



Condensed Interim  
Financial Statements

For the nine months period ended September 30, 2021

# Corporate Information

## Board of Directors

Zafar Mahmood  
Chairman & Non-Executive Director

Syed Ali Akbar  
MD / CEO & Executive Director

William Pegel  
Director Finance / IT

Syed Asad Ali Shah  
Legal & External Affairs Director

Syed Javed Iqbal  
Non-Executive Director

Wael Sabra  
Non-Executive Director

Shannon Luke McInnes  
Non-Executive Director

Huseyin Ozsan Ozbas  
Non-Executive Director

Muhammad Riaz  
Non-Executive Director

Asif Jooma  
Non-Executive Director

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

Belinda Ross  
Non-Executive Director

## Audit Committee

Muhammad Riaz

Lt. Gen. (R) Masood Aslam

Belinda Ross

Wael Sabra

Asif Jooma

Usman Javed (Secretary)

## Company Secretary

Sami Zaman

## Registered Office

Pakistan Tobacco Company Limited  
Serena Business Complex, Khayaban-e-  
Suhrawardy. P.O. Box 2549, Islamabad-44000  
Telephone: +92 (051) 2083200, 2083201  
Fax: +92 (051) 2604516  
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) 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 Directors present performance of the Company for Q3, 2021.

During the quarter, enforcement efforts were ramped up by the Government against illicit trade. Inland Revenue Enforcement Network and its nationwide anti-smuggling drive resulted in 22 Million cigarettes confiscated and destroyed in Gujranwala. Moreover, on October 4th, Pakistan Customs seized tobacco wrapping material equivalent of Rs 1.7 Billion in Government tax revenues or 0.8 Billion cigarette sticks which is the biggest seizure in the Country's history. A key initiative to bring the duty not paid (DNP) sector into the tax net by the Government was the inauguration of Track & Trace implementation at Pakistan Tobacco Company's (PTC) Jhelum factory by the Federal Minister for Finance and Revenue alongside Chairman FBR. This solution is aimed at enabling enforcement at point of sale and reducing DNP incidence in the tobacco sector which stood at a sizeable share of 37.4% at the end of Aug<sup>1</sup>. It is expected that these positive interventions against illicit trade will to some extent curtail DNP growth and recover valuable tax revenues.

To support PTC's vision of a better tomorrow, a 1.9 MW solar project was formally inaugurated by the Federal Minister for Finance and Revenue at Jhelum Factory. This coupled with the existing solar project at Akora Factory is aimed to produce a combined output of 3.1 MW of renewable energy for reducing global carbon emissions.

During the period in review, PTC remained committed to drive the tobacco harm reduction agenda and focus on Reduced Risk Products<sup>2</sup>. VELO continued its growth momentum during the 9-month period ended September 30, 2021, with 62% increase in sales volume versus full year 2020. This growth was fueled by key brand Interventions like pilot launch of new nicotine variants, flavors and packaging.

Key financial indicators of the Company for the 9-month period ended September 30, 2021 are given below:

	Rs (million)	
	Jan - Sep, 2021	Jan - Sep, 2020
Gross Turnover	148,050	122,541
FED & Sales Tax	92,593	77,707
Net Turnover	55,457	44,833
Cost of Sales	28,311	22,919
Gross Profit	27,146	21,915
Operating Profit	19,453	14,941
Profit Before Tax – PBT	19,999	15,396
Profit After Tax – PAT	14,202	11,340
Earnings Per Share – EPS (Rs)	55.59	44.39

Domestic sales increased during the 9-month ended September'21 vs SPLY primarily due to carry-over impact of higher sales phasing in Q4'19 that led to a decline in YTD September'20 sales. This led to a 21% growth in Gross Turnover and a 24% increase in Net Turnover. The Company exported Unmanufactured Tobacco and Finished Goods worth \$ 23 Million till YTD September'21 showing a 4% growth versus SPLY.

<sup>1</sup> Retail Audit 2021

<sup>2</sup> Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive

PTC's cost of sales rose 24% during the 9-month ended September'21 vs. SPLY primarily driven by volume growth and inflationary pressures. Despite a challenging external environment, PTC posted a 30% growth in operating profit versus SPLY. This was done at the back of sales growth and focused management efforts on instilling a cost-conscious culture across the organization and driving saving initiatives to reduce overall cost base.



**Syed Ali Akbar**  
MD & Chief Executive Officer



**William Pegel**  
Chief Financial Officer & Director

30 ستمبر 2021 کو ختم ہونے والی نو ماہی کے دوران کمپنی کے بنیادی مالیاتی اشاریے درج ذیل ہیں:

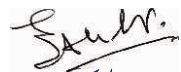
روپے (ملین)		
جنوری سے ستمبر، 2020	جنوری سے ستمبر، 2021	
122,541	148,050	مجموعی فروخت
77,707	92,593	ایف اے ڈی اور سبزی ٹیکس
44,833	55,457	خالص مجموعی فروخت
22,919	28,311	فروخت کی لاگت
21,915	27,146	مجموعی منافع
14,941	19,453	آپریٹنگ منافع
15,396	19,999	قبل از ٹیکس منافع - پی پی ٹی (PBT)
11,340	14,202	بعد از ٹیکس منافع - پی اے ٹی (PAT)
44.39	55.59	نی حوص آمدنی - ای پی ایس (EPS) (روپے)

ستمبر 2021 کو ختم ہونے والی نو ماہی کے دوران پچھلے سال کی اسی مدت کے مقابلے میں مقامی فروخت میں اضافہ ہوا۔ اس کی وجہ یہ تھی کہ 2019 کی چوتھی سہ ماہی میں فروخت میں کمی آنا شروع ہوئی تھی جس کے اثرات کی وجہ سے 2020 کی ستمبر میں ختم ہونے والی نو ماہی کی فروخت میں کمی ہوئی۔ اسی وجہ سے مجموعی خام فروخت میں 21% اور مجموعی خالص فروخت میں 24% فی صد کا اضافہ ہوا۔ کمپنی نے ستمبر 2021 کو ختم ہونے والی نو ماہی کے دوران 23 ملین ڈالر مالیت کا خام تہہ اور مصنوعات برآمد کیں، جو کہ پچھلے سال اسی مدت کے دوران ہونے والی برآمدات کے مقابلے میں 4% اضافہ دکھاتی ہیں۔

ستمبر 2021 کو ختم ہونے والی نو ماہی کے دوران پچھلے سال کی اسی مدت کے دوران کے مقابلے میں کمپنی کی فروخت کے اخراجات میں 24% اضافہ ہوا۔ اس کی بنیادی وجہ فروخت کے حجم میں اضافہ اور افراط زر کا دباؤ رہا۔ ایک چیلینجنگ بیرونی ماحول کے باوجود پی پی ٹی سی نے پچھلے سال کی اسی مدت کے مقابلے میں اپنے آپریٹنگ منافع میں 30% اضافہ کیا۔ یہ کارکردگی فروخت کے حجم میں اضافے اور ادارے بھر میں اخراجات میں احتیاط کی ثقافت کو پروان چڑھانے پر توجہ، اور مجموعی اخراجات میں کمی لانے کے لیے چھت کے اقدامات کی وجہ سے حاصل ہوئی۔



