

## Flexible & Resilient



**Condensed Interim Financial Information**  
for the three months ended March 31, 2011

## Corporate Information

### Board of Directors

Mr. Mueen Afzal  
*Chairman and Non-Executive Director*

Mr. Nicholas Stewart Hales  
*Managing Director and CEO*

Mr. Mobasher Raza  
*Deputy Managing Director and Finance Director*

Mr. Ahmed Zeb  
*Supply Chain Director*

Mr. Feroze Ahmed  
*Strategy and Planning Director*

Mr. Tajamal Shah  
*Legal Director*

Lt. Gen. (Retd.) Ali Kuli Khan Khattak  
*(Non-Executive Director)*

Mr. Syed Asif Ali Shah  
*(Non-Executive Director)*

Mr. Abid Niaz Hasan  
*(Non-Executive Director)*

### Audit Committee

Mr. Mueen Afzal

Mr. Abid Niaz Hasan

Lt. Gen. (Retd.) Ali Kuli Khan Khattak

Mr. Syed Asif Ali Shah

Mr. Imad Rahman (Secretary)

### Company Secretary

Ms. Ayesha Rafique

### Registered Office

Pakistan Tobacco Company Limited  
Silver Square, Plot No. 15, F-11 Markaz,  
Islamabad-44000.

Telephone: +92(051)2083200,2083201

Fax: +92(051) 2224216

Web: [www.ptc.com.pk](http://www.ptc.com.pk)

### Factories

Akora Khattak Factory  
P.O. Akora Khattak  
Tehsil and District Nowshera  
N.W.F.P.

Telephone: +92(0923) 630901-11

Fax: +92(0923) 510792

Jhelum Factory  
G.T. Road, Kala Gujran  
Jhelum

Telephone: +92(0544) 646500-7

Fax: +92(0544) 646524

### Bankers

Barclays Bank PLC  
Citibank N.A.  
Deutsche Bank  
Habib Bank Limited  
HSBC Bank Middle East Limited  
MCB Bank Limited  
National Bank of Pakistan  
Standard Chartered Bank (Pakistan) Ltd.  
United Bank Limited

### Auditors

A.F. Ferguson & Co.  
Chartered Accountants  
3<sup>rd</sup> Floor, PIA Building  
49 Blue Area, P.O. Box 3021  
Islamabad-44000  
Telephone: +92(051) 2273457-60  
Fax: +92(051) 2277924

### Share Registrar

FAMCO Associates (Pvt.) Ltd.  
State Life Building No.1-A, 1st Floor,  
I.I. Chundrigar Road  
Karachi  
Ph: +92(021) 32420755, 32427012

## Directors' Review

The Directors present the performance of the Company for the quarter ended March 31, 2011.

We are pleased to note that the market has responded positively to our marketing initiatives and the introduction of Capstan by Pall Mall Original (CbPMO) in low segment during Jul - Dec 2010. Sales for Jan - Mar 2011, at 10.2 billion cigarette sticks are 4.3% higher vs. same period last year (SPLY), resulting in a 4.5% higher gross turnover. This increase in sales was achieved during a period when the volume of legitimate industry declined vs. SPLY.

Net turnover however, was 4.3% lower mainly due to the higher excise incidence, increased in Federal Budget 2010. Operating profit was down 47.3% vs. SPLY as our revenues remained restricted due to higher excise and down-trading while the cost base remained under pressure due to inflation, higher cost of sales, rising energy and security related spend.

Key financial indicators of the Company for the period under review are:

	Rs (million)		
	Jan-Mar, 2011	Jan-Mar, 2010	Variance
Gross Turnover	16,455	15,753	+4.46%
Net Turnover	5,511	5,759	-4.31%
Gross Profit	1,419	2,014	-29.54%
Operating Profit	566	1,074	-47.30%
Profit Before Tax - PBT	524	1,043	-49.76%
Profit After Tax - PAT	344	682	-49.56%
Earnings Per Share - EPS (Rs)	1.34	2.67	-49.81%

CbPMO has been an unprecedented success with 13.6% share of total market (for the month of March 2011, as per independent research) gained within nine months of its launch. Our share (for the period Jan - Mar 2011, as per independent research) in the legitimate market is higher by 1.1 ppt vs. SPLY however the total market share, at 48.4% is lower vs. 48.7% of SPLY as the illicit sector grew at the expense of legitimate players.

