



PAKISTAN TOBACCO
COMPANY



EXCELLING BEYOND BORDERS

Pakistan Tobacco Company Limited

Condensed Interim Financial Statements

For the three months period ended March 31, 2020

Corporate Information

Board of Directors

Zafar Mahmood
Chairman & Non-Executive Director

Usman Zahur
MD / CEO & Executive Director

William Pegel
Director Finance/IT

Syed Asad Ali Shah
Legal & External Affairs Director

Syed Ali Akbar
Marketing Director

Syed Javed Iqbal
Non-Executive Director

Zafar Aslam
Non-Executive Director

Tajamal Shah
Non-Executive Director

Mohammad Riaz
Non-Executive Director

Asif Jooma
Non-Executive Director

Lt. Gen. (R) M. Masood Aslam
Non-Executive Director

Belinda Joy Ross
Non-Executive Director

Audit Committee

Mohammad Riaz (Chairman)

Lt. Gen. (R) M. Masood Aslam

Belinda Joy Ross

Tajamal Shah

Asif Jooma

Usman Javed (Secretary)

Company Secretary

Yusuf Zaman

Registered Office

Pakistan Tobacco Company Limited
Serena Business Complex, Khayaban-e-
Suhrwardy. P.O. Box 2549, Islamabad-44000
Telephone: +92 (051) 2083200, 2083201
Fax: +92 (051) 2604516
Web: www.ptc.com.pk

Factories

Akora Khattak Factory
P.O. Akora Khattak
Tehsil and District Nowshera,
Khyber Pakhtunkhwa
Telephone: +92 (0923) 561561-72
Fax: +92 (0923) 561502

Jhelum Factory
G.T. Road, Kala Gujran
Jhelum
Telephone: +92 (0544) 646500-7
Fax: +92 (0544) 646524

Bankers

MCB Bank Limited
MCB Islamic Bank Limited
Habib Bank Limited
National Bank of Pakistan
Citibank N.A.
Standard Chartered Bank (Pakistan) Ltd.
Deutsche Bank AG

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants
Sixth Floor, State Life Building No. 5
Jinnah Avenue, Blue Area, Islamabad. 44000
Telephone: +92 (051) 2823558
Fax: +92 (051) 2822671

Share Registrar

FAMCO Associates (Pvt.) Ltd.
8-F, Near Hotel Faran, Nursery, Block 6,
P.E.C.H.S, Shahrah-e-Faisal,
Karachi
Ph: +92 (021) 34380101-2

Directors' Review

The challenges being faced by the legitimate tobacco industry owing to the accelerated growth of the duty not paid (DNP) sector since June 2019 have continued to negatively impact the performance of the Company in the first quarter of 2020. The aggressive excise led price increases in 2018 and 2019 triggered a significant price differential between legitimate industry brands and DNP brands, this coupled with weak enforcement by the Government authorities against the DNP sector, has resulted in 5.8% growth in the share of DNP segment since June 2019. The DNP share now stands at an alarmingly high 37.7% (Access Retail – Mar 2020). As a direct consequence of this PTC's sales volumes in Q1'20 declined by 19% vs Q1'19 leading to a 3% decline in the Company's contribution to the national exchequer in Q1'20 (Rs.24.7bn vs Rs.25.6bn in Q1'19) despite the 32% excise rate increase in Jun'19. This contribution is also 5% lower in comparison to Q4'2019, which highlights the fact that the Company continues to lose volume & share to the duty not paid segment. DNP tax evasion caused an estimated loss of government revenue of Rs.19.1bn during Q1 2020.

Apart from the increase in the sale of DNP brands, another recent phenomenon post Jun'19 is the unusual increase in the incidence of counterfeit of PTC brands countrywide, especially the incidence of counterfeit of Capstan by Pall Mall Original (CbPMO) which is the biggest brand in PTC portfolio. Based on a research carried out by Access Retail, it is estimated that PTC has lost approximately 0.8bn sticks in Q1'20 to counterfeit brands with a full year 2020 projection of volume loss at 2.75 bn sticks. In response to this serious challenge, PTC is taking commercial measures to increase differentiation of its product to protect customers in the Value for Money (VFM) segment. The Directors of the Company urge the Government of Pakistan to put greater efforts behind enforcement against the counterfeit brands so that the legitimate sector and its significant revenue contribution to the national exchequer can be protected and consumers are not defrauded by the rampant proliferation of counterfeit brands. Counterfeit tax evasion caused an estimated loss of government revenue of Rs.1.7bn during Q1'20.

The government did increase enforcement efforts on curbing DNP across the country in the first quarter of 2020 as compared to the previous year; however, these efforts need to be significantly scaled up to deliver a positive impact on revenue collection and for creating a level playing field for the legitimate industry. The Inland Revenue Enforcement Network (IREN), along with support from other Law Enforcement Agencies (LEAs), has had some success against the illicit players but the momentum needs to be significantly enhanced in the coming months to yield the desired results. Furthermore, the IREN and LEAs need to build on their positive efforts by prosecuting persons involved in the illicit sector in particular, counterfeiters and smugglers to set an example which will act as a deterrence to others involved in these illegal activities.

In March 2020 the Ministry of National Health Services, Regulations and Coordination issued a Statutory Regulatory Order (SRO) No. 72(I)/2020 (SRO) for prohibiting advertisement, promotion and sponsorship of tobacco and tobacco products. Pakistan is already a heavily regulated market for tobacco products, and the challenge has been that existing laws and regulations are not adequately or uniformly enforced. We believe that these additional regulations will also face a similar challenge, and for this reason not only will they struggle to achieve their intended objectives, but they may have many unintended consequences, including further acceleration of illicit cigarette trade. Furthermore, the new SRO we believe is disproportionate, unreasonable and against the principles of natural justice and for this reason the Company is pursuing available legal remedies to challenge the SRO.

Key financial indicators of the Company for the period ended March 31, 2020 are given below:

| | Rs. (million) | |
|-------------------------------|-----------------|-----------------|
| | Jan - Mar, 2020 | Jan - Mar, 2019 |
| Gross Turnover | 38,607 | 35,988 |
| FED & Sales Tax | 24,693 | 23,553 |
| Net Turnover | 13,914 | 12,435 |
| Cost of Sales | 7,762 | 6,702 |
| Gross Profit | 6,151 | 5,732 |
| Operating Profit | 3,823 | 3,680 |
| Profit Before Tax – PBT | 3,880 | 3,867 |
| Profit After Tax – PAT | 2,821 | 2,792 |
| Earnings Per Share – EPS (Rs) | 11.04 | 10.93 |

Gross Turnover and Net Turnover increased by 7% and 12% respectively vs Same Period Last Year (SPLY) owing to the excise duty led price increase taken in June '19 and significant increase in exports volume in Q1'2020. The Company exported Raw Tobacco and Finished Goods worth Rs 1.2 bn in Q1'2020 with continued focus on supporting the export agenda of the Government of Pakistan.

The cost of sales increase was attributable primarily to cost pressures stemming from rapid devaluation of the Pak Rupee, higher local inflation along with increase in import and regulatory duties. After accounting for the latest round of devaluation, the overall impact of devaluation during the period under review is 18%. The cost base is expected to remain under pressure in 2020 as well due to an uncertain economic environment and inflationary pressures. Hence, PTC aims to remain committed to cost saving initiatives through increasing operating efficiencies.

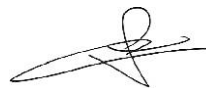
Towards the end of March 2020, Company's operations were disrupted by country wide lockdowns & supply chain disruptions post the COVID-19 outbreak in Pakistan. This not only led to the temporary shutdown of our manufacturing facilities, but also added multiple challenges to our supply chain & marketing activities. Our first and foremost focus was the safety of all our staff and business partners in this difficult time. We have taken all steps to minimise risk of exposure throughout the supply chain. The Company proactively engaged with the relevant Government authorities to ensure safety of all staff involved and ensue minimum disruption to the supply chain. Overall, there has been only limited impact of COVID-19 on Company's performance in Q1'20.

The Company has always maintained a focus on risk management and is committed to undertake all necessary steps to maintain business continuity without compromising health and safety of our staff and our business partners. The Company aims to emerge from the COVID19 crisis stronger and will continue to drive shareholder value by strengthening its business operations and delivering the best products to its consumers.



