



PAKISTAN TOBACCO
COMPANY



EXCELLING BEYOND BORDERS

Pakistan Tobacco Company Limited

Condensed Interim
Financial Statements

For the nine months period ended September 30, 2020

Corporate Information

Board of Directors

Zafar Mahmood
Chairman & Non-Executive Director

Usman Zahur
MD / CEO & Executive Director

William Pegel
Director Finance/IT

Syed Asad Ali Shah
Legal & External Affairs Director

Syed Ali Akbar
Marketing Director

Syed Javed Iqbal
Non-Executive Director

Zafar Aslam
Non-Executive Director

Tajamal Shah
Non-Executive Director

Mohammad Riaz
Non-Executive Director

Asif Jooma
Non-Executive Director

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

Belinda Joy Ross
Non-Executive Director

Audit Committee

Mohammad Riaz (Chairman)

Lt. Gen. (R) M. Masood Aslam

Belinda Joy Ross

Tajamal Shah

Asif Jooma

Usman Javed (Secretary)

Company Secretary

Nauman Masood Butt

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

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

During the quarter under review, the legal tobacco industry continued to face challenges from the illicit sector. According to independent Retail Audit study, the illicit sector share grew by 0.2% by the end of August 2020 (vs June) still representing a sizeable 36.8% of the total market share. Following the announcement of the federal budget in June' 20, it was expected that prices would maintain a level of stability after an increase of approximately 93% in excise duty over a period of 12 months. Contrary to expectation, price gap between duty paid and non-duty paid products increased to +260% as key brands in the illicit sector reduced their selling prices by 25% (down to Rs 30/pack). Illicit brands continued to sell below Government mandated minimum price of Rs 63.75/pack. In addition, consistent non-compliance with minimum tax per pack of Rs 44 continues to adversely impact Government revenues by Rs 70 billion per annum.

The counterfeit products of legitimate industry brands remain a serious challenge for the Company which has resulted in an estimated loss to PTC of approximately 2.75 billion sticks per annum with a tax loss to the Government amounting to Rs 6 billion. PTC has deployed various anti-counterfeit commercial solutions over the past year and recently introduced a technology enabled solution. This solution will equip consumers and Law Enforcement Agencies to identify legitimate brands while also raising much needed awareness on counterfeit products in the market.

The recently issued Statutory Regulatory Order No.72(I)/2020 (SRO) by Ministry of National Health Services, Regulations and Coordination (Ministry) that bans Tobacco Advertisement, Promotion and Sponsorship has further negatively impacted the level playing field within the tobacco industry landscape with Illicit brands continuing to violate the legislation. PTC filed a writ petition in the Sindh High Court (SHC) on 11th March 2020, challenging the lawfulness of the legislation but progress of the case has been slow due to the COVID-19 pandemic.

Key financial indicators of the Company for the period ended September 30, 2020 are given below:

	Rs (million)	
	Jan - Sep, 2020	Jan - Sep, 2019
Domestic Turnover	118,752	107,792
Exports Turnover	3,788	831
FED & Sales Tax	77,707	71,042
Net Turnover	44,833	37,582
Cost of Sales	22,919	18,108
Gross Profit	21,915	19,474
Operating Profit	14,941	13,620
Profit Before Tax – PBT	15,396	14,258
Profit After Tax – PAT	11,340	9,985
Earnings Per Share – EPS (Rs)	44.39	39.08

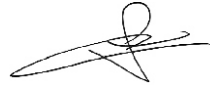
Domestic turnover for the 9 months to Sept' 20 increased by 10% vs Same Period Last Year (SPLY) despite 11% volume decline due to the first half (Jan-Jun' 20) impact of the Jun' 19 excise-led price increase. Exports Turnover was driven by a significant increase in export volumes as compared to SPLY, which is a testament of the Company's commitment to the Governments' "Make in Pakistan" agenda in support of driving export growth. The Company exported 1.7 bn cigarette sticks and 3.2 Mn kgs of raw tobacco in the nine months of 2020 with turnover amounting to \$22.7mn. Despite worsening economic indicators and COVID-19 associated cost pressures, PTC posted a 12.5% growth in operating profit due to focused cost management and efficiency improvement efforts by instilling a cost-conscious culture across the organization and driving savings initiatives to reduce the overall cost base.

PTC also recently ventured into new categories by launching oral nicotine pouches (VELO). Currently, VELO distribution network has expanded to 17 key cities across Pakistan and significant efforts are underway to leverage its potential for PTCs revenue sustainability.

Management of the Company is committed to deliver despite the challenges faced in these unprecedented times, whilst ensuring safety of its employees and valued business partners. Production facilities and offices continue uninterrupted operations while abiding by the SOPs mandated by the Government.



Usman Zahur
MD & Chief Executive Officer



William Pegel
Chief Financial Officer & Director

گزشتہ سال اسی عرصے کے دوران (ایس پی ایل وائی) کے مقابلے میں ستمبر 20 تک 9 ماہ کے لئے مجموعی کاروبار 10 فیصد بڑھا باوجود اس کے کہ پہلی ششماہی (جنوری-جون 20) میں جون 2019 کی ایکسائز کے باعث قیمت میں اضافے کے اثرات کی وجہ سے حجم 11 فیصد نیچے گرے۔ گزشتہ سال اسی عرصے کے دوران برآمداتی کاروبار نے برآمدات کے حجم میں نمایاں اضافہ کیا جو کہ حکومت کے "پاکستان میں بناؤ" کے برآمدات بڑھانے کے ایجنڈے کی حمایت میں کمپنی کے عزم کا عکاس ہے۔ کمپنی نے 22.7 ملین کی کاروباری رقم کے ساتھ 2020 کے نو ماہ میں 1.7 بلین سیکریٹ سٹکس اور 3.2 ملین کلوگرام خام تھما کو برآمد کیا۔ خراب ہوتے ہوئے معاشی اشاریوں اور کووڈ-19 سے منسلک اخراجات کے دباؤ کے باوجود کمپنی نے اپنے مرکز لاگتی انتظام اور کارکردگی میں بہتری کے لئے کوششوں سے آپریٹنگ منافع میں 12.5 فیصد ترقی کی، لاگت سے آگاہی کی ثقافت کو ذہن میں رکھتے ہوئے مجموعی لاگت کو کم کرنے کے لئے ادارے میں بچت کے اقدامات شروع کئے۔

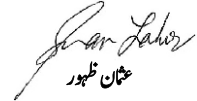
پی ٹی سی نے حال ہی میں منہ کے ذریعے کلوٹین پاؤچرز (ویلو) کی نئی کیٹگریز کا بھی آغاز کیا ہے۔ حالیہ طور پر ویلو کی ڈسٹری بیوشن کے نیٹ ورک کو پاکستان کے 17 بڑے شہروں تک پھیلا یا ہے اور پی ٹی سی کے محاصل کے استحکام کے لئے اس کی صلاحیت کو بڑھانے کے لئے نمایاں کوششیں جاری ہیں۔

