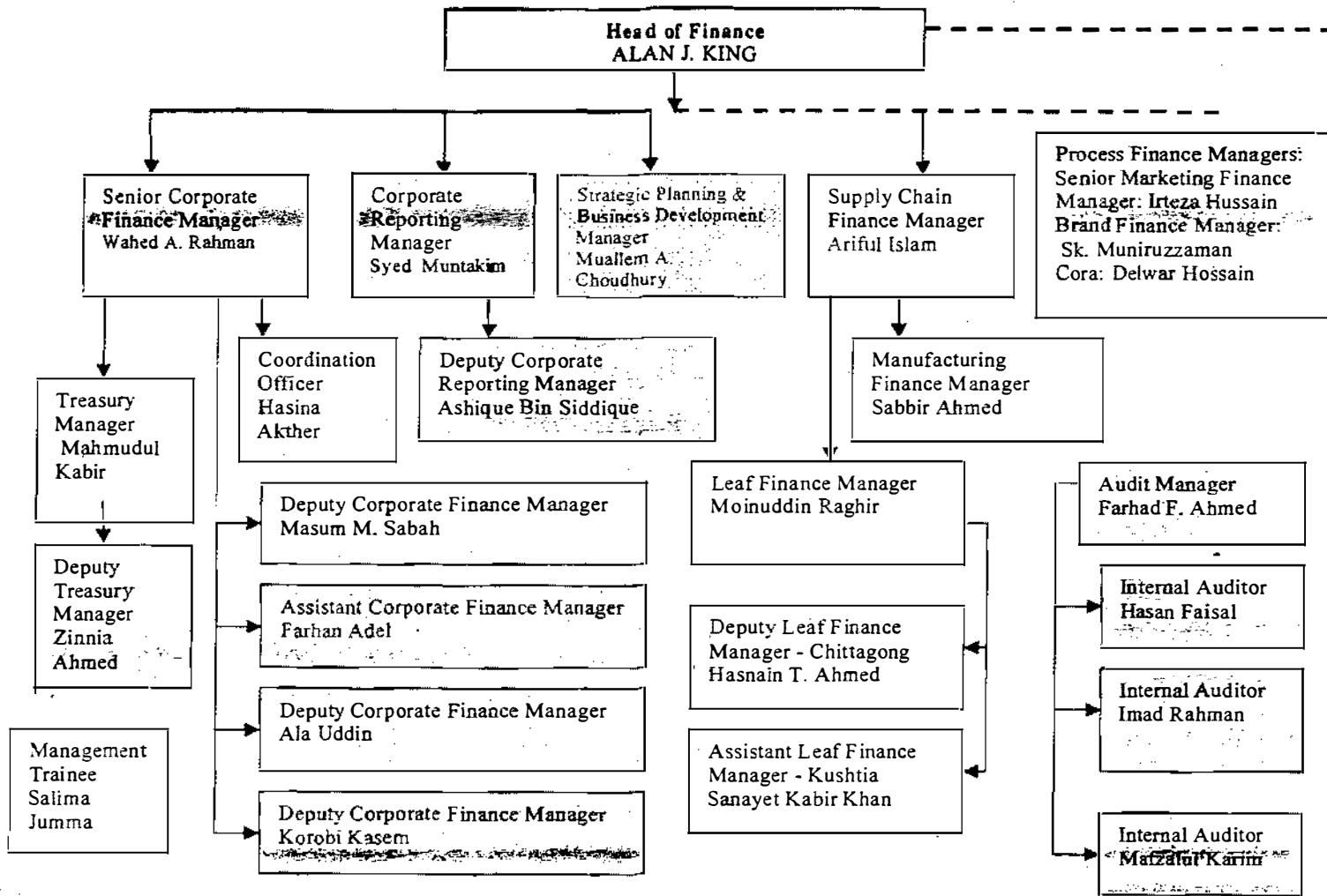
The Core Finance and Management Accounts activities includes monitoring and controlling all the Accounting and Financing activities of the company such as product costing, invoice pricing, taxation etc. Audit Manager manages all the internal and external auditing of the company.

Finance department of British American tobacco Bangladesh has to deal a wide range of activities. Finance department ensures the custodianship of all company assets by verifying their physical existence, monitors and assesses proper informational needs pertinent to company's interest, develops accounting procedures and ensures the achievement of financial growth of the company. Finance department finances the equipment, personnel, and operational facilities. It prepares and verifies consolidated financial statements of all centralized and decentralized cost centers and cost units. It obtains accounting report from all units in each month, monitors sales collection and process management information using computer and other system and keeps all sorts of financial analysis and calculation update. It carries out auditing by internal, external, and international auditors and verifies the efficiency and effectiveness of inventory control, security, wastage, working procedures, supervision of machine maintenance, workers safety, advertising tools etc. It also takes care of hedging, foreign exchange risk coverage, options, futures, insurance, bank account, bank reconciliation, sales ledger, working capital management etc. finance department is headed by finance director. There is a "Company Secretary" tagged with



Finance Director to advise the Finance director about the interest of the "Board of Directors" and to look after the share dealings.

The main objectives of this department are to ensure custodianship of all company assets, monitor the financing activities and generate useful information pertinent to the company activities to achieve financial growth of the company.



4.2 Functions of Finance Department:

- ❑ Finance company assets, personnel and operational facilities of the cigarette factory, leaf factory and head office.
- ❑ Prepare and verify consolidated financial statement of all units of the company.
- ❑ Monitor and control all financial activities of the.
- ❑ Monitor sales collections.
- ❑ Process Management information.
- ❑ Structure capital policy.
- ❑ Carry out by auditing internal and external auditors.

4.3 Financial Performance of BATB over the last seven years:

Table 6: Financial performance of BATB over the last seven years

	1993	1994	1995	1996	1997	1998	1999
Gross Turnover	8878	9070	10729	12653	15020	14322	14233
Supp. Duty & VAT	6476	6588	7883	9180	10480	9802	10029
Net Turnover	2402	2482	2846	3473	4540	4521	4203
Operating Expense	1896	2050	2462	2988	3837	3618	3730
Trading Profit	506	432	384	485	703	903	474
Interest Expense	39	27	53	73	81	131	132
Profit before Taxation	467	405	331	412	622	771	341
Profit after Tax	299	286	310	337	486	504	237
Dividend	220	240	240	240	320	360	200



HUMAN RESOURCE DEPARTMENT



5 HUMAN RESOURCE DEPARTMENT

5.1 Activities of HR Department:

The HR process is carried out through four '*Guiding Principles*'.


1. Open mindedness
2. Strength from diversity
3. Enterprising spirit
4. Freedom through responsibility

BATB believes in the strength of human resource and uses the modern concept of resource utilization. Every job description is carefully designed and modified under dynamic environment. The company believes in the concept of best fit and trains and develops company personnel as the key 'human capital' of the company.

The Human Resource Department thus concentrates all its activities for the development of human resource for the benefit of the company. The department also believes in maintaining harmonious relationship between the management and workers all the times. The department ensures that managerial development contributes to organizational development.

The departments' various activities cover setting criteria for the selection procedures. Interview techniques, training standards etc. According to the BAT policy guideline, the department maintains the personnel through formulation policies on wages, fringe benefits, annual leave, training calendar, provident fund, performance appraisal etc. Remuneration is managed centrally and there is never any negotiation but settlement. It also settles with the trade union for Long Term Agreement (LTA) between management and workers and the 'collective burgeoning agents'. The concept behind the industrial relations is always 'win-win' situation.

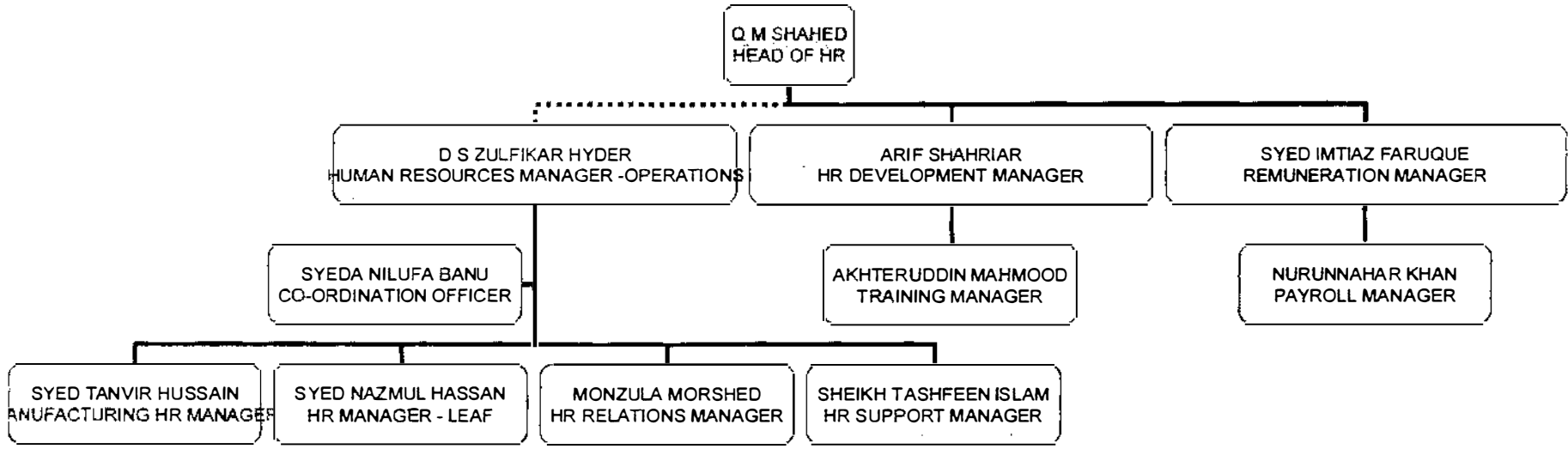
As the competitive world is changing with the speed of light, Training and Development becomes an integrated part to stay on the top. Thus BATB puts great importance to training and development of managers and employees. The company has Technical Training Center at the



Dhaka Head Office, which organizes different training programs for its management people around the year. As a subsidiary of BAT, BATB sends its managers for training to BAT group of companies.

5.2 Structure of Human Resource Department:

Head of Human Resource is the head of the department. The Human Resource Development **Manager**, Production HR Manager, and Resourcing and Remuneration Manager work under him.





BRAND MARKETING DEPARTMENT

6 BRAND MARKETING DEPARTMENT

Marketing operation of BATB is carried under two heads, Brand Marketing and Trade Marketing & Distribution (TM & D) that is the rename of the former Sales Department. Trade Marketing & Distribution affairs are managed by the Regional Manager and the Brand Marketing is managed by the Group Brand Manager. Marketing Research assists Brand Marketing.

6.1 Structure of Brand Marketing Department:

The Brand Marketing department concentrates on satisfying consumers' needs from within the brand portfolio. Once consumers' needs are understood and evaluated, brands can be made available, accessible and desirable through strong, consistent communication. The brand marketing elements covers the adopting of products, logistics and brand marketing policies that best meet the needs of particular trade channels and strategic customers. The Brand Managers and Brand Executives are responsible for the allocated brand(s). They are responsible for all type of brand management activities.

Market intelligence includes the in market research teams. The team keeps constant eye on the market situation. Through continuous research, market research teams generate useful market information for the brand managers. Interface is required between brand marketing and research which is carried out by any project that is divided by three phases:

- Preparation prior to the study
- Collection and analysis of data
- Presentation and utilization of information

6.2 Vision and Mission of Brand Marketing:

Brand Marketing Vision: Within five years to be the undisputed leader of Bangladesh tobacco market.

- Dominate value share
- Dominate volume share base

- Destination brand in key segments.

Brand Marketing Mission:

- Promise of future profit growth
- Grow quality share: ASU30
- Owning the medium and premium segment (90% share)

6.3 Core Strategies of Brand Marketing:

Aggressive:

1. Expand the premium segment growth.

- Internationalism, destination status & image differentiator: Youthful

2. Expand Mid segment

- Key differentiators: international standard with affordability & distinctive image: masculinity/ adventure.

3. Dominate volume base

- Build the critical mass.
- Protect BAT's leadership.

Innovative:

1. Investigate & build new segments

- Lights
- New brands & line extensions.

