



## Shaping the Future...

**Condensed Interim Financial Information**  
for the three months ended March 31, 2012

## Corporate Information

### Board of Directors

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

Mr. Graeme Amey  
*Managing Director and CEO*

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

Mr. Mustanser Muhammad Ali Khan  
*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 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 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,  
Khyber Pakhtunkhwa  
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, 2012.

The legitimate industry has declined by 10.3% for the period Jan-Mar 2012 (as per independent research). We, however, have been able to sustain our volume by growing market share. Our turnover has grown vs. SPLY; however increase in profitability was restricted due to inflation driven increase in our cost base and heavy marketing investments.

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

(Rs in million)			
	Jan-Mar, 2012	Jan-Mar, 2011	Change
Gross Turnover	17,705	16,455	7.60%
Net Turnover	6,057	5,511	9.91%
Gross Profit	1,860	1,419	31.08%
Operating Profit	591	566	4.42%
Profit before Tax - PBT	552	524	5.34%
Profit after Tax - PAT	360	344	4.65%
Earnings per Share - EPS (Rs)	1.40	1.34	4.48%

Full scale launch of the new packs for Gold Flake, Capstan by Pall Mall (CbPMO) and Dunhill Master Blend were the key marketing initiatives which kicked off in Q1 2012. We are pleased to note that our consumers have welcomed these initiatives as PTC gained share at a time when the overall legitimate market has declined.

Our brands have fared well against stiff competition and in a challenging market environment. CbPMO continues on a growth trajectory growing market share to 16.7% for the period Jan-Mar 2012, from 13.0% in SPLY. Our premium brands Dunhill and Benson, backed by effective and targeted marketing initiatives, have also performed well. PTC's market share in the overall cigarette market is 49.4%, up by 1 ppt vs. 48.4% in SPLY.

Our Net Turnover was 9.91% higher vs SPLY. Effective cost control enabled us to restrict the increase in our cost of sales to 2.6% and our gross margin increased by 31.1% vs. SPLY. Despite inflation in double digits we managed to restrict increase in our administrative expenses to 8.5% vs. SPLY. Intensified marketing initiatives such as Dunhill Master Blend and new packs of CbPMO and Gold Flake resulted in a significant increase in our selling and distribution expenses, which were higher by 78% vs. SPLY. Our operating profit therefore, posted an increase of 4.5% vs. SPLY.

The illicit sector continues to threaten the viability of legitimate players as well as long term sustainability of the Government Revenues from tobacco sector. In times of rising prices and strained incomes, the consumer continues to switch from legitimate brands to the ultra-low priced brands of the duty not paid segment. Abundant availability of the smuggled brands, which are non-compliant with statutory pictorial health warnings, is also enticing the consumers away from legitimate brands. One such smuggled brand without the pictorial health warning is now selling over one billion sticks per annum. The Government must take immediate notice of this alarming situation and intensify its enforcement drive to reign in the activities of the illicit sector.

The Company contributed Rs. 12.1 bn to the National Exchequer in the form of sales tax, excise, customs duties and income tax, higher by 6.7% vs. SPLY. Growth in government revenues is restricted due to growth of the illicit sector. The illicit sector has posted a growth of 5% vs. SPLY while the legitimate industry has registered a decline.

Difficult economic environment, rising costs due to inflation and energy crises, stiff competition from the growing illicit sector pose significant challenges to our business. The company is committed to drive shareholder value by continuing to focus on innovation, productivity and prudent spending to overcome these challenges.



**Graeme Amey**  
Managing Director and CEO



**Mobasher Raza**  
Finance Director

## Condensed Interim Profit and Loss Account (Unaudited)

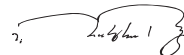
for the three months ended March 31, 2012