کمپنی کی انتظامیہ ان مشکل اوقات میں درپیش چیلنجز کے باوجود اپنے عملے اور اپنے کاروباری شراکت داروں کی صحت اور حفاظت پر سمجھوتہ کئے بغیر کاروبار کے تسلسل کو برقرار رکھنے کے لئے پر عزم ہے۔ حکومت کی جانب سے وضع کردہ ایس او بیزنس پر عمل درآمد کرتے ہوئے پیداواری سہولیات اور دفاتر کے بلا تعطل آپریشنز جاری رہیں گے۔



دیلیم پینگ

سی ایف او اور ڈائریکٹر فنانس



عثمان ظہور

مینیجنگ ڈائریکٹر / سی ای او

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

زیر جائزہ سہ ماہی کے دوران قانونی تمباکو کی صنعت کو غیر قانونی شعبے سے مسلسل چیلنجز کا سامنا رہا۔ آزادانہ پرچون آڈٹ کے مطالعے کے مطابق اگست 2020 (جون کے مقابلے میں) کے آخر تک غیر قانونی شعبے کا حصہ 0.2 فیصد بڑھا جو اب بھی ٹوٹل مارکیٹ کے حصے کے قابل حجم 36.8 فیصد کی نمائندگی کر رہا ہے۔ جون 20 کے وفاقی بجٹ کے اعلان کے باوجود یہ توقع تھی کہ 12 مہینوں کے لئے ایکسائز ڈیوٹی میں تقریباً 93 فیصد اضافے کے بعد قیمتوں کی سطح میں استحکام برقرار رہے گا۔ توقع کے برعکس ادا شدہ ڈیوٹی اور غیر ادا شدہ ڈیوٹی مصنوعات کے درمیان قیمت کے فرق میں 260 فیصد اضافہ ہوا جیسا کہ غیر قانونی شعبے نے معروف برانڈز کی فروخت کی قیمت میں 25 فیصد کمی کر دی (30 روپے فی پیکٹ نیچے آگئی)۔ غیر قانونی برانڈ حکومت کی مجوزہ کم سے کم قیمت 63.75 روپے فی پیکٹ سے بھی نیچے فروخت ہو رہے ہیں۔ اضافی طور پر فی پیکٹ 44 روپے کے ٹیکس کی مستقل عدم تعمیل جاری ہے جو حکومت کے سالانہ 70 ارب روپے کے محاصل پر بری طرح اثر انداز ہو رہی ہے۔

جائزہ صنعت کی جعلی مصنوعات کمپنی کے لئے ایک سنگین چیلنج بنی ہوئی ہیں جس کے نتیجے میں پی ٹی سی کو تقریباً 2.75 ارب اسٹیکس سالانہ کا نقصان جبکہ حکومت کو 6 ارب روپے کے ٹیکس کا نقصان ہوا ہے۔ پی ٹی سی نے گزشتہ ایک سال کے دوران مجلس سازی کے انسداد کے لئے مختلف تجارتی حل لاگو کئے ہیں اور حال ہی میں نیکیٹا لوجی کا حامل حل متعارف کرایا ہے۔ یہ حل صارفین اور قانون نافذ کرنے والی ایجنسیوں کو جائز برانڈز کی نشاندہی کرنے کے لئے تیار کرے گا جبکہ مارکیٹ میں جعلی مصنوعات کی بارے میں بھی بہت زیادہ ضروری شعور اجاگر کرے گا۔

حال ہی میں نیشنل ہیلتھ سروسز، ریگولیشنز اور کوآرڈینیشن کی وزارت نے تمباکو مصنوعات اور تمباکو کے اشتہارات، فروغ اور سپانسرشپ پر پابندی کے لئے ایک قانونی ریگولیشنری آرڈر (ایس آر او) نمبر (SRO) 2020/72(I) جاری کیا ہے جس سے تمباکو کی صنعت کے اندر ہر سطح پر منفی اثرات پڑے ہیں جبکہ غیر قانونی برانڈز اس قانون کی خلاف ورزی کر رہے ہیں۔ پی ٹی سی 11 مارچ 2020 کو سندھ ہائیکورٹ میں رٹ پٹیشن دائر کی ہے جس میں قانون کی قانونی حیثیت کو چیلنج کیا گیا ہے لیکن کورونا وبا کی وجہ سے کیس پر پیشرفت سست ہے۔

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

روپے (ملین)		
جنوری سے ستمبر، 2019	جنوری سے ستمبر، 2020	
107,792	118,752	مقامی فروخت (Domestic Turnover)
831	3,788	برآمدی فروخت (Export Turnover)
71,042	77,707	فیڈرل ایکسائز ڈیوٹی اور سلز ٹیکس (FED & Sales Tax)
37,582	44,833	خالص وصولیات (Net Turnover)
18,108	22,919	لاگت برائے فروخت (Cost of Sales)
19,474	21,915	مجموعی منافع (Gross Profit)
13,620	14,941	کاروباری منافع (Operating Profit)
14,258	15,396	قبل از ٹیکس منافع (Profit Before Tax – PBT)
9,985	11,340	بعد از ٹیکس منافع (Profit After Tax – PAT)
39.08	44.39	آمدنی فی حصص (روپے) Earnings Per Share – EPS (Rs)

Condensed Interim Profit or Loss Account (Un-audited)

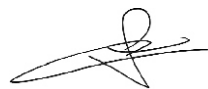
for the Nine months period ended September 30, 2020

	Note	Three months ended		Nine months ended	
		Sep 30, 2020 Rs '000	Sep 30, 2019 Rs '000	Sep 30, 2020 Rs '000	Sep 30, 2019 Rs '000
Domestic turnover		35,281,100	27,817,388	118,752,440	107,792,440
Export turnover		1,375,077	536,306	3,788,185	831,437
Gross turnover		36,656,177	28,353,694	122,540,625	108,623,877
Excise duties		(17,801,040)	(14,561,649)	(59,725,572)	(54,726,071)
Sales tax		(5,384,803)	(4,207,849)	(17,981,716)	(16,316,044)
Net turnover		13,470,334	9,584,196	44,833,337	37,581,762
Cost of sales	7	(6,936,907)	(4,650,031)	(22,918,533)	(18,108,445)
Gross profit		6,533,427	4,934,165	21,914,804	19,473,317
Selling and distribution costs		(511,631)	(756,263)	(3,317,269)	(2,887,801)
Administrative expenses		(732,655)	(440,949)	(2,262,105)	(2,114,105)
Other operating expenses	8	(430,094)	(314,145)	(1,397,357)	(1,532,746)
Other income	9	(4,444)	582,133	2,546	680,978
		(1,678,824)	(929,224)	(6,974,185)	(5,853,674)
Operating profit		4,854,603	4,004,941	14,940,619	13,619,643
Finance income	10	170,671	144,758	634,091	761,778
Finance cost		(69,264)	(44,840)	(178,746)	(123,227)
Net finance income		101,407	99,918	455,345	638,551
Profit before income tax		4,956,010	4,104,859	15,395,964	14,258,194
Income tax expense		(1,230,155)	(1,173,035)	(4,055,680)	(4,273,067)
Profit for the period		3,725,855	2,931,824	11,340,284	9,985,127
Earnings per share - basic and diluted (Rupees)		14.58	11.48	44.39	39.08