Usman Zahur

MD & Chief Executive Officer



William Pegel

Chief Financial Officer & Director

31 مارچ 2020 کو ختم ہونے والے عرصے کے لئے کمپنی کے کلیدی مالیاتی اشاریے نیچے دیئے گئے ہیں:

| روپے (ملین) | | |
|---------------------|---------------------|---|
| جنوری سے مارچ، 2020 | جنوری سے مارچ، 2019 | |
| 38,607 | 35,988 | مجموعی کاروبار (Gross Turnover) |
| 24,693 | 23,553 | فیڈرل ایکسائز ڈیوٹی اور سیلز ٹیکس (FED & Sales Tax) |
| 13,914 | 12,435 | خالص وصولیات (Net Turnover) |
| 7,762 | 6,702 | لاگت برائے فروخت (Cost of Sales) |
| 6,151 | 5,732 | کل منافع (Gross Profit) |
| 3,823 | 3,680 | کاروباری منافع (Operating Profit) |
| 3,880 | 3,867 | قبل از ٹیکس منافع (Profit Before Tax – PBT) |
| 2,821 | 2,792 | بعد از ٹیکس منافع (Profit After Tax – PAT) |
| 11.04 | 10.93 | آمدنی فی حصص (روپے) (Earnings Per Share – EPS (Rs)) |

ایکسائز ڈیوٹی کے نتیجے میں جون میں قیمت میں اضافے اور 2020 کی پہلی سہ ماہی میں برآمدات کے حجم میں نمایاں اضافہ کی وجہ سے گزشتہ سال اسی عرصے کے مقابلے (ایس پی ایل وائی) میں مجموعی کاروبار اور خالص کاروبار میں بالترتیب 7 فیصد اور 12 فیصد اضافہ ہوا۔ کمپنی نے حکومت پاکستان کے برآمدات کی حمایت کے ایجنڈے پر مسلسل توجہ رکھتے ہوئے 1.2 ملین روپے کی لاگت کے خام تباہ کو اور تیار مال کی برآمدات کیں۔

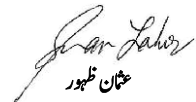
میلز کے اخراجات میں اضافہ بنیادی طور پر پاک روپے کی قدر میں تیزی سے کمی، درآمد اور ریگولیٹری ڈیوٹی میں اضافے کے ساتھ مقامی سطح پر افراط زر کی وجہ سے پیدا ہونے والے لاگتی دباؤ سے منسلک تھا۔ قدر میں کمی کے حالیہ دور کے پیش نظر زیر جائزہ عرصے کے دوران قدر میں کمی کا اثر 18 فیصد ہے۔ غیر یقینی معاشی ماحول اور مہنگائی کے دباؤ کی وجہ سے 2020 میں بھی لاگت کی بنیاد دباؤ میں رہنے کی توقع ہے۔ لہذا اپنی ٹی سی کا مقصد بڑھتی ہوئی آپریٹنگ المیت کے ذریعے لاگت کی بچت کے اقدامات کے لئے پرعزم رہتا ہے۔

مارچ 2020 کے اختتام پر پاکستان میں کووڈ 19 دبا پھیلنے کے بعد ملک بھر میں لاک ڈاؤن کی وجہ سے کمپنی کے آپریشن اور سپلائی کی زنجیر میں خلل پیدا ہوا۔ اس سے نہ صرف ہماری مینوفیکچرنگ کی سہولیات عارضی طور پر بند ہو گئیں بلکہ ہماری سپلائی اور مارکیٹنگ کی سرگرمیوں میں بھی بہت سے چیلنجز شامل ہو گئے۔ اس مشکل وقت میں ہماری پہلی اور سب سے زیادہ توجہ ہمارے تمام عملے اور کاروباری شراکت داروں کی حفاظت تھی۔ ہم نے سپلائی کی پوری زنجیر کے لئے خطرے کا سامنا سے کم کرنے کے لئے تمام اقدامات کئے۔ کمپنی متعلقہ سرکاری حکام کے ساتھ فعال طور پر شامل رہی تاکہ تمام عملے کی حفاظت کو یقینی بنایا جاسکے اور سپلائی کی زنجیر میں کم سے کم رکاوٹ کو یقینی بنایا جاسکے۔ 2020 کی پہلی سہ ماہی میں مجموعی طور پر کمپنی کی کارکردگی پر کووڈ 19 کے اثرات محدود رہے۔

کمپنی نے ہمیشہ رسک منیجمنٹ پر توجہ رکھی ہے اور اپنے عملے اور اپنے کاروباری شراکت داروں کی صحت اور حفاظت پر سمجھوتے کے بغیر کاروبار کے تسلسل کو برقرار رکھنے کے لئے تمام ضروری اقدامات کرنے کے لئے پرعزم ہے۔ کمپنی کا مقصد کووڈ 19 کے بحران سے مضبوطی سے باہر نکلنا ہے اور کمپنی اپنے کاروباری عمل کے استحکام اور اپنے صارفین کو بہترین مصنوعات کی فراہمی کے ذریعے حصص دار کی قدر کو آگے بڑھاتی رہے گی۔


ولیم پیگل

سی ایف او اور ڈائریکٹر فنانس


عثمان ظہور

ٹیچنگ ڈائریکٹر / سی ای او

ڈائریکٹرز 2020 کی پہلی سہ ماہی کے لئے کمپنی کی کارکردگی پیش کرتے ہیں

جون 2019 کے بعد سے ادانہ کی جانے والی ڈیوٹی (ڈی این پی) کے شعبے کی تیز رفتار نمو کی وجہ سے تمباکو کی قانونی صنعت کو درپیش چیلنجز نے 2020 کی پہلی سہ ماہی میں کمپنی کی کارکردگی پر منفی اثر ڈالا ہے۔ 2018 اور 2019 میں جارحانہ ایکسائز کی وجہ سے قیمت میں اضافے نے قانونی انڈسٹری برانڈز اور ڈی این پی برانڈز کے درمیان قیمت کے فرق کو متاثر کیا، اس کے ساتھ ہی سرکاری حکام کے ڈی این پی شعبے کے خلاف کمزور نفاذ کے باعث جون 2019 کے بعد سے ڈی این پی کے شعبے کا حصہ 5.8 فیصد بڑھا ہے۔ ڈی این پی کا حصہ اب خطرناک حد تک 37.7 فیصد تک بلند ہے (پرچون رسائی۔ مارچ 2020)۔ اس کے براہ راست نتیجے کے طور پر پی ٹی سی کا 2019 کی پہلی سہ ماہی کے مقابلے میں 2020 کی پہلی سہ ماہی میں سبز کے حجم میں 19 فیصد کمی ہوئی جو 2019 میں ایکسائز کی شرح میں 32 فیصد اضافے کے باوجود پہلی سہ ماہی میں کمپنی کی قومی خزانے میں اعانت میں 3 فیصد کمی کا باعث بنا (2019 میں 25.6 بلین روپے کے مقابلے میں 24.7 بلین روپے)۔ یہ اعانت 2019 کی چوتھی سہ ماہی کے مقابلے میں بھی 5 فیصد کم ہے جو یہ حقیقت ظاہر کرتا ہے کہ ڈیوٹی ادانہ کرنے والے والے حصے میں کمپنی مسلسل اپنا حجم اور حصہ کھو رہی ہے۔ ڈی این پی کی ٹیکس چوری کی وجہ سے 2020 کی پہلی سہ ماہی کے دوران حکومتی محاصل کو اندازاً 19.1 بلین روپے کا نقصان ہوا۔

ڈی این پی برانڈز کی فروخت میں اضافے سے ہٹ کر جون 2019 کے بعد ایک اور حالیہ مشاہدہ یہ ہے کہ ملک بھر میں پی ٹی سی کے برانڈز کی تقابلی غیر معمولی اضافہ ہے بالخصوص کپسٹن کے پال مال اور بیٹیل (سی بی پی اینم او) جو پی ٹی سی کے شعبے میں سب سے بڑا برانڈ ہے کی تقابلی کے واقعات ہیں۔ پرچون رسائی کے ذریعے کی گئی تحقیق کی بنیاد پر اندازہ لگایا گیا ہے کہ پی ٹی سی نے 2020 کی پہلی سہ ماہی میں جعلی برانڈز کی وجہ سے تقریباً 0.8 بلین ڈنڈوں نقصان اٹھایا ہے جبکہ 2020 کے پورے سال میں نقصان کے تخمینے کا حجم 2.75 بلین ڈنڈوں ہے۔ اس سنجیدہ چیلنج کے رد عمل میں پی ٹی سی اپنی مصنوعات میں فرق کو بڑھانے کے لئے تجارتی اقدامات کر رہی ہے تاکہ پیسے کے بدلے میں قدر (وی ایف ایم) کے حصے میں صارفین کو بچا سکے۔ کمپنی کے ڈائریکٹرز حکومت پاکستان سے چاہتے ہیں کہ وہ جعلی برانڈز کے خلاف نفاذ کے لئے زیادہ کوششیں کرے تاکہ قومی خزانے کو محفوظ رکھے اور جعلی برانڈز کے بے ہنگم پھیلاؤ سے صارفین کو بچایا جاسکے۔ 2020 کی پہلی سہ ماہی کے دوران جملوں کی ٹیکس چوری سے حکومتی محاصل کو تقریباً 1.7 بلین روپے کا نقصان ہوا ہے۔