	Note	Jan - March 2012	Rs '000 Jan - March 2011
Gross turnover		17,705,137	16,454,639
Excise duties		(9,118,820)	(8,486,545)
Sales tax		(2,529,173)	(2,457,072)
<b>Net turnover</b>		<b>6,057,144</b>	<b>5,511,022</b>
Cost of sales	4	(4,196,791)	(4,091,707)
<b>Gross profit</b>		<b>1,860,353</b>	<b>1,419,315</b>
Selling and distribution expenses		(897,000)	(504,740)
Administrative expenses		(329,749)	(303,964)
Other operating expenses	5	(50,816)	(45,676)
Other operating income		8,585	1,184
		(1,268,980)	(853,196)
<b>Operating profit</b>		<b>591,373</b>	<b>566,119</b>
Finance income		1,085	2,230
Finance cost		(40,872)	(44,630)
Net finance cost		(39,787)	(42,400)
<b>Profit before income tax</b>		<b>551,586</b>	<b>523,719</b>
Income tax expense - current		(236,030)	(216,971)
- deferred		44,087	36,783
		(191,943)	(180,188)
<b>Profit for the period</b>		<b>359,643</b>	<b>343,531</b>
<b>Earnings per share - basic and diluted (Rupees)</b>		<b>1.40</b>	<b>1.34</b>

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



**Graeme Amey**  
Managing Director and CEO



**Mobasher Raza**  
Finance Director

## Condensed Interim Statement of Comprehensive Income (Unaudited)

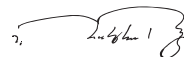
for the three months ended March 31, 2012

	Jan - March 2012	Rs '000 Jan - March 2011
<b>Profit for the three months</b>	359,643	343,531
Other comprehensive income for the three months	-	-
<b>Total comprehensive income for the three months</b>	359,643	343,531

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



**Graeme Amey**  
Managing Director and CEO



**Mobasher Raza**  
Finance Director

## Condensed Interim Balance Sheet (Unaudited)

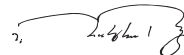
as at March 31, 2012

	Note	March 31, 2012	Rs '000 December 31, 2011
<b>Non current assets</b>			
Property, plant and equipment	6	5,884,720	6,092,284
Long term investment in subsidiary company	7	5,000	5,000
Long term loans		1,146	1,260
Long term deposits and prepayments		21,784	22,640
		5,912,650	6,121,184
<b>Current assets</b>			
Stock-in-trade		5,683,734	6,462,330
Stores and spares		242,580	190,110
Trade debts		1,386	1,202
Loans and advances		98,074	64,310
Short term prepayments		105,917	94,052
Other receivables	8	61,295	196,249
Income tax paid in advance		-	79,419
Cash and bank balances		404,806	109,631
		6,597,792	7,197,303
<b>Current liabilities</b>			
Trade and other payables	9	7,650,997	7,067,704
Accrued interest / mark-up		42,209	51,187
Short term running finance	10	-	1,783,623
Current income tax liability		85,707	-
		7,778,913	8,902,514
<b>Net current liabilities</b>		(1,181,121)	(1,705,211)
<b>Non current liabilities</b>			
Deferred income tax liability		(1,037,951)	(1,082,038)
<b>Net assets</b>		3,693,578	3,333,935
<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
<b>Revenue reserves</b>		1,138,640	778,997
<b>Shareholders' equity</b>		3,693,578	3,333,935
<b>Contingencies and commitments</b>	11		

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



**Graeme Amey**  
Managing Director and CEO



**Mobasher Raza**  
Finance Director

## Condensed Interim Cash Flow Statement (Unaudited)


for the three months ended March 31, 2012

	March 31, 2012	Rs '000 March 31, 2011
<b>Cash flows from operating activities</b>		
Cash receipts from customers	17,704,953	16,455,089
Cash paid to Government for Federal excise duty, Sales tax and other levies	(10,748,116)	(10,577,254)
Cash paid to suppliers, employees and others	(4,681,727)	(3,428,510)
Finance cost paid	(49,850)	(48,426)
Cash paid as royalty	(90,198)	(76,254)
Income tax paid	(70,904)	(64,071)
Other cash payments	(720)	(3,896)
	2,063,438	2,256,678
<b>Cash flows from investing activities</b>		
Additions in property, plant and equipment	(14,080)	(29,726)
Proceeds from disposal of property, plant and equipment	28,425	748
Finance income received	1,086	2,230
	15,431	(26,748)
<b>Cash flows from financing activities</b>		
Dividends paid	(71)	(13)
	(71)	(13)
<b>Increase in cash and cash equivalents</b>	2,078,798	2,229,917
Cash and cash equivalents at January 1	(1,673,992)	(2,200,273)
<b>Cash and cash equivalents at March 31</b>	404,806	29,644
<b>Cash and cash equivalents comprise:</b>		
Cash and bank balances	404,806	58,633
Short term running finance	-	(28,989)
	404,806	29,644