The Company continued to invest heavily in its marketing activities in order to effectively counter the intensified competition and to further expand distribution network to ensure growing presence of CbPMO and other brands. In addition to this, the continuing energy crisis in our country resulted in extensive power outages leading to high cost of operations. Our cost of sales and marketing spend was thus higher by 6.8% over SPLY.

Company's contribution to the National Exchequer grew by 7.3% vs. SPLY contributing over Rs. 11.3 billion during Jan - Mar 2011 in lieu of Federal Excise Duty, Sales Tax, Custom Duties and Income Tax. Growth in Government revenues from the industry however is much lower than growth in Government revenues from PTC, despite the significant increase in Excise incidence in June 2010. This is due to shift of volume from legitimate players to the illicit sector. The excise incidence increase has proved to be counter productive as it failed to deliver the Government revenue targets and also resulted in legitimate industry losing market share to the duty not paid sector.

Excise led price increases coupled with a challenging economic scenario resulted in the growth of illicit segment as the price sensitive consumers opted for cheaper, duty non paid brands which are freely available in the market. Illicit sector is the biggest threat to the viability of the tax paying cigarette manufacturers and poses a serious threat to the sustainability of Government revenues from the tobacco sector. Moreover, our premium segment brands are challenged by the smuggled brands which are non compliant with the pictorial health warning introduced in 2010. This situation warrants effective enforcement efforts by the Government to eradicate this menace.

Difficult economic environment, stiff competition and a strong illicit sector poses significant challenges to our business. Our financials therefore continue to remain under pressure. The Company however, is committed and strives to focus on innovation, productivity and prudent spending so as to overcome these challenges.



**Nicholas Stewart Hales**  
Managing Director and CEO



**Mobasher Raza**  
Finance Director

## Condensed Interim Profit and Loss Account (Unaudited) for the three months ended March 31, 2011

	Note	Jan - Mar 2011	Rs '000 Jan - Mar 2010
Gross turnover		16,454,639	15,753,102
Excise duties		(8,486,545)	(7,760,492)
Sales tax		(2,457,072)	(2,233,291)
Net turnover		5,511,022	5,759,319
Cost of sales	4	(4,091,707)	(3,745,699)
Gross profit		1,419,315	2,013,620
Selling and distribution expenses		(504,740)	(559,534)
Administrative expenses		(303,964)	(295,899)
Other operating expenses	5	(45,676)	(89,247)
Other operating income		1,184	4,982
		(853,196)	(939,698)
Operating profit		566,119	1,073,922
Finance income		2,230	2,632
Finance cost		(44,630)	(34,039)
Net finance cost		(42,400)	(31,407)
Profit before income tax		523,719	1,042,515
Income tax expense - current		(216,971)	(385,749)
- deferred		36,783	24,735
		(180,188)	(361,014)
Profit for the period		343,531	681,501
Earnings per share - basic and diluted (Rupees)		1.34	2.67

The annexed notes 1 to 15 are an integral part of this condensed interim financial information.



**Nicholas Stewart Hales**  
Managing Director and CEO



**Mobasher Raza**  
Finance Director

## Condensed Interim Statement of Comprehensive Income (Unaudited) for the three months ended March 31, 2011

	Jan - March 2011	Rs '000 Jan - March 2010
Profit for the three months	343,531	681,501
Other comprehensive income for the three months	-	-
<b>Total comprehensive income for the three months</b>	<b>343,531</b>	<b>681,501</b>

The annexed notes 1 to 15 are an integral part of this condensed interim financial information.