گزشتہ سال کے مقابلے میں حکومت نے 2020 کی پہلی سہ ماہی میں ملک بھر میں ڈی این پی کو روکنے کے لئے نفاذ کی کوششوں میں اضافہ کیا ہے؛ تاہم ان کوششوں کو نمایاں طور پر بڑھانے کی ضرورت ہے تاکہ محاصل کی وصولی پر مثبت اثرات مرتب ہو سکیں اور قانونی صنعت کے لئے کاروبار کا ایک سازگار ماحول پیدا ہو سکے۔ دوسرے قانون نافذ کرنے والے اداروں (ایل ای ایز) کے تعاون کے ساتھ ان لینڈ ریویو انفورسمنٹ ڈرک (آئی آر ای این) نے غیر قانونی کاروبار کرنے والوں کے خلاف کچھ کامیابی حاصل کی ہے لیکن آنے والے مہینوں میں رفتار نمایاں طور پر تیز کرنے کی ضرورت ہے تاکہ متوقع نتائج حاصل ہو سکیں۔ مزید برآں آئی آر ای این اور ایل ای ایز کو غیر قانونی شعبے میں شامل افراد خصوصاً طور پر جملوں اور اسمگلرز کے خلاف قانونی چارہ جوئی کے ذریعے اپنی مثبت کوششوں کو فروغ دینے کی ضرورت ہے تاکہ ان غیر قانونی سرگرمیوں میں شامل دوسرے افراد کی روک تھام کے لئے ایک مثال قائم ہو۔

نیشنل ہیلتھ سروسز، ریگولیشنز اور کوآرڈینیشن کی وزارت نے مارچ 2020 میں تمباکو مصنوعات اور تمباکو کی سپائرسٹ اور فروغ اور اشتہارات پر پابندی کے لئے ایک قانونی ریگولیشنری آرڈر (ایس آر او) نمبر (SRO) 72(I)/2020 جاری کیا۔ پاکستان تمباکو کی مصنوعات کے لئے پہلے ہی سے بہت زیادہ کنٹرول کی گئی مارت ہے اور یہ چیلنج رہا ہے کہ موجودہ قوانین اور قواعد و ضوابط کو کافی حد تک یکساں طور پر نافذ نہیں کیا گیا۔ ہمیں یقین ہے کہ ان اضافی ریگولیشنز کو بھی اسی طرح کے چیلنجز کا سامنا ہو گا اور اس مقصد کے لئے انہیں نہ صرف متوقع اہداف کے حصول کے لئے کوشش کرنا ہوگی بلکہ انہیں بہت سے غیر متوقع نتائج کا سامنا کرنا پڑ سکتا ہے جس میں غیر قانونی سیکرٹ کی تجارت میں مزید اضافہ بھی شامل ہے۔ مزید برآں ہمیں یقین ہے کہ نیا ایس آر او غیر متناسب، غیر منطقی اور قدرتی انصاف کے اصولوں کے منافی ہے اور اسی وجہ سے کمپنی ایس آر او کو چیلنج کرنے کے لئے دستیاب قانونی حل کو تلاش کر رہی ہے۔

Condensed Interim Statement of Profit or Loss (Unaudited)

for the three months period ended March 31, 2020

| | Note | Jan - March 2020 | Rs '000 Jan - March 2019 |
|---|------|---------------------|--------------------------------|
| Domestic turnover | | 37,418,847 | 35,903,068 |
| Export turnover | | 1,187,891 | 84,769 |
| Gross turnover | | 38,606,738 | 35,987,837 |
| Excise duties | | (19,038,632) | (18,124,962) |
| Sales tax | | (5,654,549) | (5,428,197) |
| Net turnover | | 13,913,557 | 12,434,678 |
| Cost of sales | 6 | (7,762,318) | (6,702,280) |
| Gross profit | | 6,151,239 | 5,732,398 |
| Selling and distribution costs | | (1,012,073) | (1,048,506) |
| Administrative expenses | | (903,565) | (698,060) |
| Other operating expenses | 7 | (413,069) | (336,461) |
| Other income | 8 | 428 | 30,147 |
| | | (2,328,279) | (2,052,880) |
| Operating profit | | 3,822,960 | 3,679,518 |
| Finance income | 9 | 115,938 | 210,281 |
| Finance cost | | (59,369) | (22,387) |
| Net finance income | | 56,569 | 187,894 |
| Profit before income tax | | 3,879,529 | 3,867,412 |
| Income tax expense - current | 10 | (1,093,037) | (1,076,275) |
| - deferred | | 34,186 | 1,094 |
| | | (1,058,851) | (1,075,181) |
| Profit for the period | | 2,820,678 | 2,792,231 |
| Earnings per share - basic and diluted (Rupees) | | 11.04 | 10.93 |

The annexed notes 1 to 24 are an integral part of these condensed interim financial statements.



Usman Zahur
MD & Chief Executive Officer



William Pegel
Chief Financial Officer & Director

Condensed Interim Statement of Comprehensive Income (Unaudited)

for the three months period ended March 31, 2020

| | Jan - March 2020 | Rs '000 Jan - March 2019 |
|--|---------------------|--------------------------------|
| Profit for the three months | 2,820,678 | 2,792,231 |
| Other comprehensive income for the three months | - | - |
| Total comprehensive income for the three months | 2,820,678 | 2,792,231 |

The annexed notes 1 to 24 are an integral part of these condensed interim financial statements.



Usman Zahur
MD & Chief Executive Officer



William Pegel
Chief Financial Officer & Director

Condensed Interim Statement of Financial Position (Unaudited)

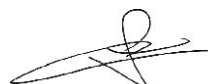
as at March 31, 2020

| | Note | March 31, 2020 (Unaudited) | Rs '000 December 31, 2019 (Audited) |
|---|------|----------------------------------|--|
| Non current assets | | | |
| Property, plant and equipment | 11 | 11,978,963 | 12,322,830 |
| Advance for capital expenditure | | 175,783 | 175,783 |
| Long term investment in subsidiary company | 12 | 5,000 | 5,000 |
| Long term deposits and prepayments | | 31,623 | 30,759 |
| | | 12,191,369 | 12,534,372 |
| Current assets | | | |
| Stock-in-trade | | 19,990,735 | 21,422,543 |
| Stores and spares | | 654,837 | 663,999 |
| Trade debts | | 1,774 | 4,260 |
| Loans and advances | 13 | 592,339 | 125,644 |
| Short term prepayments | | 86,562 | 15,921 |
| Other receivables | 14 | 1,879,395 | 2,131,912 |
| Short term investment | | 8,704,389 | 3,001,058 |
| Cash and bank balances | 15 | 591,954 | 535,905 |
| | | 32,501,985 | 27,901,242 |
| Current liabilities | | | |
| Trade and other payables | 16 | 17,927,554 | 16,295,217 |
| Other liabilities | | 2,918,524 | 2,865,822 |
| Lease liability | 17 | 479,201 | 376,065 |
| Short term running finance | 18 | 2,380 | - |
| Unpaid dividend | | 65,234 | 66,740 |
| Unclaimed dividend | | 77,808 | 78,235 |
| Accrued interest / mark-up | | 18,715 | 25,735 |
| Current income tax liability | | 330,564 | 449,395 |
| | | 21,819,980 | 20,157,209 |
| Net current assets | | 10,682,005 | 7,744,033 |
| Non current liabilities | | | |
| Lease liability | 17 | (1,150,084) | (1,341,607) |
| Deferred income tax liability | | (611,757) | (645,943) |
| | | (1,761,841) | (1,987,550) |
| Net assets | | 21,111,533 | 18,290,855 |
| Share capital and reserves | | | |
| Authorised share capital 300,000,000 ordinary shares of Rs 10 each | 19 | 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 | | 18,556,595 | 15,735,917 |
| Shareholders' equity | | 21,111,533 | 18,290,855 |
| Contingencies and commitments | 20 | | |

The annexed notes 1 to 24 are an integral part of these condensed interim financial statements.