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



**Graeme Amey**  
Managing Director and CEO



**Mobasher Raza**  
Finance Director



## Condensed Interim Statement of Changes in Equity (Unaudited)


as at March 31, 2012

	Share capital	Revenue reserves	Rs '000 Total
<b>Balance at January 1, 2011</b>	2,554,938	1,047,149	3,602,087
Total comprehensive income for the three months	-	343,531	343,531
<b>Balance at March 31, 2011</b>	2,554,938	1,390,680	3,945,618
<b>Balance at January 1, 2012</b>	2,554,938	778,997	3,333,935
Total comprehensive income for the three months	-	359,643	359,643
<b>Balance at March 31, 2012</b>	2,554,938	1,138,640	3,693,578

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



**Graeme Amey**  
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, 2012

### 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 ended March 31, 2012 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, 2011.

### 4. Cost of sales

	Jan - March 2012	Rs '000 Jan - March 2011
Raw materials consumed		
Opening stock of raw materials and work in process	5,376,669	5,318,558
Raw material purchases and expenses	2,457,945	2,182,331
Closing stock of raw materials and work in process	(4,093,201)	(4,276,412)
	3,741,413	3,224,477
Excise duty, Customs duty and tobacco development cess	176,673	126,690
Royalty	93,607	85,311
Production overheads	689,970	698,038
Cost of goods manufactured	4,701,663	4,134,516
Cost of finished goods:		
Opening stock	1,085,661	684,265
Closing stock	(1,590,533)	(727,074)
	(504,872)	(42,809)
	4,196,791	4,091,707

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

for the three months ended March 31, 2012

	Jan- March 2012	Rs '000 Jan-March 2011
<b>5. Other operating expenses</b>		
Workers' Profit Participation Fund	29,735	28,211
Workers' Welfare Fund	13,386	12,285
Bank charges and fees	6,604	5,141
Foreign exchange loss	1,091	39
	50,816	45,676

	March 31, 2012	December 31, 2011
<b>6. Property, plant and equipment</b>		
Operating fixed assets - note 6.1	5,230,220	5,423,123
Capital work in progress	654,500	669,161
	5,884,720	6,092,284

	<u>Three months ended</u>	
	March 31, 2012	March 31, 2011
<b>6.1 Movement in operating fixed assets</b>		
Net book amount at January 1	5,423,123	5,621,915
Additions to the operating fixed assets		
Building	-	2,440
Plant and machinery	385	1,998
Vehicles	24,382	25,014
Office and household equipment	3,973	2,187
Furniture and fittings	-	190
	28,740	31,829
Book value of disposals of operating fixed assets		
Plant and machinery	(23,000)	-
Vehicles	(576)	(429)
Office and household equipment	(1,178)	(266)
	(24,754)	(695)
Depreciation charge for three months	(196,889)	(195,766)
Net book amount at March 31	5,230,220	5,457,283

### 7. Long term investment in subsidiary company

This represents 500,001 (2011: 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, 2011. 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, 2012

### 8. Other receivables

These include following balances due from related parties:

	March 31, 2012	Rs 000 December 31, 2011
Associated companies	122	134,426
Subsidiary company	20,021	20,021
Employees retirement benefit plans	2,797	1,354

### 9. Trade and other payables

These include following balances due to related parties:

Associated companies	357,149	451,905
Employees retirement benefit plans	88,617	205,831

### 10. Short term running finance

Short term finance facilities available under mark-up arrangements with banks amount to Rs 5,350 million (2011: Rs 5,350 million), out of which the amount unavailed at the period end was Rs 5,350 million (2011: Rs 3,566 million). These facilities are secured by hypothecation of stock-in-trade. The mark-up ranges between 12.42% and 13.04% (2011: 12.42% and 14.79%) 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, 2012	Rs 000 December 31, 2011
(i) Claims not acknowledged as debt	131,800	131,800
(ii) Guarantees issued by banks on behalf of the Company	118,747	108,747

