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75  
Years

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**GROWTH &  
TRANSFORMATION**

**Condensed Interim  
Financial Statements**  
for the three months period ended March 31, 2023

# Corporate Information

## Board of Directors

Zafar Mahmood  
Chairman & Independent Director

Syed Ali Akbar  
MD / CEO & Executive Director

Kelly Burtenshaw  
Director Finance/IT

Syed Asad Ali Shah  
Legal & External Affairs Director

Wael Sabra  
Non-Executive Director

Usman Zahur  
Non-Executive Director

Asif Jooma  
Independent Director

Mohammad Riaz  
Independent Director

Oliver Engels  
Non-Executive Director

Gary Tarrant  
Non-Executive Director

Lt. Gen. (R) Najib Ullah Khan  
Independent Director

Belinda Ross  
Non-Executive Director

## Audit Committee

Mohammad Riaz (Chairman)

Lt. Gen. (R) Najib Ullah Khan

Belinda Ross

Wael Sabra

Asif Jooma

Sughra Sadaf (Secretary)

## Company Secretary

Madeeha Arshad Chaudhry

## 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](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

In February 2023, the Finance (Supplementary) Bill 2023 introduced the highest-ever excise increase for tobacco industry whereby excise duty on tier-1 brands was increased from Rs 6,500 to Rs 16,500 per thousand cigarettes (increase of 154%), whilst excise duty on tier-2 brands was increased from Rs 2,050 to Rs 5,050 per thousand cigarettes (increase of 146%). This unprecedented increase led to a 100% price increase by the duty paid cigarette industry, further widening the gap from duty-not-paid (DNP) brands as prices of DNP segment were only marginally adjusted post increase in excise duty. This price disparity further incentivized DNP segment and adversely impacted government revenues due to duty-evasion. Further, excise tier threshold and minimum legal price increased by only 35% and 80% respectively thereby introducing anomaly in excise structure and negatively impacting the compliant duty-paid cigarette industry.

As a consequence, quantum and availability of cheap smuggled cigarettes has increased manifold and more than 70 smuggled cigarette brands have flooded the market with no graphical health warning. These brands are selling below minimum mandated legal price with impunity, flouting all regulations set by the Government while causing significant loss to the National Exchequer. As a result, the Company's domestic volume decreased by 64% in March 2023 vs January 2023 post the February excise increase. This increase has not only created a sustainability challenge for the duty paid cigarette industry but will also lead to a decline in large scale manufacturing without corresponding decline in smoking incidence due to widespread availability of DNP product. Stronger enforcement measures by Government with consistent follow-up by law enforcement agencies through dedicated financial and human resources is the need of the hour.

Pakistan's foreign currency reserves have been dwindling lately. With recent regulatory changes, the manufacturing industry has been struggling to access foreign currency for import of raw materials and machinery spares. Additionally, delays in repatriation of dividends to overseas shareholders has given rise to uncertainty amongst investor community. Coupled with local currency devaluation, overall situation is impeding business sustainability of the entire manufacturing sector. The Government, together with State Bank of Pakistan must intervene on a war footing to ensure that right policies are in place to facilitate the manufacturing industry, which is backbone of country's economy.

Key financial indicators of the Company for the period ended March 31, 2023 are summarized below:

	Rs. (million)	
	Jan - Mar, 2023	Jan - Mar, 2022
Gross Turnover	58,721	52,832
FED & Sales Tax	(36,137)	(33,139)
Net Turnover	22,584	19,693
Cost of Sales	(9,632)	(10,490)
Gross Profit	12,951	9,203
Operating Profit	8,681	6,562
Profit Before Tax – PBT	9,812	6,709
Profit After Tax – PAT	6,744	4,886
Earnings Per Share – EPS (Rs)	26.40	19.12

Domestic volume decreased by 30% vs SPLY due to the excise-led price increase. In line with the Company's export agenda, goods worth \$4.3 million were exported during the period under review. Due to pressure on foreign currency reserves, local currency devaluation and highest-ever inflation in country's history, cost of sales increased by 32% vs SPLY. Despite the cost pressures, operating profit increased by 32% through process optimization and productivity initiatives. Higher income from T-Bills improved PBT by 46% vs SPLY. However, imposition of super tax has limited PAT growth to 38% vs SPLY. EPS increased by 38% for the period under review due to effective overall commercial execution.

PTC continues to focus on creating value for consumers through its brands whilst maximizing shareholder value through robust risk management and cost optimization. The Company will continue to invest in the growth of its potentially reduced risk product portfolio in line with BAT Group's agenda of A Better Tomorrow™ and to reduce the health impact of its business. PTC is well-equipped to manage aforementioned challenges and will continue to deliver on shareholder expectations during 2023 and beyond.



**Syed Ali Akbar**

MD & Chief Executive Officer



**Kelly Burtenshaw**


Chief Financial Officer & Director

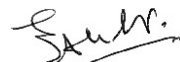
31 مارچ 2023ء کو ختم ہونے والی مدت کے لئے کمپنی کے اہم مالی اعداد و شماروں کا خلاصہ ذیل میں دیا گیا ہے:

روپے (ملین)		
جنوری سے مارچ، 2022	2023، جنوری سے مارچ	
52,832	58,721	مجموعی کاروبار (Gross Turnover)
(33,139)	(36,137)	فیڈرل ایکسائز ڈیوٹی اور سیلز ٹیکس (FED & Sales Tax)
19,693	22,584	خالص وصولیات (Net Turnover)
(10,490)	(9,632)	لاگت برائے فروخت (Cost of Sales)
9,203	12,951	کل منافع (Gross Profit)
6,562	8,681	کاروباری منافع (Operating Profit)
6,709	9,812	قبل از ٹیکس منافع (Profit Before Tax – PBT)
4,886	6,744	بعد از ٹیکس منافع (Profit After Tax – PAT)
19.12	26.40	آمدنی فی حصص (روپے) (Earnings Per Share – EPS (Rs))

ایکسائز ڈیوٹی کے نتیجے میں قیمتوں میں ہونے والے اضافہ کی وجہ سے SPLY کے مقابلے میں مقامی حجم میں 30 فیصد کمی ہوئی۔ کمپنی کے برآمدی ایجنڈے کے مطابق مذکورہ جائزہ مدت کے دوران 4.3 ملین ڈالر مالیت کا سامان برآمد کیا گیا۔ غیر ملکی زرمبادلہ کے ذخائر پر دباؤ، مقامی کرنسی کی قدر میں کمی اور تاریخ کے بلند ترین افراط زر کی وجہ سے SPLY کے مقابلے میں فروخت پر آنے والی لاگت میں 32 فیصد اضافہ ہوا۔ لاگت کے دباؤ کے باوجود پروسس کی اصلاح اور پیداواری اقدامات کے ذریعے خالص منافع میں 32 فیصد اضافہ ہوا۔ T-Bills سے ہونے والی آمدنی میں اضافے سے SPLY کے مقابلے میں PBT میں 46 فیصد بہتری آئی۔ تاہم سپر ٹیکس کے نفاذ سے SPLY کے مقابلے میں PAT کی نمو 38 فیصد تک محدود ہو کر رہ گئی۔ مجموعی طور پر موثر کمرشل اقدامات کی وجہ سے جائزہ مدت کے دوران EPS میں 38 فیصد اضافہ ہوا۔