Usman Zahur
MD & Chief Executive Officer



William Pegel
Chief Financial Officer & Director

Condensed Interim Statement of Changes in Equity (Unaudited)

as at March 31, 2020

| | Share capital | Revenue reserves | Rs '000 Total |
|---|---------------|------------------|---------------|
| Balance at January 1, 2019 | 2,554,938 | 15,210,686 | 17,765,624 |
| Total comprehensive income for the three months | - | 2,792,231 | 2,792,231 |
| Balance at March 31, 2019 | 2,554,938 | 18,002,917 | 20,557,855 |
| Balance at April 1, 2019 | 2,554,938 | 18,002,917 | 20,557,855 |
| Total comprehensive income for the nine months | - | 9,996,701 | 9,996,701 |
| Final dividend of Rs 22.00 per share relating to the year ended December 31, 2018 | - | (5,620,863) | (5,620,863) |
| Interim dividend of Rs 13.00 per share relating to the year ended December 31, 2019 | - | (3,321,419) | (3,321,419) |
| Interim dividend of Rs 13.00 per share relating to the year ended December 31, 2019 | - | (3,321,419) | (3,321,419) |
| Balance at December 31, 2019 | 2,554,938 | 15,735,917 | 18,290,855 |
| Balance at January 1, 2020 | 2,554,938 | 15,735,917 | 18,290,855 |
| Total comprehensive income for the three months | - | 2,820,678 | 2,820,678 |
| Balance at March 31, 2020 | 2,554,938 | 18,556,595 | 21,111,533 |

The annexed notes 1 to 24 are an integral part of these condensed interim financial statements.



Usman Zahur
MD & Chief Executive Officer



William Pegel
Chief Financial Officer & Director

Condensed Interim Statement of Cash Flows (Unaudited)

for the three months period ended March 31, 2020

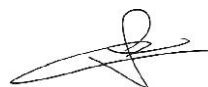
| | Note | March 31, 2020 | Rs '000 March 31, 2019 |
|---|------|-------------------|------------------------------|
| Cash flows from operating activities | | | |
| Cash generated from operations | | 7,145,405 | (73,899) |
| Income tax paid | | (1,211,868) | (1,067,661) |
| Finance cost paid | | (66,389) | (23,007) |
| Contribution to retirement benefit funds | | (100,328) | (27,385) |
| Net cash generated from operating activities | | 5,766,820 | (1,191,952) |
| Cash flows from investing activities | | | |
| Purchases of property, plant and equipment | | (22,643) | (337,620) |
| Proceeds from sale of property, plant and equipment | | 39,469 | 58,576 |
| Interest received | | 115,938 | 210,281 |
| Net cash used in investing activities | | 132,764 | (68,763) |
| Cash flows from financing activities | | | |
| Dividends paid | | (1,933) | (152,792) |
| Finance lease payments | | (140,651) | (105,029) |
| Net cash used in financing activities | | (142,584) | (257,821) |
| Net increase in cash and cash equivalents | | 5,757,000 | (1,518,536) |
| Cash and cash equivalents at January 1 | | 3,536,963 | 8,917,131 |
| Cash and cash equivalents at March 31 | | 9,293,963 | 7,398,595 |
| Cash and cash equivalents comprise: | | | |
| Cash and bank balances | 15 | 591,954 | 1,243,446 |
| Short term investment | | 8,704,389 | 6,155,149 |
| Short term running finance | 18 | (2,380) | - |
| | | 9,293,963 | 7,398,595 |

The annexed notes 1 to 24 are an integral part of these condensed interim financial statements.



Usman Zahur

MD & Chief Executive Officer



William Pegel

Chief Financial Officer & Director

Selected notes to the Condensed Interim Financial Statements (Unaudited)

for the three months period ended March 31, 2020

1. The Company and its operations

Pakistan Tobacco Company Limited (the Company) is a public listed company incorporated in Pakistan on 18 November 1947 under the Companies Act, 1913 (now the Companies Act, 2017) and its shares are quoted on the Pakistan Stock Exchange. The Company is a subsidiary of the British American Tobacco (Investments) Limited, United Kingdom, whereas its ultimate parent company is British American Tobacco p.l.c, United Kingdom. The Company is engaged in the manufacture and sale of cigarettes.

The registered office of the Company is situated at Serena Business Complex, Khayaban-e-Suharwardy, Islamabad.

2. Statement of compliance

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standards (IAS) 34, Interim Financial Reporting, issued by the International Accounting Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3. Basis of preparation

These interim financial statements should be read in conjunction with the Company's latest annual financial statements as at and for the year ended December 31, 2019 ('last annual financial statements'). These interim financial statements do not include all of the information required for a complete set of financial statements prepared in accordance with the approved accounting and reporting standards as applicable in Pakistan. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

Comparative figures of condensed interim statement of financial position are extracted from the annual financial statements as of December 31, 2019 whereas comparative figures of condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows are extracted from un-audited condensed interim financial statements of the Company for the three months period ended March 31, 2019.

These condensed interim financial statements are un-audited and are being submitted to the members of the Company as required under Section 237 of the Companies Act, 2017, and the listing regulations of the Pakistan Stock Exchange.

4. Use of judgements and estimates

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty including measurement of fair values were the same as those described in the last annual financial statements.

Selected notes to the Condensed Interim Financial Statements (Unaudited)

for the three months period ended March 31, 2020

Measurement of fair values

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

5. Significant accounting policies

The accounting policies and the methods of computation adopted in the preparation of these interim financial statements are the same as those applied in the preparation of the financial statements as at and for the year ended December 31, 2019.

| | Jan - March 2020 | Rs 000 Jan - March 2019 |
|--|---------------------|-------------------------------|
| 6. Cost of sales | | |
| Raw materials consumed | | |
| Opening stock of raw materials and work in process | 19,573,174 | 16,944,127 |
| Raw material purchases and expenses | 4,873,087 | 4,579,899 |
| Closing stock of raw materials and work in process | (17,710,010) | (14,752,207) |
| | 6,736,251 | 6,771,819 |
| Excise duty, Customs duty and tobacco development cess | 424,000 | 402,119 |
| Royalty | 120,108 | 105,188 |
| Production overheads | 902,959 | 802,947 |
| Cost of goods manufactured | 8,183,318 | 8,082,073 |
| Cost of finished goods: | | |
| Opening stock | 1,859,725 | 1,548,417 |
| Closing stock | (2,280,725) | (2,928,210) |
| | (421,000) | (1,379,793) |
| | 7,762,318 | 6,702,280 |
| 7. Other operating expenses | | |
| Workers' Profit Participation Fund | 208,353 | 207,702 |
| Workers' Welfare Fund | 79,174 | 78,927 |
| Bank charges and fees | 8,342 | 11,387 |
| Loss on disposal of property, plant and equipment | 515 | - |
| Interest paid to Workers' Profit Participation Fund | 1,263 | - |
| Foreign exchange loss | 115,422 | 38,445 |
| | 413,069 | 336,461 |

Selected notes to the Condensed Interim Financial Statements (Unaudited)

for the three months period ended March 31, 2020

| | Jan - March 2020 | Rs 000 Jan - March 2019 |
|---|---------------------|-------------------------------|
| 8. Other income | | |
| Gain on disposal of property, plant and equipment | - | 29,822 |
| Others | 428 | 325 |
| | 428 | 30,147 |

9. Finance income

This includes profit from placement with banks in saving account and treasury bills earned under interest arrangement. The interest rates range between 11.25% and 13.24% (three months ended March 31, 2019 : 4.65% and 10.29%) per annum and is received on maturity.