#### 11.2 Commitments

(i) Capital expenditure commitments outstanding	167,834	-
(ii) Letters of credit outstanding	622,212	587,861

### 12. Post balance sheet event

The Board of Directors in their meeting held on April 23, 2012 has declared the first interim dividend of Rs 1.25 per share (2011: nil per share). This interim dividend of Rs 319,367 thousand (2011: nil) and the final dividend for the year ended December 31, 2011 of Rs 255,494 thousand (2010: Rs 536,537 thousand) as proposed by the Board of Directors in their meeting on March 19, 2012 will be recorded as liability in the financial statements for the next quarter as required by the International Accounting Standard 10 Events after the Balance Sheet Date .

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

for the three months ended March 31, 2012

### 13. Transactions with related parties

	March 31, 2012	Rs 000 March 31, 2011
Purchase of goods and services		
Holding company	57,926	61,010
Associated companies	383,779	324,481
Sale of goods and services		
Associated companies	86,834	174,815
Royalty charge		
Holding company	93,607	85,311
Expenses reimbursed by		
Associated companies	122	508
Contribution to retirement benefit plans by the Company		
Staff pension fund	19,201	17,636
Defined contribution pension fund	4,444	3,184
Employee gratuity fund	10,157	8,437
Management provident fund	11,086	10,281
Employee provident fund	3,726	3,732

### 14. Basis for presentation of 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.

### 15. Date of authorisation

This condensed interim financial information has been authorised for issue by the Board of Directors of the Company on April 23, 2012.



**Graeme Amey**  
Managing Director and CEO



**Mobasher Raza**  
Finance Director

## Consolidated Condensed Interim Profit and Loss Account (Unaudited)

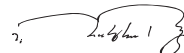
for the three months ended March 31, 2012

	Note	Jan - March 2012	Rs '000 Jan - March 2011
Gross turnover		17,705,137	16,454,639
Excise duties		(9,118,820)	(8,486,545)
Sales tax		(2,529,173)	(2,457,072)
<b>Net turnover</b>		<b>6,057,144</b>	<b>5,511,022</b>
Cost of sales	4	(4,196,791)	(4,091,707)
<b>Gross profit</b>		<b>1,860,353</b>	<b>1,419,315</b>
Selling and distribution expenses		(897,000)	(504,740)
Administrative expenses		(329,749)	(303,964)
Other operating expenses	5	(50,816)	(45,676)
Other operating income		8,585	1,184
		(1,268,980)	(853,196)
<b>Operating profit</b>		<b>591,373</b>	<b>566,119</b>
Finance income		1,085	2,230
Finance cost		(40,872)	(44,630)
Net finance cost		(39,787)	(42,400)
<b>Profit before income tax</b>		<b>551,586</b>	<b>523,719</b>
Income tax expense - current		(236,030)	(216,971)
- deferred		44,087	36,783
		(191,943)	(180,188)
<b>Profit for the period</b>		<b>359,643</b>	<b>343,531</b>
<b>Earnings per share - basic and diluted (Rupees)</b>		<b>1.40</b>	<b>1.34</b>

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



**Graeme Amey**  
Managing Director and CEO



**Mobasher Raza**  
Finance Director

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


for the three months ended March 31, 2012

	Jan - March 2012	Rs '000 Jan - March 2011
<b>Profit for the three months</b>	359,643	343,531
Other comprehensive income for the three months	-	-
<b>Total comprehensive income for the three months</b>	<b>359,643</b>	<b>343,531</b>