PTC اپنے برانڈز کے ذریعے صارفین کے لئے اور وسیع رسک مینجمنٹ اور لاگت کی اصلاح کے ذریعے شیئر ہولڈرز کے لئے زیادہ سے زیادہ قدر پیدا کرنے پر توجہ مرکوز کیے ہوئے ہے۔ BAT گروپ کے ”بہتر کل - A Better Tomorrow“ کے ایجنڈے کے تحت اور اپنے بزنس کی صحت پر اثرات کو کرنے کیلئے کمپنی اپنے ممکنہ کم رسک پروڈکٹ پورٹ فولیو (reduced risk product portfolio) کی نمویں سرمایہ کاری جاری رکھے گی۔ کمپنی مذکورہ بالا چیلنجوں سے نمٹنے کے لئے پوری طرح لیس ہے اور 2023 کے دوران بلکہ اس سے بھی آگے یہ شیئر ہولڈرز کی توقعات پر پورا اترتی رہے گی۔

  
سیلی برٹنشاہ  
سی ایف او اور ڈائریکٹر

  
سید علی اکبر  
ٹیچنگ ڈائریکٹر / سی ای او

ڈائریکٹرز سال 2023ء کی پہلی سہ ماہی کے دوران کمپنی کی کارکردگی کے بارے میں رپورٹ پیش کرتے ہیں

فروری 2023ء میں مالیاتی (ضمنی) بل میں تمباکو کی صنعت کے لئے ایکسائز ڈیوٹی میں اب تک کا بلند ترین اضافہ متعارف کرایا گیا جس کے تحت Tier-1 برانڈز پر ایکسائز ڈیوٹی 6,500 روپے سے بڑھا کر 16,500 روپے (154 فیصد اضافہ) فی ہزار سگریٹ کر دی گئی جبکہ tier-2 برانڈز پر ایکسائز ڈیوٹی 2,050 روپے سے بڑھا کر 5,050 روپے (146 فیصد اضافہ) فی ہزار سگریٹ کر دی گئی۔ اس غیر معمولی اضافہ کی وجہ سے ڈیوٹی پیڈ (duty paid) سگریٹ کی صنعت میں قیمتوں میں 100 فیصد اضافہ ہوا جس سے ڈیوٹی نان پیڈ (duty non paid -DNP) برانڈز کی مصنوعات کی قیمتوں میں موجود تفاوت میں مزید اضافہ ہوا کیونکہ ایکسائز ڈیوٹی میں اضافے کے بعد DNP سگریٹ کی قیمتوں میں معمولی ردوبدل کیا گیا تھا۔ قیمتوں میں تفاوت سے DNP segment کو مزید ترغیب ملی اور ڈیوٹی کی وجہ سے حکومت کے محصولات پر منفی اثر پڑا۔ مزید برآں ایکسائز tier کی حد اور کم سے کم قانونی قیمت میں بالترتیب صرف 35 فیصد اور 80 فیصد اضافہ ہوا۔ چنانچہ ایکسائز سٹرکچر میں بے قاعدگی پیدا ہوئی اور تعمیل کرنے والی ڈیوٹی پیڈ سگریٹ کی صنعت پر اس کے منفی اثرات مرتب ہوئے۔

اس کے نتیجے میں سستے سمگل شدہ سگریٹوں کی مقدار اور دستیابی میں کئی گنا اضافہ ہوا ہے اور بغیر کسی گرافیکل ہیلتھ وارننگ کے مارکیٹ میں سمگل شدہ سگریٹ کے 70 سے زیادہ برانڈز کی بھر مہر ہو گئی ہے۔ حکومت کی طرف سے مقرر کردہ تمام قواعد و ضوابط کی دھجیاں اڑاتے ہوئے یہ برانڈز انتہائی کم از کم لازمی قانونی قیمت سے بھی کم قیمت پر فروخت ہو رہے ہیں جس سے قومی خزانے کو بہت بڑا نقصان پہنچ رہا ہے۔ نتیجے کے طور پر فروری میں ایکسائز ڈیوٹی میں اضافے کے بعد کمپنی کے مقامی حجم میں جنوری 2023ء کے مقابلے میں مارچ 2023ء میں 64 فیصد کمی ہوئی۔ ڈیوٹی میں اضافے سے نہ صرف ڈیوٹی پیڈ سگریٹ کی صنعت کی بقا کا چیلنج پیدا ہوا ہے بلکہ سگریٹ نوشی کو متاثر کیے بغیر ڈیوٹی نان پیڈ مصنوعات کی وسیع پیمانے پر دستیابی کی وجہ سے بڑے پیمانے پر مینو فیکچرنگ میں بھی کمی آئے گی۔ ڈیوٹی کے نفاذ کے لئے حکومت کی طرف سے سختی اقدامات اٹھانے اور ساتھ ہی ساتھ مالی اور انسانی وسائل کے ذریعے قانون نافذ کرنے والے اداروں کی طرف سے مسلسل کوششیں وقت کی ضرورت ہیں۔

پاکستان کے غیر ملکی زرمبادلہ کے ذخائر میں بتدریج کمی ہو رہی ہے۔ حالیہ ریگولیٹری ردوبدل کے بعد خام مال اور مشینری کے سپئیر پارٹس کی درآمد کے لئے مینو فیکچرنگ انڈسٹری غیر ملکی کرنسی تک رسائی کے لئے جدوجہد کر رہی ہے۔ مزید برآں سمندر پار حصص یافتگان کو منافع کی ادائیگی میں تاخیر سے سرمایہ کار برادری میں غیر یقینی صورت حال میں اضافہ ہوا ہے۔ مقامی کرنسی کی قدر میں کمی کی وجہ سے پیدا ہونے والی مجموعی صورت حال مینو فیکچرنگ کے شعبے میں کاروباری بقا کی راہ میں رکاوٹ بن کر ابھری ہے۔ مینو فیکچرنگ کے شعبے کو جو ملک کی معیشت کے لئے ریڈھ کی ہڈی کی حیثیت رکھتا ہے، سہولت کاری یقینی بنانے کے لئے حکومت کو سٹیٹ بینک آف پاکستان کے ساتھ مل کر مداخلت کرنی چاہیے۔