2. Product Enhancement

- Packaging, Spec. change & higher satisfaction.

3. Creative communication

- Focused: HoReCa (Hotels, Restaurants and Cafés), Rural Penetration.

4. Consumer Insight

- World-class *knowledge* base: consumer research & market tracking

6.4 Description of the Major Brands:

6.4.1 BENSON & HEDGES

This brand was launched in early 1997 in order to give consumers the choice to purchase a fresh, duty paid legal alternative to the widely available smuggled version. To generate product awareness, international image campaign was introduced in key outlets in Dhaka and Chittagong. Distribution was later extended to Sylhet and Khulna. The objective behind introducing the brand was to gain price leadership, not profit. Later its distribution base was expanded and brand imagery was changed from father's brand to modern, more appealing; towards ASU 30 (adult smokers under 30). The company arranged successive music events staged under "Golden Tones", "Star Search", "Live and Explosive" etc. banner. The demand of this product is largely high all over the world. Very recently BATB has set up plants to produce it in Bangladesh. BATB has started producing B&H in a large scale after the head office approves the quality standard of the B&H cigarettes produced in Bangladesh. It is mainly the processing part of 'cut rag', which is done locally. The copy line of the brand is '*Be Gold*'.

6.4.2 BENSON & HEDGES LIGHTS

The Benson & Hedges Lights is a new member of B&H family. It is a new variant of the existing Benson & Hedges. It was first introduced in 1998 in Dhaka and Chittagong. The objective was to give the smokers more options within the same brand and to keep pace with the modern trend of smoking light cigarettes throughout the world.

6.4.3 STATE EXPRESS 555

It is the profitable brand of the company. The 555 centenary celebrations took off in the spirit of 100 years on 5-5-1995 when five planets were aligned. Bangladesh, like many other countries, celebrated the introduction of the new centenary pack with birthday parties special promotional events, and integrated advertising & promotion activities. The copy line of the brand is '*Smoothness Above All Else*'.

6.4.4 JOHN PLAYER GOLD LEAF

It is the leading international brand of the world. It is the cash cow and the key-driving brand for BATB with the highest spending in brand support. 1995 was an important year for John Player Gold Leaf as the brand was re-launched in the new international pack. Given the importance of the brand for the company and the risk associated with such change, the management of change process included four phases to properly condition the consumer and the trade to the new pack. Specific materials were used ahead of the re-launch to announce the change to the consumers and to the trade. JPGL recorded strong growth in 1996. Investment in in-store and on-store permanent merchandising ensured brand availability, quality image and showed company's favorable commitment towards the retail trade partners. JPGL launched its first ever international sponsorship in 1996, with John Player Gold Leaf Formula 1 powerboat team competing in the UIM world championships in more than ten races. The final race was attended by a delegation of Bangladesh sports journalists. Another famous international promotional activity was 'Voyage of Discovery', which was a long journey of a JPGL yacht that stopped at 12 international ports, lastly bringing an end at Chittagong port. In June 14, 1998, the price of JPGL was increased from Taka 2 to Taka 2.5 and volume share reduced substantially with the invasion of transit brand London. In December 16, 1999, the price was re-fixed at Taka 2. The ultimate objective of the brand is to upgrade the low segment consumers into medium segment. The copy line of the brand is 'John Player Gold Leaf – Follow The World Adventure'.

6.4.5 JOHN PLAYER GOLD LEAF LIGHTS

To keep pace with the global trend of lights and to support British American Tobacco Bangladesh's corporate objectives of establishing leadership in lights segment in Bangladesh, the management of BAT launched JPGL Lights in 1997 in some selected outlets in Sylhet as a part of test marketing. JPGL's association with the worldwide F-I powerboat racing was also successfully exploited in 1997 through a consumer promotional event under the banner of 'JPGL Carnival', which took place in five key cities. The company launched the brand in 1998, with the unique product feature of 'white tipping paper'.

6.4.6 STAR FILTER

A new image for a promising future 1995 was an excellent year for Star Filter as the brand demonstrated an outstanding volume and growth of share. This performance was the result of a major blend improvement, supported through an appropriate communication campaign, as well as the launch of a new advertising campaign with the theme of *The Flavor of tradition and modernity*.

6.4.7 SCISSORES FILTER

Scissors filter has been helping BAT to regain segment leadership in the medium price segment till 1995, as the brand has experienced dramatic increase in volume and market share. The brand distribution was gradually extended to different parts of the country with the help of focused brand support, emphasizing on POS materials and consumer promotions.

The company currently offers the following products to the cigarette market:

Table 7: Different Products of BATB and Their Prices

<i>Price (Tk./Stick)</i>	<i>Current Portfolio</i>
3.0	B &H SF, B & H Lights
3.0	SE 555
2.0	JPGL, JPGL Lights
1.5	Capstan, Star Classic
1.0	Star, Scissors (Plain & Filter)

BATB has strategic implications for different brands:

- Destination/Strategic Brand: B&H, JPGL and Star.
- Supporting/Profit Opportunity Brand: SE 555, Capstan and Scissors.



**TRADE MARKETING AND DISTRIBUTION
DEPARTMENT**

7 TRADE MARKETING AND DISTRIBUTION DEPARTMENT

7.1 Mission and Objectives of TM&D Department:

TM&D Mission: To reach our target consumers in the most efficient and effective way by ~~becoming~~ the benchmark supplier to the trade within strategic channels in every market place ~~where~~ we do business.

The Trade Marketing and Distribution department identifies the areas in which best practice must be achieved to enable markets meet the Trade Marketing and Distribution *objectives*, which are:

1. Create an efficient entry barrier against international competition.
2. Improve our benchmark supplier status to the trade pioneer among all FMCG companies.

7.1.1 Six critical factors to achieve TM&D mission:

1. Secondary Supply Chain/ Product Management: Optimize cost and performance while ~~ensuring~~ achievement of brand objectives. The associated sub-activities are:

- Supply chain strategy/management
- Order management
- Order fulfillment
- Trading Terms
- Inventory management

2. POP (point of purchase) Management: Create effective competitive entry barrier at point of ~~sales~~ while driving international brands. The associated sub-activities are:

- Display
- Promotions
- In-store Communication/Advertising
- Implementation
- HoReCa (Hotels, Restaurants and Cafes)

3. Account Management/ Channel Development: Create an effective entry barrier while driving brand imagery, awareness and trial in HoReCa and superior grocery outlets. The associated sub-activities are:

- Account planning
- Account profitability
- New business development

4. Strategy and Planning: Ensure effective implementation of EMF (effective market focus) process to support achievement of company's objectives. The associated sub-activities are:

- TM&D planning
- Cycle planning
- Coverage planning

5. Resource Management: Ensure that TM&D organogram is responsive to the changing trade and company needs. The associated sub-activities are:

- Financial planning and management
- Manpower planning
- Organization development
- Management information for marketing overview

6. Information Management: Drive Quantum business benefits to the fullest. The associated sub-activities are:

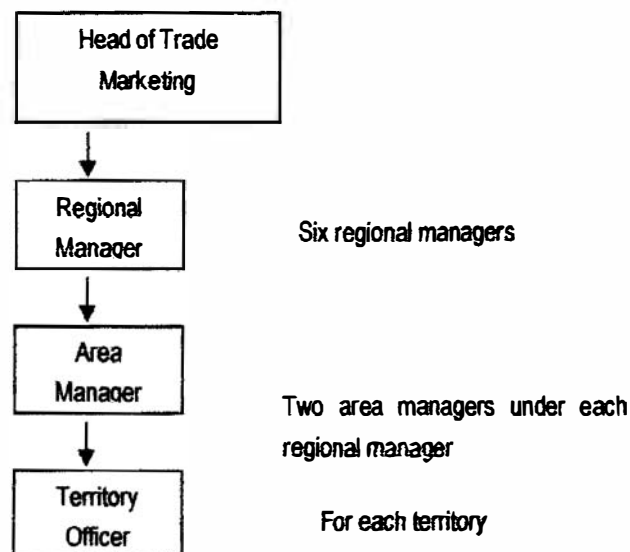
- Market Intelligence
- Internal Monitoring
- Information Technology
- Customer Satisfaction

7.2 Structure of TM&D Department:

Regional Trade Marketing Office (RTMO):

The British American Tobacco Bangladesh has a well-defined mission for the marketing and distribution of products, which is to reach the target consumer in the most efficient manner by becoming the benchmark supplier to the trade within the strategic channels in every market where the company operates. A well-organized trade marketing team is working continuously to make this mission successful; furthermore the whole country has been divided into six regions to perform the marketing activities efficiently. Moreover the regions are further spitted into 11 areas. Right now there are 6 regional managers, 12 area managers and 37 territory officers working under the Head of Trade Marketing. At present, there are 63 distributors involved with BATB who are responsible to make the products of the company available throughout the country.

TRADE MARKETING ORGANOGRAM (REGIONS)



The British American Tobacco Bangladesh considers the distributors as their customers. They have identified the distinction between the 'customers' and 'consumers' in a proper way.

Consumers are those who buy cigarette for smoking. The Company sells their product to the distributors; in turn the distributors sell to the retailers and cash & carry as well. Cash & Carry are nothing but wholesalers. Cash & Carry are needed because at times the retailers may not have adequate funds to buy the required quantity. However, the company is trying to discourage the use of these wholesalers to control the price of their product in the market. Generally, the trade marketing and distribution team performs three main activities, which are trade coverage, cycle implementation and training & development.

Trade Coverage: Accumulating primary data from the market is a function of trade coverage. There is a team working to identify retailers who contribute eighty percent (80%) of their total sales volume. The Territory Officers (TO) are responsible for making a route plan by which they can identify which outlets to visit and in what frequency on the basis of those classes. The Territory Officers have to visit at least 12 outlets a day and collect raw data from the retailers on the call card in the Laptop computer. A set of questions regarding the various aspects of the outlets make up the call card. There is a database at the RTMO, which is updated regularly by using those calls. This database serves as a powerful tool to identify and classify different outlets in terms of volume sales, outlet characteristics and consumer profile.

Cycle Implementation: The marketing people of BAT have divided the whole year into 13 cycles and each cycles focuses on a particular brand. Furthermore, the brand marketing group along with trade marketing people develop promotional campaign plans for each brand. They also select the brand for the cycle and develop cycle instructions and send it to RTMOs. After that the trade marketing team develops some objectives and implement those within their territory, which helps to follow the proposal cycle instructions. The regional manager and the area manager(s) then brief the TOs about the cycle objectives and in turn the TOs brief the distributor and ultimately work with the retailers. In this regard the contract merchandisers generally perform well to accomplish the TO's job, at the end of each cycle, the TOs prepare a cycle evaluation report.

Training & Development: To train the working people is one of the most important jobs of any TO. They generally train the people working for the distributors, for example distribution representative and also the contract merchandisers within his territory. They also train the retailers about how to approach customers, if necessary.



Retail Outlet Classification: The British American Tobacco Bangladesh has classified all the retail outlets into three categories, these are - Convenience, Grocery and HoReCa.