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



Usman Zahur
MD & Chief Executive Officer



William Pegel
Chief Financial Officer & Director

Condensed Interim Statement of Comprehensive Income (Un-audited)

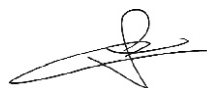
for the Nine months period ended September 30, 2020

	Three months ended		Nine months ended	
	Sep 30, 2020 Rs '000	Sep 30, 2019 Rs '000	Sep 30, 2020 Rs '000	Sep 30, 2019 Rs '000
Profit for the period	3,725,855	2,931,824	11,340,284	9,985,127
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	3,725,855	2,931,824	11,340,284	9,985,127

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



Usman Zahur
MD & Chief Executive Officer



William Pegel
Chief Financial Officer & Director

Condensed Interim Statement of Financial Position (Un-audited)

as at September 30, 2020

	Note	Sep 30, 2020 (Unaudited) Rs '000	Dec 31, 2019 (Audited) Rs '000
ASSETS			
Property, plant and equipment	11	13,340,824	12,322,830
Advances for capital expenditure		747,703	175,783
Long term investment in subsidiary company	12	5,000	5,000
Long term deposits and prepayments		30,718	30,759
Non-current assets		14,124,245	12,534,372
Stock-in-trade		20,589,196	21,422,543
Stores and spares		713,209	663,999
Trade debts		1,140	4,260
Loans and advances	13	345,066	125,644
Short term prepayments		49,113	15,921
Other receivables	14	1,224,856	2,131,912
Short term investments		7,401,460	3,001,058
Cash and bank balances	15	461,443	535,905
Current assets		30,785,483	27,901,242
Total assets		44,909,728	40,435,614
EQUITY			
Share capital	16	2,554,938	2,554,938
Revenue reserves		17,367,437	15,735,917
Total equity		19,922,375	18,290,855
LIABILITIES			
Lease liability	17	1,485,964	1,341,607
Deferred tax liabilities		635,453	645,943
Non current liabilities		2,121,417	1,987,550
Lease liability	17	617,510	376,065
Short term running finance	18	19,291	-
Accrued interest / mark-up		8,906	25,735
Unpaid dividend		323,659	66,740
Unclaimed dividend		77,381	78,235
Trade and other payables	19	17,736,454	16,295,217
Other liabilities		3,234,861	2,865,822
Current income tax liabilities		847,874	449,395
Current liabilities		22,865,936	20,157,209
Total liabilities		24,987,353	22,144,759
Total equity and liabilities		44,909,728	40,435,614

Contingencies and commitments

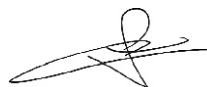
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Usman Zahur

MD & Chief Executive Officer



William Pegel

Chief Financial Officer & Director

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

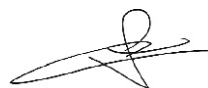
for the Nine months period ended September 30, 2020

	Share capital Rs '000	Revenue reserves Rs '000	Total Rs '000
Balance at January 1, 2019	2,554,938	15,210,686	17,765,624
Total comprehensive income for the period:			
Profit for the period	-	9,985,127	9,985,127
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	9,985,127	9,985,127
Transactions with owners of the Company:			
Final dividend relating to year ended December 31, 2018 @ Rs. 22 per share	-	(5,620,863)	(5,620,863)
Interim dividend relating to year ending December 31, 2019 @ Rs. 13 per share	-	(3,321,419)	(3,321,419)
Balance at September 30, 2019	2,554,938	16,253,531	18,808,469
Balance at January 1, 2020	2,554,938	15,735,917	18,290,855
Total comprehensive income for the period:			
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
Transactions with owners of the Company:			
Final dividend relating to year ended December 31, 2019 @ Rs. 23 per share	-	(5,876,357)	(5,876,357)
Interim dividend relating to year ending December 31, 2020 @ Rs. 15 per share	-	(3,832,407)	(3,832,407)
Balance at September 30, 2020	2,554,938	17,367,437	19,922,375

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



Usman Zahur
MD & Chief Executive Officer



William Pegel
Chief Financial Officer & Director

Condensed Interim Statement of Cash Flows (Un-audited)

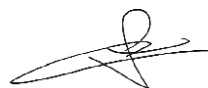
for the Nine months period ended September 30, 2020

	Note	Sep 30, 2020 Rs '000 Nine month ended	Sep 30, 2019 Rs '000 Nine month ended
Cash flows from operating activities			
Cash generated from operations	21	19,346,695	9,705,704
Finance cost paid		(195,575)	(127,809)
Income tax paid		(3,667,691)	(3,975,736)
Contribution to retirement benefit funds		7,363	(344,710)
Net cash from/(used in) operating activities		15,490,792	5,257,449
Cash flows from investing activities			
Purchases of property, plant and equipment		(2,104,835)	(820,251)
Proceeds from sale of property, plant and equipment		102,065	211,176
Interest received		634,091	761,778
Net cash from/(used in) investing activities		(1,368,679)	152,703
Cash flows from financing activities			
Dividends paid		(9,452,699)	(8,891,970)
Finance lease payments		(362,765)	(550,298)
Net cash used in financing activities		(9,815,464)	(9,442,268)
Net increase/(decrease) in cash and cash equivalents		4,306,649	(4,032,116)
Cash and cash equivalents at January 1		3,536,963	8,917,131
Cash and cash equivalents at September 30		7,843,612	4,885,015
Cash and cash equivalents comprise:			
Short-term investments		7,401,460	3,200,438
Cash and bank balances	15	461,443	1,684,577
Short term running finance	18	(19,291)	-
		7,843,612	4,885,015

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



Usman Zahur
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, 2020

1. The Company and its operations

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

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

During the period ended September 30, 2020, the COVID-19 pandemic emerged which impacted the economy of country in general, however the Company has not experienced any major disruptions to the operations or decline in revenue due to temporary lockdown imposed by the Government to counter COVID-19 outbreak.