# Condensed Interim Statement of Profit or Loss (Unaudited)

for the three months period ended March 31, 2023

	Note	Jan - Mar 2023	Jan - Mar 2022
.....Rs in '000.....			
Domestic turnover		57,490,336	51,687,752
Export turnover		1,230,848	1,144,161
Gross turnover		58,721,184	52,831,913
Excise duties		(27,284,075)	(25,318,065)
Sales tax		(8,853,216)	(7,821,181)
Net turnover		22,583,893	19,692,667
Cost of sales	7	(9,632,469)	(10,489,777)
Gross profit		12,951,424	9,202,890
Selling and distribution costs		(1,387,060)	(902,515)
Administrative expenses		(1,302,092)	(1,158,905)
Other operating expenses	8	(1,683,677)	(619,150)
Other income	9	101,958	39,667
		(4,270,871)	(2,640,903)
Operating profit		8,680,553	6,561,987
Finance income	10	1,254,403	213,290
Finance cost		(122,627)	(66,040)
Net finance income		1,131,776	147,250
Profit before income tax		9,812,329	6,709,237
Income tax expense - current	11	(2,993,507)	(1,818,027)
- deferred		(74,898)	(4,964)
		(3,068,405)	(1,822,991)
Profit for the period		6,743,924	4,886,246
Earnings per share - basic and diluted (Rupees)		26.40	19.12

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



Syed Ali Akbar  
MD & Chief Executive Officer



Kelly Burtenshaw  
Chief Financial Officer & Director

# Condensed Interim Statement of Comprehensive Income (Unaudited)

for the three months period ended March 31, 2023

	Jan - Mar 2023 .....Rs in '000.....	Jan - Mar 2022
<b>Profit for the three months</b>	6,743,924	4,886,246
Other comprehensive income for the three months	-	-
<b>Total comprehensive income for the three months</b>	<b>6,743,924</b>	<b>4,886,246</b>

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



Syed Ali Akbar  
MD & Chief Executive Officer



Kelly Burtenshaw  
Chief Financial Officer & Director

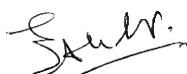


# Condensed Interim Statement of Financial Position (Unaudited)

as at March 31, 2023

	Note	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
.....Rs in '000.....			
<b>Non current assets</b>			
Property, plant and equipment	12	17,871,724	16,801,940
Advance for capital expenditure		501,711	532,106
Long term investment in subsidiary company	13	5,000	5,000
Long term deposits and prepayments		23,604	23,604
		18,402,039	17,362,650
<b>Current assets</b>			
Stock-in-trade		24,900,222	24,905,320
Stores and spares		563,035	561,046
Trade debts		1,756	2,876
Loans and advances	14	1,179,816	832,795
Short term prepayments		168,620	139,961
Other receivables	15	3,154,849	3,852,686
Short term investments		31,479,546	21,522,111
Cash and bank balances	16	2,206,881	1,878,796
		63,654,725	53,695,591
<b>Current liabilities</b>			
Trade and other payables	17	30,903,151	27,197,561
Other liabilities		3,804,869	4,092,981
Lease liability	18	550,216	802,531
Short term running finance / export refinance	19	2,324,163	2,354,312
Unpaid dividend		5,389,370	5,391,129
Unclaimed dividend		105,843	106,330
Current income tax liability		2,608,195	2,683,837
		45,685,807	42,628,681
<b>Net current assets</b>		17,968,918	11,066,910
<b>Non current liabilities</b>			
Lease liability	18	(2,057,910)	(935,335)
Deferred income tax liability		(944,796)	(869,898)
		(3,002,706)	(1,805,233)
<b>Net assets</b>		33,368,251	26,624,327
<b>Share capital and reserves</b>			
Share capital	20	2,554,938	2,554,938
Revenue reserve - Unappropriated profit		30,813,313	24,069,389
<b>Shareholders' equity</b>		33,368,251	26,624,327
Contingencies and commitments	21		

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



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



**Kelly Burtenshaw**  
Chief Financial Officer & Director

# Condensed Interim Statement of Changes in Equity (Unaudited)

as at March 31, 2023

	Share capital	Revenue reserves	Total
	.....Rs in '000.....		
<b>Balance at January 1, 2022</b>	2,554,938	15,418,374	17,973,312
Total comprehensive income for the three months	-	4,886,246	4,886,246
<b>Balance at March 31, 2022</b>	2,554,938	20,304,620	22,859,558
<b>Balance at January 1, 2023</b>	2,554,938	24,069,389	26,624,327
Total comprehensive income for the three months	-	6,743,924	6,743,924
<b>Balance at March 31, 2023</b>	2,554,938	30,813,313	33,368,251

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



Syed Ali Akbar  
MD & Chief Executive Officer



Kelly Burtenshaw  
Chief Financial Officer & Director

# Condensed Interim Statement of Cash Flows (Unaudited)

for the three months period ended March 31, 2023

	Note	Jan - Mar 2023	Jan - Mar 2022
.....Rs in '000.....			
<b>Cash flows from operating activities</b>			
Cash generated from operations	22	13,675,463	9,140,603
Income tax paid		(3,067,661)	(2,436,625)
Finance cost paid		(20,139)	(75,430)
Contribution to retirement benefit funds		(90,595)	(261,069)
<b>Net cash generated from operating activities</b>		<b>10,497,068</b>	<b>6,367,479</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(1,261,350)	(595,003)
Advances for capital expenditure		(30,395)	336,854
Proceeds from sale of property, plant and equipment		145,675	156,992
Interest received		1,254,403	213,290
<b>Net cash generated from investing activities</b>		<b>108,333</b>	<b>112,133</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(2,246)	(4,097,370)
Proceeds from export refinance facility	19	-	2,300,000
Finance lease payments		(317,635)	(298,570)
<b>Net cash used in financing activities</b>		<b>(319,881)</b>	<b>(2,095,940)</b>
<b>Net increase in cash and cash equivalents</b>		<b>10,285,520</b>	<b>2,083,672</b>
Cash and cash equivalents at January 1		23,400,907	10,647,666
<b>Cash and cash equivalents at March 31</b>		<b>33,686,427</b>	<b>12,731,338</b>
<b>Cash and cash equivalents comprise:</b>			
Cash and bank balances	16	2,206,881	1,528,204
Short term investments		31,479,546	11,203,134
		<b>33,686,427</b>	<b>12,731,338</b>

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



Syed Ali Akbar  
MD & Chief Executive Officer



Kelly Burtenshaw  
Chief Financial Officer & Director

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

for the three months period ended March 31, 2023

## 1. The Company and its operations

Pakistan Tobacco Company Limited (the Company) is a public listed company incorporated in Pakistan on November 18, 1947 under the Companies Act, 1913 (now the Companies Act, 2017) and its shares are quoted on the Pakistan Stock Exchange Limited. 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 velo.

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 Standards 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 condensed 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, 2022 ('last annual financial statements'). These condensed 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, 2022 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, 2022.

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 condensed 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.

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

for the three months period ended March 31, 2023

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 condensed 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, 2022.

## 6. Standards issued but not effective

A number of new standards and amendments to standards are effective for annual periods beginning after January 01, 2023 and earlier application is permitted; however, the Company has not early adopted the new or amended standards.