ولیم پیگل  
سی ایف او اور ڈائریکٹر فنانس



سید علی اکبر  
ٹیچنگ ڈائریکٹر / سی ای او

## ڈائریکٹرز کا جائزہ

سال 2021 کی تیسری سہ ماہی کے لیے کمپنی کے ڈائریکٹرز کی موجودہ کارکردگی

اس سہ ماہی کے دوران حکومت نے قانون کے موثر نفاذ کے لیے غیر قانونی تجارت کے خلاف اپنے اقدامات میں اضافہ کیا۔ ان لینڈ ریویو ایبل فور سمنٹ نیٹ ورک اور اس کی ملک گیر مہم کی وجہ سے 22 ملین سگریٹ قبضے لیے جانے کے بعد گبر انوالہ میں تلف کیے گئے۔ اسی دوران 4 اکتوبر کو پاکستان کسٹمز نے تمباکو لپیٹنے والی اشیاء، 0.8 ارب سگریٹ سٹیکس، جن کی مالیت سرکاری ٹیکس کی آمدن میں 1.7 ارب روپے ہے، کو قبضے میں لیا۔ یہ ملکی تاریخ میں اس قسم کا سب سے بڑا قبضہ ہے۔ ڈیوٹی ادا نہ کرنے والے (ڈی این پی) شعبے کو ٹیکس نیٹ میں لانے کے لیے حکومت کا ایک بہت اہم قدم کمپنی (پی ٹی سی) کی فیئری میں ٹریس اینڈ ڈٹریکٹ کا نفاذ ہے، جس کا افتتاح وفاقی زیر خزانہ نے چیئرمین ایف بی آر کے ہمراہ کیا۔ اس قدم کا مقصد فروخت کے مقام پر قانون پر عمل درآمد اور تمباکو کے شعبے میں ڈی این پی کو کم کرنا ہے، جن کا اگست کے اختتام پر کل حصہ 37.4% تھا، جو کہ ایک کافی بڑا حصہ ہے۔ یہ امید کی جاتی ہے کہ غیر قانونی تجارت کے خلاف اس قسم کے اقدامات ڈی این پی کے بڑھاؤ کو کچھ حد تک کم کریں گے اور ٹیکس کی وصولیابی میں اضافہ کریں گے۔

پی ٹی سی کے بہتر کل کے ویژن کے تحت شمسی توانائی پیدا کرنے والے 1.9 میگا واٹ کے پراجیکٹ کا وفاقی وزیر خزانہ نے جہلم میں باقاعدہ افتتاح کیا۔ اس پراجیکٹ اور اکوڑہ فیئری کے شمسی توانائی پیدا کرنے والے پراجیکٹ سے مجموعی طور پر 3.1 میگا واٹ قابل تجدید بجلی حاصل ہوگی اور بقدر استطاعت کاربن کے عالمی اخراج میں کمی ہوگی۔

زیر نظر مدت میں پی ٹی سی تمباکو کے نقصانات کو کم کرنے کی مہم کے سلسلے میں اپنے عزم کو آگے بڑھا تا رہا ہے اور کم خطرات والی مصنوعات کے اپنے ایجنڈے پر اپنی توجہ مرکوز کیے ہوئے ہے۔ ویلو (VELO) نے 30 ستمبر 2021 کو ختم ہونے والی نو ماہی کے دوران اپنی ترقی کی رفتار جاری رکھی اور 2020 کے پورے سال کے مقابلے میں اپنی فروخت کے حجم میں 62% کا اضافہ کیا۔ اس اضافے کے لیے برانڈ کے بہت اہم طریقوں، جیسے کہ کلوٹین کی نئی اقسام، ڈائلٹے، اور پیکیجنگ کا مارکیٹ میں اتارنے، نے اہم حصہ کا کام کیا۔

<sup>1</sup> پرجن آؤٹ 2021۔


<sup>2</sup> ٹھوس شواہد کی بنیاد پر اور یہ فرض کرتے ہوئے کہ سگریٹ نوشی کو مکمل ترک کیا جائے۔ یہ مصنوعات خطرات سے خالی نہیں اور لت لگاتی ہیں۔

# Condensed Interim Profit or Loss Account (Un-audited)

for the Nine months period ended September 30, 2021

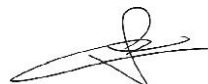
	Note	Three months ended		Nine months ended	
		Sep 30, 2021 Rs '000	Sep 30, 2020 Rs '000	Sep 30, 2021 Rs '000	Sep 30, 2020 Rs '000
Domestic turnover		46,733,562	35,281,100	144,115,888	118,752,440
Export turnover		1,466,399	1,375,077	3,934,444	3,788,185
<b>Gross turnover</b>		<b>48,199,961</b>	<b>36,656,177</b>	<b>148,050,332</b>	<b>122,540,625</b>
Excise duties		(22,841,816)	(17,801,040)	(70,801,611)	(59,725,572)
Sales tax		(7,036,175)	(5,384,803)	(21,791,701)	(17,981,716)
<b>Net turnover</b>		<b>18,321,970</b>	<b>13,470,334</b>	<b>55,457,020</b>	<b>44,833,337</b>
Cost of sales	7	(9,029,108)	(6,936,907)	(28,310,668)	(22,918,533)
<b>Gross profit</b>		<b>9,292,862</b>	<b>6,533,427</b>	<b>27,146,352</b>	<b>21,914,804</b>
Selling and distribution costs		(1,081,913)	(511,631)	(3,502,082)	(3,317,269)
Administrative expenses		(1,105,834)	(732,655)	(3,000,393)	(2,262,105)
Other expenses	8	(588,664)	(430,094)	(1,678,881)	(1,397,357)
Other income	9	167,011	(4,444)	488,049	2,546
		(2,609,400)	(1,678,824)	(7,693,307)	(6,974,185)
<b>Operating profit</b>		<b>6,683,462</b>	<b>4,854,603</b>	<b>19,453,045</b>	<b>14,940,619</b>
Finance income	10	250,584	170,671	744,314	634,091
Finance cost		(59,696)	(69,264)	(198,537)	(178,746)
Net finance income		190,888	101,407	545,777	455,345
<b>Profit before income tax</b>		<b>6,874,350</b>	<b>4,956,010</b>	<b>19,998,822</b>	<b>15,395,964</b>
Income tax expense		(2,119,789)	(1,230,155)	(5,796,731)	(4,055,680)
<b>Profit for the period</b>		<b>4,754,561</b>	<b>3,725,855</b>	<b>14,202,091</b>	<b>11,340,284</b>
Earnings per share - basic and diluted (Rupees)		18.61	14.58	55.59	44.39

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.



Syed Ali Akbar

MD & Chief Executive Officer



William Pegel

Chief Financial Officer & Director

# Condensed Interim Statement of Comprehensive Income (Un-audited)

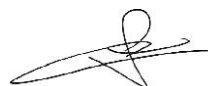
for the Nine months period ended September 30, 2021

	Three months ended		Nine months ended	
	Sep 30, 2021 Rs '000	Sep 30, 2020 Rs '000	Sep 30, 2021 Rs '000	Sep 30, 2020 Rs '000
<b>Profit for the period</b>	4,754,561	3,725,855	14,202,091	11,340,284
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive income for the period</b>	4,754,561	3,725,855	14,202,091	11,340,284

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.