**Nicholas Stewart Hales**  
Managing Director and CEO



**Mobasher Raza**  
Finance Director

## Condensed Interim Balance Sheet (Unaudited) as at March 31, 2011

	Note	March 31, 2011	Rs '000 December 31, 2010
<b>Non current assets</b>			
Property, plant and equipment	6	5,656,953	5,823,688
Long term investment in subsidiary company	7	5,000	5,000
Long term loans		2,405	3,417
Long term deposits and prepayments		16,272	15,375
		<u>5,680,630</u>	<u>5,847,480</u>
<b>Current assets</b>			
Stock-in-trade		5,003,486	6,002,823
Stores and spares		216,001	199,207
Trade debts		1,147	1,597
Loans and advances		59,682	48,267
Short term prepayments		115,679	118,329
Other receivables	8	93,666	93,546
Income tax paid in advance		-	15,206
Cash and bank balances		58,633	51,945
		<u>5,548,294</u>	<u>6,530,920</u>
<b>Current liabilities</b>			
Trade and other payables	9	5,972,833	5,339,725
Accrued interest / mark-up		42,993	46,789
Short term running finance	10	28,989	2,252,218
Current income tax liability		137,694	-
		<u>6,182,509</u>	<u>7,638,732</u>
<b>Net current liabilities</b>		<b>(634,215)</b>	<b>(1,107,812)</b>
<b>Non current liabilities</b>			
Deferred income tax liability		(1,100,797)	(1,137,581)
<b>Net assets</b>		<b>3,945,618</b>	<b>3,602,087</b>
<b>Share capital and reserves</b>			
Authorised share capital			
300,000,000 ordinary shares of Rs 10 each		<u>3,000,000</u>	<u>3,000,000</u>
Issued, subscribed and paid-up capital			
255,493,792 ordinary shares of Rs 10 each		2,554,938	2,554,938
Revenue reserves		1,390,680	1,047,149
<b>Shareholders' equity</b>		<b>3,945,618</b>	<b>3,602,087</b>
Contingencies and commitments	11		

The annexed notes 1 to 15 are an integral part of this condensed interim financial information.



**Nicholas Stewart Hales**  
Managing Director and CEO



**Mobasher Raza**  
Finance Director

## Condensed Interim Cash Flow Statement (Unaudited) for the three months ended March 31, 2011

	March 31, 2011	Rs '000 March 31, 2010
<b>Cash flows from operating activities</b>		
Cash receipts from customers	16,455,089	15,752,020
Cash paid to Government for Federal excise duty, Sales tax and other levies	(10,577,254)	(9,619,341)
Cash paid to suppliers, employees and others	(3,428,510)	(3,451,877)
Finance cost paid	(48,426)	(28,573)
Cash paid as royalty	(76,254)	(84,082)
Income tax paid	(64,071)	(375,759)
Other cash payments	(3,896)	(2,310)
	2,256,678	2,190,078
<b>Cash flows from investing activities</b>		
Additions in property, plant and equipment	(29,726)	(31,583)
Proceeds from disposal of property, plant and equipment	748	2,815
Finance income received	2,230	2,632
	(26,748)	(26,136)
<b>Cash flows from financing activities</b>		
Dividends paid	(13)	(1,192)
	(13)	(1,192)
<b>Increase in cash and cash equivalents</b>	<b>2,229,917</b>	<b>2,162,750</b>
Cash and cash equivalents at January 1	(2,200,273)	(1,252,963)
<b>Cash and cash equivalents at March 31</b>	<b>29,644</b>	<b>909,787</b>
<b>Cash and cash equivalents comprise:</b>		
Short term bank deposits	-	810,000
Cash and bank balances	58,633	100,700
Short term running finance	(28,989)	(913)
	29,644	909,787

The annexed notes 1 to 15 are an integral part of this condensed interim financial information.



**Nicholas Stewart Hales**  
Managing Director and CEO



**Mobasher Raza**  
Finance Director



## Condensed Interim Statement of Changes in Equity (Unaudited) as at March 31, 2011

	Share capital	Revenue reserves	Rs '000 Total
Balance at January 1, 2010	2,554,938	1,705,296	4,260,234
Total comprehensive income for the three months	-	681,501	681,501
Balance at March 31, 2010	2,554,938	2,386,797	4,941,735
Balance at January 1, 2011	2,554,938	1,047,149	3,602,087
Total comprehensive income for the three months	-	343,531	343,531
Balance at March 31, 2011	2,554,938	1,390,680	3,945,618

The annexed notes 1 to 15 are an integral part of this condensed interim financial information.