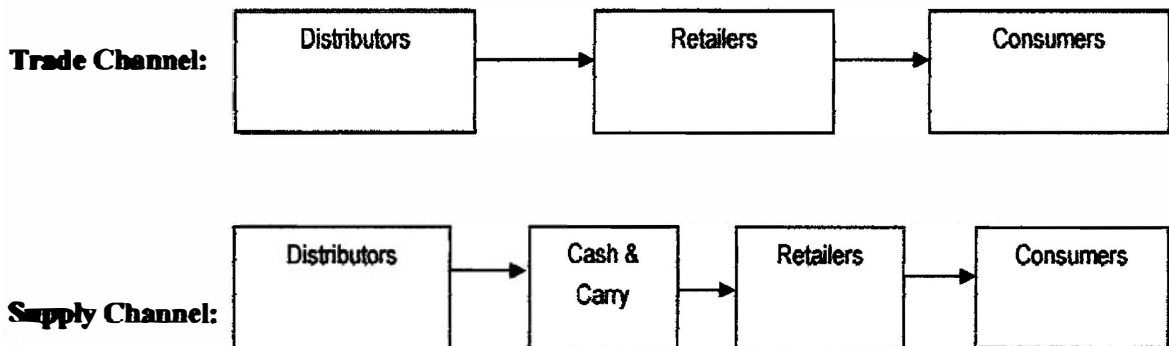
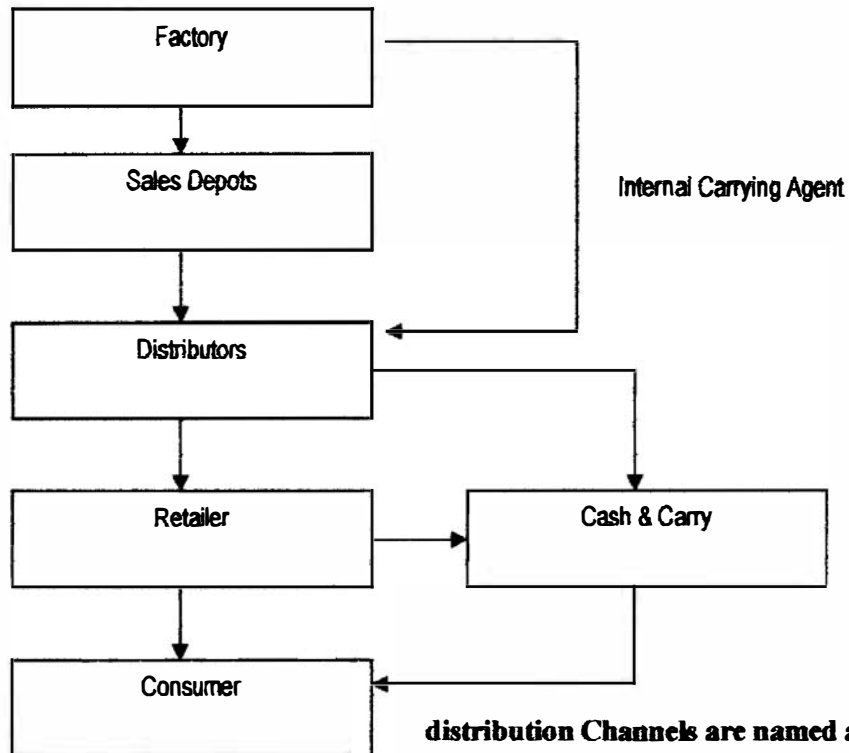
Convenience Outlet: All shops where consumers generally go without any purchasing intention fall in this category. The consumers like to buy product on impulse from this sort of outlets. These outlets generally maintain a limited product range and do not offer flexibility in prices.

Grocery: These are the outlets where consumers visit on a regular basis with a purchasing intention. They generally make a list of items before they will visit these sorts of outlets. These outlets typically offer variety in terms of product range and also flexibility in prices.


HoReCa: Shops like hotels, restaurants, and cafes are considered in this category. The prime characteristic of a HoReCa is that the shops must have a seating arrangement. It is assumed that consumers visit those shops with the intention to spend some time. These outlets range from small roadside cafes with seating arrangements to luxurious restaurants of fast food outlets.

The Marketing Department and the Production Department activities are highly correlated. According to the needs of the Marketing Department, Production Department carries out the cigarette manufacturing. The marketing Department forecasts the sales volume of the different brand cigarettes for the coming business year and based on this, prepare a marketing plan known as the Sales Operational Plan (SOP). According to the Plan, Marketing Department communicates the brand wise sales target for each month to the Production Department. Based on the SOP, Production Department sets its production schedule. The inventories of cigarettes are also evaluated at this stage to find out the actual output to be produced.

7.3 Channel of Distribution:



Regional Go-down: There are five regional go-down through out the country to fill every regional demand just at the time of need, and to overcome various uncertainties related to physical distribution of products, every regional go-down is directly controlled by separate Regional Manager to face the regional physical distribution challenge.



Carrying Contractor: They are the party engaged in the physical movement of cigarettes from head office godown to regional office godown. Normally they are the truck owners who take all the risk and responsibilities of physical movement of goods between two warehouses.

Distribution Warehouse: All distributors have their own warehouse, where cigarette can be kept safely while not degrading its product quality. Distributors buy the cigarette from BATB and from that point ownership and all responsibilities of the products go under the distributors.

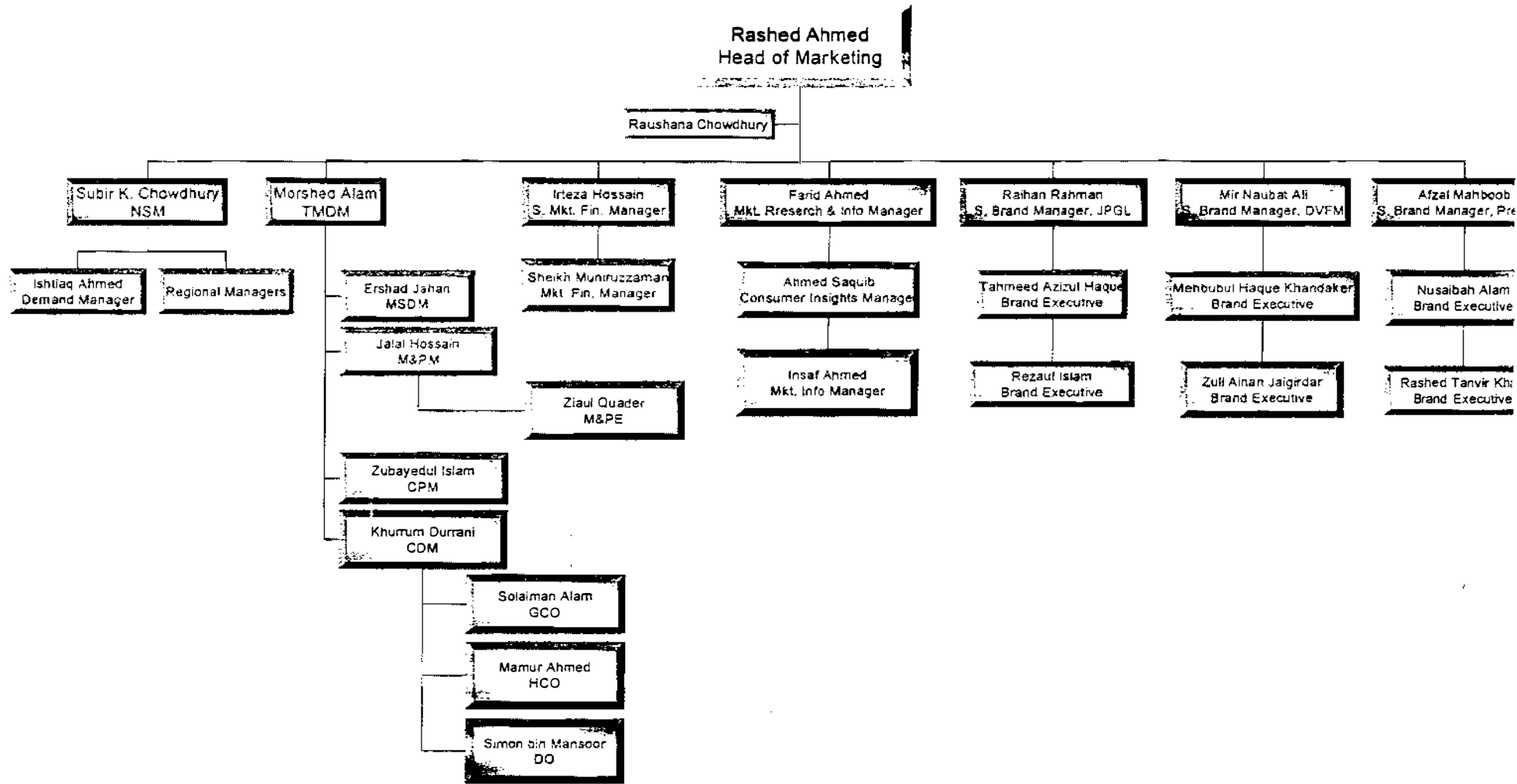
Internal Carrying Agent: They are like carrying agent but carry small volume of products. Normally they are local truck owners. They carry products from, regional godowns to distributor warehouses. They also take all the responsibilities and risk engaged in physical movement of products.

Opening Stock at Distributors' Office: Apart from the warehouse, every distributor also maintains another stock at their office. This stock is for maintaining any change in market demand instantly. Dealers sometimes sell cigarette through their counters to face special situation.

Delivery Van: All the delivery vans are owned by the dealers to assure the supply of cigarette on the door of wholesalers, cash & carries and retailers just according to their demand. There are two types of delivery vans. One is Scooter van and another is Rickshaw van.

Cash & Carry: They are businessmen who sell cigarette directly to consumers and at the same time they sell cigarette to the retailers.

Retailers: Retailers are at the end of the physical distribution system of cigarette selling products directly to the consumer.



Rashed Ahmed
Head of Marketing

Raushana Chowdhury

Subir K. Chowdhury
NSM

Morshed Alam
TMDM

Ireza Hossain
S. Mkt. Fin. Manager

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MKL Research & Info Manager

Raihan Rahman
S. Brand Manager, JPG

Mir Naubat Ali
S. Brand Manager, DVFM

Afzal Mahboob
S. Brand Manager, Pre

Ishtiaq Ahmed
Demand Manager

Regional Managers

Ershad Jahan
MSDM

Jalal Hossain
M&PM

Zubayedul Islam
CPM

Khurum Durrani
CDM

Sheikh Muniruzzaman
Mkt. Fin. Manager

Ziul Quader
M&PE

Solaiman Alam
GCO

Mamur Ahmed
HCO

Simon bin Mansoor
DO

Ahmed Saqib
Consumer Insights Manager

Insaf Ahmed
Mkt. Info Manager

Tahmeed Azizul Haque
Brand Executive

Rezaul Islam
Brand Executive

Mehbubul Haque Khandaker
Brand Executive

Zul Ainan Jaigirdar
Brand Executive

Nusaibah Alam
Brand Executive

Rashed Tanvir Khan
Brand Executive

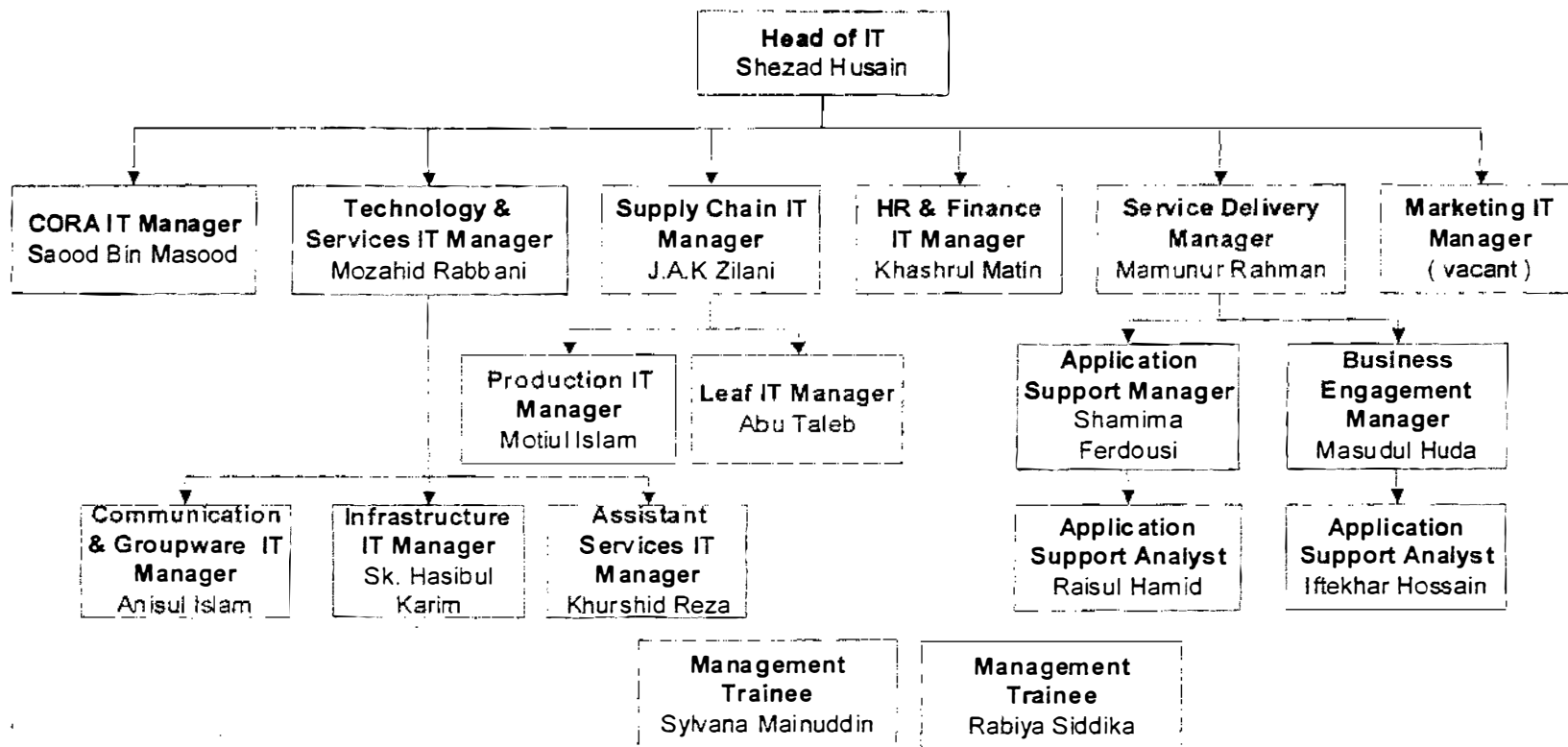
IT DEPARTMENT

8 IT DEPARTMENT

Information Technology department was mainly acting as a supporting service for all the other functions of BAT. As the emergence of super information highway and other technological advancement made the business world more competitive, BAT also made necessary adjustments towards the changes and in continuation with that process IT was made a separate department in February 2000. The head of IT is also a member of the executive committee and he is supported by the function support IT managers.