10. Income tax expense

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The applicable income tax rate for the period is 29%.

| | March 31, 2020 (Unaudited) | Rs 000 December 31, 2019 (Audited) |
|---|----------------------------------|---|
| 11. Property, plant and equipment | | |
| Operating fixed assets - note 11.1 | 11,490,445 | 11,590,196 |
| Capital work in progress -note 11.2 | 488,518 | 732,634 |
| | 11,978,963 | 12,322,830 |
| 11.1 Operating fixed assets | | |
| Carrying amount at January 01 | 11,590,196 | 8,170,276 |
| Additions during the three months / year: | | |
| Owned Assets | | |
| Buildings on free hold land | - | 936 |
| Plant and machinery | 166,815 | 2,455,823 |
| Office and household equipment | 76,950 | 357,497 |
| Furniture and fittings | 14,463 | 58,219 |
| Vehicles | - | 16,649 |
| Right to use assets | 5,949 | 1,559,221 |
| Leased Assets | | |
| Vehicles | 54,846 | 504,593 |
| | 319,023 | 4,952,938 |
| Disposals during the three months / year (net book value): | | |
| Buildings on free hold land | (121) | (64) |
| Plant and machinery | (16,952) | (32,463) |
| Office and household equipment | (156) | (823) |
| Furniture and fittings | (476) | (191) |
| Vehicles | (22,279) | (132,001) |
| | (39,984) | (165,542) |
| Depreciation / impairment charge for the three months / year | (378,790) | (1,367,476) |
| Net book amount | 11,490,445 | 11,590,196 |

Selected notes to the Condensed Interim Financial Statements (Unaudited)

for the three months period ended March 31, 2020

- 11.1.1** During the three months ended March 31, 2020, the Company acquired assets, including transfers from capital work in progress, with a cost of Rs 319,023 thousand (three months ended March 31, 2019: Rs 1,851,012 thousand). Operating fixed assets having net book value of Rs 39,984 thousand were disposed off during three months ended March 31, 2020 (three months ended March 31, 2019: Rs. 28,755 thousand). Depreciation charge for three months ended March 31, 2020 was Rs. 378,790 thousand (three months ended March 31, 2019: Rs. 320,819 thousand).

| | March 31, 2020 (Unaudited) | Rs 000 December 31, 2019 (Audited) |
|---|----------------------------------|---|
| 11.2 Capital work in progress | | |
| Carrying amount as at the beginning of the period | 732,634 | 960,551 |
| Additions during the three months/year | 7,298 | 1,419,007 |
| | 739,932 | 2,379,558 |
| Transferred to operating fixed assets | (251,414) | (1,646,924) |
| Carrying amount as at end of the period | 488,518 | 732,634 |

12. Long term investment in subsidiary company

This represents 500,001 (2019: 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, 2019. This is a wholly owned subsidiary of the Company which has not yet commenced commercial production.

13. Loans and advances

These include non interest bearing advances to employees of Rs 27,433 thousand (December 31, 2019 : Rs 36,419 thousand)

14. Other receivables

These include following balances due from related parties:

| | March 31, 2020 (Unaudited) | Rs 000 December 31, 2019 (Audited) |
|--|----------------------------------|---|
| Holding company / associated companies | 94,365 | 188,638 |
| Subsidiary company | 20,021 | 20,021 |
| Employees' retirement benefit plans | 1,010,412 | 881,821 |
| 15. Cash and bank balances | | |
| Cash at banks | | |
| -Deposit accounts | 9,075 | 9,075 |
| -Current accounts - note 15.1 | 579,279 | 525,156 |
| | 588,354 | 534,231 |
| Cash in hand | 3,600 | 1,674 |
| | 591,954 | 535,905 |

- 15.1** These include balances of Rs 156,057 thousand (December 31, 2019 : Rs 145,874 thousand) held in foreign currency accounts.

Selected notes to the Condensed Interim Financial Statements (Unaudited)

for the three months period ended March 31, 2020

| | March 31, 2020 (Unaudited) | Rs 000 December 31, 2019 (Audited) |
|--|----------------------------------|---|
| 16. Trade and other payables | | |
| These include following balances due to related parties: | | |
| Holding company / associated companies | 1,723,396 | 1,397,088 |
| Employees' retirement benefit plans | 363,310 | 413,632 |
| 17. Finance lease obligation | | |
| <p>This represents lease agreements entered into with a leasing company for vehicles. Total gross lease rentals due under various lease agreements aggregate to Rs 588,133 - short term Rs 251,425 thousand and long term Rs 336,708 thousand (December 31, 2019: Rs 596,290 thousand - short term Rs 258,034 thousand and long term Rs 338,256 thousand) and are payable in equal monthly instalments latest by March 2026. Taxes, repairs, replacement and insurance costs are to be borne by the Company. Financing rates of 13.81% to 14.61% (December 31, 2019: 12.35% to 15.36%) per annum have been used as discounting factor.</p> <p>Closing balance includes net lease obligation of Rs 1,041,152 thousand - short term Rs 227,776 thousand and long term Rs 813,376 thousand (December 31, 2019: Rs 1,121,382 - short term Rs 118,031 thousand and long term Rs 1,003,351 thousand) on account of leases other than vehicles.</p> | | |
| 18. Short term running finance secured | | |
| <p>Short term finance facilities available under mark-up arrangements with banks amount to Rs 6,500 million (2019: Rs 6,500 million), out of which the amount unavailed at the period end was Rs 6,498 million (2019: Rs 6,500 million). These facilities are secured by hypothecation of stock-in-trade. The mark-up ranges between 13.67% and 13.88% (2019: 10.52% and 14.05%) per annum and is payable quarterly. The facilities are renewable on annual basis.</p> | | |
| 19. Share capital | | |
| <p>Authorised share capital of the Company is Rs 3,000,000 thousand (December 31, 2019 : Rs 3,000,000 thousand) divided into 300,000,000 ordinary shares of Rs 10 each. Issued, subscribed and paid up capital of the Company is Rs 2,554,938 thousand (December 31, 2019 : Rs 2,554,938 thousand) divided into 255,493,792 ordinary shares of Rs 10 each.</p> | | |
| | March 31, 2020 (Unaudited) | Rs 000 December 31, 2019 (Audited) |
| 20. Contingencies and commitments | | |
| 20.1 Contingencies | | |
| Claims and guarantees | | |
| (i) Claims against the Company not acknowledged as debt | 75,706 | 75,706 |
| (ii) Guarantees issued by banks on behalf of the Company | 397,376 | 385,730 |
| 20.2 Commitments | | |
| (i) Capital expenditure commitments outstanding | 1,927,396 | - |
| (ii) Letters of credit outstanding | 230,668 | 83,392 |

Selected notes to the Condensed Interim Financial Statements (Unaudited)

for the three months period ended March 31, 2020

| | Three months ended | |
|--|------------------------------|------------------------------|
| | March 31, 2020 Rs '000 | March 31, 2019 Rs '000 |
| 21 Cash generated from operations | | |
| Profit before income tax | 3,879,529 | 3,867,412 |
| Adjustment for non-cash items: | | |
| - Depreciation | 378,790 | 320,819 |
| - (Gain)/loss on disposal of property, plant and equipment | 515 | (29,822) |
| - Finance cost | 59,369 | 22,387 |
| - Finance income | (115,938) | (210,281) |
| - Forex loss | 115,422 | 38,445 |
| - Reversal of provision for slow moving stores and spares | 212 | - |
| - Reversal of provision for stock-in-trade | - | (3,080) |
| | 438,370 | 138,468 |
| Changes in working capital: | | |
| - Stock-in-trade | 1,431,808 | 812,127 |
| - Stores and spares | 8,950 | (90,612) |
| - Trade debts | 2,486 | (216) |
| - Loans and advances | (466,695) | (378,684) |
| - Short term prepayments | (70,641) | (11,230) |
| - Other receivables | 378,506 | (179,240) |
| - Trade and other payables | 1,491,254 | (3,620,953) |
| - Other liabilities | 52,702 | (614,603) |
| | 2,828,370 | (4,083,411) |
| Changes in long term deposits and prepayments | (864) | 3,632 |
| | 7,145,405 | (73,899) |

Selected Notes to the Condensed Interim Financial Statements (Unaudited)

for the three months period ended March 31, 2020

21. Financial instruments

21.1 Carrying amounts and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

| | Note | March 31, 2020 (Unaudited) | | December 31, 2019 (Audited) | |
|--|------|----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | | Loans and receivables | Other financial liabilities | Loans and receivables | Other financial liabilities |
| | | Rs '000 | | Rs '000 | |
| Financial assets measured at fair value | | | | | |
| Financial assets not measured at fair value: | | | | | |
| Deposits | | 31,623 | - | 30,759 | - |
| Trade debts | | 1,774 | - | 4,260 | - |
| Other receivables | 14 | 1,879,395 | - | 2,131,912 | - |
| Short-term investment | | 8,704,389 | - | 3,001,058 | - |
| Cash and bank balances | 15 | 591,954 | - | 535,905 | - |
| | | 11,209,135 | - | 5,703,894 | - |
| Financial liabilities measured at fair value | | | | | |
| Financial liabilities not measured at fair value: | | | | | |
| Trade and other payables | 16 | - | (7,016,316) | - | (6,884,278) |
| Finance lease obligation | 17 | - | (1,629,285) | - | (1,717,672) |
| Short term running finance | 18 | - | (2,380) | - | - |
| Accrued interest / mark-up | | - | (18,715) | - | (25,735) |
| | | - | (8,666,696) | - | (8,627,685) |

The Company has not disclosed the fair values of financial assets and financial liabilities as these are for short-term or reprice over short-term. Therefore, the carrying amounts are reasonable approximation of their values.