Syed Ali Akbar  
MD & Chief Executive Officer



William Pegel  
Chief Financial Officer & Director



# Condensed Interim Statement of Financial Position (Un-audited)

as at September 30, 2021

	Note	Sep 30, 2021 (Unaudited) Rs '000	Dec 31, 2020 (Audited) Rs '000
<b>Non current assets</b>			
Property, plant and equipment	11	15,645,863	15,101,755
Advances for capital expenditure		84,471	716,864
Long term investment in subsidiary company	12	5,000	5,000
Long term deposits and prepayments		28,661	27,720
		15,763,995	15,851,339
<b>Current assets</b>			
Stock-in-trade		21,730,234	19,482,676
Stores and spares		588,631	678,900
Trade debts		2,020	1,392
Loans and advances	13	191,217	335,205
Short term prepayments		50,591	76,415
Other receivables	14	1,612,565	1,336,336
Short term investments		11,132,191	6,401,215
Cash and bank balances	15	1,052,830	842,296
		36,360,279	29,154,435
<b>Current liabilities</b>			
Trade and other payables	16	19,279,642	19,202,867
Other liabilities		2,500,687	2,073,866
Short term running finance/export refinance	17	2,300,000	-
Lease liability	18	732,823	678,730
Unpaid dividend		2,779,528	84,856
Unclaimed dividend		77,355	77,381
Accrued interest / mark-up		2,964	583
Current income tax liabilities		2,052,843	912,236
		(29,725,842)	(23,030,519)
<b>Net current assets</b>		6,634,437	6,123,916
<b>Non current liabilities</b>			
Lease liability	18	(1,455,011)	(1,573,892)
Deferred tax liabilities		(1,025,138)	(888,506)
		(2,480,149)	(2,462,398)
<b>Net assets</b>		19,918,283	19,512,857
Share capital and reserves			
Share capital	19	2,554,938	2,554,938
Revenue reserve - Unappropriated profit		17,363,345	16,957,919
		19,918,283	19,512,857

## Contingencies and commitments

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The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.



Syed Ali Akbar

MD & Chief Executive Officer



William Pegel

Chief Financial Officer & Director

# Condensed Interim Statement of Changes in Equity (Un-audited)

for the Nine months period ended September 30, 2021

	Share capital Rs '000	Revenue reserves Rs '000	Total Rs '000
<b>Balance at January 1, 2020</b>	2,554,938	15,735,917	18,290,855
<b>Total comprehensive income for the period:</b>			
Profit for the period	-	11,340,284	11,340,284
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	11,340,284	11,340,284
<b>Transactions with owners of the Company:</b>			
Final dividend for the year ended December 31, 2019 @ Rs. 23 per share	-	(5,876,357)	(5,876,357)
Interim dividend for the year ending December 31, 2020 @ Rs. 15 per share	-	(3,832,407)	(3,832,407)
<b>Balance at September 30, 2020</b>	2,554,938	17,367,437	19,922,375
Balance at January 1, 2021	2,554,938	16,957,919	19,512,857
<b>Total comprehensive income for the period:</b>			
Profit for the period	-	14,202,091	14,202,091
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	14,202,091	14,202,091
<b>Transactions with owners of the Company:</b>			
Final dividend for the year ended December 31, 2020 @ Rs. 28 per share	-	(7,153,826)	(7,153,826)
Interim dividend for the year ending December 31, 2021 @ Rs. 26 per share	-	(6,642,839)	(6,642,839)
<b>Balance at September 30, 2021</b>	2,554,938	17,363,345	19,918,283

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.



Syed Ali Akbar

MD & Chief Executive Officer



William Pegel

Chief Financial Officer & Director

# Condensed Interim Statement of Cash Flows (Un-audited)

for the Nine months period ended September 30, 2021

	Note	Sep 30, 2021 Rs '000	Sep 30, 2020 Rs '000
Nine month ended			
<b>Cash flows from operating activities</b>			
Cash generated from operations	21	19,193,151	19,346,695
Finance cost paid		(196,156)	(195,575)
Income tax paid		(4,519,492)	(3,667,691)
Contribution to retirement benefit funds		(338,714)	7,363
Net cash from operating activities		14,138,789	15,490,792
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(1,489,869)	(1,532,915)
Advances for capital expenditure		632,393	(571,920)
Proceeds from sale of property, plant and equipment		389,861	102,065
Interest received		744,314	634,091
Net cash from investing activities		276,699	(1,368,679)
<b>Cash flows from financing activities</b>			
Dividends paid		(11,102,019)	(9,452,699)
Lease payments		(671,959)	(362,765)
Proceeds from export refinance facility		2,300,000	-
Net cash used in financing activities		(9,473,978)	(9,815,464)
Net increase in cash and cash equivalents		4,941,510	4,306,649
Cash and cash equivalents at January 1		7,243,511	3,536,963
Cash and cash equivalents at Sep 30		12,185,021	7,843,612
<b>Cash and cash equivalents comprise:</b>			
Short-term investments		11,132,191	7,401,460
Cash and bank balances	15	1,052,830	461,443
Short term running finance		-	(19,291)
		12,185,021	7,843,612

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.



Syed Ali Akbar

MD & Chief Executive Officer



William Pegel

Chief Financial Officer & Director

# Notes to the Condensed Interim Financial Statements (Un-audited)

for the Nine months period ended September 30, 2021

## 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/tobacco and nicotine products.

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, 2020 ('last annual financial statements'). This interim financial information does not include all of the information required for a complete set of financial statements prepared in accordance with 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 is extracted from annual financial statements as of December 31, 2020 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 nine months period ended September 30, 2020.

These condensed interim financial statements are un-audited and is 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.

### 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 categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

# Notes to the Condensed Interim Financial Statements (Un-audited)

for the Nine months period ended September 30, 2021

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, 2020.

## 6. Standards issued but not effective

A number of new standards and amendments to standards are effective for annual periods beginning after January 01, 2021 and earlier application is permitted; however, the Company has not early adopted the new or amended standards.

	Three months ended		Nine months ended	
	Sep 30, 2021	Sep 30, 2020	Sep 30, 2021	Sep 30, 2020
	Rs '000	Rs '000	Rs '000	Rs '000

## 7. Cost of sales

Raw material consumed:				
Opening stock of raw materials and work in process	14,217,129	14,544,894	16,977,657	19,573,174
Raw material purchases and expenses	13,520,564	10,070,082	24,956,344	18,593,387
Excise duty, customs duty, regulatory duty and tobacco development cess etc.	394,745	244,590	1,786,858	769,247
Closing stock of raw materials and work in process	(19,338,415)	(17,918,573)	(19,338,415)	(17,918,573)
	8,794,023	6,940,993	24,382,444	21,017,235
Royalty	86,154	124,913	502,852	373,507
Production overheads	1,113,953	659,523	3,184,323	2,338,689
	9,994,130	7,725,429	28,069,619	23,729,431
Cost of finished goods				
Opening stock	1,426,796	1,882,101	2,632,867	1,859,725
Closing stock	(2,391,818)	(2,670,623)	(2,391,818)	(2,670,623)
	(965,022)	(788,522)	241,049	(810,898)
	9,029,108	6,936,907	28,310,668	22,918,533

## 8. Other expenses

Workers' Profit Participation Fund (WPPF)	369,192	266,166	1,074,050	826,851
Workers' Welfare Fund (WWF)	91,111	101,143	358,958	314,203
Bank charges and fees	8,595	12,205	30,288	29,640
Interest to Workers' Profit Participation Fund (WPPF)	-	-	36,700	1,263
Loss on disposal of property, plant and equipment	-	1,255	-	1,255
Foreign exchange loss	119,766	49,325	178,885	224,145
	588,664	430,094	1,678,881	1,397,357

# Notes to the Condensed Interim Financial Statements (Un-audited)

for the Nine months period ended September 30, 2021

	Three months ended		Nine months ended	
	Sep 30, 2021 Rs '000	Sep 30, 2020 Rs '000	Sep 30, 2021 Rs '000	Sep 30, 2020 Rs '000
<b>9. Other income</b>				
Income from services to associated companies:				
- BAT M.E DMCC- UAE	124,540	-	355,225	-
Recharges payable to associated companies written back:				
- BAT Aspac Service Center Sdn Bhd - Malaysia	-	-	53,331	-
Gain/(loss) on disposal of property, plant and equipment	41,521	(6,125)	76,726	-
Others	950	1,681	2,767	2,546
	167,011	(4,444)	488,049	2,546

## 10. Finance income

This includes profit from placement with banks in saving accounts, term deposit and treasury bills earned under interest arrangement. The interest rates range between 5.50% and 7.80% (nine months ended Sep 30, 2020 : 5.50% and 13.24%) per annum and is received on maturity.