8.1 IT Structure of BAT:

Three Local Area Networks (LANs) have been set up in the Head Office to channel necessary information among the Head Office, main Factory and Kushtia leaf factory. Three LANs are connected via a Wide Area Network (WAN). BAT has a private E-mail network through which management personnel can deal with each other even with the foreign suppliers.



* Positions do not signify Job Grades

22/05/2003

8.2 IT Strategy:

British American Tobacco Bangladesh IT department drives the demands of its business and processes. IT delivers comprehensive, timely, and relevant business information to decision makers wherever they are located. This will allow the organization the maximum agility and flexibility to identify new opportunities and quickly respond to competitive challenges.

8.3 Key Objectives of IT:

1. Establishing and maintaining information and infrastructure architecture to support knowledgeable business users who incorporates IT into their decision making and of doing business, supported by specialist team who manages and seeks continuous improvement, outsourcing where possible.
2. Resilient communication infrastructures that are flexible and are able to take new technical innovation to keep the cost down.
3. To adopt global application convergence strategy that meets the local business requirements, and develop local applications where appropriate, outsourcing data processing where possible.
4. To support the changing organizational structure and requirements, IT continues to make available innovative services and training.
5. To develop application and promote the use of the group working tools as first choice of communications and to become center of excellence for group working.
6. To develop and retain IT professionals.

**CORPORATE AND REGULATORY AFFAIRS
DEPARTMENT**

9 CORPORATE AND REGULATORY AFFAIRS DEPARTMENT

The Corporate & Regulatory Affairs Department (CORA) of the company is dedicated towards achieving the company's fifth strategic imperative, which is: *To be a responsible company in an industry seen as controversial*

Globalization and increased scrutiny of businesses by consumers and the general public mean that companies are today judged not only by the quality of products that they produce but also the manner in which they carry out their business activities. It is therefore, an imperative that corporate bodies are responsible not just in their businesses but also in the social domain that they operate in. British American Tobacco's philosophy has been to be conscious corporate citizens wherever they operate, respectful of local cultures

The company recognizes that it manufactures a product, which carries significant risks. In this light, the company believes that only informed adults should use its products and that under-age persons should not smoke. It also believes that the company must act, behave and carry out its business activities in a manner accepted by society at large as responsible. This includes dissemination of the company's positions on issues.

The Corporate & Regulatory Affairs function is charged with driving reputation management to the heart of the business and ensuring the company's involvement as a leading development partner of the country.

The CORA Vision: *To become the most respected FMCG company among key stakeholders*

Reputation management involves identifying and prioritizing the company's stakeholders and preparing and implementing plans to engage and communicate with these stakeholders.

9.1 BAT Code of Conducts, instructed by CORA, on Tobacco Marketing:

In a competitive market, BAT wants adult smokers to choose its brands over those of its competitors. Advertising has two purposes – to maintain brand loyalty and to encourage smokers to switch brands. Advertising provides consumers with information to make choices. BAT believes that the use of tobacco products should be an adult choice. Advertising programs, including promotional activities for tobacco products should be carried out in a responsible manner.

The guiding principles for the company's advertising are stated below and for the purpose of these principles, and adult is defined as anyone who is 18 years of age or more.

- 1. Advertising is intended for, and will be directed at adult smokers.**
- 2. Advertising will not be false or misleading.**
- 3. Advertising will not make health claims about tobacco products or smoking.**
- 4. Advertising will not depict the use of tobacco products as being important to sexual success.**
- 5. Any person appearing in advertising will not be younger, nor appear to be younger than 25 years of age.**
- 6. Where television and/or radio advertising is permitted, it will only be broadcast in those hours when programming is primarily directed at adults.**
- 7. Print advertising will not be placed in publications primarily directed to persons under adult age.**
- 8. Cinema advertising will not be shown during films directed primarily at persons under adult age or at times when the audience is likely to comprise primarily of persons under adult age.**
- 9. No payment shall be made for the placement of advertising or tobacco product in any film produced for viewing by the general public.**
- 10. Advertising will not be displayed on billboards directed at or in close physical proximity to schools or other facilities used mainly by persons under adult age.**
- 11. Direct marketing, market research and sampling of tobacco products will only be carried out with, or in relation to adult smokers.**
- 12. Promotional items and premiums bearing tobacco trademarks will only be directed at adults.**

9.2 Activities of CORA:

The Corporate and Regulatory Affairs Department of the company is dedicated for maintaining a good image of the company to the society by keeping customers, media, government, suppliers etc. contented. The company believes that as a corporate citizen, it has a conscious duty towards the societies well being. The company promotes and sponsors various community development programs to increase its image in the society.

The department maintains good and continuous liaison with the media, government and other pressure groups in order to protect its business image from any unwanted situation in the context of prevalent anti smoking campaign, nationally and internationally.

The company enjoys credibility with a majority of stakeholders for its transparent business systems and as an honest taxpayer. In 1999, the company generated Tk 980 crore from its turnover of about Tk 1400 crore.

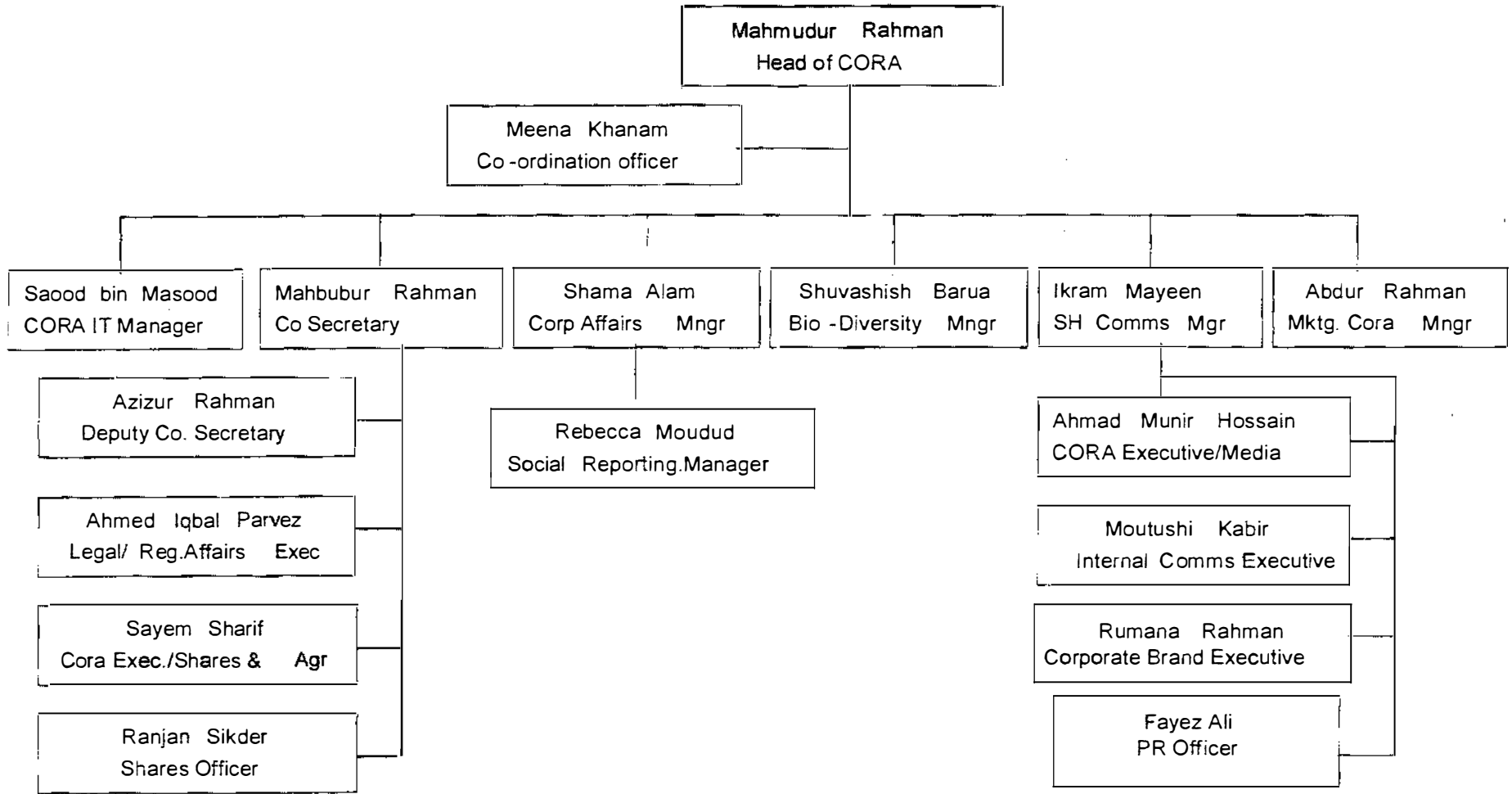
As a conscious corporate citizen, BATB has been actively involved in the promotion of national art, culture and sports. Sponsors of BAT are well known. In the sports field the company sponsored quite a few national and international events. In addition, the company also gave financial and material assistance to Diabetic Association of Bangladesh, Shandhani, Red Crescent and Center for the Rehabilitation of the Paralyzed, Jahangirnagar Teachers Club and Bangladesh Botanical Society.

Academic institutions, literary associations, cultural groups, charitable institutions and community development projects continued to receive support from BAT. To ensure that the country's wood fuel reserves are not depleted as a result of curing tobacco leaf by firewood, BAT launched its afforestation program, which is still continuing in preservation and development of the environmental and natural resource of the country. As part of the community development programs, BAT distributes seeds and seedlings of vegetables to the interested farmers free of cost every year. The company has pioneered commercial production of quality vegetable seeds in the country leading to it being awarded by the Food and Agriculture Organization. The company believes that as a corporate citizen, it has a conscious duty towards the society's well being. The company promotes and sponsors various community development programs to increase its image in the society.

CORA is also entrusted with upholding the image of the company as a good corporate citizens through a range of activity that include issue based relationships with key stakeholder groups such as media, government and suppliers. The company's contribution to society as a whole is well known i.e. an afforestation program that has seen 30 million trees planted in 20 years. This has led to it being awarded first prize in the Prime Minister's award for afforestation in 1999. International bodies such as the FAO and the World Bank have recognized this program as an exemplary initiative by a private sector company.

9.3 Structure of CORA:

The Corporate and Regulatory Affairs Department programs are lead by the Head of Corporate Affairs who is assisted by the Company Secretary and the CORA Managers. The company's Legal and secretarial function also reports in to the Head of CORA. The Company Secretary looks after the legal sides of the company such as trademark Protection, Infringement of Company Rights, Distributor Agreement, and Trust Fund etc. He also looks after the share market activities of BAT shares.