2. Statement of compliance

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

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

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

3. Basis of preparation

These interim financial statements should be read in conjunction with the Company's latest annual financial statements as at and for the year ended December 31, 2019 ('last annual financial statements'). 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, 2019 whereas comparative figures of condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows are extracted from un-audited condensed interim financial statements of the Company for the period ended September 30, 2019.

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, 2020

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

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

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

5. Significant accounting policies

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

6. Standards issued but not effective

A number of new standards and amendments to standards are effective for annual periods beginning after January 01, 2020 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, 2020	Sep 30, 2019	Sep 30, 2020	Sep 30, 2019
Rs '000	Rs '000	Rs '000	Rs '000

7. Cost of sales

Raw material consumed:				
Opening stock of raw materials and work in process	14,544,894	12,430,303	19,573,174	16,944,127
Raw material purchases and expenses	10,070,082	10,004,178	18,593,387	17,153,938
Duties, taxes and tobacco development cess	244,590	484,521	769,247	1,197,941
Closing stock of raw materials and work in process	(17,918,573)	(18,497,737)	(17,918,573)	(18,497,737)
	6,940,993	4,421,265	21,017,235	16,798,269
Royalty	124,913	98,811	373,507	(1,398,732)
Production overheads	659,523	630,219	2,338,689	2,486,527
Cost of goods manufactured	7,725,429	5,150,295	23,729,431	17,886,064
Cost of finished goods				
Opening stock	1,882,101	825,772	1,859,725	1,548,417
Closing stock	(2,670,623)	(1,326,036)	(2,670,623)	(1,326,036)
	(788,522)	(500,264)	(810,898)	222,381
	6,936,907	4,650,031	22,918,533	18,108,445

8. Other operating expenses

Workers' Profit Participation Fund (WPPF)	266,166	220,454	826,851	765,746
Workers' Welfare Fund (WWF)	101,143	121,882	314,203	329,093
Bank charges and fees	12,205	12,393	29,640	28,540
Interest to Workers' Profit Participation Fund (WPPF)	-	-	1,263	-
Loss on disposal of property, plant and equipment	1,255	-	1,255	-
Foreign exchange loss	49,325	(40,584)	224,145	409,367
	430,094	314,145	1,397,357	1,532,746

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

for the Nine months period ended September 30, 2020

	Three months ended		Nine months ended	
	Sep 30, 2020 Rs '000	Sep 30, 2019 Rs '000	Sep 30, 2020 Rs '000	Sep 30, 2019 Rs '000
9. Other income				
Income from services to associated companies:				
- BAT SAA (Private) Limited	-	-	-	65,900
- BAT Myanmar/BAT Bangladesh/Ceylon Tobacco	-	-	-	3,837
	-	-	-	69,737
Gain on disposal of property, plant and equipment	(6,125)	62,389	-	90,780
Liabilities written back	-	519,352	-	519,352
Others	1,681	392	2,546	1,109
	(4,444)	582,133	2,546	680,978

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 13.24% (nine months ended Sep 30, 2019: 4.65% and 13.53%) per annum and is received on maturity.

	Note	Sep 30, 2020 (Unaudited) Rs '000	Dec 31, 2019 (Audited) Rs '000
11. Property, plant and equipment			
Operating fixed assets	11.1	11,803,390	11,590,196
Capital work in progress	11.2	1,537,434	732,634
		13,340,824	12,322,830

11.1 Operating fixed assets

Carrying amount at January 01 9,533,952 8,170,276

-Owned Assets

-Right of use assets

Land and building 1,228,044 -
Vehicles 828,200 -

Additions during the nine months/year:

- Owned assets

Building	60,103	936
Plant and machinery	469,904	2,455,823
Office and household equipment	182,214	357,497
Furniture and fittings	15,894	16,649
Vehicles	-	58,219
	728,115	2,889,124

- Right of use assets IFRS16

Land and building	242,641	1,559,221
Vehicles	505,926	504,593
	1,476,682	4,952,938

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

for the Nine months period ended September 30, 2020

	Sep 30, 2020 (Unaudited) Rs '000	Dec 31, 2019 (Audited) Rs '000
Disposals during the nine months/year (net book value):		
- Owned assets		
Building	(121)	(64)
Plant and machinery	(34,440)	(32,463)
Office and household equipment	(305)	(823)
Furniture and fittings	(535)	(191)
Vehicles	-	(3,913)
	(35,401)	(37,454)
- Leased assets		
Vehicles	(69,174)	(128,088)
	(104,575)	(165,542)
Depreciation/impairment charge for the nine months/year:	(1,158,913)	(1,367,476)
Carrying amount at Sep 30/ December 31	11,803,390	11,590,196

11.1.1 During the nine months ended September 30, 2020, the Company acquired assets, including transfers from capital work in progress, amounting to Rs. 1,476,682 thousand (nine months ended September 30, 2019: Rs. 4,177,439 thousand). Operating fixed assets having net book value of Rs. 104,575 thousand were disposed off during nine months ended September 30, 2020 (nine months ended September 30, 2019: Rs. 120,396 thousand). Depreciation/impairment charge for nine months ended September 30, 2020 was Rs. 1,158,913 thousand (nine months ended September 30, 2019: Rs. 1,002,466 thousand).

	Sep 30, 2020 (Unaudited) Rs '000	Dec 31, 2019 (Audited) Rs '000
11.2 Capital work in progress		
Balance as at the beginning of the period	732,634	960,551
Additions during the nine months/year	1,992,180	1,419,007
	2,724,814	2,379,558
Transferred to operating fixed assets	(1,187,380)	(1,646,924)
Carrying amount as at end of the period	1,537,434	732,634

12. Long term investment in subsidiary company

This represents 500,001 (December 31, 2019: 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 ended September 30, 2020.

13. Loans and advances

These include non-interest bearing advances to employees of Rs. 24,179 thousand (December 31, 2019: Rs. 36,419 thousand).

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

for the Nine months period ended September 30, 2020

14. Other receivables

These include following balances due from related parties:

	Note	Sep 30, 2020 (Unaudited) Rs '000	Dec 31, 2019 (Audited) Rs '000
Holding company / associated companies		35,742	188,638
Subsidiary company		20,021	20,021
Employees retirement benefit plans		893,840	881,821

15. Cash and bank balances

Cash at banks			
- deposit accounts		22,195	9,075
- current accounts	15.1	436,189	525,156
		458,384	534,231
Cash in hand		3,059	1,674
		461,443	535,905

15.1 These include balances of Rs. 225,549 thousand (December 31, 2019: Rs. 145,874 thousand) held in foreign currency accounts.