	Note	Sep 30, 2021 (Unaudited) Rs '000	Dec 31, 2020 (Audited) Rs '000
<b>11. Property, plant and equipment</b>			
Operating assets	11.1	14,469,201	12,678,139
Capital work in progress	11.2	1,176,662	2,423,616
		15,645,863	15,101,755

### 11.1 Operating assets

Carrying amount at January 01		12,678,139	11,590,196
Additions during the period/year:			
- <b>Owned assets</b>			
Building		514,184	69,738
Plant and machinery		2,004,698	1,474,838
Office and household equipment		184,117	342,436
Furniture and fittings		33,824	81,764
Vehicles		-	178
		2,736,823	1,968,954
- <b>Right of use assets IFRS16</b>			
Land and building		272,403	257,592
Factory vehicles - Folk lifter trucks		-	352,768
- <b>Leased assets</b>			
Vehicles		334,768	433,597
		3,343,994	3,012,911

# Notes to the Condensed Interim Financial Statements (Un-audited)

for the Nine months period ended September 30, 2021

	Sep 30, 2021 (Unaudited) Rs '000	Dec 31, 2020 (Audited) Rs '000
Disposals during the period/year (net book value):		
<b>- Owned assets</b>		
Building	(2,652)	(187)
Plant and machinery	(193,404)	(294,469)
Office and household equipment	(115)	(613)
Furniture and fittings	(17)	(535)
Vehicles	-	(4,795)
	(196,188)	(300,599)
<b>- Right of use assets IFRS16</b>	(22,182)	(31,285)
<b>- Leased assets</b>		
Vehicles	(94,765)	(93,025)
	(313,135)	(424,909)
Depreciation charge for the period/year:	(1,239,797)	(1,500,059)
Carrying amount as at Sep 30/ December 31	14,469,201	12,678,139

**11.1.1** During the nine months ended September 30, 2021, the Company acquired assets, including transfers from capital work in progress, amounting to Rs. 3,343,994 thousand (nine months ended September 30, 2020: Rs. 1,476,682 thousand). Operating fixed assets having net book value of Rs. 313,135 thousand were disposed off during nine months ended September 30, 2021 (nine months ended September 30, 2020: Rs. 104,575 thousand). Depreciation charge for nine months ended September 30, 2021 was Rs. 1,239,797 thousand (nine months ended September 30, 2020: Rs. 1,158,913 thousand).

	Sep 30, 2021 (Unaudited) Rs '000	Dec 31, 2020 (Audited) Rs '000
<b>11.2 Capital work in progress</b>		
Carrying value as at the beginning of the period	2,423,616	732,634
Additions during the period/year	1,104,348	2,343,498
	3,527,964	3,076,132
Transferred to operating fixed assets	(2,351,302)	(652,516)
Carrying value as at end of the period	1,176,662	2,423,616

## 12. Long term investment in subsidiary company

This represents 500,001 (December 31, 2020: 500,001) fully paid ordinary shares of Rs.10 each in Phoenix (Private) Limited, a wholly owned subsidiary of the Company which has not yet commenced commercial production. The break up value of shares calculated by reference to net assets worked out to be Rs.10 per share based on financial statements for the nine months period ended September 30, 2021.

## 13. Loans and advances

These include non-interest bearing advances to employees of Rs. 32,232 thousand (December 31, 2020: Rs. 26,946 thousand).

# Notes to the Condensed Interim Financial Statements (Un-audited)

for the Nine months period ended September 30, 2021

## 14. Other receivables

These include following balances due from related parties:

	Note	Sep 30, 2021 (Unaudited) Rs '000	Dec 31, 2020 (Audited) Rs '000
Holding company / associated companies		984,495	899,794
Subsidiary company		20,021	20,021
Employees retirement benefit plans		369,793	333,113
<b>15. Cash and bank balances</b>			
Cash at banks			
- deposit accounts		29,583	29,705
- current accounts	15.1	1,022,917	810,645
		1,052,500	840,350
Cash in hand		330	1,946
		1,052,830	842,296

**15.1** These include balances of Rs. 640,225 thousand (December 31, 2020: Rs. 317,885 thousand) held in foreign currency accounts.

## 16. Trade and other payables

**16.1** These include following balances due to related parties:

		Sep 30, 2021 (Unaudited) Rs '000	Dec 31, 2020 (Audited) Rs '000
Holding company / associated companies		701,433	1,301,159
Employees retirement benefit plans		280,297	388,104

**16.2** These also include 'contract liabilities' representing advances from customers amounting to Rs 183,469 thousand (December 31, 2020: Rs 12,034 thousand).

## 17. Short term running finance / export refinance - secured

Short term running finance facilities available under mark-up arrangements with banks amount to Rs. 6,500 million (December 31, 2020: Rs.6,500 million), which remained unavailed at the period end. These facilities are secured by hypothecation of stock in trade and plant & machinery amounting to Rs.7,222 million (December 31, 2020: Rs.7,222 million). The mark-up ranges between 7.49% and 7.78% (December 31, 2020: 7.37% and 13.88%) per annum and is payable quarterly. The facilities are renewable on annual basis.

Effective August 2021, the Company has rolled over / obtained new loan of Rs 2,300 million (December 31, 2020 : Nil ) from different banks under export refinancing scheme. The mark-up is 2.20%.



# Notes to the Condensed Interim Financial Statements (Un-audited)

for the Nine months period ended September 30, 2021

## 18. Lease liability

This represents lease agreements entered into with various lessors on account of vehicle and property leases. Total gross lease rentals due under various lease agreements aggregate to Rs 2,690,749 thousand - short term Rs 908,590 thousand and long term Rs 1,782,159 thousand (December 31, 2020: Rs 2,834,089 thousand - short term Rs 872,824 thousand and long term Rs 1,961,265 thousand).

The net lease liability amounts to Rs 2,187,834 thousand - short term Rs 732,823 thousand and long term Rs 1,455,011 thousand ( December 31, 2020: Rs 2,252,622 thousand-short term Rs 678,730 thousand and long term Rs 1,573,892 thousand).

Financing rates of 7.75% to 14.61% (December 31, 2020: 7.75% to 14.61%) per annum have been used as discounting factor.

## 19. Share capital

Authorised share capital of the Company is Rs. 3,000,000 thousand (December 31, 2020: 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, 2020: Rs. 2,554,938 thousand) divided into 255,493,792 ordinary shares of Rs. 10 each.