22.2 Financial risk management

The Company's financial risk management objective and policies are consistent with that disclosed in the financial statements for the year ended December 31, 2019.

Selected notes to the Condensed Interim Financial Statements (Unaudited)

for the three months period ended March 31, 2020

23. Transactions with related parties

| | March 31, 2020 | Rs 000 March 31, 2019 |
|--|-------------------|-----------------------------|
| Purchase of goods and services | | |
| Holding company | 366,231 | 198,088 |
| Associated companies | 445,572 | 147,042 |
| Sale of goods and services | | |
| Holding company | 19,679 | 675 |
| Associated companies | 1,327,863 | 113,119 |
| Royalty charge | | |
| Holding company | 120,108 | 105,188 |
| Contribution to retirement benefit plans by the Company | | |
| Defined contribution pension fund | 26,410 | 26,252 |
| Employee gratuity fund | 31,234 | 23,837 |
| Management provident fund | 19,333 | 18,519 |
| Employee provident fund | 4,386 | 4,147 |
| Remuneration of key management personnel | 127,866 | 147,351 |

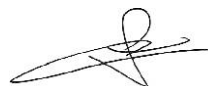
24. Date of authorisation

This condensed interim financial information has been authorised for issue by the Board of Directors of the Company on May 07, 2020.



Usman Zahur

MD & Chief Executive Officer



William Pegel

Chief Financial Officer & Director

Consolidated Condensed Interim Statement of Profit or Loss (Unaudited)

for the three months period ended March 31, 2020

| | Note | Jan - March 2020 | Rs '000 Jan - March 2019 |
|---|------|---------------------|--------------------------------|
| Domestic turnover | | 37,418,847 | 35,903,068 |
| Export turnover | | 1,187,891 | 84,769 |
| Gross turnover | | 38,606,738 | 35,987,837 |
| Excise duties | | (19,038,632) | (18,124,962) |
| Sales tax | | (5,654,549) | (5,428,197) |
| Net turnover | | 13,913,557 | 12,434,678 |
| Cost of sales | 6 | (7,762,318) | (6,702,280) |
| Gross profit | | 6,151,239 | 5,732,398 |
| Selling and distribution costs | | (1,012,073) | (1,048,506) |
| Administrative expenses | | (903,565) | (698,060) |
| Other operating expenses | 7 | (413,069) | (336,461) |
| Other income | 8 | 428 | 30,147 |
| | | (2,328,279) | (2,052,880) |
| Operating profit | | 3,822,960 | 3,679,518 |
| Finance income | 9 | 115,938 | 210,281 |
| Finance cost | | (59,369) | (22,387) |
| Net finance income | | 56,569 | 187,894 |
| Profit before income tax | | 3,879,529 | 3,867,412 |
| Income tax expense - current | 10 | (1,093,037) | (1,076,275) |
| - deferred | | 34,186 | 1,094 |
| | | (1,058,851) | (1,075,181) |
| Profit for the period | | 2,820,678 | 2,792,231 |
| Earnings per share - basic and diluted (Rupees) | | 11.04 | 10.93 |

The annexed notes 1 to 23 are an integral part of these consolidated condensed interim financial statements.



Usman Zahur
MD & Chief Executive Officer



William Pegel
Chief Financial Officer & Director

Consolidated Condensed Interim Statement of Comprehensive Income (Unaudited)

for the three months period ended March 31, 2020

| | Jan - March 2020 | Rs '000 Jan - March 2019 |
|--|---------------------|--------------------------------|
| Profit for the three months | 2,820,678 | 2,792,231 |
| Other comprehensive income for the three months | - | - |
| Total comprehensive income for the three months | 2,820,678 | 2,792,231 |

The annexed notes 1 to 23 are an integral part of these consolidated condensed interim financial statements.



Usman Zahur
MD & Chief Executive Officer



William Pegel
Chief Financial Officer & Director

Consolidated Condensed Interim Statement of Financial Position (Unaudited)

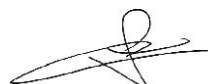
as at March 31, 2020

| | Note | March 31, 2020 (Unaudited) | Rs '000 December 31, 2019 (Audited) |
|---|------|----------------------------------|--|
| Non current assets | | | |
| Property, plant and equipment | 11 | 12,004,011 | 12,347,878 |
| Advance for capital expenditure | | 175,783 | 175,783 |
| Long term deposits and prepayments | | 31,623 | 30,759 |
| | | 12,211,417 | 12,554,420 |
| Current assets | | | |
| Stock-in-trade | | 19,990,735 | 21,422,543 |
| Stores and spares | | 654,837 | 663,999 |
| Trade debts | | 1,774 | 4,260 |
| Loans and advances | 12 | 592,339 | 125,644 |
| Short term prepayments | | 86,562 | 15,921 |
| Other receivables | 13 | 1,859,374 | 2,111,891 |
| Short term investment | | 8,704,389 | 3,001,058 |
| Cash and bank balances | 14 | 591,954 | 535,905 |
| | | 32,481,964 | 27,881,221 |
| Current liabilities | | | |
| Trade and other payables | 15 | 17,927,581 | 16,295,244 |
| Other liabilities | | 2,918,524 | 2,865,822 |
| Lease liability | 16 | 479,201 | 376,065 |
| Short term running finance | 17 | 2,380 | - |
| Unpaid dividend | | 65,234 | 66,740 |
| Unclaimed dividend | | 77,808 | 78,235 |
| Accrued interest / mark-up | | 18,715 | 25,735 |
| Current income tax liability | | 330,564 | 449,395 |
| | | 21,820,007 | 20,157,236 |
| Net current assets | | 10,661,957 | 7,723,985 |
| Non current liabilities | | | |
| Lease liability | 16 | (1,150,084) | (1,341,607) |
| Deferred income tax liability | | (611,757) | (645,943) |
| | | (1,761,841) | (1,987,550) |
| Net assets | | 21,111,533 | 18,290,855 |
| Share capital and reserves | | | |
| Authorised share capital | | | |
| 300,000,000 ordinary shares of Rs 10 each | 18 | 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 | | 18,556,595 | 15,735,917 |
| Shareholders' equity | | 21,111,533 | 18,290,855 |
| Contingencies and commitments | 19 | | |

The annexed notes 1 to 23 are an integral part of these consolidated condensed interim financial statements.



Usman Zahur
MD & Chief Executive Officer



William Pegel
Chief Financial Officer & Director

Consolidated Condensed Interim Statement of Changes in Equity (Unaudited)

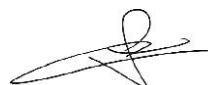
as at March 31, 2020

| | Share capital | Revenue reserves | Rs '000 Total |
|---|---------------|------------------|---------------|
| Balance at January 1, 2019 | 2,554,938 | 15,210,686 | 17,765,624 |
| Total comprehensive income for the three months | - | 2,792,231 | 2,792,231 |
| Balance at March 31, 2019 | 2,554,938 | 18,002,917 | 20,557,855 |
| Balance at April 1, 2019 | 2,554,938 | 18,002,917 | 20,557,855 |
| Total comprehensive income for the nine months | - | 9,996,701 | 9,996,701 |
| Final dividend of Rs 22.00 per share relating to the year ended December 31, 2018 | - | (5,620,863) | (5,620,863) |
| Interim dividend of Rs 13.00 per share relating to the year ended December 31, 2019 | - | (3,321,419) | (3,321,419) |
| Interim dividend of Rs 13.00 per share relating to the year ended December 31, 2019 | - | (3,321,419) | (3,321,419) |
| Balance at December 31, 2019 | 2,554,938 | 15,735,917 | 18,290,855 |
| Balance at January 1, 2020 | 2,554,938 | 15,735,917 | 18,290,855 |
| Total comprehensive income for the three months | - | 2,820,678 | 2,820,678 |
| Balance at March 31, 2020 | 2,554,938 | 18,556,595 | 21,111,533 |

The annexed notes 1 to 23 are an integral part of these consolidated condensed interim financial statements.