**Nicholas Stewart Hales**  
Managing Director and CEO



**Mobasher Raza**  
Finance Director

## Selected notes to and forming part of the Condensed Interim Financial Information (Unaudited)

for the three months ended March 31, 2011

### 1. Legal status and operations

Pakistan Tobacco Company Limited (the Company) is a public listed company incorporated in Pakistan on November 18, 1947 under the Companies Act, 1913 (now the Companies Ordinance, 1984) and its shares are quoted on the Karachi, Lahore and Islamabad stock exchanges of Pakistan. The Company is a subsidiary of British American Tobacco (Investments) Limited, United Kingdom, whereas its ultimate parent company is British American Tobacco p.l.c, United Kingdom. The registered office of the Company is situated at Silver Square, Plot No. 15, F-11 Markaz, Islamabad. The Company is engaged in the manufacture and sale of cigarettes.

### 2. Basis of preparation

This condensed interim financial information of the Company for the three months period ended March 31, 2011 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

### 3. Accounting policies

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements for the year ended December 31, 2010.

### 4. Cost of sales

	Jan - Mar 2011	Rs '000 Jan - Mar 2010
<b>Raw materials consumed</b>		
Opening stock of raw materials and work in process	5,318,558	4,915,788
Raw material purchases and expenses	2,182,331	2,125,674
Closing stock of raw materials and work in process	(4,276,412)	(3,703,583)
	<b>3,224,477</b>	<b>3,337,879</b>
Excise duty, Customs duty and tobacco development cess	126,690	131,190
Royalty	85,311	88,767
Production overheads	698,038	593,994
<b>Cost of goods manufactured</b>	<b>4,134,516</b>	<b>4,151,830</b>
Cost of finished goods:		
Opening stock	684,265	849,579
Closing stock	(727,074)	(1,255,710)
	(42,809)	(406,131)
	<b>4,091,707</b>	<b>3,745,699</b>

## Selected notes to and forming part of the Condensed Interim Financial Information (Unaudited)

for the three months ended March 31, 2011

	Jan- Mar 2011	Rs '000 Jan-Mar 2010
<b>5. Other operating expenses</b>		
Workers' Profit Participation Fund	28,211	56,183
Workers' Welfare Fund	12,285	22,444
Bank charges and fees	5,141	9,441
Interest on Workers' Profit Participation Fund	-	144
Loss on disposal of operating fixed assets	-	1,035
Foreign exchange loss	39	-
	<b>45,676</b>	<b>89,247</b>
	March 31, 2011	December 31, 2010
<b>6. Property, plant and equipment</b>		
Operating fixed assets - note 6.1	5,457,283	5,621,915
Capital work in progress	199,670	201,773
	<b>5,656,953</b>	<b>5,823,688</b>
	<u>Three months ended</u>	
	March 31, 2011	March 31, 2010
<b>6.1 Movement in operating fixed assets</b>		
Net book amount at January 1	5,621,915	5,483,038
<b>Additions to the operating fixed assets</b>		
Building	2,440	-
Plant and machinery	1,998	33,765
Vehicles	25,014	29,884
Office and household equipment	2,187	2,124
Furniture and fittings	190	1,104
	<b>31,829</b>	<b>66,877</b>
<b>Book value of disposals of operating fixed assets</b>		
Vehicles	(429)	(1,301)
Office and household equipment	(266)	(2,549)
	<b>(695)</b>	<b>(3,850)</b>
Depreciation charge for the three months	(195,766)	(181,020)
<b>Net book amount at March 31</b>	<b>5,457,283</b>	<b>5,365,045</b>

### 7. Long term investment in subsidiary company

This represents 500,001 (2010: 500,001) fully paid ordinary shares of Rs 10 each in Phoenix (Private) Limited. The break up value of shares calculated by reference to net assets worked out to be Rs 10 per share based on audited financial statements for the year ended December 31, 2010. This is a wholly owned subsidiary of the Company which has not yet commenced commercial production.