	Sep 30, 2021 (Unaudited) Rs '000	Dec 31, 2020 (Audited) Rs '000
<b>20. Contingencies and commitments</b>		
<b>20.1 Contingencies</b>		
Claims and guarantees		
Claims against the Company not acknowledged as debt	75,706	75,706
Guarantees issued by banks on behalf of the Company	487,430	447,376
<b>Litigation</b>		
There is no significant change to status of litigations disclosed in annual financial statements for the year ended 31 December 2020.		
	Sep 30, 2021 (Unaudited) Rs '000	Dec 31, 2020 (Audited) Rs '000
<b>20.2 Commitments</b>		
Capital expenditure	1,497,392	-
Letters of credit outstanding	892,012	1,018,701

# Notes to the Condensed Interim Financial Statements (Un-audited)

for the Nine months period ended September 30, 2021

	Nine months ended	
	Sep 30, 2021 Rs '000	Sep 30, 2020 Rs '000
<b>21. Cash generated from operations</b>		
Profit before income tax	19,998,822	15,395,964
<b>Adjustment for non-cash items:</b>		
- Depreciation	1,239,797	1,158,913
- (Gain)/loss on disposal of property, plant and equipment	(76,726)	1,255
- Finance cost	198,537	178,746
- Finance income	(744,314)	(634,091)
- Exchange loss	178,885	224,145
- (Reversal) / Charge of provision for slow moving stores and spares	71,297	(1,400)
- Provision for staff retirement benefit plans	289,727	-
	1,157,203	927,568
<b>Changes in working capital:</b>		
- Stock-in-trade	(2,247,558)	833,347
- Stores and spares	18,972	(48,977)
- Trade debts	(628)	3,120
- Loans and advances	143,988	(219,422)
- Short term prepayments	25,824	(33,192)
- Other receivables	(222,462)	919,075
- Trade and other payables	(106,890)	1,200,132
- Other liabilities	426,821	369,039
	(1,961,933)	3,023,122
Changes in long term deposits and prepayments	(941)	41
	19,193,151	19,346,695

## Notes to the Condensed Interim Financial Statements (Un-audited) for the Nine months period ended September 30, 2021

### 22. Financial instruments

#### 22.1 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.

	September 30, 2021 (Un-audited)		December 31, 2020 (Audited)	
	Fair value through profit or loss	Amortized cost	Fair value through profit or loss	Amortized cost
	Rs '000			
<b>Financial assets measured at fair value</b>				
Short-term investment	11,132,191	-	11,132,191	-
<b>Financial assets not measured at fair value</b>				
Deposits	-	28,661	-	27,720
Trade debts	-	2,020	-	1,392
Other receivables	-	1,612,565	-	1,336,336
Cash and bank balances	-	1,052,830	-	842,296
	11,132,191	2,696,076	13,828,267	2,207,744
<b>Financial liabilities not measured at fair value</b>				
Finance lease obligation	-	(2,187,834)	-	(2,252,622)
Accrued interest / mark-up	-	(2,964)	-	(583)
Short term running finance/export refinance	-	(2,300,000)	-	-
Trade and other payables	-	(7,629,314)	-	(8,375,451)
	-	(12,120,112)	(12,120,112)	(10,628,656)

The short term investments are classified under Level 2 fair value hierarchy.

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 fair 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, 2020.

# Notes to the Condensed Interim Financial Statements (Un-audited)

for the Nine months period ended September 30, 2021

## 23. Related parties

British American Tobacco (Investments) Limited (BAT-IL) holds 94.34% (December 31, 2020: 94.34%) shares of the Company. Therefore, all the subsidiaries and associated undertakings of BAT-IL and the ultimate parent company British American Tobacco, p.l.c (BAT) are related parties of the Company. The related parties also include directors and their relatives, key management personnel and their relatives, entities in which directors have interest or common directorship, subsidiary and associated companies and subsidiaries of holding company, post-employment benefit plans and persons or entities having control or joint control or having significant influence over the Company.

The amounts due from and due to these parties are disclosed in the respective notes. All outstanding balances with related parties are to be settled in the normal course of business. None of the balances are secured. Transactions with related parties were as follows:

	Three months ended		Nine months ended	
	Sep 30, 2021 Rs '000	Sep 30, 2020 Rs '000	Sep 30, 2021 Rs '000	Sep 30, 2020 Rs '000
<b>Purchase of goods and services from</b>				
Holding company	457,942	367,955	1,286,284	1,092,674
Associated companies	1,175,220	306,277	3,425,578	1,926,456
<b>Sale of goods and services to</b>				
Holding company	3,325	-	6,550	29,000
Associated companies	1,913,911	1,415,496	4,482,148	4,187,508
<b>Dividend</b>				
Holding company	6,288,189	3,627,801	13,060,085	9,190,430
<b>Royalty charged by</b>				
Associate companies	86,154	124,913	502,852	373,507
<b>Employees retirement benefit plans - expense / (income)</b>				
Staff pension fund	8,327	-	18,995	(29,178)
Staff defined contribution pension fund	35,612	30,688	102,249	87,289
Employees' gratuity fund	29,141	33,968	87,617	97,964
Management provident fund	23,721	20,764	67,409	61,474
Employees' provident fund	4,485	4,729	13,457	14,266
<b>Remuneration of key management personnel</b>	225,136	176,071	571,485	448,722
<b>Other income:</b>				
Associated company: Recharges written back	-	-	53,331	-

# Notes to the Condensed Interim Financial Statements (Un-audited)

for the Nine months period ended September 30, 2021

## 24. Events after the reporting date

The Board of Directors in its meeting held on 22nd October 2021 has declared interim dividend of Rs 26.00 (2020: Rs 20.00) per share. This interim dividend of Rs 6,642,839 thousand (2020: Rs 5,109,876 ) will be recorded as liability in the interim financial statements for the next quarter as required by the IAS 10 'Events after the Reporting Period'. These condensed interim financial statements do not reflect this dividend.

## 25. Date of authorisation for issue

These condensed interim financial statements have been authorised for issue by the Board of Directors of the Company on October 22, 2021.



Syed Ali Akbar  
MD & Chief Executive Officer



William Pegel  
Chief Financial Officer & Director

# Consolidated Condensed Interim Profit or Loss Account (Un-audited)

for the Nine months period ended September 30, 2021

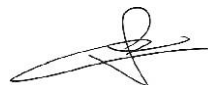
	Note	Three months ended		Nine months ended	
		Sep 30, 2021 Rs '000	Sep 30, 2020 Rs '000	Sep 30, 2021 Rs '000	Sep 30, 2020 Rs '000
Domestic turnover		46,733,562	35,281,100	144,115,888	118,752,440
Export turnover		1,466,399	1,375,077	3,934,444	3,788,185
<b>Gross turnover</b>		<b>48,199,961</b>	<b>36,656,177</b>	<b>148,050,332</b>	<b>122,540,625</b>
Excise duties		(22,841,816)	(17,801,040)	(70,801,611)	(59,725,572)
Sales tax		(7,036,175)	(5,384,803)	(21,791,701)	(17,981,716)
<b>Net turnover</b>		<b>18,321,970</b>	<b>13,470,334</b>	<b>55,457,020</b>	<b>44,833,337</b>
Cost of sales	7	(9,029,108)	(6,936,907)	(28,310,668)	(22,918,533)
<b>Gross profit</b>		<b>9,292,862</b>	<b>6,533,427</b>	<b>27,146,352</b>	<b>21,914,804</b>
Selling and distribution costs		(1,081,913)	(511,631)	(3,502,082)	(3,317,269)
Administrative expenses		(1,105,834)	(732,655)	(3,000,393)	(2,262,105)
Other expenses	8	(588,664)	(430,094)	(1,678,881)	(1,397,357)
Other income	9	167,011	(4,444)	488,049	2,546
		(2,609,400)	(1,678,824)	(7,693,307)	(6,974,185)
<b>Operating profit</b>		<b>6,683,462</b>	<b>4,854,603</b>	<b>19,453,045</b>	<b>14,940,619</b>
Finance income	10	250,584	170,671	744,314	634,091
Finance cost		(59,696)	(69,264)	(198,537)	(178,746)
Net finance income		190,888	101,407	545,777	455,345
<b>Profit before income tax</b>		<b>6,874,350</b>	<b>4,956,010</b>	<b>19,998,822</b>	<b>15,395,964</b>
Income tax expense		(2,119,789)	(1,230,155)	(5,796,731)	(4,055,680)
<b>Profit for the period</b>		<b>4,754,561</b>	<b>3,725,855</b>	<b>14,202,091</b>	<b>11,340,284</b>
Earnings per share - basic and diluted (Rupees)		18.61	14.58	55.59	44.39