	Jan - Mar 2023	Jan - Mar 2022
	.....Rs in '000.....	
<b>7. Cost of sales</b>		
Raw materials consumed		
Opening stock of raw materials and work in process	21,904,030	18,261,871
Raw material purchases and expenses	7,495,808	6,851,083
Closing stock of raw materials and work in process	(19,862,087)	(16,772,206)
	9,537,751	8,340,748
Excise duty, customs/regulatory duty and tobacco development cess	725,458	640,921
Royalty	175,136	170,823
Production overheads	1,174,978	1,201,514
Cost of goods manufactured	11,613,323	10,354,006
Cost of finished goods:		
Opening stock	3,130,588	3,963,744
Closing stock	(5,111,442)	(3,827,973)
	(1,980,854)	135,771
	9,632,469	10,489,777
<b>8. Other operating expenses</b>		
Workers' Profit Participation Fund	526,978	360,324
Workers' Welfare Fund	200,252	136,923
Bank charges and fees	15,761	14,277
Interest paid to Workers' Profit Participation Fund	-	1,082
Foreign exchange loss	940,686	106,544
	1,683,677	619,150

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

for the three months period ended March 31, 2023

	Jan - Mar 2023	Jan - Mar 2022
	.....Rs in '000.....	
<b>9. Other income</b>		
Gain on disposal of property, plant and equipment	100,663	38,735
Others	1,295	932
	<b>101,958</b>	<b>39,667</b>

## 10. Finance income

This includes profit from placement with banks in saving account and treasury bills earned under interest arrangement. The interest rates range between 12.25% and 19.18% (three months ended March 31, 2022 : 10.10% and 10.40%) per annum and is received on maturity.

## 11. 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, 2023 (Unaudited)	December 31, 2022 (Audited)
	.....Rs in '000.....	
<b>12. Property, plant and equipment</b>		
Operating fixed assets - note 12.1	16,738,858	15,756,223
Capital work in progress -note 12.2	1,132,866	1,045,717
	<b>17,871,724</b>	<b>16,801,940</b>

### 12.1 Operating fixed assets

Carrying amount at January 01	15,756,223	14,879,640
Additions during the three months / year:		
<b>Owned Assets</b>		
Buildings on free hold land	-	65,307
Plant and machinery	220,511	1,991,593
Office and household equipment	436	204,875
Furniture and fittings	3,653	147,747
Vehicles	-	313
<b>Right of use assets</b>	1,125,952	322,031
<b>Leased Assets</b>		
Vehicles	178,677	591,181
	<b>1,529,229</b>	<b>3,323,047</b>
<b>Disposals during the three months period / year (net book value):</b>		
Buildings on free hold land	-	(365)
Plant and machinery	(613)	(13,082)
Office and household equipment	-	(34,947)
Furniture and fittings	(4)	(626)
Vehicles	-	(138)
	<b>(617)</b>	<b>(49,158)</b>
<b>Right of use assets</b>	-	(106,207)
<b>Leased assets</b>		
Vehicles	(44,395)	(142,970)
Depreciation / impairment charge for the three months period / year	(501,582)	(2,148,129)
<b>Net book amount</b>	<b>16,738,858</b>	<b>15,756,223</b>

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

for the three months period ended March 31, 2023

**12.1.1** During the three months period ended March 31, 2023, the Company acquired assets, including transfers from capital work in progress, with a cost of Rs 1,529,229 thousand (three months period ended March 31, 2022: Rs 648,103 thousand). Operating fixed assets having net book value of Rs 45,012 thousand were disposed off during three months period ended March 31, 2023 (three months period ended March 31, 2022: Rs. 118,257 thousand). Depreciation/impairment charge for three months period ended March 31, 2023 was Rs. 501,582 thousand (three months period ended March 31, 2022: Rs. 472,491 thousand).

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
	.....Rs in '000.....	
<b>12.2 Capital work in progress</b>		
Carrying amount as at the beginning of the period	1,045,717	933,900
Additions during the three months/year	485,077	1,442,530
	1,530,794	2,376,430
Transferred to operating fixed assets	(397,928)	(1,330,713)
Carrying amount as at end of the period	1,132,866	1,045,717

## 13. Long term investment in subsidiary company

This represents 500,001 (2022: 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, 2022. This is a wholly owned subsidiary of the Company which has not yet commenced commercial production.

## 14. Loans and advances

These include non interest bearing advances to employees of Rs 31,363 thousand (December 31, 2022 : Rs 33,839 thousand)

## 15. Other receivables

These include following balances due from related parties:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
	.....Rs in '000.....	
Holding company / associated companies	551,850	555,280
Subsidiary company	20,021	20,021
Employees' retirement benefit plans	116,745	165,523
<b>16. Cash and bank balances</b>		
Cash at banks		
-Deposit accounts	7,513	17,687
-Current accounts - note 16.1	2,199,368	1,227,381
	2,206,881	1,245,068

**16.1** These include balances of Rs 1,624,259 thousand ( December 31, 2022 : Rs 1,444,033 thousand ) held in foreign currency accounts.

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

for the three months period ended March 31, 2023

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
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.....Rs in '000.....

## 17. Trade and other payables

These include following balances due to related parties:

Holding company / associated companies	7,132,262	4,859,598
Employees' retirement benefit plans	364,893	394,381

## 18. Finance lease obligation

This represents lease agreements entered into with a leasing company for vehicles and IFRS 16 leases. Total lease rentals due under various lease agreements aggregate to Rs 2,608,126 thousand - short term Rs 550,216 thousand and long term Rs 2,057,910 thousand (December 31, 2022: Rs 1,737,866 thousand - short term Rs 802,531 thousand and long term Rs 935,335 thousand) and are payable in equal monthly instalments latest by March 2028. Taxes, repairs, replacement and insurance costs are to be borne by the Company. Financing rates of 9% to 21% (December 31, 2022: 9% to 17%) per annum have been used as discounting factor.

As per IFRS 16 all rental facilities of the Company with lease terms greater than one year have been capitalised as leased assets. When measuring the lease liabilities for leases that were capitalised during the period, the Company discounted lease payments using an estimated incremental borrowing rate and recorded lease obligation of Rs 1,125,952 thousand (December 31, 2022: Rs 322,031 thousand) during the period.

## 19. Short term running finance / export refinance

Short term finance facilities available under mark-up arrangements with banks amount to Rs 6,500 million (December 31, 2022: Rs 6,500 million), out of which the amount unavailed at the period end was Rs 6,500 million (December 31, 2022: Rs 6,500 million). These facilities are secured by hypothecation of stock-in-trade and plant and machinery amounting to Rs 7,222 million (December 31, 2022: Rs 7,222 million). The mark-up ranges between 16.53% and 21.31% (December 31, 2022: 10.39% and 16.81%) per annum and is payable quarterly. The facilities are renewable on annual basis.

The Company has obtained / rolled over Rs 2,300 million (December 31, 2022 : Rs 2,300 million) from different banks under export refinancing scheme. The mark-up rate is 9.20% (December 31, 2022 : 9.20%) per annum.