## Selected notes to and forming part of the Condensed Interim Financial Information (Unaudited)

for the three months ended March 31, 2011

### 8. Other receivables

These include following balances due from related parties:

	March 31, 2011	Rs 000 December 31, 2010
Associated companies	15,826	39,221
Subsidiary company	20,021	20,021
Employees retirement benefit plans	2,217	9,419

### 9. Trade and other payables

These include following balances due to related parties:

Associated companies	212,945	198,914
Employees retirement benefit plans	84,855	86,510

### 10. Short term running finance

Short term finance facilities available under mark-up arrangements with banks amount to Rs 5,350 million (2010: Rs 5,350 million), out of which the amount unavailed at the period end was Rs 5,321 million (2010: Rs 3,098 million). These facilities are secured by hypothecation of stock-in-trade, plant and machinery. The mark-up ranges between 13.28% and 14.39% (2010: 12.72% and 14.39%) per annum and is payable quarterly. The facilities are renewable on annual basis.

### 11. Contingencies and commitments

#### 11.1 Contingencies

Claims and guarantees

	March 31, 2011	Rs 000 December 31, 2010
(i) Claims not acknowledged as debt	127,050	127,050
(ii) Guarantees issued by banks on behalf of the Company	204,608	199,608

#### 11.2 Commitments

(i) Capital expenditure commitments outstanding	245,801	-
(ii) Letters of credit outstanding	554,894	748,185

### 12. Transactions with related parties

	March 31, 2011	Rs 000 March 31, 2010
<b>Purchase of goods and services</b>		
Holding company	61,010	41,827
Associated companies	324,481	390,730
<b>Sale of goods and services</b>		
Associated companies	174,815	138,105
<b>Royalty charge</b>		
Holding company	85,311	88,767
<b>Expenses reimbursed by</b>		
Associated companies	508	587

## Selected notes to and forming part of the Condensed Interim Financial Information (Unaudited)

for the three months ended March 31, 2011

	March 31, 2011	Rs 000 March 31, 2010
Contribution to retirement benefit plans by the Company		
Staff pension fund	17,636	21,696
Defined contribution pension fund	3,184	1,603
Employee gratuity fund	8,437	12,306
Management provident fund	10,281	9,316
Employee provident fund	3,732	2,770

### 13. Basis for presentation of condensed interim financial information

This condensed interim financial information is being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984 and the Listing Regulations of the Karachi, Lahore and Islamabad stock exchanges.

### 14. Corresponding figures

Following changes have been made in corresponding figures for the three months ended March 31, 2010 to conform to current period's presentation.

- (i) Royalty of Rs 88,767 has been shown separately in cost of sales. Previously this was being shown as part of Raw material purchases and expenses.

### 15. Date of authorisation

This condensed interim financial information has been authorised for issue by the Board of Directors of the Company on April 21, 2011.



**Nicholas Stewart Hales**  
Managing Director and CEO



**Mobasher Raza**  
Finance Director

## Consolidated Condensed Interim Profit and Loss Account (Unaudited) for the three months ended March 31, 2011

	Note	Jan - Mar 2011	Rs '000 Jan - Mar 2010
Gross turnover		16,454,639	15,753,102
Excise duties		(8,486,545)	(7,760,492)
Sales tax		(2,457,072)	(2,233,291)
Net turnover		5,511,022	5,759,319
Cost of sales	4	(4,091,707)	(3,745,699)
Gross profit		1,419,315	2,013,620
Selling and distribution expenses		(504,740)	(559,534)
Administrative expenses		(303,964)	(295,899)
Other operating expenses	5	(45,676)	(89,247)
Other operating income		1,184	4,982
		(853,196)	(939,698)
Operating profit		566,119	1,073,922
Finance income		2,230	2,632
Finance cost		(44,630)	(34,039)
Net finance cost		(42,400)	(31,407)
Profit before income tax		523,719	1,042,515
Income tax expense - current		(216,971)	(385,749)
- deferred		36,783	24,735
		(180,188)	(361,014)
Profit for the period		343,531	681,501
Earnings per share - basic and diluted (Rupees)		1.34	2.67