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



Syed Ali Akbar

MD & Chief Executive Officer



William Pegel

Chief Financial Officer & Director

# Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited)

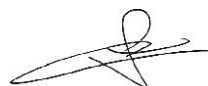
for the Nine months period ended September 30, 2021

	Three months ended		Nine months ended	
	Sep 30, 2021 Rs '000	Sep 30, 2020 Rs '000	Sep 30, 2021 Rs '000	Sep 30, 2020 Rs '000
<b>Profit for the period</b>	4,754,561	3,725,855	14,202,091	11,340,284
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive income for the period</b>	4,754,561	3,725,855	14,202,091	11,340,284

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



**Syed Ali Akbar**  
MD & Chief Executive Officer



**William Pegel**  
Chief Financial Officer & Director

# Consolidated Condensed Interim Statement of Financial Position (Un-audited)

as at September 30, 2021

	Note	Sep 30, 2021 (Unaudited) Rs '000	Dec 31, 2020 (Audited) Rs '000
<b>Non current assets</b>			
Property, plant and equipment	11	15,670,911	15,126,803
Advances for capital expenditure		84,471	716,864
Long term deposits and prepayments		28,661	27,720
		15,784,043	15,871,387
<b>Current assets</b>			
Stock-in-trade		21,730,234	19,482,676
Stores and spares		588,631	678,900
Trade debts		2,020	1,392
Loans and advances	12	191,217	335,205
Short term prepayments		50,591	76,415
Other receivables	13	1,592,544	1,316,315
Short term investments		11,132,191	6,401,215
Cash and bank balances	14	1,052,830	842,296
		36,340,258	29,134,414
<b>Current liabilities</b>			
Trade and other payables	15	19,279,669	19,202,894
Other liabilities		2,500,687	2,073,866
Short term running finance/export refinance	16	2,300,000	-
Lease liability	17	732,823	678,730
Unpaid dividend		2,779,528	84,856
Unclaimed dividend		77,355	77,381
Accrued interest / mark-up		2,964	583
Current income tax liabilities		2,052,843	912,236
		(29,725,869)	(23,030,546)
<b>Net current assets</b>		6,614,389	6,103,868
<b>Non current liabilities</b>			
Lease liability	17	(1,455,011)	(1,573,892)
Deferred tax liabilities		(1,025,138)	(888,506)
		(2,480,149)	(2,462,398)
<b>Net assets</b>		19,918,283	19,512,857
Share capital and reserves			
Share capital	18	2,554,938	2,554,938
Revenue reserve - Unappropriated profit		17,363,345	16,957,919
		19,918,283	19,512,857
<b>Contingencies and commitments</b>	19		

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



Syed Ali Akbar

MD & Chief Executive Officer



William Pegel

Chief Financial Officer & Director



# Consolidated Condensed Interim Statement of Changes in Equity (Un-audited)

for the Nine months period ended September 30, 2021

	Share capital Rs '000	Revenue reserves Rs '000	Total Rs '000
<b>Balance at January 1, 2020</b>	2,554,938	15,735,917	18,290,855
<b>Total comprehensive income for the period:</b>			
Profit for the period	-	11,340,284	11,340,284
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	11,340,284	11,340,284
<b>Transactions with owners of the Company:</b>			
Final dividend for the year ended December 31, 2019 @ Rs. 23 per share	-	(5,876,357)	(5,876,357)
Interim dividend for the year ending December 31, 2020 @ Rs. 15 per share	-	(3,832,407)	(3,832,407)
<b>Balance at September 30, 2020</b>	2,554,938	17,367,437	19,922,375
Balance at January 1, 2021	2,554,938	16,957,919	19,512,857
<b>Total comprehensive income for the period:</b>			
Profit for the period	-	14,202,091	14,202,091
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	14,202,091	14,202,091
<b>Transactions with owners of the Company:</b>			
Final dividend for the year ended December 31, 2020 @ Rs. 28 per share	-	(7,153,826)	(7,153,826)
Interim dividend for the year ending December 31, 2021 @ Rs. 26 per share	-	(6,642,839)	(6,642,839)
<b>Balance at September 30, 2021</b>	2,554,938	17,363,345	19,918,283

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



Syed Ali Akbar

MD & Chief Executive Officer



William Pegel

Chief Financial Officer & Director

# Consolidated Condensed Interim Statement of Cash Flows (Un-audited)

for the Nine months period ended September 30, 2021

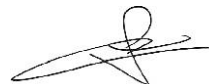
	Note	Sep 30, 2021 Rs '000	Sep 30, 2020 Rs '000
Nine month ended			
<b>Cash flows from operating activities</b>			
Cash generated from operations	20	19,193,151	19,346,695
Finance cost paid		(196,156)	(195,575)
Income tax paid		(4,519,492)	(3,667,691)
Contribution to retirement benefit funds		(338,714)	7,363
Net cash from operating activities		14,138,789	15,490,792
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(1,489,869)	(1,532,915)
Advances for capital expenditure		632,393	(571,920)
Proceeds from sale of property, plant and equipment		389,861	102,065
Interest received		744,314	634,091
Net cash from investing activities		276,699	(1,368,679)
<b>Cash flows from financing activities</b>			
Dividends paid		(11,102,019)	(9,452,699)
Lease payments		(671,959)	(362,765)
Proceeds from export refinance facility		2,300,000	-
Net cash used in financing activities		(9,473,978)	(9,815,464)
Net increase in cash and cash equivalents		4,941,510	4,306,649
Cash and cash equivalents at January 1		7,243,511	3,536,963
Cash and cash equivalents at Sep 30		12,185,021	7,843,612
<b>Cash and cash equivalents comprise:</b>			
Short-term investments		11,132,191	7,401,460
Cash and bank balances	14	1,052,830	461,443
Short term running finance		-	(19,291)
		12,185,021	7,843,612

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



Syed Ali Akbar

MD & Chief Executive Officer



William Pegel

Chief Financial Officer & Director

# Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

for the Nine months period ended September 30, 2021

## 1. The Group 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/tobacco and nicotine products.

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 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, 2020 ('last annual financial statements'). This interim financial information does not include all of the information required for a complete set of financial statements prepared in accordance with 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 Group's financial position and performance since the last annual financial statements.

Comparative figures of condensed interim statement of financial position is extracted from annual financial statements as of December 31, 2020 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 Group for the nine months period ended September 30, 2020.

These consolidated condensed interim financial statements are un-audited and is 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 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.

# Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

for the Nine months period ended September 30, 2021

## 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 categorised 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, 2020.