## 20. Share capital

Authorised share capital of the Company is Rs 3,000,000 thousand (December 31, 2022: 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, 2022: Rs 2,554,938 thousand) divided into 255,493,792 ordinary shares of Rs 10 each.

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
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.....Rs in '000.....

## 21. Contingencies and commitments

### 21.1 Contingencies

Claims and guarantees		
(i) Claims against the Company not acknowledged as debt	3,024	3,024
(ii) Guarantees issued by banks on behalf of the Company	869,944	769,944



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

for the three months period ended March 31, 2023

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
	.....Rs in '000.....	
<b>21.2 Commitments</b>		
(i) Capital expenditure commitments outstanding	1,095,312	-
(ii) Letters of credit outstanding	1,317,010	1,511,561
	Three months ended	
	Jan - Mar 2023	Jan - Mar 2022
	.....Rs in '000.....	
<b>22 Cash generated from operations</b>		
Profit before income tax	9,812,329	6,709,237
Adjustment for non-cash items:		
- Depreciation	501,582	472,491
- (Gain)/loss on disposal of property, plant and equipment	(100,663)	(38,735)
- Finance cost	122,627	66,040
- Finance income	(1,254,403)	(213,290)
- Forex (gain)/loss	940,686	106,544
- Provision for employee benefits	109,885	-
- Provision / (reversal) damaged stock	6,985	5,456
	326,699	398,506
Changes in working capital:		
- Stock-in-trade	(5,098)	1,444,474
- Stores and spares	(8,974)	1,465
- Trade debts	1,120	(14)
- Loans and advances	(347,021)	(466,803)
- Short term prepayments	(28,659)	(85,691)
- Other receivables	649,059	(1,053,708)
- Trade and other payables	3,564,120	2,616,019
- Other liabilities	(288,112)	(422,882)
	3,536,435	2,032,860
Changes in long term deposits and prepayments	-	-
	13,675,463	9,140,603

## Selected Notes to the Condensed Interim Financial Statements (Unaudited) for the three months period ended March 31, 2023

### 23. Financial instruments

#### 23.1 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, 2023 (Unaudited)		December 31, 2022 (Audited)			
		Loans and receivables	Other financial liabilities	Total	Loans and receivables	Other financial liabilities	Total
		.....Rs in '000.....		.....Rs in '000.....			
<b>Financial assets measured at fair value</b>							
short term investments		31,479,546	-	31,479,546	21,522,111	-	21,522,111
<b>Financial assets not measured at fair value</b>							
Deposits		23,604	-	23,604	23,604	-	23,604
Trade debts		1,756	-	1,756	2,876	-	2,876
Other receivables	15	3,038,104	-	3,038,104	3,532,555	-	3,532,555
Cash and bank balances	16	2,206,881	-	2,206,881	1,878,796	-	1,878,796
		36,749,891	-	36,749,891	26,959,942	-	26,959,942
<b>Financial liabilities measured at fair value</b>							
<b>Financial liabilities not measured at fair value</b>							
Trade and other payables	17	-	-	-	-	-	-
Other liabilities			(13,914,994)	(13,914,994)		(18,158,538)	(18,158,538)
Short term running finance/export refinance	19	(3,804,869)	(3,804,869)	(7,609,738)	(4,092,981)	(4,092,981)	(11,702,719)
Lease liability	18	(2,324,163)	(2,324,163)	(4,648,326)	(2,354,312)	(2,354,312)	(7,002,638)
Unpaid dividend		(2,608,126)	(2,608,126)	(5,216,252)	(1,737,866)	(1,737,866)	(6,954,118)
Unclaimed dividend		(5,389,370)	(5,389,370)	(10,778,740)	(5,391,129)	(5,391,129)	(16,169,869)
		(105,843)	(105,843)	(211,686)	(106,330)	(106,330)	(318,016)
		-	(28,147,365)	(28,147,365)	-	(31,841,156)	(31,841,156)

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.

#### 23.2 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, 2022.

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

for the three months period ended March 31, 2023

## 24. Transactions with related parties

	Jan - Mar 2023	Jan - Mar 2022
	.....Rs in '000.....	
<b>Purchase of goods and services</b>		
Holding company	30,973	574,601
Associated companies	328,579	1,206,026
<b>Sale of goods and services</b>		
Holding company	-	3,266
Associated companies	1,251,668	1,150,306
<b>Royalty charge</b>		
Holding company / associated companies	175,136	170,823
<b>Contribution to retirement benefit plans by the Company</b>		
Staff defined contribution pension fund	42,350	33,201
Staff pension fund	7,245	-
Employee gratuity fund	34,883	27,091
Management provident fund	20,869	14,204
Employee provident fund	4,538	4,272

## 25. Date of authorisation

This condensed interim financial information has been authorised for issue by the Board of Directors of the Company on May 02, 2023.



Syed Ali Akbar  
MD & Chief Executive Officer



Kelly Burtenshaw  
Chief Financial Officer & Director

**Consolidated Condensed  
Interim Financial Statements**  
for the three months period ended March 31, 2023

# Consolidated Condensed Interim Statement of Profit or Loss (Unaudited)

for the three months period ended March 31, 2023

	Note	Jan - Mar 2023	Jan - Mar 2022
.....Rs in '000.....			
Domestic turnover		57,490,336	51,687,752
Export turnover		1,230,848	1,144,161
Gross turnover		58,721,184	52,831,913
Excise duties		(27,284,075)	(25,318,065)
Sales tax		(8,853,216)	(7,821,181)
Net turnover		22,583,893	19,692,667
Cost of sales	7	(9,632,469)	(10,489,777)
Gross profit		12,951,424	9,202,890
Selling and distribution costs		(1,387,060)	(902,515)
Administrative expenses		(1,302,092)	(1,158,905)
Other operating expenses	8	(1,683,677)	(619,150)
Other income	9	101,958	39,667
		(4,270,871)	(2,640,903)
Operating profit		8,680,553	6,561,987
Finance income	10	1,254,403	213,290
Finance cost		(122,627)	(66,040)
Net finance income		1,131,776	147,250
Profit before income tax		9,812,329	6,709,237
Income tax expense - current	11	(2,993,507)	(1,818,027)
- deferred		(74,898)	(4,964)
		(3,068,405)	(1,822,991)
Profit for the period		6,743,924	4,886,246
Earnings per share - basic and diluted (Rupees)		26.40	19.12

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



Syed Ali Akbar  
MD & Chief Executive Officer



Kelly Burtenshaw  
Chief Financial Officer & Director

# Consolidated Condensed Interim Statement of Comprehensive Income (Unaudited)

for the three months period ended March 31, 2023

	Jan - Mar 2023	Jan - Mar 2022
	.....Rs in '000.....	
<b>Profit for the three months</b>	6,743,924	4,886,246
Other comprehensive income for the three months	-	-
<b>Total comprehensive income for the three months</b>	<b>6,743,924</b>	<b>4,886,246</b>