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



**Nicholas Stewart Hales**  
Managing Director and CEO



**Mobasher Raza**  
Finance Director

## Consolidated Condensed Interim Statement of Comprehensive Income (Unaudited)

for the three months ended March 31, 2011

	Jan - March 2011	Rs '000 Jan - March 2010
Profit for the three months	343,531	681,501
Other comprehensive income for the three months	-	-
<b>Total comprehensive income for the three months</b>	<b>343,531</b>	<b>681,501</b>

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



**Nicholas Stewart Hales**  
Managing Director and CEO



**Mobasher Raza**  
Finance Director

## Consolidated Condensed Interim Balance Sheet (Unaudited) as at March 31, 2011

	Note	March 31, 2011	Rs '000 December 31, 2010
<b>Non current assets</b>			
Property, plant and equipment	6	5,682,001	5,848,736
Long term loans		2,405	3,417
Long term deposits and prepayments		16,272	15,375
		5,700,678	5,867,528
<b>Current assets</b>			
Stock-in-trade		5,003,486	6,002,823
Stores and spares		216,001	199,207
Trade debts		1,147	1,597
Loans and advances		59,682	48,267
Short term prepayments		115,679	118,329
Other receivables	7	73,645	73,525
Income tax paid in advance		-	15,206
Cash and bank balances		58,633	51,945
		5,528,273	6,510,899
<b>Current liabilities</b>			
Trade and other payables	8	5,972,860	5,339,752
Accrued interest / mark-up		42,993	46,789
Short term running finance	9	28,989	2,252,218
Current income tax liability		137,694	-
		6,182,536	7,638,759
<b>Net current liabilities</b>		(654,263)	(1,127,860)
<b>Non current liabilities</b>			
Deferred income tax liability		(1,100,797)	(1,137,581)
<b>Net assets</b>		3,945,618	3,602,087
<b>Share capital and reserves</b>			
Authorised share capital			
300,000,000 ordinary shares of Rs 10 each		3,000,000	3,000,000
Issued, subscribed and paid-up capital			
255,493,792 ordinary shares of Rs 10 each		2,554,938	2,554,938
Revenue reserves		1,390,680	1,047,149
<b>Shareholders' equity</b>		3,945,618	3,602,087
Contingencies and commitments	10		

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



**Nicholas Stewart Hales**  
Managing Director and CEO



**Mobasher Raza**  
Finance Director



## Consolidated Condensed Interim Cash Flow Statement (Unaudited) for the three months ended March 31, 2011

	March 31, 2011	Rs '000 March 31, 2010
<b>Cash flows from operating activities</b>		
Cash receipts from customers	16,455,089	15,752,020
Cash paid to Government for Federal excise duty, Sales tax and other levies	(10,577,254)	(9,619,341)
Cash paid to suppliers, employees and others	(3,428,510)	(3,451,877)
Finance cost paid	(48,426)	(28,573)
Cash paid as royalty	(76,254)	(84,082)
Income tax paid	(64,071)	(375,759)
Other cash payments	(3,896)	(2,310)
	2,256,678	2,190,078
<b>Cash flows from investing activities</b>		
Additions in property, plant and equipment	(29,726)	(31,583)
Proceeds from disposal of property, plant and equipment	748	2,815
Finance income received	2,230	2,632
	(26,748)	(26,136)
<b>Cash flows from financing activities</b>		
Dividends paid	(13)	(1,192)
	(13)	(1,192)
<b>Increase in cash and cash equivalents</b>	<b>2,229,917</b>	<b>2,162,750</b>
Cash and cash equivalents at January 1	(2,200,273)	(1,252,963)
<b>Cash and cash equivalents at March 31</b>	<b>29,644</b>	<b>909,787</b>
<b>Cash and cash equivalents comprise:</b>		
Short term bank deposits	-	810,000
Cash and bank balances	58,633	100,700
Short term running finance	(28,989)	(913)
	29,644	909,787