16. Share capital

Authorised share capital of the Company is Rs. 3,000,000 thousand (December 31, 2019: Rs. 3,000,000 thousand) divided into 300,000,000 ordinary shares of Rs. 10 each. Issued, subscribed and paid up capital of the Company is Rs. 2,554,938 thousand (December 31, 2019: Rs. 2,554,938 thousand) divided into 255,493,792 ordinary shares of Rs. 10 each.

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 2,700,025 thousand - short term Rs 812,205 thousand and long term Rs 1,887,820 thousand (December 31, 2019: Rs 2,313,780 thousand - short term Rs 552,925 thousand and long term Rs 1,760,855 thousand).

The net lease liability amounts to Rs 2,103,474 thousand - short term Rs 617,510 thousand and long term Rs 1,485,964 thousand (December 31, 2019: 1,717,672 thousand-short term Rs 376,065 thousand and long term Rs 1,341,607 thousand).

Financing rates of 7.75% to 14.61% (December 31, 2019: 12.35% to 15.36%) per annum have been used as discounting factor.

18. Short term running finance-secured

Short term running finance facilities available under mark-up arrangements with banks amount to Rs. 6,500 million (December 31, 2019: Rs.6,500 million), out of which the amount un-availed at the reporting date was Rs. 6,481 million (December 31, 2019: Rs.6,500 million). These facilities are secured by hypothecation of stock in trade and plant & machinery amounting to Rs.7,222 million (December 31, 2019: Rs.7,222 million). The mark-up ranges between 7.29% and 13.88% (2019: 10.52% and 14.05%) per annum and is payable quarterly. The facilities are renewable on annual basis.

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

for the Nine months period ended September 30, 2020

19. Trade and other payables

19.1 These include following balances due to related parties:

	Sep 30, 2020 (Unaudited) Rs '000	Dec 31, 2019 (Audited) Rs '000
Holding company / associated companies	999,673	1,397,088
Employees retirement benefit plans	354,609	413,632

19.2 These also include 'contract liabilities' representing advances from customers amounting to Rs. 167,377 thousand (December 31, 2019: Rs. 16,817 thousand).

	Sep 30, 2020 (Unaudited) Rs '000	Dec 31, 2019 (Audited) Rs '000
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20. Contingencies and commitments

20.1 Contingencies

Claims and guarantees

Claims against the Company not acknowledged as debt	75,706	75,706
Guarantees issued by banks on behalf of the Company	427,376	385,730

Litigation

There is no significant change to status of litigations disclosed in annual financial statements for the year ended 31 December 2019.

	Sep 30, 2020 (Unaudited) Rs '000	Dec 31, 2019 (Audited) Rs '000
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20.2 Commitments

Capital expenditure	999,977	-
Letters of credit outstanding	66,441	83,392

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

for the Nine months period ended September 30, 2020

	Nine months ended	
	Sep 30, 2020 Rs '000	Sep 30, 2019 Rs '000
21. Cash generated from operations		
Profit before income tax	15,395,964	14,258,194
Adjustment for non-cash items:		
- Depreciation	1,158,913	1,002,466
- (Gain)/loss on disposal of property, plant and equipment	1,255	(90,780)
- Finance cost	178,746	123,227
- Finance income	(634,091)	(761,778)
- Forex loss	224,145	409,367
- Reversal of provision for slow moving stores and spares	(1,400)	(3,154)
- Provision for staff retirement benefit plans	-	199,201
	927,568	878,549
Changes in working capital:		
- Stock-in-trade	833,347	(1,331,229)
- Stores and spares	(48,977)	(155,088)
- Trade debts	3,120	(825)
- Loans and advances	(219,422)	15,612
- Short term prepayments	(33,192)	213,922
- Other receivables	919,075	(962,775)
- Trade and other payables	1,200,132	(2,953,280)
- Other liabilities	369,039	(261,258)
	3,023,122	(5,434,921)
Changes in long term deposits and prepayments	41	3,882
	19,346,695	9,705,704

Notes to the Condensed Interim Financial Statements (Un-audited) for the Nine months period ended September 30, 2020

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, 2020 (Un-audited)		December 31, 2019 (Audited)	
	Fair value through profit or loss	Amortized cost	Fair value through profit or loss	Amortized cost
	Rs '000		Rs '000	
Financial assets measured at fair value				
Short-term investment	7,401,460	-	3,001,058	-
Deposits	30,718	-	30,759	-
Financial assets not measured at fair value				
Trade debts	-	1,140	-	4,260
Other receivables	-	1,224,856	-	2,131,912
Cash and bank balances	-	461,443	-	535,905
	7,432,178	1,687,439	3,031,817	2,672,077
Financial liabilities not measured at fair value				
Finance lease obligation	-	(2,103,474)	-	(1,717,672)
Accrued interest / mark-up	-	(8,906)	-	(25,735)
Short term running finance	-	(19,291)	-	-
Trade and other payables	-	(7,220,035)	-	(6,884,278)
	-	(9,351,706)	-	(8,627,685)

The Company has not disclosed the fair values of financial assets and financial liabilities as these are for short-term or reprice over short-term. Therefore, the carrying amounts are reasonable approximation of their values. There have been no change

22.2 Financial risk management

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

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

for the Nine months period ended September 30, 2020

23. Related parties

British American Tobacco (Investments) Limited (BAT-IL) holds 94.34% (December 31, 2019: 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, 2020 Rs '000	Sep 30, 2019 Rs '000	Sep 30, 2020 Rs '000	Sep 30, 2019 Rs '000
Purchase of goods and services from				
Holding company	367,955	362,742	1,092,674	849,634
Associated companies	306,277	393,959	1,926,456	1,402,507
Sale of goods and services to				
Holding company	-	22,798	29,000	23,473
Associated companies	1,415,496	574,885	4,187,508	1,079,596
Dividend paid to				
Holding company	3,627,801	3,144,094	9,190,430	8,464,870
Royalty charged by				
Holding company	124,913	98,811	373,507	(1,398,732)
Employees retirement benefit plans - expense				
Staff pension fund	-	-	(29,178)	(25,281)
Staff defined contribution pension fund	30,688	30,512	87,289	85,252
Employees' gratuity fund	33,968	24,808	97,964	80,153
Management provident fund	20,764	19,066	61,474	57,195
Employees' provident fund	4,729	4,432	14,266	13,231
Remuneration of key management personnel	176,071	214,966	448,722	544,397
Other income:				
Associated company:				
Recharges written back	-	519,352	-	519,352

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

for the Nine months period ended September 30, 2020

24. Post balance sheet events

The Board of Directors in its meeting held on October 23, 2020 has declared an interim dividend of Rs 20.00 (2019: Rs 13.00) per share. This interim dividend of Rs 5,109,876 thousand (2019: Rs 3,321,419 thousand) will be recorded as liability in the interim financial statements for the next quarter as required by the IAS 10 'Events after the Balance Sheet Date'. These condensed interim financial statements do not reflect this dividend.