Usman Zahur
MD & Chief Executive Officer



William Pegel
Chief Financial Officer & Director

Consolidated Condensed Interim Statement of Cash Flows (Unaudited)

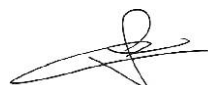
for the three months period ended March 31, 2020

| | Note | March 31, 2020 | Rs '000 March 31, 2019 |
|---|------|-------------------|------------------------------|
| Cash flows from operating activities | | | |
| Cash generated from operations | | 7,145,405 | (73,899) |
| Income tax paid | | (1,211,868) | (1,067,661) |
| Finance cost paid | | (66,389) | (23,007) |
| Contribution to retirement benefit funds | | (100,328) | (27,385) |
| Net cash generated from operating activities | | 5,766,820 | (1,191,952) |
| Cash flows from investing activities | | | |
| Purchases of property, plant and equipment | | (22,643) | (337,620) |
| Proceeds from sale of property, plant and equipment | | 39,469 | 58,576 |
| Interest received | | 115,938 | 210,281 |
| Net cash used in investing activities | | 132,764 | (68,763) |
| Cash flows from financing activities | | | |
| Dividends paid | | (1,933) | (152,792) |
| Finance lease payments | | (140,651) | (105,029) |
| Net cash used in financing activities | | (142,584) | (257,821) |
| Net increase in cash and cash equivalents | | 5,757,000 | (1,518,536) |
| Cash and cash equivalents at January 1 | | 3,536,963 | 8,917,131 |
| Cash and cash equivalents at March 31 | | 9,293,963 | 7,398,595 |
| Cash and cash equivalents comprise: | | | |
| Cash and bank balances | 15 | 591,954 | 1,243,446 |
| Short term investment | | 8,704,389 | 6,155,149 |
| Short term running finance | 18 | (2,380) | - |
| | | 9,293,963 | 7,398,595 |

The annexed notes 1 to 23 are an integral part of these consolidated condensed interim financial statements.



Usman Zahur
MD & Chief Executive Officer



William Pegel
Chief Financial Officer & Director

Selected notes to the Consolidated Condensed Interim Financial Statements (Unaudited)

for the three months period ended March 31, 2020

1. The Company and its operations

Pakistan Tobacco Company Limited (the Company) is a public listed company incorporated in Pakistan on 18 November 1947 under the Companies Act, 1913 (now the Companies Act, 2017) and its shares are quoted on the Pakistan Stock Exchange. The Company is a subsidiary of the British American Tobacco (Investments) Limited, United Kingdom, whereas its ultimate parent company is British American Tobacco p.l.c, United Kingdom. The Company is engaged in the manufacture and sale of cigarettes.

The registered office of the Company is situated at Serena Business Complex, Khayaban-e-Suharwardy, Islamabad.

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

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

2. Statement of compliance

These consolidated condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standards (IAS) 34, Interim Financial Reporting, issued by the International Accounting Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3. Basis of preparation

These consolidated interim financial statements should be read in conjunction with the Group's latest annual financial statements as at and for the year ended December 31, 2019 ('last annual financial statements'). These interim financial statements do not include all of the information required for a complete set of financial statements prepared in accordance with the approved accounting and reporting standards as applicable in Pakistan. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

Comparative figures of consolidated condensed interim statement of financial position are extracted from the annual financial statements as of December 31, 2019 whereas comparative figures of consolidated condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows are extracted from unaudited consolidated condensed interim financial statements of the Group for the three months period ended March 31, 2019.

These consolidated condensed interim financial statements are unaudited and are being submitted to the members of the Group as required under Section 237 of the Companies Act, 2017, and the listing regulations of the Pakistan Stock Exchange.

4. Use of judgements and estimates

In preparing these consolidated interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Selected notes to the Consolidated Condensed Interim Financial Statements (Unaudited)

for the three months period ended March 31, 2020

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty including measurement of fair values were the same as those described in the last annual financial statements.

Measurement of fair values

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

5. Significant accounting policies

The accounting policies and the methods of computation adopted in the preparation of these interim financial statements are the same as those applied in the preparation of the financial statements as at and for the year ended December 31, 2019.

| | Jan - March 2020 | Rs 000 Jan - March 2019 |
|--|---------------------|-------------------------------|
| 6. Cost of sales | | |
| Raw materials consumed | | |
| Opening stock of raw materials and work in process | 19,573,174 | 16,944,127 |
| Raw material purchases and expenses | 4,873,087 | 4,579,899 |
| Closing stock of raw materials and work in process | (17,710,010) | (14,752,207) |
| | 6,736,251 | 6,771,819 |
| Excise duty, Customs duty and tobacco development cess | 424,000 | 402,119 |
| Royalty | 120,108 | 105,188 |
| Production overheads | 902,959 | 802,947 |
| Cost of goods manufactured | 8,183,318 | 8,082,073 |
| Cost of finished goods: | | |
| Opening stock | 1,859,725 | 1,548,417 |
| Closing stock | (2,280,725) | (2,928,210) |
| | (421,000) | (1,379,793) |
| | 7,762,318 | 6,702,280 |
| 7. Other operating expenses | | |
| Workers' Profit Participation Fund | 208,353 | 207,702 |
| Workers' Welfare Fund | 79,174 | 78,927 |
| Bank charges and fees | 8,342 | 11,387 |
| Loss on disposal of property, plant and equipment | 515 | - |
| Interest paid to Workers' Profit Participation Fund | 1,263 | - |
| Foreign exchange loss | 115,422 | 38,445 |
| | 413,069 | 336,461 |

Selected notes to the Consolidated Condensed Interim Financial Statements (Unaudited)

for the three months period ended March 31, 2020

| | Jan - March 2020 | Rs 000 Jan - March 2019 |
|---|---------------------|-------------------------------|
| 8. Other income | | |
| Gain on disposal of property, plant and equipment | - | 29,822 |
| Others | 428 | 325 |
| | 428 | 30,147 |

9. Finance income

This includes profit from placement with banks in saving account and treasury bills earned under interest arrangement. The interest rates range between 11.25% and 13.24% (three months ended March 31, 2019 : 4.65% and 10.29%) per annum and is received on maturity.

10. Income tax expense

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The applicable income tax rate for the period is 29%.

| | March 31, 2020 (Unaudited) | Rs 000 December 31, 2019 (Audited) |
|---|----------------------------------|---|
| 11. Property, plant and equipment | | |
| Operating fixed assets - note 11.1 | 11,493,809 | 11,593,560 |
| Capital work in progress -note 11.2 | 510,202 | 754,318 |
| | 12,004,011 | 12,347,878 |
| 11.1 Operating fixed assets | | |
| Carrying amount at January 01 | 11,593,560 | 8,173,640 |
| Additions during the three months / year: | | |
| Owned Assets | | |
| Buildings on free hold land | - | 936 |
| Plant and machinery | 166,815 | 2,455,823 |
| Office and household equipment | 76,950 | 357,497 |
| Furniture and fittings | 14,463 | 58,219 |
| Vehicles | - | 16,649 |
| Right to use assets | 5,949 | 1,559,221 |
| Leased Assets | | |
| Vehicles | 54,846 | 504,593 |
| | 319,023 | 4,952,938 |
| Disposals during the three months / year (net book value): | | |
| Buildings on free hold land | (121) | (64) |
| Plant and machinery | (16,952) | (32,463) |
| Office and household equipment | (156) | (823) |
| Furniture and fittings | (476) | (191) |
| Vehicles | (22,279) | (132,001) |
| | (39,984) | (165,542) |
| Depreciation / impairment charge for the three months / year | (378,790) | (1,367,476) |
| Net book amount | 11,493,809 | 11,593,560 |

Selected notes to the Consolidated Condensed Interim Financial Statements (Unaudited)

for the three months period ended March 31, 2020

11.1.1 During the three months ended March 31, 2020, the Company acquired assets, including transfers from capital work in progress, with a cost of Rs 319,023 thousand (three months ended March 31, 2019: Rs 1,851,012 thousand). Operating fixed assets having net book value of Rs 39,984 thousand were disposed off during three months ended March 31, 2020 (three months ended March 31, 2019: Rs. 28,755 thousand). Depreciation charge for three months ended March 31, 2020 was Rs. 378,790 thousand (three months ended March 31, 2019: Rs. 320,819 thousand).

| | March 31, 2020 (Unaudited) | Rs 000 December 31, 2019 (Audited) |
|---|----------------------------------|---|
| 11.2 Capital work in progress | | |
| Carrying amount as at the beginning of the period | 754,318 | 982,235 |
| Additions during the three months/year | 7,298 | 1,419,007 |
| | 761,616 | 2,401,242 |
| Transferred to operating fixed assets | (251,414) | (1,646,924) |
| Carrying amount as at end of the period | 510,202 | 754,318 |

12. Loans and advances

These include non interest bearing advances to employees of Rs 27,433 thousand (December 31, 2019 : Rs 36,419 thousand)

13. Other receivables

These include following balances due from related parties:

| | March 31, 2020 (Unaudited) | Rs 000 December 31, 2019 (Audited) |
|--|----------------------------------|---|
| Holding company / associated companies | 94,365 | 188,638 |
| Employees' retirement benefit plans | 1,010,412 | 881,821 |
| 14. Cash and bank balances | | |
| Cash at banks | | |
| -Deposit accounts | 9,075 | 9,075 |
| -Current accounts - note 14.1 | 579,279 | 525,156 |
| | 588,354 | 534,231 |
| Cash in hand | 3,600 | 1,674 |
| | 591,954 | 535,905 |

14.1 These include balances of Rs 156,057 thousand (December 31, 2019 : Rs 145,874 thousand) held in foreign currency accounts.