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



**Nicholas Stewart Hales**  
Managing Director and CEO



**Mobasher Raza**  
Finance Director

## Consolidated Condensed Interim Statement of Changes in Equity (Unaudited) as at March 31, 2011

	Share capital	Revenue reserves	Rs '000 Total
Balance at January 1, 2010	2,554,938	1,705,296	4,260,234
Total comprehensive income for the three months	-	681,501	681,501
Balance at March 31, 2010	2,554,938	2,386,797	4,941,735
Balance at January 1, 2011	2,554,938	1,047,149	3,602,087
Total comprehensive income for the three months	-	343,531	343,531
Balance at March 31, 2011	2,554,938	1,390,680	3,945,618

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



**Nicholas Stewart Hales**  
Managing Director and CEO



**Mobasher Raza**  
Finance Director

## Selected notes to and forming part of the Consolidated Condensed Interim Financial Information (Unaudited) for the three months ended March 31, 2011

### 1. Legal status and operations

Pakistan Tobacco Company Limited (the Company) is a public listed company incorporated in Pakistan on November 18, 1947 under the Companies Act, 1913 (now the Companies Ordinance, 1984) and its shares are quoted on the Karachi, Lahore and Islamabad stock exchanges of Pakistan. The Company is a subsidiary of British American Tobacco (Investments) Limited, United Kingdom, whereas its ultimate parent company is British American Tobacco p.l.c, United Kingdom. The registered office of the Company is situated at Silver Square, Plot No. 15, F-11 Markaz, Islamabad. The Company is engaged in the manufacture and sale of cigarettes.

Phoenix (Private) Limited (PPL) is a private company incorporated on March 9, 1992 in Azad Jammu and Kashmir under the Companies Ordinance 1984. the registered office of the PPL is situated at Bun Khurma, Chichian Road, Mirpur, Azad Jammu and Kashmir. The objective for which PPL has been incorporated is to operate and manage an industrial undertaking in Azad Jammu and Kashmir to deal in tobacco products. PPL has not yet commenced its commercial operations.

For the purpose of this consolidated condensed financial information, the Company and its wholly owned subsidiary PPL is referred to as the Group.

### 2. Basis of preparation

This consolidated condensed interim financial information of the Group for the three months period ended March 31, 2011 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

### 3. Accounting policies

The accounting policies and the methods of computation adopted in the preparation of this consolidated condensed interim financial information are the same as those applied in the preparation of the financial statements for the year ended December 31, 2010.

### 4. Cost of sales

	Jan - Mar 2011	Rs '000 Jan - Mar 2010
<b>Raw materials consumed</b>		
Opening stock of raw materials and work in process	5,318,558	4,915,788
Raw material purchases and expenses	2,182,331	2,125,674
Closing stock of raw materials and work in process	(4,276,412)	(3,703,583)
	3,224,477	3,337,879
Excise duty, Customs duty and tobacco development cess	126,690	131,190
Royalty	85,311	88,767
Production overheads	698,038	593,994
<b>Cost of goods manufactured</b>	<b>4,134,516</b>	<b>4,151,830</b>
Cost of finished goods:		
Opening stock	684,265	849,579
Closing stock	(727,074)	(1,255,710)
	(42,809)	(406,131)
	4,091,707	3,745,699

## Selected notes to and forming part of the Consolidated Condensed Interim Financial Information (Unaudited) for the three months ended March 31, 2011