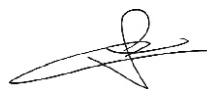
25. Date of authorisation for issue

These condensed interim financial statements have been authorised for issue by the Board of Directors of the Company on October 23, 2020.



Usman Zahur

MD & Chief Executive Officer



William Pegel

Chief Financial Officer & Director

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

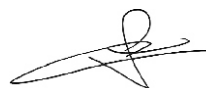
for the Nine months period ended September 30, 2020

	Note	Three months ended		Nine months ended	
		Sep 30, 2020 Rs '000	Sep 30, 2019 Rs '000	Sep 30, 2020 Rs '000	Sep 30, 2019 Rs '000
Domestic turnover		35,281,100	27,817,388	118,752,440	107,792,440
Export turnover		1,375,077	536,306	3,788,185	831,437
Gross turnover		36,656,177	28,353,694	122,540,625	108,623,877
Excise duties		(17,801,040)	(14,561,649)	(59,725,572)	(54,726,071)
Sales tax		(5,384,803)	(4,207,849)	(17,981,716)	(16,316,044)
Net turnover		13,470,334	9,584,196	44,833,337	37,581,762
Cost of sales	7	(6,936,907)	(4,650,031)	(22,918,533)	(18,108,445)
Gross profit		6,533,427	4,934,165	21,914,804	19,473,317
Selling and distribution costs		(511,631)	(756,263)	(3,317,269)	(2,887,801)
Administrative expenses		(732,655)	(440,949)	(2,262,105)	(2,114,105)
Other operating expenses	8	(430,094)	(314,145)	(1,397,357)	(1,532,746)
Other income	9	(4,444)	582,133	2,546	680,978
		(1,678,824)	(929,224)	(6,974,185)	(5,853,674)
Operating profit		4,854,603	4,004,941	14,940,619	13,619,643
Finance income	10	170,671	144,758	634,091	761,778
Finance cost		(69,264)	(44,840)	(178,746)	(123,227)
Net finance income		101,407	99,918	455,345	638,551
Profit before income tax		4,956,010	4,104,859	15,395,964	14,258,194
Income tax expense		(1,230,155)	(1,173,035)	(4,055,680)	(4,273,067)
Profit for the period		3,725,855	2,931,824	11,340,284	9,985,127
Earnings per share - basic and diluted (Rupees)		14.58	11.48	44.39	39.08

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



Usman Zahur
MD & Chief Executive Officer



William Pegel
Chief Financial Officer & Director

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

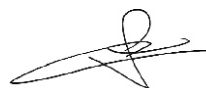
for the Nine months period ended September 30, 2020

	Three months ended		Nine months ended	
	Sep 30, 2020 Rs '000	Sep 30, 2019 Rs '000	Sep 30, 2020 Rs '000	Sep 30, 2019 Rs '000
Profit for the period	3,725,855	2,931,824	11,340,284	9,985,127
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	3,725,855	2,931,824	11,340,284	9,985,127

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



Usman Zahur
MD & Chief Executive Officer



William Pegel
Chief Financial Officer & Director

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

as at September 30, 2020

	Note	Sep 30, 2020 (Unaudited) Rs '000	Dec 31, 2019 (Audited) Rs '000
ASSETS			
Property, plant and equipment	11	13,365,872	12,347,878
Advances for capital expenditure		747,703	175,783
Long term deposits and prepayments		30,718	30,759
Non-current assets		14,144,293	12,554,420
Stock-in-trade		20,589,196	21,422,543
Stores and spares		713,209	663,999
Trade debts		1,140	4,260
Loans and advances	12	345,066	125,644
Short term prepayments		49,113	15,921
Other receivables	13	1,204,835	2,111,891
Short term investments		7,401,460	3,001,058
Cash and bank balances	14	461,443	535,905
Current assets		30,765,462	27,881,221
Total assets		44,909,755	40,435,641
EQUITY			
Share capital	15	2,554,938	2,554,938
Revenue reserves		17,367,437	15,735,917
Total equity		19,922,375	18,290,855
LIABILITIES			
Lease liability	16	1,485,964	1,341,607
Deferred tax liabilities		635,453	645,943
Non current liabilities		2,121,417	1,987,550
Lease liability	16	617,510	376,065
Short term running finance	17	19,291	-
Accrued interest / mark-up		8,906	25,735
Unpaid dividend		323,659	66,740
Unclaimed dividend		77,381	78,235
Trade and other payables	18	17,736,481	16,295,244
Other liabilities		3,234,861	2,865,822
Current income tax liabilities		847,874	449,395
Current liabilities		22,865,963	20,157,236
Total liabilities		24,987,380	22,144,786
Total equity and liabilities		44,909,755	40,435,641

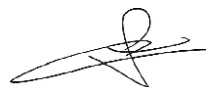
Contingencies and commitments 19

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



Usman Zahur

MD & Chief Executive Officer



William Pegel

Chief Financial Officer & Director

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

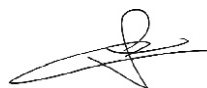
for the Nine months period ended September 30, 2020

	Share capital Rs '000	Revenue reserves Rs '000	Total Rs '000
Balance at January 1, 2019	2,554,938	15,210,686	17,765,624
Total comprehensive income for the period:			
Profit for the period	-	9,985,127	9,985,127
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	9,985,127	9,985,127
Transactions with owners of the Company:			
Final dividend relating to year ended December 31, 2018 @ Rs. 22 per share	-	(5,620,863)	(5,620,863)
Interim dividend relating to year ending December 31, 2019 @ Rs. 13 per share	-	(3,321,419)	(3,321,419)
Balance at September 30, 2019	2,554,938	16,253,531	18,808,469
Balance at January 1, 2020	2,554,938	15,735,917	18,290,855
Total comprehensive income for the period:			
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
Transactions with owners of the Company:			
Final dividend relating to year ended December 31, 2019 @ Rs. 23 per share	-	(5,876,357)	(5,876,357)
Interim dividend relating to year ending December 31, 2020 @ Rs. 15 per share	-	(3,832,407)	(3,832,407)
Balance at September 30, 2020	2,554,938	17,367,437	19,922,375