Selected notes to the Consolidated Condensed Interim Financial Statements (Unaudited)

for the three months period ended March 31, 2020

| | March 31, 2020 (Unaudited) | Rs 000 December 31, 2019 (Audited) |
|--|----------------------------------|---|
| 15. Trade and other payables | | |
| These include following balances due to related parties: | | |
| Holding company / associated companies | 1,723,396 | 1,397,088 |
| Employees' retirement benefit plans | 363,310 | 413,632 |
| 16. Finance lease obligation | | |
| <p>This represents lease agreements entered into with a leasing company for vehicles. Total gross lease rentals due under various lease agreements aggregate to Rs 588,133 - short term Rs 251,425 thousand and long term Rs 336,708 thousand (December 31, 2019: Rs 596,290 thousand - short term Rs 258,034 thousand and long term Rs 338,256 thousand) and are payable in equal monthly instalments latest by March 2026. Taxes, repairs, replacement and insurance costs are to be borne by the Company. Financing rates of 13.81% to 14.61% (December 31, 2019: 12.35% to 15.36%) per annum have been used as discounting factor.</p> <p>Closing balance includes net lease obligation of Rs 1,041,152 thousand - short term Rs 227,776 thousand and long term Rs 813,376 thousand (December 31, 2019: Rs 1,121,382 - short term Rs 118,031 thousand and long term Rs 1,003,351 thousand) on account of leases other than vehicles.</p> | | |
| 17. Short term running finance secured | | |
| <p>Short term finance facilities available under mark-up arrangements with banks amount to Rs 6,500 million (2019: Rs 6,500 million), out of which the amount unavailed at the period end was Rs 6,498 million (2019: Rs 6,500 million). These facilities are secured by hypothecation of stock-in-trade. The mark-up ranges between 13.67% and 13.88% (2019: 10.52% and 14.05%) per annum and is payable quarterly. The facilities are renewable on annual basis.</p> | | |
| 18. Share capital | | |
| <p>Authorised share capital of the Company is Rs 3,000,000 thousand (December 31, 2019 : Rs 3,000,000 thousand) divided into 300,000,000 ordinary shares of Rs 10 each. Issued, subscribed and paid up capital of the Company is Rs 2,554,938 thousand (December 31, 2019 : Rs 2,554,938 thousand) divided into 255,493,792 ordinary shares of Rs 10 each.</p> | | |
| | March 31, 2020 (Unaudited) | Rs 000 December 31, 2019 (Audited) |
| 19. Contingencies and commitments | | |
| 19.1 Contingencies | | |
| Claims and guarantees | | |
| (i) Claims against the Group not acknowledged as debt | 75,706 | 75,706 |
| (ii) Guarantees issued by banks on behalf of the Group | 397,376 | 385,730 |
| 19.2 Commitments | | |
| (i) Capital expenditure commitments outstanding | 1,927,396 | - |
| (ii) Letters of credit outstanding | 230,668 | 83,392 |

Selected notes to the Consolidated Condensed Interim Financial Statements (Unaudited)

for the three months period ended March 31, 2020

| | Three months ended | |
|--|------------------------------|------------------------------|
| | March 31, 2020 Rs '000 | March 31, 2019 Rs '000 |
| 20. Cash generated from operations | | |
| Profit before income tax | 3,879,529 | 3,867,412 |
| Adjustment for non-cash items: | | |
| - Depreciation | 378,790 | 320,819 |
| - (Gain)/loss on disposal of property, plant and equipment | 515 | (29,822) |
| - Finance cost | 59,369 | 22,387 |
| - Finance income | (115,938) | (210,281) |
| - Forex loss | 115,422 | 38,445 |
| - Reversal of provision for slow moving stores and spares | 212 | - |
| - Reversal of provision for stock-in-trade | - | (3,080) |
| | 438,370 | 138,468 |
| Changes in working capital: | | |
| - Stock-in-trade | 1,431,808 | 812,127 |
| - Stores and spares | 8,950 | (90,612) |
| - Trade debts | 2,486 | (216) |
| - Loans and advances | (466,695) | (378,684) |
| - Short term prepayments | (70,641) | (11,230) |
| - Other receivables | 378,506 | (179,240) |
| - Trade and other payables | 1,491,254 | (3,620,953) |
| - Other liabilities | 52,702 | (614,603) |
| | 2,828,370 | (4,083,411) |
| Changes in long term deposits and prepayments | (864) | 3,632 |
| | 7,145,405 | (73,899) |

Selected Notes to the Consolidated Condensed Interim Financial Statements (Unaudited)

for the three months period ended March 31, 2020

21. Financial instruments

21.1 Carrying amounts and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

| | Note | March 31, 2020 (Unaudited) | | | December 31, 2019 (Audited) | | |
|--|------|----------------------------|-----------------------------|-------------|-----------------------------|-----------------------------|-------------|
| | | Loans and receivables | Other financial liabilities | Total | Loans and receivables | Other financial liabilities | Total |
| | | Rs '000 | | | Rs '000 | | |
| Financial assets measured at fair value | | | | | | | |
| Financial assets not measured at fair value: | | | | | | | |
| Deposits | | 31,623 | - | 31,623 | 30,759 | - | 30,759 |
| Trade debts | | 1,774 | - | 1,774 | 4,260 | - | 4,260 |
| Other receivables | 13 | 1,859,374 | - | 1,859,374 | 2,111,891 | - | 2,111,891 |
| Short-term investment | | 8,704,389 | - | 8,704,389 | 3,001,058 | - | 3,001,058 |
| Cash and bank balances | 14 | 591,954 | - | 591,954 | 535,905 | - | 535,905 |
| | | 11,189,114 | - | 11,189,114 | 5,683,873 | - | 5,683,873 |
| Financial liabilities measured at fair value | | | | | | | |
| Financial liabilities not measured at fair value: | | | | | | | |
| Trade and other payables | 15 | - | (7,016,343) | (7,016,343) | - | (6,884,305) | (6,884,305) |
| Finance lease obligation | 16 | - | (1,629,285) | (1,629,285) | - | (1,717,672) | (1,717,672) |
| Short term running finance | 17 | - | (2,380) | (2,380) | - | - | - |
| Accrued interest / mark-up | | - | (18,715) | (18,715) | - | (25,735) | (25,735) |
| | | - | (8,666,723) | (8,666,723) | - | (8,627,712) | (8,627,712) |

The Group has not disclosed the fair values of financial assets and financial liabilities as these are for short-term or repriced over short-term. Therefore, the carrying amounts are reasonable approximation of their values.

21.2 Financial risk management

The Groups financial risk management objective and policies are consistent with that disclosed in the financial statements for the year ended December 31, 2019.

Selected notes to the Consolidated Condensed Interim Financial Statements (Unaudited)

for the three months period ended March 31, 2020

22. Transactions with related parties

| | March 31, 2020 | Rs 000 March 31, 2019 |
|--|-------------------|-----------------------------|
| Purchase of goods and services | | |
| Holding company | 366,231 | 198,088 |
| Associated companies | 445,572 | 147,042 |
| Sale of goods and services | | |
| Holding company | 19,679 | 675 |
| Associated companies | 1,327,863 | 113,119 |
| Royalty charge | | |
| Holding company | 120,108 | 105,188 |
| Contribution to retirement benefit plans by the Company | | |
| Defined contribution pension fund | 26,410 | 26,252 |
| Employee gratuity fund | 31,234 | 23,837 |
| Management provident fund | 19,333 | 18,519 |
| Employee provident fund | 4,386 | 4,147 |
| Remuneration of key management personnel | 127,866 | 147,351 |

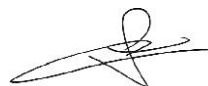
23. Date of authorisation

This consolidated condensed interim financial information has been authorised for issue by the Board of Directors of the Group on May 07, 2020.



Usman Zahur

MD & Chief Executive Officer



William Pegel

Chief Financial Officer & Director



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