	Jan- Mar 2011	Rs '000 Jan-Mar 2010
<b>5. Other operating expenses</b>		
Workers' Profit Participation Fund	28,211	56,183
Workers' Welfare Fund	12,285	22,444
Bank charges and fees	5,141	9,441
Interest on Workers' Profit Participation Fund	-	144
Loss on disposal of operating fixed assets	-	1,035
Foreign exchange loss	39	-
	<b>45,676</b>	<b>89,247</b>
	March 31, 2011	December 31, 2010
<b>6. Property, plant and equipment</b>		
Operating fixed assets - note 6.1	5,460,647	5,625,279
Capital work in progress	221,354	223,457
	<b>5,682,001</b>	<b>5,848,736</b>
	<u>Three months ended</u> March 31, 2011	<u>March</u> 31, 2010
<b>6.1 Movement in operating fixed assets</b>		
Net book amount at January 1	5,625,279	5,486,402
<b>Additions to the operating fixed assets</b>		
Building	2,440	-
Plant and machinery	1,998	33,765
Vehicles	25,014	29,884
Office and household equipment	2,187	2,124
Furniture and fittings	190	1,104
	<b>31,829</b>	<b>66,877</b>
<b>Book value of disposals of operating fixed assets</b>		
Vehicles	(429)	(1,301)
Office and household equipment	(266)	(2,549)
	<b>(695)</b>	<b>(3,850)</b>
Depreciation charge for the three months	(195,766)	(181,020)
<b>Net book amount at March 31</b>	<b>5,460,647</b>	<b>5,368,409</b>

## Selected notes to and forming part of the Consolidated Condensed Interim Financial Information (Unaudited) for the three months ended March 31, 2011

### 7. Other receivables

These include following balances due from related parties:

	March 31, 2011	Rs 000 December 31, 2010
Associated companies	15,826	39,221
Employees retirement benefit plans	2,217	9,419

### 8. Trade and other payables

These include following balances due to related parties:

Associated companies	212,945	198,914
Employees retirement benefit plans	84,855	86,510

### 9. Short term running finance

Short term finance facilities available under mark-up arrangements with banks amount to Rs 5,350 million (2010: Rs 5,350 million), out of which the amount unavailed at the period end was Rs 5,321 million (2010: Rs 3,098 million). These facilities are secured by hypothecation of stock-in-trade, plant and machinery. The mark-up ranges between 13.28% and 14.39% (2010: 12.72% and 14.39%) per annum and is payable quarterly. The facilities are renewable on annual basis.

### 10. Contingencies and commitments

#### 10.1 Contingencies

Claims and guarantees

	March 31, 2011	Rs 000 December 31, 2010
(i) Claims not acknowledged as debt	127,050	127,050
(ii) Guarantees issued by banks on behalf of the Group	204,608	199,608

#### 10.2 Commitments

(i) Capital expenditure commitments outstanding	245,801	-
(ii) Letters of credit outstanding	554,894	748,185

### 11. Transactions with related parties

	March 31, 2011	Rs 000 March 31, 2010
<b>Purchase of goods and services</b>		
Holding company	61,010	41,827
Associated companies	324,481	390,730
<b>Sale of goods and services</b>		
Associated companies	174,815	138,105
<b>Royalty charge</b>		
Holding company	85,311	88,767
<b>Expenses reimbursed by</b>		
Associated companies	508	587

## Selected notes to and forming part of the Consolidated Condensed Interim Financial Information (Unaudited) for the three months ended March 31, 2011

	March 31, 2011	Rs 000 March 31, 2010
Contribution to retirement benefit plans by the Group		
Staff pension fund	17,636	21,696
Defined contribution pension fund	3,184	1,603
Employee gratuity fund	8,437	12,306
Management provident fund	10,281	9,316
Employee provident fund	3,732	2,770

### 12. Basis for presentation of Consolidated condensed interim financial information

This Consolidated condensed interim financial information is being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984 and the Listing Regulations of the Karachi, Lahore and Islamabad stock exchanges.

### 13. Corresponding figures

Following changes have been made in corresponding figures for the three months ended March 31, 2010 to conform to current period's presentation.

- (i) Royalty of Rs 88,767 has been shown separately in cost of sales. Previously this was being shown as part of Raw material purchases and expenses.

### 14. Date of authorisation

This Consolidated condensed interim financial information has been authorised for issue by the Board of Directors of the Group on April 21, 2011.



**Nicholas Stewart Hales**  
Managing Director and CEO



**Mobasher Raza**  
Finance Director

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