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



**Graeme Amey**  
Managing Director and CEO



**Mobasher Raza**  
Finance Director

## Consolidated Condensed Interim Balance Sheet (Unaudited)

as at March 31, 2012

	Note	March 31, 2012	Rs '000 December 31, 2011
<b>Non current assets</b>			
Property, plant and equipment	6	5,909,768	6,117,332
Long term loans		1,146	1,260
Long term deposits and prepayments		21,784	22,640
		5,932,698	6,141,232
<b>Current assets</b>			
Stock-in-trade		5,683,734	6,462,330
Stores and spares		242,580	190,110
Trade debts		1,386	1,202
Loans and advances		98,074	64,310
Short term prepayments		105,917	94,052
Other receivables	7	41,274	176,228
Income tax paid in advance		-	79,419
Cash and bank balances		404,806	109,631
		6,577,771	7,177,282
<b>Current liabilities</b>			
Trade and other payables	8	7,651,024	7,067,731
Accrued interest / mark-up		42,209	51,187
Short term running finance	9	-	1,783,623
Current income tax liability		85,707	-
		7,778,940	8,902,541
<b>Net current liabilities</b>		(1,201,169)	(1,725,259)
<b>Non current liabilities</b>			
Deferred income tax liability		(1,037,951)	(1,082,038)
<b>Net assets</b>		3,693,578	3,333,935
<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
<b>Revenue reserves</b>		1,138,640	778,997
<b>Shareholders' equity</b>		3,693,578	3,333,935
<b>Contingencies and commitments</b>	10		

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



**Graeme Amey**  
Managing Director and CEO



**Mobasher Raza**  
Finance Director



## Consolidated Condensed Interim Cash Flow Statement (Unaudited)

for the three months ended March 31, 2012

	March 31, 2012	Rs '000 March 31, 2011
<b>Cash flows from operating activities</b>		
Cash receipts from customers	17,704,953	16,455,089
Cash paid to Government for Federal excise duty, Sales tax and other levies	(10,748,116)	(10,577,254)
Cash paid to suppliers, employees and others	(4,681,727)	(3,428,510)
Finance cost paid	(49,850)	(48,426)
Cash paid as royalty	(90,198)	(76,254)
Income tax paid	(70,904)	(64,071)
Other cash payments	(720)	(3,896)
	2,063,438	2,256,678
<b>Cash flows from investing activities</b>		
Additions in property, plant and equipment	(14,080)	(29,726)
Proceeds from disposal of property, plant and equipment	28,425	748
Finance income received	1,086	2,230
	15,431	(26,748)
<b>Cash flows from financing activities</b>		
Dividends paid	(71)	(13)
	(71)	(13)
<b>Increase in cash and cash equivalents</b>	2,078,798	2,229,917
Cash and cash equivalents at January 1	(1,673,992)	(2,200,273)
<b>Cash and cash equivalents at March 31</b>	404,806	29,644
<b>Cash and cash equivalents comprise:</b>		
Cash and bank balances	404,806	58,633
Short term running finance	-	(28,989)
	404,806	29,644

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



**Graeme Amey**  
Managing Director and CEO



**Mobasher Raza**  
Finance Director

## Consolidated Condensed Interim Statement of Changes in Equity (Unaudited)

as at March 31, 2012

	Share capital	Revenue reserves	Rs '000 Total
<b>Balance at January 1, 2011</b>	2,554,938	1,047,149	3,602,087
Total comprehensive income for the three months	-	343,531	343,531
<b>Balance at March 31, 2011</b>	2,554,938	1,390,680	3,945,618
<b>Balance at January 1, 2012</b>	2,554,938	778,997	3,333,935
Total comprehensive income for the three months	-	359,643	359,643
<b>Balance at March 31, 2012</b>	2,554,938	1,138,640	3,693,578

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



**Graeme Amey**  
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, 2012

### 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 ended March 31, 2012 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, 2011.

### 4. Cost of sales

	Jan - March 2012	Rs '000 Jan - March 2011
Raw materials consumed		
Opening stock of raw materials and work in process	5,376,669	5,318,558
Raw material purchases and expenses	2,457,945	2,182,331
Closing stock of raw materials and work in process	(4,093,201)	(4,276,412)
	3,741,413	3,224,477
Excise duty, Customs duty and tobacco development cess	176,673	126,690
Royalty	93,607	85,311
Production overheads	689,970	698,038
Cost of goods manufactured	4,701,663	4,134,516
Cost of finished goods:		
Opening stock	1,085,661	684,265
Closing stock	(1,590,533)	(727,074)
	(504,872)	(42,809)
	4,196,791	4,091,707

**Selected notes to and forming part of the Consolidated Condensed Interim Financial Information (Unaudited) for the three months ended March 31, 2012**