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



Syed Ali Akbar  
MD & Chief Executive Officer



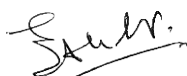
Kelly Burtenshaw  
Chief Financial Officer & Director

# Consolidated Condensed Interim Statement of Financial Position (Unaudited)

as at March 31, 2023

	Note	March 31, 2023 (Unaudited) .....Rs in '000.....	December 31, 2022 (Audited)
<b>Non current assets</b>			
Property, plant and equipment	12	17,896,772	16,826,988
Advance for capital expenditure		501,711	532,106
Long term deposits and prepayments		23,604	23,604
		18,422,087	17,382,698
<b>Current assets</b>			
Stock-in-trade		24,900,222	24,905,320
Stores and spares		563,035	561,046
Trade debts		1,756	2,876
Loans and advances	13	1,179,816	832,795
Short term prepayments		168,620	139,961
Other receivables	14	3,134,828	3,832,665
Short term investments		31,479,546	21,522,111
Cash and bank balances	15	2,206,881	1,878,796
		63,634,704	53,675,570
<b>Current liabilities</b>			
Trade and other payables	16	30,903,178	27,197,588
Other liabilities		3,804,869	4,092,981
Lease liability	17	550,216	802,531
Short term running finance / export refinance	18	2,324,163	2,354,312
Unpaid dividend		5,389,370	5,391,129
Unclaimed dividend		105,843	106,330
Current income tax liability		2,608,195	2,683,837
		45,685,834	42,628,708
<b>Net current assets</b>			
		17,948,870	11,046,862
<b>Non current liabilities</b>			
Lease liability	17	(2,057,910)	(935,335)
Deferred income tax liability		(944,796)	(869,898)
		(3,002,706)	(1,805,233)
<b>Net assets</b>		<b>33,368,251</b>	<b>26,624,327</b>
<b>Share capital and reserves</b>			
Share capital	19	2,554,938	2,554,938
Revenue reserve - Unappropriated profit		30,813,313	24,069,389
<b>Shareholders' equity</b>		<b>33,368,251</b>	<b>26,624,327</b>
Contingencies and commitments	20		

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



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



**Kelly Burtenshaw**  
Chief Financial Officer & Director

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

as at March 31, 2023

	Share capital	Revenue reserves	Total
	.....Rs in '000.....		
<b>Balance at January 1, 2022</b>	2,554,938	15,418,374	17,973,312
Total comprehensive income for the three months	-	4,886,246	4,886,246
<b>Balance at March 31, 2022</b>	2,554,938	20,304,620	22,859,558
<b>Balance at January 1, 2023</b>	2,554,938	24,069,389	26,624,327
Total comprehensive income for the three months	-	6,743,924	6,743,924
<b>Balance at March 31, 2023</b>	2,554,938	30,813,313	33,368,251

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



Syed Ali Akbar  
MD & Chief Executive Officer



Kelly Burtenshaw  
Chief Financial Officer & Director



# Consolidated Condensed Interim Statement of Cash Flows (Unaudited)

for the three months period ended March 31, 2023

	Note	Jan - Mar 2023	Jan - Mar 2022
.....Rs in '000.....			
<b>Cash flows from operating activities</b>			
Cash generated from operations	21	13,675,463	9,140,603
Income tax paid		(3,067,661)	(2,436,625)
Finance cost paid		(20,139)	(75,430)
Contribution to retirement benefit funds		(90,595)	(261,069)
<b>Net cash generated from operating activities</b>		<b>10,497,068</b>	<b>6,367,479</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(1,261,350)	(595,003)
Advances for capital expenditure		(30,395)	336,854
Proceeds from sale of property, plant and equipment		145,675	156,992
Interest received		1,254,403	213,290
<b>Net cash generated from investing activities</b>		<b>108,333</b>	<b>112,133</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(2,246)	(4,097,370)
Proceeds from export refinance facility	18	-	2,300,000
Finance lease payments		(317,635)	(298,570)
<b>Net cash used in financing activities</b>		<b>(319,881)</b>	<b>(2,095,940)</b>
<b>Net increase in cash and cash equivalents</b>		<b>10,285,520</b>	<b>2,083,672</b>
Cash and cash equivalents at January 1		23,400,907	10,647,666
<b>Cash and cash equivalents at March 31</b>		<b>33,686,427</b>	<b>12,731,338</b>
<b>Cash and cash equivalents comprise:</b>			
Cash and bank balances	15	2,206,881	1,528,204
Short term investments		31,479,546	11,203,134
		<b>33,686,427</b>	<b>12,731,338</b>

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



Syed Ali Akbar  
MD & Chief Executive Officer



Kelly Burtenshaw  
Chief Financial Officer & Director

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

for the three months period ended March 31, 2023

## 1. The Group and its operations

Pakistan Tobacco Company Limited (the Company) is a public listed company incorporated in Pakistan on November 18, 1947 under the Companies Act, 1913 (now the Companies Act, 2017) and its shares are quoted on the Pakistan Stock Exchange Limited. 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 velo.

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 Jamu 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 Standards 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 condensed 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, 2022 ('last annual financial statements'). These condensed 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 Group'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, 2022 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, 2022.

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 consolidated condensed 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.

### 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.

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

for the three months period ended March 31, 2023

- 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 condensed 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, 2022.

## 6. Standards issued but not effective

A number of new standards and amendments to standards are effective for annual periods beginning after January 01, 2023 and earlier application is permitted; however, the Company has not early adopted the new or amended standards.

	Jan - Mar 2023	Jan - Mar 2022
	.....Rs in '000.....	
<b>7. Cost of sales</b>		
Raw materials consumed		
Opening stock of raw materials and work in process	21,904,030	18,261,871
Raw material purchases and expenses	7,495,808	6,851,083
Closing stock of raw materials and work in process	(19,862,087)	(16,772,206)
	9,537,751	8,340,748
Excise duty, customs/regulatory duty and tobacco development cess	725,458	640,921
Royalty	175,136	170,823
Production overheads	1,174,978	1,201,514
Cost of goods manufactured	11,613,323	10,354,006
Cost of finished goods:		
Opening stock	3,130,588	3,963,744
Closing stock	(5,111,442)	(3,827,973)
	(1,980,854)	135,771
	9,632,469	10,489,777
<b>8. Other operating expenses</b>		
Workers' Profit Participation Fund	526,978	360,324
Workers' Welfare Fund	200,252	136,923
Bank charges and fees	15,761	14,277
Interest paid to Workers' Profit Participation Fund	-	1,082
Foreign exchange loss	940,686	106,544
	1,683,677	619,150

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

for the three months period ended March 31, 2023

	Jan - Mar 2023	Jan -Mar 2022
	.....Rs in '000.....	
<b>9. Other income</b>		
Gain on disposal of property, plant and equipment	100,663	38,735
Others	1,295	932
	101,958	39,667

## 10. Finance income

This includes profit from placement with banks in saving account and treasury bills earned under interest arrangement. The interest rates range between 12.25% and 19.18% (three months ended March 31, 2022 : 10.10% and 10.40%) per annum and is received on maturity.