PROJECT PART

INTRODUCTION

10 INTRODUCTION

10.1 Origin of the Report

This report is prepared as a requirement for the internship program for BBA degree at **East West University**. It will definitely increase the knowledge of students to know the **corporate** world and will teach to apply theoretical knowledge in the practical life.

10.2 Objectives of the Report

The objectives of this report is to make readers know about BATB and to provide **information** about the fixed asset management of BATB which is done by Corporate **Finance Department**

10.3 Scope of the Report

The report covers general background and Fixed Asset Management of BATB.

10.4 Limitations of the Report

As I have said earlier that this report has some limitations. Sometimes it was difficult to **collect the** required data because of confidentiality. Moreover time was another factor. **Due to time** constrain it was not possible to go into details of some areas.

10.5 Methodology of the Report

The report is mainly done by making some analytical approach. I have used both primary **as well as** secondary data. For the organization part some published reports were studied, **BATB's managers** were interviewed. For report part I gave the information regarding **Fixed Asset Management System** of BATB. For recommendation and analysis part my **own thoughts** as well as opinions of different managers were taken. Here I mainly gave **my attention** on a particular project named Fixed Asset Management System of BATB.

AN INTRODUCTION OF FIXED ASSET

11 AN INTRODUCTION OF FIXED ASSET

11.1 Definition of Fixed Asset

Generally by fixed asset we mean, a long term, tangible asset held for business use and not expected to be converted to cash in the current or upcoming fiscal year, such as manufacturing equipment, real estate, and furniture and plant.

For BATB, its fixed assets are tangible assets. These assets are land, building, plant and machinery, equipment and so on.

11.2 Types of Fixed Asset

Generally assets are of two types. One is tangible asset and the other is intangible asset.

By tangible asset we mean an asset whose value depends on particular physical properties. These include reproducible assets such as buildings or machinery and non-reproducible assets such as land, a mine, or a work of art and also real assets such as building, machineries. So tangible assets are my fixed assets.

By intangible asset we mean a legal claim to some future benefit, typically a claim to future cash. Goodwill, intellectual property, patents, copyrights, and trademarks are examples of intangible assets.

BATB's Fixed Asset Management covers tangible assets. Its assets are divided into following classes:

1. Freehold Land
2. Freehold Building
3. Leasehold Land
4. Leasehold Building
5. Plant and Machinery
6. Safety Equipment
7. Environmental Equipment
8. Office Equipment
9. Laboratory Equipment
10. Household Equipment
11. Air Conditioner

12. Vehicle

13. Computer

14. Photocopier

**METHODS OF ACQUIRING, DISPOSING,
AND TRANSFERRING OF FIXED ASSET AT
BATB**

12 METHODS OF ACQUIRING, DISPOSING, AND TRANSFERRING OF FIXED ASSET AT BATB

12.1 Acquisition

Purchase decisions are based mainly on two ways. One is 'Business case' and the other is 'Company Plan Budget'.

Business Case is a plan, which is used for large capital investment. In this case different types of methods are used to justify the purchase decision. The techniques that are used for cost-benefit analysis are NPV, IRR, and Payback Periods.

By NPV (Net Present Value) we mean the present value of all the future cash flows a project is expected to generate and then subtract its initial investment to find the net benefit the firm will realize from investing in its project.

By IRR (Internal Rate of Return) we mean the discount rate that forces the present value of a project's expected cash flows to equal its initial cost.

By Payback Period we mean the length of time before the original cost of an investment is recovered from the expected cash flows. This method doesn't consider time value of money.

These methods are used by BATB to evaluate projects and to decide whether they should be accepted or not. Besides the 'Capital Budgeting Evaluation Techniques', non-financial impacts of such purchase decision are also considered. On the other hand, for not-so-large capital investments purchase decisions are made through company plan budgets. Company plan budget is the annual budget plan, which among other things includes budgets for fixed assets. This includes budget for both large and not-so-large capital investments.

Moreover, when acquiring an asset BATB calls tender and from that tender BATB usually collects three quotations. Out of those three the one offering the lowest price is selected. However, in cases where quality is crucial, quality is also given due importance along with price.

12.2 Disposal

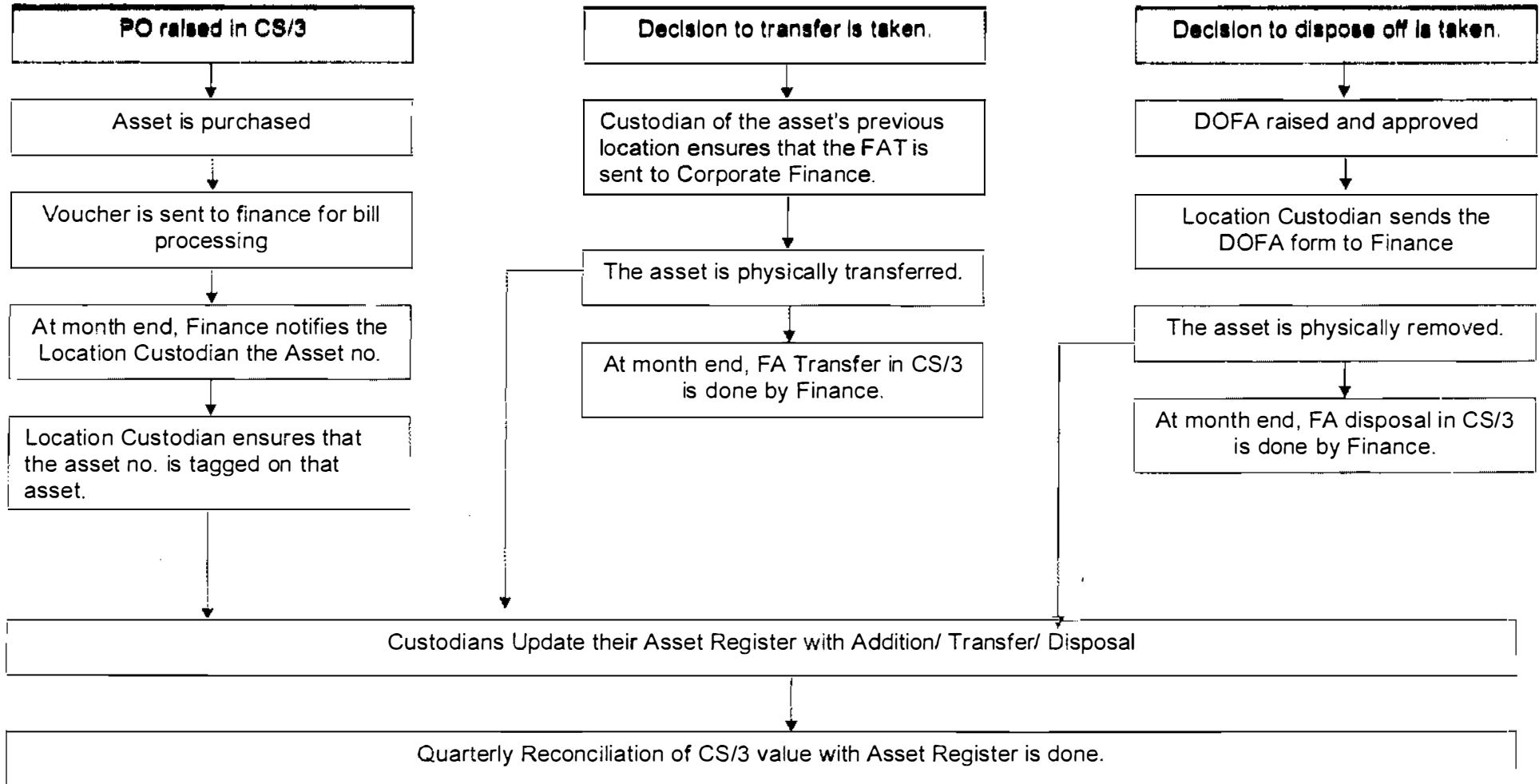
British American Tobacco Bangladesh has a definite policy on disposal of Fixed Assets. Once an asset is considered for disposal, formal proposal has to be raised in the pre-printed form i.e. 'Disposal of Fixed Assets' or 'DOFA' by the concerned department in quadruplicate. Once the concerned Department Head and Head of Finance it is to be distributed in the following way approve it.

- First copy Concerned Department
- Second copy Concerned Department Head's file
- Third copy Procurement Department (For actual disposal if it is in saleable condition)
- Fourth copy Concerned Accounting Location

For disposing fixed asset two things can be done. One is selling the asset and the other is scrapping the fixed asset. In order to sell the asset like furniture, car, in-house tender is done and for asset like Plant and Machinery, BATB usually scrap it and then sell it because of strategic reasons.

12.3 Transfer

Whenever an asset is transferred from one location to another, 'Fixed Assets Transfer' or 'FAT' memo should be prepared by the transferor location in Triplicate and upon acknowledgement by receiving location one copy has to be sent to the respective Unit Accounting Department for updating the Fixed Assets record in the module.



**RERCORD MAINTAINANCE OF FIXED
ASSET**

13 RERCORD MAINTAINANCE OF FIXED ASSET

The responsibility of managing fixed assets entirely lies with the concerned managers **under whom** assets are held. In order to ensure an up to date records of fixed assets **throughout** the organization, the following steps have been taken:

13.1 Numbering of Fixed Assets

All fixed assets of the company are identified through code numbers. Hence, each asset at every location of the company will have a sticker on it with an identical code number.

Whenever a new asset is purchased the CS/3 Fixed Assets Module generates an automatic number for the new asset. The responsible manager will be informed of the code number and he will attach a sticker with the number on the new asset.

Whenever an asset is disposed, disposal notice (DOFA Statement) will have to mention the code number. Before asset is removed from the premises, the responsible manager will remove the sticker from the asset.

13.2 Transfer of Responsibility

In case of the concerned manager's transfer of job/leaving the company; he will hand over the list of assets within his custody to the next concerned manager. The new manager will then have the responsibility of records keeping of the assets within his custody.

**CS/3 SOFTWARE FOR FIXED ASSET
MANAGEMENT**

14 CS/3 SOFTWARE FOR FIXED ASSET MANAGEMENT

BATB uses CS/3 software to maintain and manage its fixed assets. CS/3 is an Enterprise **Resource** Planning (ERP) system that takes care of finance, operations, and other **processes** of the company. The Fixed Asset module of CS/3 is used for fixed asset **management** purpose.

It will calculate their depreciation and maintain a depreciation history. For managing **fixed** assets there are some system that includes transfer date, capital costs, written down **value**, insurance value (sum insured) and serial number.

On the other hand for associate attachments (add-on assets) with each asset, they all **depreciate** by the same method and to the same end date. After that BATB will add **partially** depreciated assets to its Asset Register. Then they will keep a detailed history of **activities** affecting the value of each asset, including addition; depreciation, adjustments **and** disposal and finally they will produce valuation reports for insurance purposes.

INSURANCE

15 INSURANCE

Insurance is a contract of indemnity under which insurance company agrees to pay a **certain** sum of money to compensate loss caused by the occurrence of uncertain event in **consideration** of certain periodical payment i.e. premium. Moreover, insurance is a **process** where uncertainties are made certain and without uncertainties business can't run **and so** in order to take that into consideration BATB also takes insurance.

There are two types of Insurance. One is 'Full Insurance' and the other is 'Under **Insurance**'. By Full Insurance we mean doing insurance based on the actual value of the **asset** whereas by Under Insurance we mean doing insurance based on a certain value of **the asset**.

BATB's insurance policy is 'Full Insurance Policy'. This is based on value and insurance **policies** are renewed on yearly basis and so sum valued will decrease according to the **book** value of the assets.

BATB has taken various insurance policies. They are as follows:

15.1 Public Liability Policy

This policy provides coverage only in respect of the legal liability of BATB arising out to **the third party** and damage to the property (premises/plant) of third party in connection **with the activities** of BATB.