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



Usman Zahur
MD & Chief Executive Officer



William Pegel
Chief Financial Officer & Director

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

for the Nine months period ended September 30, 2020

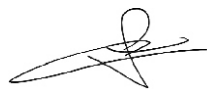
	Note	Sep 30, 2020 Rs '000 Nine month ended	Sep 30, 2019 Rs '000 Nine month ended
Cash flows from operating activities			
Cash generated from operations	20	19,346,695	9,705,704
Finance cost paid		(195,575)	(127,809)
Income tax paid		(3,667,691)	(3,975,736)
Contribution to retirement benefit funds		7,363	(344,710)
Net cash from/(used in) operating activities		15,490,792	5,257,449
Cash flows from investing activities			
Purchases of property, plant and equipment		(2,104,835)	(820,251)
Proceeds from sale of property, plant and equipment		102,065	211,176
Interest received		634,091	761,778
Net cash from/(used in) investing activities		(1,368,679)	152,703
Cash flows from financing activities			
Dividends paid		(9,452,699)	(8,891,970)
Finance lease payments		(362,765)	(550,298)
Net cash used in financing activities		(9,815,464)	(9,442,268)
Net increase/(decrease) in cash and cash equivalents		4,306,649	(4,032,116)
Cash and cash equivalents at January 1		3,536,963	8,917,131
Cash and cash equivalents at September 30		7,843,612	4,885,015
Cash and cash equivalents comprise:			
Short-term investments		7,401,460	3,200,438
Cash and bank balances	14	461,443	1,684,577
Short term running finance	17	(19,291)	-
		7,843,612	4,885,015

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



Usman Zahur

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, 2020

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.

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.

During the period ended September 30, 2020, the COVID-19 pandemic emerged which impacted the economy of country in general, however the Company has not experienced any major disruptions to the operations or decline in revenue due to temporary lockdown imposed by the Government to counter COVID-19 outbreak.

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, 2019 ('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 consolidated condensed interim statement of financial position is extracted from annual financial statements as of December 31, 2019 whereas comparative figures of condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows are extracted from un-audited condensed interim financial statements of the Company for the period ended September 30, 2019.

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.

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

for the Nine months period ended September 30, 2020

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

Measurement of fair values

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are 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, 2019.

6. Standards issued but not effective

A number of new standards and amendments to standards are effective for annual periods beginning after January 01, 2020 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, 2020	Sep 30, 2019	Sep 30, 2020	Sep 30, 2019
	Rs '000	Rs '000	Rs '000	Rs '000
7. Cost of sales				
Raw material consumed:				
Opening stock of raw materials and work in process	14,544,894	12,430,303	19,573,174	16,944,127
Raw material purchases and expenses	10,070,082	10,004,178	18,593,387	17,153,938
Duties, taxes and tobacco development cess	244,590	484,521	769,247	1,197,941
Closing stock of raw materials and work in process	(17,918,573)	(18,497,737)	(17,918,573)	(18,497,737)
	6,940,993	4,421,265	21,017,235	16,798,269
Royalty	124,913	98,811	373,507	(1,398,732)
Production overheads	659,523	630,219	2,338,689	2,486,527
Cost of goods manufactured	7,725,429	5,150,295	23,729,431	17,886,064
Cost of finished goods				
Opening stock	1,882,101	825,772	1,859,725	1,548,417
Closing stock	(2,670,623)	(1,326,036)	(2,670,623)	(1,326,036)
	(788,522)	(500,264)	(810,898)	222,381
	6,936,907	4,650,031	22,918,533	18,108,445
8. Other operating expenses				
Workers' Profit Participation Fund (WPPF)	266,166	220,454	826,851	765,746
Workers' Welfare Fund (WWF)	101,143	121,882	314,203	329,093
Bank charges and fees	12,205	12,393	29,640	28,540
Interest to Workers' Profit Participation Fund (WPPF)	-	-	1,263	-
Loss on disposal of property, plant and equipment	1,255	-	1,255	-
Foreign exchange loss	49,325	(40,584)	224,145	409,367
	430,094	314,145	1,397,357	1,532,746

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

for the Nine months period ended September 30, 2020

	Three months ended		Nine months ended	
	Sep 30, 2020 Rs '000	Sep 30, 2019 Rs '000	Sep 30, 2020 Rs '000	Sep 30, 2019 Rs '000
9. Other income				
Income from services to associated companies:				
- BAT SAA (Private) Limited	-	-	-	65,900
- BAT Myanmar/BAT Bangladesh/Ceylon Tobacco	-	-	-	3,837
	-	-	-	69,737
Gain on disposal of property, plant and equipment	(6,125)	62,389	-	90,780
Liabilities written back	-	519,352	-	519,352
Others	1,681	392	2,546	1,109
	(4,444)	582,133	2,546	680,978

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 13.24% (nine months ended Sep 30, 2019: 4.65% and 13.53%) per annum and is received on maturity.

	Note	Sep 30, 2020 (Unaudited) Rs '000	Dec 31, 2019 (Audited) Rs '000
11. Property, plant and equipment			
Operating fixed assets	11.1	11,806,754	11,593,560
Capital work in progress	11.2	1,559,118	754,318
		13,365,872	12,347,878

11.1 Operating fixed assets

Carrying amount at January 01

-Owned Assets

-Right of use assets

Land and building

Vehicles

Additions during the nine months/year:

- Owned assets

Building

Plant and machinery

Office and household equipment

Furniture and fittings

Vehicles

- Right of use assets IFRS16

Land and building

Vehicles

60,103	936
469,904	2,455,823
182,214	357,497
15,894	16,649
-	58,219
728,115	2,889,124
242,641	1,559,221
505,926	504,593
1,476,682	4,952,938

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

for the Nine months period ended September 30, 2020

	Sep 30, 2020 (Unaudited) Rs '000	Dec 31, 2019 (Audited) Rs '000
Disposals during the nine months/year (net book value):		
- Owned assets		
Building	(121)	(64)
Plant and machinery	(34,440)	(32,463)
Office and household equipment	(305)	(823)
Furniture and fittings	(535)	(191)
Vehicles	-	(3,913)
	(35,401)	(37,454)
- Leased assets		
Vehicles	(69,174)	(128,088)
	(104,575)	(165,542)
Depreciation/impairment charge for the nine months/year:	(1,158,913)	(1,367,476)
Carrying amount at Sep 30/ December 31	11,806,754	11,593,560

11.1.1 During the nine months ended September 30, 2020, the Company acquired assets, including transfers from capital work in progress, amounting to Rs. 1,476,682 thousand (nine months ended September 30, 2019: Rs. 4,177,439 thousand). Operating fixed assets having net book value of Rs. 104,575 thousand were disposed off during nine months ended September 30, 2020 (nine months ended September 30, 2019: Rs. 120,396 thousand). Depreciation/impairment charge for nine months ended September 30, 2020 was Rs. 1,158,913 thousand (nine months ended September 30, 2019: Rs. 1,002,466 thousand).