## 6. Standards issued but not effective

A number of new standards and amendments to standards are effective for annual periods beginning after January 01, 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards.

	Three months ended		Nine months ended	
	Sep 30, 2021 Rs '000	Sep 30, 2020 Rs '000	Sep 30, 2021 Rs '000	Sep 30, 2020 Rs '000
<b>7. Cost of sales</b>				
Raw material consumed:				
Opening stock of raw materials and work in process	14,217,129	14,544,894	16,977,657	19,573,174
Raw material purchases and expenses	13,520,564	10,070,082	24,956,344	18,593,387
Excise duty, customs duty, regulatory duty and tobacco development cess etc.	394,745	244,590	1,786,858	769,247
Closing stock of raw materials and work in process	(19,338,415)	(17,918,573)	(19,338,415)	(17,918,573)
	8,794,023	6,940,993	24,382,444	21,017,235
Royalty	86,154	124,913	502,852	373,507
Production overheads	1,113,953	659,523	3,184,323	2,338,689
	9,994,130	7,725,429	28,069,619	23,729,431
Cost of finished goods				
Opening stock	1,426,796	1,882,101	2,632,867	1,859,725
Closing stock	(2,391,818)	(2,670,623)	(2,391,818)	(2,670,623)
	(965,022)	(788,522)	241,049	(810,898)
	9,029,108	6,936,907	28,310,668	22,918,533
<b>8. Other expenses</b>				
Workers' Profit Participation Fund (WPPF)	369,192	266,166	1,074,050	826,851
Workers' Welfare Fund (WWF)	91,111	101,143	358,958	314,203
Bank charges and fees	8,595	12,205	30,288	29,640
Interest to Workers' Profit Participation Fund (WPPF)	-	-	36,700	1,263
Loss on disposal of property, plant and equipment	-	1,255	-	1,255
Foreign exchange loss	119,766	49,325	178,885	224,145
	588,664	430,094	1,678,881	1,397,357

# Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

for the Nine months period ended September 30, 2021

	Three months ended		Nine months ended	
	Sep 30, 2021 Rs '000	Sep 30, 2020 Rs '000	Sep 30, 2021 Rs '000	Sep 30, 2020 Rs '000
<b>9. Other income</b>				
Income from services to associated companies:				
- BAT M.E DMCC- UAE	124,540	-	355,225	-
Recharges payable to associated companies written back:				
- BAT Aspac Service Center Sdn Bhd - Malaysia	-	-	53,331	-
Gain/(loss) on disposal of property, plant and equipment	41,521	(6,125)	76,726	-
Others	950	1,681	2,767	2,546
	167,011	(4,444)	488,049	2,546

## 10. Finance income

This includes profit from placement with banks in saving accounts, term deposit and treasury bills earned under interest arrangement. The interest rates range between 5.50% and 7.80% (nine months ended Sep 30, 2020 : 5.50% and 13.24%) per annum and is received on maturity.

	Note	Sep 30, 2021 (Unaudited) Rs '000	Dec 31, 2020 (Audited) Rs '000
<b>11. Property, plant and equipment</b>			
Operating assets	11.1	14,472,565	12,681,503
Capital work in progress	11.2	1,198,346	2,445,300
		15,670,911	15,126,803

### 11.1 Operating assets

Carrying amount at January 01		12,681,503	11,593,560
Additions during the period/year:			
- <b>Owned assets</b>			
Building		514,184	69,738
Plant and machinery		2,004,698	1,474,838
Office and household equipment		184,117	342,436
Furniture and fittings		33,824	81,764
Vehicles		-	178
		2,736,823	1,968,954
- <b>Right of use assets IFRS16</b>			
Land and building		272,403	257,592
Factory vehicles - Folk lifter trucks		-	352,768
- <b>Leased assets</b>			
Vehicles		334,768	433,597
		3,343,994	3,012,911

# Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

for the Nine months period ended September 30, 2021

	Sep 30, 2021 (Unaudited) Rs '000	Dec 31, 2020 (Audited) Rs '000
Disposals during the period/year (net book value):		
<b>- Owned assets</b>		
Building	(2,652)	(187)
Plant and machinery	(193,404)	(294,469)
Office and household equipment	(115)	(613)
Furniture and fittings	(17)	(535)
Vehicles	-	(4,795)
	(196,188)	(300,599)
<b>- Right of use assets IFRS16</b>	(22,182)	(31,285)
<b>- Leased assets</b>		
Vehicles	(94,765)	(93,025)
	(313,135)	(424,909)
Depreciation charge for the period/year:	(1,239,797)	(1,500,059)
Carrying amount as at Sep 30/ December 31	14,472,565	12,681,503

**11.1.1** During the nine months ended September 30, 2021, the Company acquired assets, including transfers from capital work in progress, amounting to Rs. 3,343,994 thousand (nine months ended September 30, 2020: Rs. 1,476,682 thousand). Operating fixed assets having net book value of Rs. 313,135 thousand were disposed off during nine months ended September 30, 2021 (nine months ended September 30, 2020: Rs. 104,575 thousand). Depreciation charge for nine months ended September 30, 2021 was Rs. 1,239,797 thousand (nine months ended September 30, 2020: Rs. 1,158,913 thousand).

	Sep 30, 2021 (Unaudited) Rs '000	Dec 31, 2020 (Audited) Rs '000
<b>11.2 Capital work in progress</b>		
Carrying value as at the beginning of the period	2,445,300	754,318
Additions during the period/year	1,104,348	2,343,498
	3,549,648	3,097,816
Transferred to operating fixed assets	(2,351,302)	(652,516)
Carrying value as at end of the period	1,198,346	2,445,300

## 12. Loans and advances

These include non-interest bearing advances to employees of Rs. 32,232 thousand (December 31, 2020: Rs. 26,946 thousand).

# Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

for the Nine months period ended September 30, 2021

## 13. Other receivables

These include following balances due from related parties:

	Note	Sep 30, 2021 (Unaudited) Rs '000	Dec 31, 2020 (Audited) Rs '000
Holding company / associated companies		984,495	899,794
Employees retirement benefit plans		369,793	333,113
<b>14. Cash and bank balances</b>			
Cash at banks			
- deposit accounts		29,583	29,705
- current accounts	14.1	1,022,917	810,645
		1,052,500	840,350
Cash in hand		330	1,946
		1,052,830	842,296

**14.1** These include balances of Rs. 640,225 thousand (December 31, 2020: Rs. 317,885 thousand) held in foreign currency accounts.

## 15. Trade and other payables

**15.1** These include following balances due to related parties:

		Sep 30, 2021 (Unaudited) Rs '000	Dec 31, 2020 (Audited) Rs '000
Holding company / associated companies		701,433	1,301,159
Employees retirement benefit plans		280,297	388,104

**15.2** These also include 'contract liabilities' representing advances from customers amounting to Rs 183,469 thousand (December 31, 2020: Rs 12,034 thousand).

## 16. Short term running finance / export refinance - secured

Short term running finance facilities available under mark-up arrangements with banks amount to Rs. 6,500 million (December 31, 2020: Rs.6,500 million), which remained unavailed at the period end. These facilities are secured by hypothecation of stock in trade and plant & machinery amounting to Rs.7,222 million (December 31, 2020: Rs.7,222 million). The mark-up ranges between 7.49% and 7.78% (December 31, 2020: 7.37% and 13.88%) per annum and is payable quarterly. The facilities are renewable on annual basis.