- Area Leaf Office at Kushtia and Rangpur (freehold) and Leaf Depot at Manikganj, Chechua, Allrdargah, Meherpur & Jhenaidah: Leaf factories are engaged in growing Tobacco Leaf through registered growers, buying Leaf Tobacco for the factory of the insured at Dhaka, the redrying plant in the Area Leaf Factory, Kushtia.
- Dhaka factory at Mohakhali, Dhaka(Leasehold)

Dhaka factory engaged in processing Leaf Tobacco for Cigarettes and manufacturing and packing cigarettes upto the points of shipment to the distribution points.

- Area Marketing Godowns at Sylhet and Depots at Kushtia, Bogra, Comilla, Barisal(Tenant) are engaged in distribution of Cigarettes to wholesalers and retailers.
- Dhaka Laboratory at Dhaka Factory, Mohakhali engaged in laboratory test and examination.

15.2 Fire Policy

This policy covers the risk on various buildings including Foundation Park, Machinery, Furniture, Fixture & Fittings, Environment Equipment and Stock in process, the property of the insured held by them in trust and/or on joint account with others for which they are legally liable in the event of any loss and/or damage by fire and/or lightning while arranged/stored/lying/contained in the Insured's Dhaka Factory and Mohakhali Office.

This policy covers the risk on Stock of all Leaf Tobacco, Finished Goods including Cupboard, Wrapping Materials, Repairs and Renewals Supplies and General Expenses Supplies, the property of the insured held by them in trust and/or on joint account with others for which they are legally liable in the event of any loss and/or damage by fire and/or lightning while arranged/stored/lying/contained in the Insured's Dhaka Factory Godowns.

This policy covers the risk on Stock of all Leaf Tobacco, the property of the insured held by them in trust and/or on joint account with others for which they are legally liable in the event of any loss and/or damage by fire and/or lightning while arranged/stored/lying/contained in the Insured's Various Godowns.

This policy covers the risk on Stock of All Stock-in-Trade (Finished Goods), the property of the insured held by them in trust and/or on joint account with others for which they are

legally liable in the event of any loss and/or damage by fire and/or lightning while **arranged/stored/lying/contained** in the Insured's Dhaka Factory Godowns.

It covers the risk of All Tobacco of various locations such as Rangpur Leaf Factory & Palashbari, Manikganj Leaf Depot, Kushtia Leaf Factory, Chechua Leaf Depot, Jagati, Kushtia, Allardargah Leaf Depot, Jhenaidah Leaf Depot, Maherpur Leaf Depot, Finished goods, All Repairs and Renewals Supplies located in Kushtia Leaf Factory, Leaf Depots under Chittagong Development Area, General Expenses Supplies, All Leaf Packing Materials, Furnace Oil at Kushtia Leaf Factory and Stock-in- Trade of various locations like Kushtia, Mouza, Chourhash, Manikganj.

It covers the risk on various Buildings including Foundation, Plant & Machinery, Furniture, Fixture & Fittings, the property of the insured held by them in trust and/or on joint account with others for which they are legally liable in the event of any loss and/or damage by fire and/or lightning of the Factory at Kushtia.

It covers the risk on Office Equipment in all office, godowns/sheds including computer items of Manikganj Leaf Depot, Kushtia Leaf Depot, Chechua Leaf Depot, Allardargah Leaf Depot, Jhenaidah Leaf Depot, Meherpur Leaf Depot, and Chittagong Leaf Factory and under Chittagong Development Area.

It also covers the risk on Stock of All Leaf Tobacco within Modhupur Godown, Gazipur Godown, New Monno Godown, Tongi, Rangpur Leaf Factory Godown, Palashbari Leaf Depot, Savar Godown, Sripur, Savar and the property of the insured held by them in trust and/or on joint account with others for which they are legally liable in the event of any loss and /or damage by fire.

15.3 Cyclone Insurance Policy

This policy covers the risk on Stock of All Leaf Tobacco, the property of the insured held by them in trust and/or on joint account with others for which they are legally liable in

~~the event~~ of any loss and/or damage by cyclone while arranged/stored/lying/contained in ~~the Insured's~~ Various Godowns.

This policy also covers the risk on Stock of All Leaf Tobacco within Manikganj Leaf Depot and Stock-in-Trade in the godowns at Manikganj, Mouza, and the property of the ~~insured~~ held by them in trust and/or on joint account with others for which they are ~~legally~~ liable in the event of any loss and/or damage by cyclone.

15.4 Flood Insurance Policy

This policy covers the risk on Stock of All Leaf Tobacco, the property of the insured held by them in trust and/or on joint account with others for which they are legally liable in the event of any loss and/or damage by flood while arranged/stored/lying/contained in the ~~Insured's~~ Various Godowns.

It also covers the risk on Stock of All Leaf Tobacco within Manikganj Leaf Depot and Stock-in-Trade in the godowns at Manikganj, Mouza, and the property of the insured held by them in trust and/or on joint account with others for which they are liable in the event of any loss and/or damage by flood.

15.5 Burglary and House Breaking Policy

This policy covers the risk on Stock of Finished Goods, the property of the insured held by them in trust and/or on joint account with others for which they are legally liable in the event of any loss and/or damage by burglary while arranged/stored/lying/contained in the ~~Insured's~~ Various Godowns and Sales Depot.

This also covers the Money i.e. Cash, Bank Notes, Currency Notes, Cheques, Postal Orders, Money Orders, whilst contained on a table in office hours and/or securely locked Iron Safe kept in the ~~Insured's~~ Dhaka Factory & Mohakhali Office.

Moreover, this also covers the Money i.e. Cash, Bank Notes, Currency Notes, Cheques, Postal Orders, Money Orders, whilst contained on a table in office hours and/or securely

locked Iron Safe kept in the Kushtia Leaf Factory premises, Manikganj Leaf Depot premises, Meherpur Leaf Depot premises, Rangpur Leaf Depot premises. This includes both 1st class and 2nd class construction situated in these locations.

15.6 Fidelity Guarantee Policy

It covers the insurance of Employees engaged in handling financial documents.

15.7 All Computer Equipment

For maintaining computers there is a policy taken by the company. Premiums of this policy are based on the locations of the computers.

15.8 Eclipse Insurance Policy

A separate insurance policy taken by BATB for ECLIPSE which will cover everything, meaning taking from stock loss by fire/burglary/, Cash in Transit, Goods in Transit, Fidelity and Cash in Safe

DEPRECIATION POLICY

16 DEPRECIATION POLICY

The depreciation of each asset can be calculated by either the straight-line method or the reducing balance method. The length of the depreciation in both methods can be calculated from either a percentage or the length of life of the asset. The method of depreciation may differ according to the type of asset.

As said earlier assets can be depreciated either on straight-line method or on reducing balance method. When depreciation is charged on the straight-line method, it is provided with a pro-rate charge based on the month of acquisition. No depreciation is charged on the month of disposal or writes off. The depreciation rates applicable to different categories of fixed assets are as follows:

Freehold building	2.50%
Plant and Machinery	7.00%
Laboratory Equipment	7.00%
Office Equipment	10.00%
Vehicle	25.00%
Computer	33.33%
Photocopier	20.00%
Air-conditioner	25.00%

Depreciation is usually charged on 'Straight line' method but for tax purpose BATB also use 'Declining Balance Method' or 'Double Digit Method'.

By using the straight-line method, assets depreciate at a fixed rate each period. This method therefore spreads the provision equally over the period of anticipated life.

The straight-line life method (SLL) calculates depreciation as:

$$(Capital\ cost - residual\ value) / Total\ life$$

The straight-line percentage method (SL %) calculates depreciation as follows:

(Capital cost - residual value) * Percentage

Adding Depreciated Asset

If an asset with prior depreciation is added to the Fixed Asset Register, the written down value (WDV) is used instead of the capital cost. Depreciation for each period is calculated as:

(WDV - Residual value) – (Remaining no. of periods)

On the other hand BATB also uses the reducing balance method, which allows assets to depreciate at a diminishing rate each period. This method therefore spreads the provision by decreasing amounts over the period of anticipated life. Relatively heavy charges in depreciation are incurred during the earlier periods of the life and lighter charges in the later periods.

The total life or percentage is usually twice that of the straight-line method. The advantage of this method is that ever-increasing maintenance and repair charges for plant and machinery can be offset against the decreasing depreciation charges.

The reducing balance life method (RBL) calculates depreciation as:

(WDV - residual value) / Total life

The reducing balance percentage method (RB %) calculates depreciation as follows:

(WDV - residual value) * Percentage

On the other hand as per the existing Tax Law, capital allowance for vehicle can be claimed up to Tk. 1000000. That means if the value of a new vehicle exceeds Tk. 1000000, then the increased value cannot be claimed as depreciation. To take care of this, BATB have decided to go for 'Lease Financing', if the value of the car exceeds Tk. 1000000, since lease rent is tax allowable expense. Whenever BATB propose to buy a car exceeding the allowable limit of Tk. 1000000, respective location accounting department is informed about your intention to go for lease financing.

ANALYSIS

17 ANALYSIS

After analyzing the whole process it has been found out that there are some opportunities for investment in the existing fixed asset management system. These are as follow:

- **Responsibility**-It has been said that responsibility of managing fixed assets entirely lies with the concerned managers under whom assets are held. But in reality it has been seen that managing the task is difficult due to job priorities and so appropriate attention for fixed asset management can't be given.
- **Reconciliation**-The second problem with the existing fixed asset management system lies with the reconciliation of fixed asset. The asset listing in CS/3 should be more frequently reconciled with physical assets. But this reconciliation is done once in a year and by doing so it increases a time gap which indirectly increases discrepancies.
- **Ownership**- The third problem lies with lack of ownership of fixed asset .BATB has lots of individual department and managers frequently get transferred from one department to another. While doing so, they have to do lots of work. During that short time period they usually get busy with explaining their work to the new manager and instead of dealing with fixed asset management system which is not that much important to them at that time, they usually deals with their major and important work.

These are the three reasons which induce BATB to go for a new fixed asset management system so that these above mentioned points can be managed efficiently and effectively.

RECOMMENDATIONS

18 RECOMMENDATIONS

It has been said that BATB has various locations and assets are recorded as per their existence. We have defined the various locations numerically. Those are:

- **Mohakhali Office:**

- **Ground Floor**

- **First Floor**

- **Second Floor**

- **Management Car Scheme:**

- **In Dhaka**

- **Those who are in KLF**

- **RTMO:**

- **Dhaka**

- **Mymensingh**

- **Chittagong**

- **Comilla**

- **Sylhet**

- **Khulna**

- **Kushtia**

- **Barisal**

- **Rajshahi**

- **Bogra**

- **DF Pool Car**

- **Other Locations:**

- **Chittagong Factory**

- **Offsite Leaf Warehouse**

- **Assets under other locations but controlled by Central IT**

- **Vehicle under lease scheme- KLA**

- **Fixed Assets bought under HO control but physically in DF**

- **Land at Savar**

- **For Household Equipment:**
 - MD's Residence**
 - FD's Residence**
 - DMD's Residence**
 - BM's Residence**
- **Dhaka Factory:**
 - Second Floor**
 - First Floor**
 - Ground Floor**
 - Engineering**
 - Filter Rod**
 - PMD (Primary Management Department)**
 - SMD (Secondary Management Department)**
 - Shipping**
 - Godown (K block)**
 - Godown (A block)**
 - Training Centre**
 - Quality Control**
 - Compound**
 - Canteen Building**
 - Gate House**

Above is the list of different locations of BATB. In the existing system assets were managed by the user of the assets which is a problem but in the new system only one person will be responsible in managing fixed assets which will make the system easier and more structured and will have a chaotic free atmosphere. In the new system the same person will be more accountable because he will be the one who will be responsible for managing the assets. In addition appropriate training will be given to the user so that everything will be in order and the system will be smooth and efficient. For administrative purposes, location custodians will be responsible for managing the fixed asset and for doing so they have some duties in case of addition, removal and transfer of fixed assets.

However there should be a process flow for the entire Fixed Asset Management System.

The process should be:

- Select Location Custodian
- Prepare one Register for Fixed Asset Management for each location.
- Circulate the Register to each location custodian.
- Custodian will update the register with addition, disposal and transfer.
- Custodian will send the updated register in every quarter to Finance Department
- Finance will reconcile the register with the record maintenance in Software system.

In order to do the above mentioned task location custodian should perform some duties.