## 11. 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, 2023 (Unaudited)	December 31, 2022 (Audited)
	.....Rs in '000.....	
<b>12. Property, plant and equipment</b>		
Operating fixed assets - note 12.1	16,742,222	15,759,587
Capital work in progress -note 12.2	1,154,550	1,067,401
	17,896,772	16,826,988

### 12.1 Operating fixed assets

Carrying amount at January 01	15,759,587	14,883,004
Additions during the three months / year:		
<b>Owned Assets</b>		
Buildings on free hold land	-	65,307
Plant and machinery	220,511	1,991,593
Office and household equipment	436	204,875
Furniture and fittings	3,653	147,747
Vehicles	-	313
<b>Right of use assets</b>	1,125,952	322,031
<b>Leased Assets</b>		
Vehicles	178,677	591,181
	1,529,229	3,323,047
<b>Disposals during the three months period / year (net book value):</b>		
Buildings on free hold land	-	(365)
Plant and machinery	(613)	(13,082)
Office and household equipment	-	(34,947)
Furniture and fittings	(4)	(626)
Vehicles	-	(138)
	(617)	(49,158)
<b>Right of use assets</b>	-	(106,207)
<b>Leased assets</b>		
Vehicles	(44,395)	(142,970)
Depreciation / impairment charge for the three months period / year	(501,582)	(2,148,129)
<b>Net book amount</b>	16,742,222	15,759,587

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

for the three months period ended March 31, 2023

**12.1.1** During the three months period ended March 31, 2023, the Company acquired assets, including transfers from capital work in progress, with a cost of Rs 1,529,229 thousand (three months period ended March 31, 2022: Rs 648,103 thousand). Operating fixed assets having net book value of Rs 45,012 thousand were disposed off during three months period ended March 31, 2023 (three months period ended March 31, 2022: Rs. 118,257 thousand). Depreciation/impairment charge for three months period ended March 31, 2023 was Rs. 501,582 thousand (three months period ended March 31, 2022: Rs. 472,491 thousand).

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
	.....Rs in '000.....	
<b>12.2 Capital work in progress</b>		
Carrying amount as at the beginning of the period	1,067,401	955,584
Additions during the three months/year	485,077	1,442,530
	1,552,478	2,398,114
Transferred to operating fixed assets	(397,928)	(1,330,713)
Carrying amount as at end of the period	1,154,550	1,067,401

## 13. Loans and advances

These include non interest bearing advances to employees of Rs 31,363 thousand (December 31, 2022 : Rs 33,839 thousand )

## 14. Other receivables

These include following balances due from related parties:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
	.....Rs in '000.....	
Holding company / associated companies	551,850	555,280
Employees' retirement benefit plans	116,745	165,523
<b>15. Cash and bank balances</b>		
Cash at banks		
-Deposit accounts	7,513	17,687
-Current accounts - note 15.1	2,199,368	1,227,381
	2,206,881	1,245,068

**15.1** These include balances of Rs 1,624,259 thousand ( December 31, 2022 : Rs 1,444,033 thousand ) held in foreign currency accounts.

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

for the three months period ended March 31, 2023

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
	.....Rs in '000.....	
<b>16. Trade and other payables</b>		
These include following balances due to related parties:		
Holding company / associated companies	7,132,262	4,859,598
Employees' retirement benefit plans	364,893	394,381

## 17. Finance lease obligation

This represents lease agreements entered into with a leasing company for vehicles and IFRS 16 leases. Total lease rentals due under various lease agreements aggregate to Rs 2,608,126 thousand - short term Rs 550,216 thousand and long term Rs 2,057,910 thousand (December 31, 2022: Rs 1,737,866 thousand - short term Rs 802,531 thousand and long term Rs 935,335 thousand) and are payable in equal monthly instalments latest by March 2028. Taxes, repairs, replacement and insurance costs are to be borne by the Company. Financing rates of 9% to 21% (December 31, 2022: 9% to 17%) per annum have been used as discounting factor.

As per IFRS 16 all rental facilities of the Company with lease terms greater than one year have been capitalised as leased assets. When measuring the lease liabilities for leases that were capitalised during the period, the Company discounted lease payments using an estimated incremental borrowing rate and recorded lease obligation of Rs 1,125,952 thousand (December 31, 2022: Rs 322,031 thousand) during the period.

## 18. Short term running finance / export refinance

Short term finance facilities available under mark-up arrangements with banks amount to Rs 6,500 million (December 31, 2022: Rs 6,500 million), out of which the amount unavailed at the period end was Rs 6,500 million (December 31, 2022: Rs 6,500 million). These facilities are secured by hypothecation of stock-in-trade and plant and machinery amounting to Rs 7,222 million (December 31, 2022: Rs 7,222 million). The mark-up ranges between 16.53% and 21.31% (December 31, 2022: 10.39% and 16.81%) per annum and is payable quarterly. The facilities are renewable on annual basis.

The Company has obtained / rolled over Rs 2,300 million (December 31, 2022 : Rs 2,300 million) from different banks under export refinancing scheme. The mark-up rate is 9.20% (December 31, 2022 : 9.20%) per annum.

## 19. Share capital

Authorised share capital of the Company is Rs 3,000,000 thousand (December 31, 2022: 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, 2022: Rs 2,554,938 thousand) divided into 255,493,792 ordinary shares of Rs 10 each.

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
	.....Rs in '000.....	

## 20. Contingencies and commitments

### 20.1 Contingencies

Claims and guarantees		
(i) Claims against the Company not acknowledged as debt	3,024	3,024
(ii) Guarantees issued by banks on behalf of the Company	869,944	769,944

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

for the three months period ended March 31, 2023

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
	.....Rs in '000.....	
<b>20.2 Commitments</b>		
(i) Capital expenditure commitments outstanding	1,095,312	-
(ii) Letters of credit outstanding	1,317,010	1,511,561
	Three months ended	
	Jan - Mar 2023	Jan - Mar 2022
	.....Rs in '000.....	
<b>21 Cash generated from operations</b>		
Profit before income tax	9,812,329	6,709,237
Adjustment for non-cash items:		
- Depreciation	501,582	472,491
- (Gain)/loss on disposal of property, plant and equipment	(100,663)	(38,735)
- Finance cost	122,627	66,040
- Finance income	(1,254,403)	(213,290)
- Forex (gain)/loss	940,686	106,544
- Provision for employee benefits	109,885	-
- Provision / (reversal) damaged stock	6,985	5,456
	326,699	398,506
Changes in working capital:		
- Stock-in-trade	(5,098)	1,444,474
- Stores and spares	(8,974)	1,465
- Trade debts	1,120	(14)
- Loans and advances	(347,021)	(466,803)
- Short term prepayments	(28,659)	(85,691)
- Other receivables	649,059	(1,053,708)
- Trade and other payables	3,564,120	2,616,019
- Other liabilities	(288,112)	(422,882)
	3,536,435	2,032,860
Changes in long term deposits and prepayments	-	-
	13,675,463	9,140,603