	Jan- March 2012	Rs '000 Jan-March 2011
<b>5. Other operating expenses</b>		
Workers' Profit Participation Fund	29,735	28,211
Workers' Welfare Fund	13,386	12,285
Bank charges and fees	6,604	5,141
Foreign exchange loss	1,091	39
	<b>50,816</b>	<b>45,676</b>

	March 31, 2012	December 31, 2011
<b>6. Property, plant and equipment</b>		
Operating fixed assets - note 6.1	5,233,584	5,426,487
Capital work in progress	676,184	690,845
	<b>5,909,768</b>	<b>6,117,332</b>

	Three months ended	
	March 31, 2012	March 31, 2011
<b>6.1 Movement in operating fixed assets</b>		
Net book amount at January 1	5,426,487	5,625,279
Additions to the operating fixed assets		
Building	-	2,440
Plant and machinery	385	1,998
Vehicles	24,382	25,014
Office and household equipment	3,973	2,187
Furniture and fittings	-	190
	<b>28,740</b>	<b>31,829</b>
Book value of disposals of operating fixed assets		
Plant and machinery	(23,000)	-
Vehicles	(576)	(429)
Office and household equipment	(1,178)	(266)
	<b>(24,754)</b>	<b>(695)</b>
Depreciation charge for three months	(196,889)	(195,766)
Net book amount at March 31	<b>5,233,584</b>	<b>5,460,647</b>

	March 31, 2012	Rs 000 December 31, 2011
<b>7. Other receivables</b>		
These include following balances due from related parties:		
Associated companies	122	134,426
Employees retirement benefit plans	2,797	1,354

## Selected notes to and forming part of the Consolidated Condensed Interim Financial Information (Unaudited) for the three months ended March 31, 2012

	March 31, 2012	Rs 000 December 31, 2011
<b>8. Trade and other payables</b>		
These include following balances due to related parties:		
Associated companies	357,149	451,905
Employees retirement benefit plans	88,617	205,831

### 9. Short term running finance

Short term finance facilities available under mark-up arrangements with banks amount to Rs 5,350 million (2011: Rs 5,350 million), out of which the amount unavailed at the period end was Rs 5,350 million (2011: Rs 3,566 million). These facilities are secured by hypothecation of stock-in-trade. The mark-up ranges between 12.42% and 13.04% (2011: 12.42% and 14.79%) 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, 2012	Rs 000 December 31, 2011
(i) Claims not acknowledged as debt	131,800	131,800
(ii) Guarantees issued by banks on behalf of the Company	118,747	108,747

#### 10.2 Commitments

(i) Capital expenditure commitments outstanding	167,834	-
(ii) Letters of credit outstanding	622,212	587,861

### 11. Post balance sheet event

The Board of Directors in their meeting held on April 23, 2012 has declared the first interim dividend of Rs 1.25 per share (2011: nil per share). This interim dividend of Rs 319,367 thousand (2011: nil) and the final dividend for the year ended December 31, 2011 of Rs 255,494 thousand (2010: Rs 536,537 thousand) as proposed by the Board of Directors in their meeting on March 19, 2012 will be recorded as liability in the financial statements for the next quarter as required by the International Accounting Standard 10 Events after the Balance Sheet Date .

**Selected notes to and forming part of the Consolidated Condensed Interim Financial Information (Unaudited)**  
for the three months ended March 31, 2012

**12. Transactions with related parties**

	March 31, 2012	Rs 000 March 31, 2011
Purchase of goods and services		
Holding company	57,926	61,010
Associated companies	383,779	324,481
Sale of goods and services		
Associated companies	86,834	174,815
Royalty charge		
Holding company	93,607	85,311
Expenses reimbursed by		
Associated companies	122	508
Contribution to retirement benefit plans by the Company		
Staff pension fund	19,201	17,636
Defined contribution pension fund	4,444	3,184
Employee gratuity fund	10,157	8,437
Management provident fund	11,086	10,281
Employee provident fund	3,726	3,732

**13. Basis for presentation of 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.

**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 23, 2012.



**Graeme Amey**  
Managing Director and CEO



**Mobasher Raza**  
Finance Director

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