The duties of location custodian in case of Addition, Disposal, and Transfer of Fixed Asset should be as follows:

► **In case** of asset addition, decision usually is taken by the respective manager who holds the budget for the asset but the moment the asset arrives it will be the responsible of location custodian to look after the assets. After having the asset no entry will be given in CS/3 but when the bill is submitted and when it is in process only then entry will be given in CS/3. Once the entry is done automatically a number will be generated in CS/3 and that number will be communicated to location custodians by finance department and finally local custodian will ensure it.

In case of transfer, local custodians will fill up the FAT form and will give it to finance department and after receiving the form finance department will give entry in CS/3 for the transfer of the desired fixed asset.

In case of disposal, local custodians will fill up the DOFA form and will give it to finance department and after receiving the form finance department will give entry in CS/3 for the disposal of the desired asset.

CONCLUSION

19 CONCLUSION

For acquiring Fixed Assets, BATB usually calls tenders where both qualities as well as price are taken into accounts. Besides, there are several different methods used by BATB to evaluate projects and to decide whether assets should be accepted and which assets should not be accepted. 'Capital Budgeting Evaluation Techniques' is one of the methods used by BATB.

For disposing fixed asset two things can be done. One is selling the fixed asset and the other is scrapping the fixed asset. In order to sell the asset like furniture, car, in-house tender is done and for asset like Plant and Machinery, BATB usually scrap it.

For an asset to be transferred from one location to another, 'FAT' or 'Fixed Assets Transfer' should be prepared by the transferor location in Triplicate.

BATB uses CS/3 software to maintain and manage its fixed assets.

The insurance policy used by BATB is 'Full Insurance Policy'. This is based on value and insurance policies are renewed on yearly basis.

Depreciation is usually charged on 'Straight line' method but for tax purpose BATB also uses 'Declining Balance Method' or 'Double Digit Method'. On the other hand, BATB also uses the reducing balance method, which allows assets to depreciate at a diminishing rate each period.

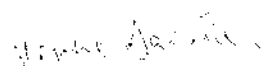
Since lease rent is tax allowable expense, BATB have decided to go for 'Lease Financing', if the value of the car exceeds Tk. 1000000.

APPENDIX

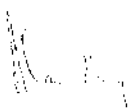
British American Tobacco Bangladesh Company Limited
Balance Sheet as at 31 December 2002

	Notes	2002 Taka '000s	2001 Taka '000s
Employment of capital:			
Tangible fixed assets	30	3,033,458	2,387,588
Long term loans and advances	5	476	518
Current assets:			
Stocks	6	1,931,711	1,600,813
Debtors	7	232,951	235,616
Cash and bank balances	8	205,323	179,637
		2,369,985	2,016,066
Less: Current liabilities:			
Bank overdrafts	9	112,952	286,194
Short term bank loans	10	450,000	
Creditors and accruals	11	1,817,753	1,360,297
Provision for corporate tax		68,641	160,895
Proposed final dividend		360,000	360,000
		2,809,346	2,167,386
Net current assets		(439,361)	(151,320)
Deferred liability	12	249,228	222,679
Net assets employed		2,345,295	2,014,107
Financed by:			
Share capital	14	600,000	600,000
Revenue reserve	15	1,318,574	1,109,577
Capital reserve	16	208,553	208,553
Tax holiday reserve	17	218,168	95,977
Shareholders' equity		2,345,295	2,014,107

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



Stephen W. Daintith
 Managing Director



Alan J. King
 Director



Md. Mahbubur Rahman
 Company Secretary

As per our annexed report of same date.



Auditors

Dhaka, 24 April 2003


American Tobacco Bangladesh Company Limited
Income Statement and Loss Account for the year ended 31 December 2002

	Notes	2002 Taka '000s	2001 Taka '000s
Turnover	19	24,087,626	20,626,118
Less: Excise duty, VAT and surcharge		<u>16,583,773</u>	<u>14,017,552</u>
Net turnover		7,503,853	6,608,566
Less: Operating costs and expenses		6,354,983	5,416,196
Profit before interest and taxes		1,148,870	1,192,370
Less: Finance charges		<u>27,682</u>	<u>28,053</u>
Profit before taxation		1,121,188	1,164,317
Less: Income tax		130,000	290,000
Profit after tax		<u>991,188</u>	<u>874,317</u>
Reserves:			
Retained profit reserve	15	208,997	188,286
Dividend reserve	17	122,191	86,031
Interim dividend at Tk. 4 (2001: Tk. 3) per share of Tk. 10 each		240,000	120,000
Interim dividend at Tk. 1 (2001: Tk. 3) per share of Tk. 10 each		60,000	120,000
Final dividend at Tk. 6 (2001: Tk. 6) per share of Tk. 10 each		<u>360,000</u>	<u>360,000</u>
		<u>991,188</u>	<u>874,317</u>
		<u>Taka</u>	<u>Taka</u>
Dividend Per Share	21	<u>16.52</u>	<u>14.57</u>


Annexed notes form an integral part of these financial statements.

Alan W. Daintith
 Managing Director


 Alan J. King
 Director


 Md. Mahbubur Rahman
 Company Secretary

As per our annexed report of same date.


 Auditors

British American Tobacco Bangladesh Company Limited
Cash Flow Statement for the year ended 31 December 2002

	2002 Taka '000s	2001 Taka '000s
Cash flows from operating activities:		
Collection from distributors, leaf export and others	24,127,029	20,647,260
Payment for costs and expenses (including supplementary duty, VAT and surcharge)	(23,085,362)	(19,309,093)
Cash generated from Operation	1,041,667	1,338,167
Income tax paid	(222,254)	(223,699)
Interest paid	(27,682)	(28,053)
Net cash flows from operating activities	<u>791,731</u>	<u>1,086,415</u>
Cash flows from investing activities:		
Acquisition of fixed assets	(902,277)	(520,279)
Proceed from sale of fixed assets	9,382	13,221
Received against last year's property sale	-	14,182
Net cash used in investing activities	(892,895)	(492,876)
Cash flows from financing activities:		
Medium/Short term loan received/(repayment)	450,000	-
Other loans realised/(paid)	92	302
Dividend paid	(600,000)	(360,000)
Net cash used in financing activities	(149,908)	(359,698)
Net (decrease)/increase in cash and cash equivalents for the year	(251,072)	233,841
Cash and cash equivalents at the beginning of the year	(106,557)	(340,398)
Cash and cash equivalents at the end of the year	<u>(357,629)</u>	<u>(106,557)</u>

British American Tobacco Bangladesh Company Limited **Notes to the Accounts for the year ended 31 December 2002**

Legal form of the enterprise

British American Tobacco Bangladesh Company Limited (the company) is a public limited company incorporated in Bangladesh and its shares are quoted in the Dhaka and Chittagong Stock Exchanges.

Nature of the business

The company manufactures and markets major international cigarette brands like Benson & Hedges, State Express 555, John Player Gold Leaf and London, which are complemented by local brands such as Capstan, Star and Scissors. The company also exports processed leaf to various countries around the world.

The company has its Head Office and the cigarette factory in Dhaka, a Green Leaf Threshing Plant in Moulvibazar and a number of Leaf and Sales offices throughout the country.

Significant accounting policies

Basis of accounting

These financial statements have been prepared on a going concern basis under Bangladesh Accounting Standards. These have been prepared on a historical cost basis subject to revaluation of certain fixed assets.

Intangible fixed assets

These are stated at cost or revaluation less accumulated depreciation. Assets under construction are stated at cost. Fully depreciated assets are carried in the books at one percent of their original or revalued cost. The following assets were revalued at 31 December 1988 on the basis indicated below:

Freehold land, freehold building and leasehold building:

Valued by a firm of professional valuers on the basis of market value at 31 December 1988. The valuer was independent of the company.

Plant and machinery:

Valued by applying an index (relating to Tobacco Industry) of 1988 prices to the original cost.

Depreciation

Depreciation is provided on the straight-line method with a pro rata charge based on the month of acquisition. The depreciation rates applicable to different categories of fixed assets are shown in note 30.

3.4 Stocks

Leaf and other stocks including finished goods are valued at the lower of average cost or net realisable value. Own manufactured finished goods are valued at standard cost and appropriate overheads, which is lower than the net realisable value.

WIP is valued at standard cost of materials (leaf and wrapping materials) which remain incomplete on the production floor as on 31 December 2002.

3.5 Cash and cash equivalents

Cash and cash equivalents include cash in hand and cash at banks which are held and available for use by the company without any restriction and overdraft facilities drawn. There is insignificant risk of changes in value of the same.

3.6 Retirement benefit schemes

The company operates unfunded gratuity schemes, provision in respect of which is made annually covering all its permanent eligible employees other than the expatriates. There are also recognised provident funds for all employees and a pension fund for the management staff.

3.7 Taxation

The company qualifies as a "Publicly Traded Company", hence the applicable tax rate is 30%. It enjoys 10% tax rebate for declaring dividend more than 20% of paid up capital.

3.8 Tax holiday reserve

The company enjoys tax holiday for its second manufacturing unit (Unit-2) for a period of 5 (five) years with effect from 17 June 2000. 40% of the profit from Unit-2 for the year has been transferred to tax holiday reserve as per the provision of the Income Tax Law.

3.9 Gross turnover

Gross turnover comprises domestic sales of cigarettes and includes supplementary duty, surcharge and VAT paid to the Government of Bangladesh. Export sales of leaf are also included.

3.10 Foreign currency

Foreign currency transactions during the year are translated at the exchange rate ruling on the transaction date. Monetary assets and liabilities at the balance sheet date have been reconverted using the rates existing on that date and exchange differences, if any, are charged/credited to the profit and loss account, subject to the requirements of Schedule XI of Companies Act 1994.

4. General

4.1 Comparative information

Comparative information has been disclosed in respect of the year 2001 for all numerical information in the financial statements and also the narrative and descriptive information where it is relevant for understanding of the current year's financial statements.

Figures for the year 2001 have been rearranged wherever considered necessary to ensure comparability with the current year.

Compliance of International Accounting Standards

The financial statements have been prepared in compliance with the requirements of the International Accounting Standards/International Financial Reporting Standards (IASs/IFRSs) as adopted by the Institute of Chartered Accountants of Bangladesh.

Compliance with local laws

The financial statements have been prepared in compliance with the requirements of the Companies Act 1994, Securities and Exchange Ordinance 1969, Securities and Exchange Rules 1977, Listing Regulations of Dhaka and Chittagong Stock Exchanges and other relevant local laws applicable. Cash flows from operating activities are computed under direct method as prescribed by the Securities and Exchange Rules 1987.

Reporting currency and level of precision

The figures in the financial statements represent Bangladeshi Taka, which have been rounded off to the nearest thousand except where indicated otherwise.

	2002 Taka '000s	2001 Taka '000s
Long term loans and advances		
Building loans to management staff	426	518
These loans are all considered good and as such no provision was required to be made against these accounts.		
Stocks		
Raw materials	1,467,432	1,069,007
Shipping materials	184,839	158,277
Stock in process	19,173	18,698
Manufactured goods	169,111	234,486
Inventory stores	91,156	120,345
	1,931,711	1,600,813
Debtors		
Agricultural inputs	87,041	64,281
Prepaid expenses	24,019	26,804
Provident/pension funds	69,062	83,175
Advances	8,935	10,837
Sundry debtors	26,302	22,786
Letters of credit	4,185	5,683
Trade debtors	13,407	22,050
	232,951	235,616

These are all unsecured and are considered good and as such no provision was required to be made against these debtors.

	2002 Taka '000s	2001 Taka '000s
Cash and bank balances		
Cash in hand	3,077	4,085
Cash in transit	176,465	170,588
Cash with banks:		
Dividend accounts	4,592	2,979
Foreign currency accounts	21,189	1,985
	205,323	179,637

Foreign currency account balances have been converted to Taka at the rates existing on the balance sheet date.

Bank overdrafts	112,952	286,194
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Partially secured against hypothecation of domestic leaf stocks.

Short term bank loans	450,000	-
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This represents short term loan from different banks. Interest rates depend on the period of the loans.