Effective August 2021, the Company has rolled over / obtained new loan of Rs 2,300 million (December 31, 2020 : Nil) from different banks under export refinancing scheme. The mark-up is 2.20%.

# Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

for the Nine months period ended September 30, 2021

## 17. Lease liability

This represents lease agreements entered into with various lessors on account of vehicle and property leases. Total gross lease rentals due under various lease agreements aggregate to Rs 2,690,749 thousand - short term Rs 908,590 thousand and long term Rs 1,782,159 thousand (December 31, 2020: Rs 2,834,089 thousand - short term Rs 872,824 thousand and long term Rs 1,961,265 thousand).

The net lease liability amounts to Rs 2,187,834 thousand - short term Rs 732,823 thousand and long term Rs 1,455,011 thousand ( December 31, 2020: Rs 2,252,622 thousand-short term Rs 678,730 thousand and long term Rs 1,573,892 thousand).

Financing rates of 7.75% to 14.61% (December 31, 2020: 7.75% to 14.61%) per annum have been used as discounting factor.

## 18. Share capital

Authorised share capital of the Company is Rs. 3,000,000 thousand (December 31, 2020: 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, 2020: Rs. 2,554,938 thousand) divided into 255,493,792 ordinary shares of Rs. 10 each.

	Sep 30, 2021 (Unaudited) Rs '000	Dec 31, 2020 (Audited) Rs '000
<b>19. Contingencies and commitments</b>		
<b>19.1 Contingencies</b>		
Claims and guarantees		
Claims against the Company not acknowledged as debt	75,706	75,706
Guarantees issued by banks on behalf of the Company	487,430	447,376
<b>Litigation</b>		
There is no significant change to status of litigations disclosed in annual financial statements for the year ended 31 December 2020.		
	Sep 30, 2021 (Unaudited) Rs '000	Dec 31, 2020 (Audited) Rs '000
<b>19.2 Commitments</b>		
Capital expenditure	1,497,392	-
Letters of credit outstanding	892,012	1,018,701



# Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

for the Nine months period ended September 30, 2021

	Nine months ended	
	Sep 30, 2021 Rs '000	Sep 30, 2020 Rs '000
<b>20. Cash generated from operations</b>		
Profit before income tax	19,998,822	15,395,964
<b>Adjustment for non-cash items:</b>		
- Depreciation	1,239,797	1,158,913
- (Gain)/loss on disposal of property, plant and equipment	(76,726)	1,255
- Finance cost	198,537	178,746
- Finance income	(744,314)	(634,091)
- Exchange loss	178,885	224,145
- (Reversal) / Charge of provision for slow moving stores and spares	71,297	(1,400)
- Provision for staff retirement benefit plans	289,727	-
	1,157,203	927,568
<b>Changes in working capital:</b>		
- Stock-in-trade	(2,247,558)	833,347
- Stores and spares	18,972	(48,977)
- Trade debts	(628)	3,120
- Loans and advances	143,988	(219,422)
- Short term prepayments	25,824	(33,192)
- Other receivables	(222,462)	919,075
- Trade and other payables	(106,890)	1,200,132
- Other liabilities	426,821	369,039
	(1,961,933)	3,023,122
Changes in long term deposits and prepayments	(941)	41
	19,193,151	19,346,695

## Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) for the Nine months period ended September 30, 2021

### 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.

	September 30, 2021 (Un-audited)		December 31, 2020 (Audited)	
	Fair value through profit or loss	Amortized cost	Fair value through profit or loss	Amortized cost
	Rs '000			
<b>Financial assets not measured at fair value</b>				
Deposits	-	28,661	-	27,720
Trade debts	-	2,020	-	1,392
Other receivables	-	1,592,544	-	1,316,315
Cash and bank balances	-	1,052,830	-	842,296
	11,132,191	2,676,055	13,808,246	2,187,723
<b>Financial liabilities not measured at fair value</b>				
Finance lease obligation	-	(2,187,834)	-	(2,252,622)
Accrued interest / mark-up	-	(2,964)	-	(583)
Short term running finance/export refinance	-	(2,300,000)	-	-
Trade and other payables	-	(7,629,341)	-	(8,375,478)
	-	(12,120,139)	(12,120,139)	(10,628,683)

The short term investments are classified under Level 2 fair value hierarchy.

The Group 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 fair values.

#### 21.2 Financial risk management

The Group's financial risk management objective and policies are consistent with that disclosed in the financial statements for the year ended December 31, 2020.

# Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

for the Nine months period ended September 30, 2021

## 22. Related parties

British American Tobacco (Investments) Limited (BAT-IL) holds 94.34% (December 31, 2020: 94.34%) shares of the Company. Therefore, all the subsidiaries and associated undertakings of BAT-IL and the ultimate parent company British American Tobacco, p.l.c (BAT) are related parties of the Company. The related parties also include directors and their relatives, key management personnel and their relatives, entities in which directors have interest or common directorship, subsidiary and associated companies and subsidiaries of holding company, post-employment benefit plans and persons or entities having control or joint control or having significant influence over the Company.

The amounts due from and due to these parties are disclosed in the respective notes. All outstanding balances with related parties are to be settled in the normal course of business. None of the balances are secured. Transactions with related parties were as follows:

	Three months ended		Nine months ended	
	Sep 30, 2021 Rs '000	Sep 30, 2020 Rs '000	Sep 30, 2021 Rs '000	Sep 30, 2020 Rs '000
<b>Purchase of goods and services from</b>				
Holding company	457,942	367,955	1,286,284	1,092,674
Associated companies	1,175,220	306,277	3,425,578	1,926,456
<b>Sale of goods and services to</b>				
Holding company	3,325	-	6,550	29,000
Associated companies	1,913,911	1,415,496	4,482,148	4,187,508
<b>Dividend</b>				
Holding company	6,288,189	3,627,801	13,060,085	9,190,430
<b>Royalty charged by</b>				
Associate companies	86,154	124,913	502,852	373,507
<b>Employees retirement benefit plans - expense / (income)</b>				
Staff pension fund	8,327	-	18,995	(29,178)
Staff defined contribution pension fund	35,612	30,688	102,249	87,289
Employees' gratuity fund	29,141	33,968	87,617	97,964
Management provident fund	23,721	20,764	67,409	61,474
Employees' provident fund	4,485	4,729	13,457	14,266
<b>Remuneration of key management personnel</b>	225,136	176,071	571,485	448,722
<b>Other income:</b>				
Associated company: Recharges written back	-	-	53,331	-

# Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

for the Nine months period ended September 30, 2021

## 23. Events after the reporting date

The Board of Directors in its meeting held on 22nd October 2021 has declared interim dividend of Rs 26.00 (2020: Rs 20.00) per share. This interim dividend of Rs 6,642,839 thousand (2020: Rs 5,109,876 ) will be recorded as liability in the interim financial statements for the next quarter as required by the IAS 10 'Events after the Reporting Period'. These condensed interim financial statements do not reflect this dividend.

## 24. Date of authorisation for issue

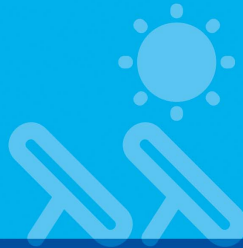
These consolidated condensed interim financial statements have been authorised for issue by the Board of Directors of the Group on October 22, 2021.




Syed Ali Akbar  
MD & Chief Executive Officer



William Pegel  
Chief Financial Officer & Director



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This Annual Report is a testament to our ESG agenda of minimizing our carbon footprint. A major part of this report has been printed on recycled paper.