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

## for the three months period ended March 31, 2023

### 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.

	Note	March 31, 2023 (Unaudited)		December 31, 2022 (Audited)			
		Loans and receivables	Other financial liabilities	Total	Loans and receivables	Other financial liabilities	Total
			.....Rs in '000.....		.....Rs in '000.....		
<b>Financial assets measured at fair value</b>		31,479,546	-	31,479,546	21,522,111	-	21,522,111
short term investments							
<b>Financial assets not measured at fair value</b>							
Deposits		23,604	-	23,604	23,604	-	23,604
Trade debts		1,756	-	1,756	2,876	-	2,876
Other receivables	14	3,018,083	-	3,018,083	3,512,534	-	3,512,534
Cash and bank balances	15	2,206,881	-	2,206,881	1,878,796	-	1,878,796
		36,729,870	-	36,729,870	26,939,921	-	26,939,921
<b>Financial liabilities measured at fair value</b>		-	-	-	-	-	-
<b>Financial liabilities not measured at fair value</b>							
Trade and other payables	16		(13,915,021)	(13,915,021)		(18,158,565)	(18,158,565)
Other liabilities			(3,804,869)	(3,804,869)		(4,092,981)	(4,092,981)
Short term running finance/export refinance	18		(2,324,163)	(2,324,163)		(2,354,312)	(2,354,312)
Lease liability	17		(2,608,126)	(2,608,126)		(1,737,866)	(1,737,866)
Unpaid dividend			(5,389,370)	(5,389,370)		(5,391,129)	(5,391,129)
Unclaimed dividend			(105,843)	(105,843)		(106,330)	(106,330)
		-	(28,147,392)	(28,147,392)	-	(31,841,183)	(31,841,183)

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, 2022.



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

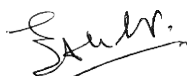
for the three months period ended March 31, 2023

## 23. Transactions with related parties

	Jan - Mar 2023	Jan - Mar 2022
	.....Rs in '000.....	
<b>Purchase of goods and services</b>		
Holding company	30,973	574,601
Associated companies	328,579	1,206,026
<b>Sale of goods and services</b>		
Holding company	-	3,266
Associated companies	1,251,668	1,150,306
<b>Royalty charge</b>		
Holding company / associated companies	175,136	170,823
<b>Contribution to retirement benefit plans by the Company</b>		
Staff defined contribution pension fund	42,350	33,201
Staff pension fund	7,245	-
Employee gratuity fund	34,883	27,091
Management provident fund	20,869	14,204
Employee provident fund	4,538	4,272

## 24. Date of authorisation

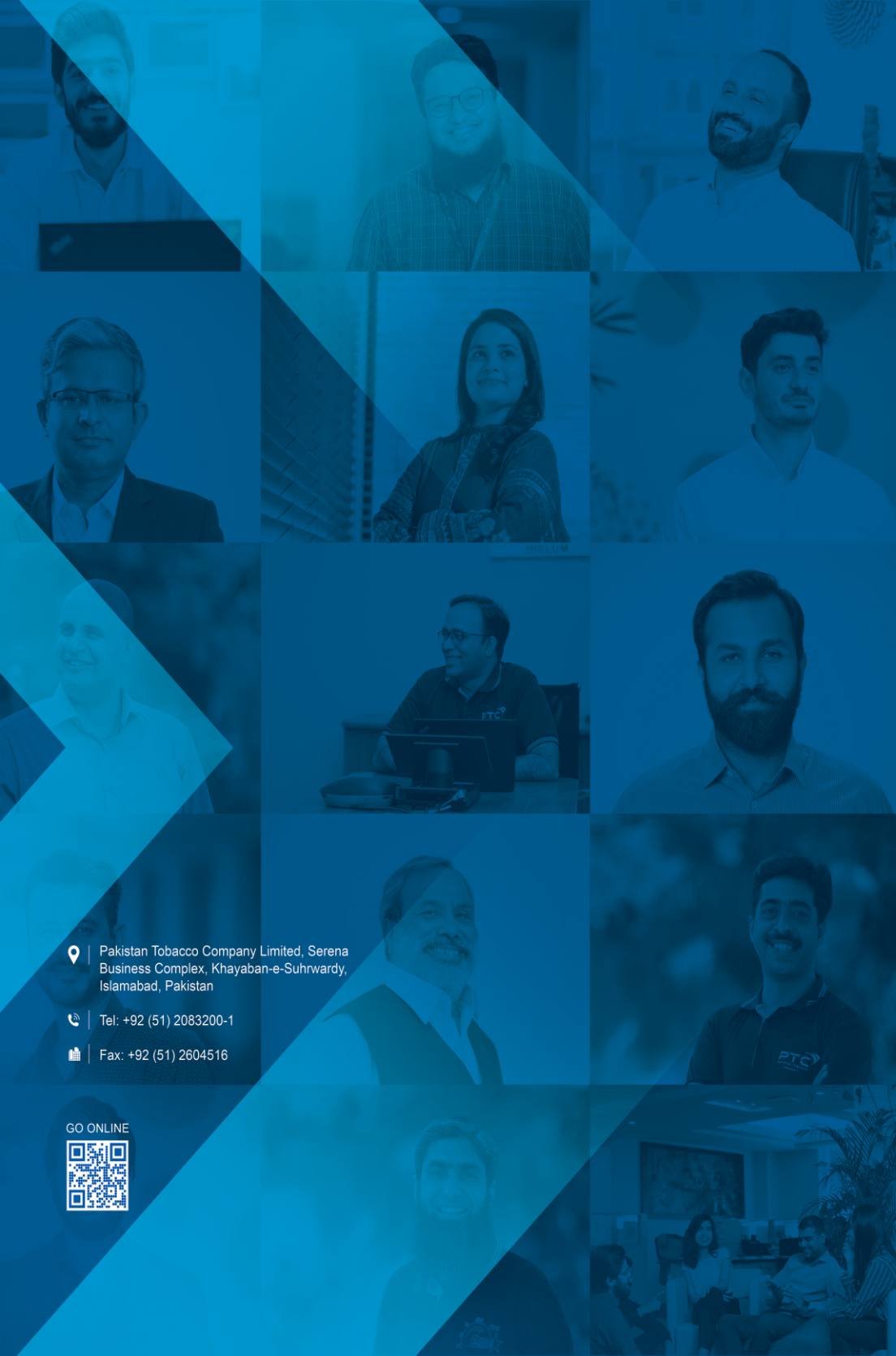
This consolidated condensed interim financial information has been authorised for issue by the Board of Directors of the Group on May 02, 2023.



Syed Ali Akbar  
MD & Chief Executive Officer



Kelly Burtenshaw  
Chief Financial Officer & Director



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