Creditors and accruals

Supplementary duty and VAT	584,562	460,791
Trade creditors	434,097	336,309
Workers' profit participation fund	145,559	131,406
Wages and other benefits	64,759	54,698
Unclaimed dividend	4,592	2,979
Sundry creditors (all others)	584,184	374,114
	1,817,753	1,360,297

Deferred liability	249,228	222,679
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This represents total liability of the Company on account of gratuity that would be payable if all eligible employees retire at the end of the year.

Contingent liabilities

There are contingent liabilities in respect of certain legal and tax claims made against the Company. However, these are all being vigorously defended and the Directors do not consider it necessary to make provision in respect of any of these claims.

Share capital

Authorised:

	2002 Taka	2001 Taka
60,000,000 ordinary shares of Tk. 10 each	<u>600,000,000</u>	<u>600,000,000</u>

Issued, subscribed and paid up:

Issued for cash - 3 ordinary shares of Tk. 10 each	30	30
Issued for consideration other than cash 59,999,997 ordinary shares of Tk. 10 each	599,999,970	599,999,970
	<u>600,000,000</u>	<u>600,000,000</u>

The composition of shareholders at 31 December 2002 was:

Raleigh Investment Co. Ltd., UK	65.91%	65.91%
Investment Corporation of Bangladesh	26.60%	27.35%
Sadharan Bima Corporation	2.82%	2.82%
Bangladesh Shilpa Rin Sangstha	1.06%	1.06%
Government of Bangladesh	0.64%	0.64%
Sena Kallyan Sangstha	0.53%	0.53%
Other Bangladeshi shareholders	2.44%	1.69%
	100.00%	100.00%

A distribution schedule of the above shares is given below as required by listing rules:

No. of shares	No. of holders	Total no. of shares	Total holdings
Less than 500 shares	3,101	383,466	0.639%
500 to 5,000 shares	529	702,274	1.170%
5,001 to 10,000 shares	21	148,133	0.247%
10,001 to 20,000 shares	8	104,283	0.174%
20,001 to 30,000 shares	3	81,825	0.136%
30,001 to 40,000 shares	2	65,200	0.109%
40,001 to 50,000 shares	1	45,850	0.076%
50,001 to 100,000 shares	3	195,525	0.326%
100,001 to 1,000,000 shares	7	1,972,593	3.288%
Over 1,000,000 shares	4	56,300,851	93.835%
Total	3,679	60,000,000	100.000%

	2002 Taka '000s	2001 Taka '000s
Revenue reserve		
Opening balance	1,109,577	1,015,658
Add: Appropriation from current year's profit	208,997	188,286
Transferred from fixed assets revaluation reserve	-	105,633
	1,318,574	1,309,577
Less: Distributed as bonus shares	-	200,000
Closing balance	1,318,574	1,109,577

Capital reserves

Fixed assets revaluation reserve:		
Opening balance	143,657	260,176
Adjustment to cost on disposal of revalued assets	-	(10,886)
Transferred to revenue reserve on disposal of revalued assets	-	(105,633)
Closing balance	143,657	143,657
Non remittable reserve	64,896	64,896
	208,553	208,553

Tax holiday reserve

This has been provided for Unit 2 as per provisions of section 46A of the Income Tax Ordinance 1984 which is arrived at as follows:

Opening balance	95,977	9,946
Transfer from current year's profit (Note 17.1)	122,191	86,031
Closing balance	218,168	95,977

Tax holiday reserve has been arrived at as follows:

Net profit for the year ended 31 December 2002 (Note 17.2)	305,478	286,771
Tax holiday reserve @ 40% (2001: 30%) of net profit	122,191	86,031

The profit from tax holiday unit (Unit 2) has been arrived at as follows:

Gross turnover	4,665,637	2,713,644
Supplementary duty, VAT and surcharge	3,312,390	1,889,693
Net turnover	1,353,247	823,951
Less: Operating costs and expenses	1,047,769	537,180
Profit before taxation	305,478	286,771

			2002	2001
			Taka '000s	Taka '000s
Capital expenditure commitments				
Contracted but not provided for in these financial statements			206,093	344,817
Gross turnover	Qty.	Unit		
Cigarettes	16,722	million sticks	23,832,787	20,402,134
Leaf tobacco export	2,525,292	Kg	254,839	223,984
			24,087,626	20,626,118

Operating costs and expenses

Operating costs and expenses include the following items:

Raw materials		4,052,301	3,483,679
Salaries and wages		523,783	435,983
Contribution to retirement benefit scheme		45,220	45,756
Staff welfare expenses		44,735	40,043
Electricity and fuel		58,503	47,594
Rent, rates and taxes		22,595	14,373
Consumption of stores and spare parts		66,182	46,106
Repairs to machinery		59,390	57,650
Repairs to buildings		5,649	7,204
Vehicles running expenses		34,526	27,699
Legal and Secretarial		5,925	9,636
Computer expenses		31,025	52,989
Office expenses		44,492	37,100
Social responsibilities		31,331	25,114
Insurance		3,584	1,131
Depreciation [note 30(ii)]		218,737	200,583
Depreciation charged/(released) to stock		1,287	(745)
Auditors' remuneration:			
Audit fees		475	448
Other fees (including tax matters)		356	966
Workers' profit participation fund		59,010	61,280
Early retirement scheme		13,446	17,726
Other income		(30,746)	(84,738)

Earnings per share

Basic earnings per share

Basic earning per share has been calculated taking a capital base of 60,000,000 ordinary share of Tk. 10 each as issued up to 31 December 2002

Diluted earnings per share

No diluted earnings per share is required to be calculated for the year as there was no scope for dilution during the year under review.

Numbers employed

The Company employs 1,042 permanent employees and a varying number of seasonal and temporary workers as required. All permanent employees receive total remuneration in excess of Tk. 36,000 per annum.

	2002 Taka '000s	2001 Taka '000s
Remuneration of directors		
Fees	44	55
Remuneration	15,635	13,010
Retirement benefit scheme:	4,180	3,191
Medical and welfare	100	71
Housing	3,900	3,550
	23,859	19,877

Capacity

The Company works on continuous operation basis and given the current installed machine configuration, there is sufficient capacity to meet forecast future demand in a variety of specification (e.g. Plain/Filter) and packaging (e.g. Hinge Lid, Soft Cup, Shell and Slide) configuration. The Directors regularly review the production capability of the Company and are satisfied that the current capacity is adequate.

Actual production

Cigarettes (in million sticks)	16,688	14,112
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Remittances of foreign currency

(Amount : Foreign currency in '000s)

Royalty	USD	66	331
Technical fees (after deduction of income tax as per Tax Law)	GBP	1,025	1,187
	USD	-	98
Dividend (after deduction of income tax as per Tax Law)	USD	6,076	3,705
Value of export earnings received	USD (in '000s)	4,409	4,000

Related party transactions

During the year, the Company carried out a number of transactions with related parties in the normal course of business and on an arms' length basis. The name of these related parties, nature of these transactions and their total value have been set out in accordance with the provisions of **MS 24** Related party disclosure.

Name of the party	Nature of transaction	Nature of relationship	Transaction value Taka '000s
BAT Souza Cruz	Import of leaf	BAT Group company	150,882
British American Tobacco U.K.	Import of leaf	Holding company	383,939
British American Tobacco U.K.	Export of leaf	Holding company	91,589
BAT Hungary	Export of leaf	BAT Group company	68,623
BAT Cameroon	Export of leaf	BAT Group company	2,170

Consumption of imported and local raw materials

	2002		2001	
	Wrapping materials Taka '000s	Leaf Taka '000s	Wrapping materials Taka '000s	Leaf Taka '000s
Imported:				
Opening stock	142,712	257,973	170,511	157,273
Purchases	878,799	1,138,876	618,589	920,780
Consumption	(844,775)	(921,315)	(646,388)	(820,080)
Closing stock (a)	176,736	475,534	142,712	257,973
Domestic:				
Opening stock	15,565	811,034	13,980	730,572
Purchases	1,243,019	1,216,595	1,124,890	1,605,499
Consumption	(1,250,481)	(817,215)	(1,123,305)	(1,349,332)
Export	-	(218,516)	-	(175,705)
Closing stock (b)	8,103	991,898	15,565	811,034
Closing stock (a+b)	184,839	1,467,432	158,277	1,069,007

As the Company deals in large number of items which again varies in units, item-wise quantity statement of raw materials could not be given.

Sale of tangible fixed assets

	Original cost Taka '000s	Accumulated depreciation Taka '000s	Book value Taka '000s	Sale value Taka '000s	Mode of disposal	Purchaser
Air conditioner	378	374	4	36	As per company policy	Employees of the Company
Computer	7,204	5,974	1,230	-	Written off	
Household equipment	884	750	134	323	As per company policy	Employees of the Company
Office equipment	144	90	54	11	As per company policy	Employees of the Company
Vehicles	33,306	32,070	1,236	9,012	As per company policy	Various parties, employees of the Company
2002	41,916	39,258	2,658	9,382		
2001	281,832	235,197	46,635	103,221		

Schedule of tangible fixed assets and depreciation at 31 December 2002

Particulars	Cost at 1 January 2001 Taka '000s	Additions and Transfers from WIP during the year Taka '000s	Disposal/adjustments during the year Taka '000s
Original cost:			
Leasehold land	128,507	29,626	-
Leasehold building	124,981	43,239	-
Freehold land	3,876	-	-
Freehold building	62,298	-	-
Plant and machinery	2,682,545	606,056	-
Laboratory equipment	18,437	8,320	-
Office equipment	103,901	37,265	(7,348)
Furniture and fixtures	9,112	998	(884)
Air conditioners	46,016	482	(378)
Vehicles	127,938	25,224	(33,306)
	3,307,611	751,210	(41,916)
Buildings, plant and machinery etc. under construction	148,057	945,919	(794,850)
	3,455,668	1,697,129	(836,766)

Book value of revaluations in 1988:

	Opening balance as at 1 January 2002 Taka '000s	Additions during the year Taka '000s	Disposal/adjustment during the year Taka '000s
Leasehold land	61,077	-	-
Leasehold buildings	31,528	-	-
Freehold buildings	50,305	-	-
Plant and machinery	745	-	-
	143,657	-	-
Original cost	3,455,668	1,697,129	(836,766)
2002	3,599,325	1,697,129	(836,766)
2001	3,436,350	858,060	(695,085)

Re:

Leasehold building is depreciated over the life of the lease term.

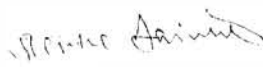
Reconciliation of depreciation charge for the year:

	2002 Taka '000s	2001 Taka '000s
Charge to profit and loss account (Note 20)	218,737	200,583
Charge to Crop	35,012	30,352
	253,749	230,935


There are twelve (12) vehicles used by the Company which are under operating lease and not included in the fixed assets of the Company.

	Accumulated depreciation at 31 Dec. 2002	Cost less accumulated depreciation at 31 Dec. 2002	Depreciation charge for the year	Rate of depreciation
	Taka '000s	Taka '000s	Taka '000s	%
8,133	-	158,133	-	-
8,220	28,716	139,504	3,663	2.5
3,876	3,876	-	-	-
2,298	36,490	25,808	1,413	-
8,601	1,087,860	2,200,741	201,298	7.0
6,757	10,058	16,699	1,210	7.0
3,818	73,074	60,744	22,698	33.33/10.0/20.0
9,226	6,419	2,807	1,452	10.0
6,120	43,633	2,487	2,242	25.0
9,856	66,777	53,079	19,008	25.0
5,905	1,356,903	2,660,002	252,984	
9,126	-	299,126	-	
6,031	1,356,903	2,959,128	252,984	

Book value at 31 December 2002	Accumulated Depreciation at 31 December 2002	Book value at 31 December 2002	Depreciation charge of the year	Rate of Depreciation
Taka '000s	Taka '000s	Taka '000s	Taka '000s	%
61,079	-	61,079	-	-
13,243	18,285	13,243	765	2.5
-	50,305	-	-	-
8	737	8	-	7.0
74,330	69,327	74,330	765	
2,959,128	1,356,903	2,959,128	252,984	
3,033,458	1,426,230	3,033,458	253,749	
2,387,588	1,211,737	2,387,588	230,935	


 Stephen W. Daintith
 Managing Director


 Alan J. King
 Director


 Md. Mahbubur Rahman
 Company Secretary