	Sep 30, 2020 (Unaudited) Rs '000	Dec 31, 2019 (Audited) Rs '000
11.2 Capital work in progress		
Balance as at the beginning of the period	754,318	982,235
Additions during the nine months/year	1,992,180	1,419,007
	2,746,498	2,401,242
Transferred to operating fixed assets	(1,187,380)	(1,646,924)
Carrying amount as at end of the period	1,559,118	754,318

12. Loans and advances

These include non-interest bearing advances to employees of Rs. 24,179 thousand (December 31, 2019: Rs. 36,419 thousand).

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

for the Nine months period ended September 30, 2020

13. Other receivables

These include following balances due from related parties:

	Note	Sep 30, 2020 (Unaudited) Rs '000	Dec 31, 2019 (Audited) Rs '000
Holding company / associated companies		35,742	188,638
Employees retirement benefit plans		893,840	881,821
14. Cash and bank balances			
Cash at banks			
- deposit accounts		22,195	9,075
- current accounts	14.1	436,189	525,156
		458,384	534,231
Cash in hand		3,059	1,674
		461,443	535,905

14.1 These include balances of Rs. 225,549 thousand (December 31, 2019: Rs. 145,874 thousand) held in foreign currency accounts.

15. Share capital

Authorised share capital of the Company is Rs. 3,000,000 thousand (December 31, 2019: Rs. 3,000,000 thousand) divided into 300,000,000 ordinary shares of Rs. 10 each. Issued, subscribed and paid up capital of the Company is Rs. 2,554,938 thousand (December 31, 2019: Rs. 2,554,938 thousand) divided into 255,493,792 ordinary shares of Rs. 10 each.

16. 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 2,700,025 thousand - short term Rs 812,205 thousand and long term Rs 1,887,820 thousand (December 31, 2019: Rs 2,313,780 thousand - short term Rs 552,925 thousand and long term Rs 1,760,855 thousand).

The net lease liability amounts to Rs 2,103,474 thousand - short term Rs 617,510 thousand and long term Rs 1,485,964 thousand (December 31, 2019: 1,717,672 thousand-short term Rs 376,065 thousand and long term Rs 1,341,607 thousand).

Financing rates of 7.75% to 14.61% (December 31, 2019: 12.35% to 15.36%) per annum have been used as discounting factor.

17. Short term running finance-secured

Short term running finance facilities available under mark-up arrangements with banks amount to Rs. 6,500 million (December 31, 2019: Rs.6,500 million), out of which the amount un-availed at the reporting date was Rs. 6,481 million (December 31, 2019: Rs.6,500 million). These facilities are secured by hypothecation of stock in trade and plant & machinery amounting to Rs.7,222 million (December 31, 2019: Rs.7,222 million). The mark-up ranges between 7.29% and 13.88% (2019: 10.52% and 14.05%) per annum and is payable quarterly. The facilities are renewable on annual basis.

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

for the Nine months period ended September 30, 2020

18. Trade and other payables

18.1 These include following balances due to related parties:

	Sep 30, 2020 (Unaudited) Rs '000	Dec 31, 2019 (Audited) Rs '000
Holding company / associated companies	999,673	1,397,088
Employees retirement benefit plans	354,609	413,632

18.2 These also include 'contract liabilities' representing advances from customers amounting to Rs. 167,377 thousand (December 31, 2019: Rs. 16,817 thousand).

	Sep 30, 2020 (Unaudited) Rs '000	Dec 31, 2019 (Audited) Rs '000
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19. Contingencies and commitments

19.1 Contingencies

Claims and guarantees

Claims against the Group not acknowledged as debt	75,706	75,706
Guarantees issued by banks on behalf of the Group	427,376	385,730

Litigation

There is no significant change to status of litigations disclosed in annual financial statements for the year ended 31 December 2019.

	Sep 30, 2020 (Unaudited) Rs '000	Dec 31, 2019 (Audited) Rs '000
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19.2 Commitments

Capital expenditure	999,977	-
Letters of credit outstanding	66,441	83,392

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

for the Nine months period ended September 30, 2020

	Nine months ended	
	Sep 30, 2020 Rs '000	Sep 30, 2019 Rs '000
20. Cash generated from operations		
Profit before income tax	15,395,964	14,258,194
Adjustment for non-cash items:		
- Depreciation	1,158,913	1,002,466
- (Gain)/loss on disposal of property, plant and equipment	1,255	(90,780)
- Finance cost	178,746	123,227
- Finance income	(634,091)	(761,778)
- Forex loss	224,145	409,367
- Reversal of provision for slow moving stores and spares	(1,400)	(3,154)
- Provision for staff retirement benefit plans	-	199,201
	927,568	878,549
Changes in working capital:		
- Stock-in-trade	833,347	(1,331,229)
- Stores and spares	(48,977)	(155,088)
- Trade debts	3,120	(825)
- Loans and advances	(219,422)	15,612
- Short term prepayments	(33,192)	213,922
- Other receivables	919,075	(962,775)
- Trade and other payables	1,200,132	(2,953,280)
- Other liabilities	369,039	(261,258)
	3,023,122	(5,434,921)
Changes in long term deposits and prepayments	41	3,882
	19,346,695	9,705,704

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) for the Nine months period ended September 30, 2020

21. Financial instruments

21.1 Carrying amounts and fair values

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

	September 30, 2020 (Un-audited)		December 31, 2019 (Audited)	
	Fair value through profit or loss	Amortized cost	Fair value through profit or loss	Amortized cost
	Rs '000		Rs '000	
Financial assets measured at fair value				
Short-term investment	7,401,460	-	3,001,058	-
Deposits	30,718	-	30,759	-
Financial assets not measured at fair value				
Trade debts	-	1,140	-	4,260
Other receivables	-	1,204,835	-	2,111,891
Cash and bank balances	-	461,443	-	535,905
	7,432,178	1,667,418	3,031,817	2,652,056
Financial liabilities not measured at fair value				
Finance lease obligation	-	(2,103,474)	-	(1,717,672)
Accrued interest / mark-up	-	(8,906)	-	(25,735)
Short term running finance	-	(19,291)	-	-
Trade and other payables	-	(7,220,062)	-	(6,884,305)
	-	(9,351,733)	-	(8,627,712)

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 values. There have been no change

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, 2019.

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

for the Nine months period ended September 30, 2020

22. Related parties

British American Tobacco (Investments) Limited (BAT-IL) holds 94.34% (December 31, 2019: 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, 2020 Rs '000	Sep 30, 2019 Rs '000	Sep 30, 2020 Rs '000	Sep 30, 2019 Rs '000
Purchase of goods and services from				
Holding company	367,955	362,742	1,092,674	849,634
Associated companies	306,277	393,959	1,926,456	1,402,507
Sale of goods and services to				
Holding company	-	22,798	29,000	23,473
Associated companies	1,415,496	574,885	4,187,508	1,079,596
Dividend paid to				
Holding company	3,627,801	3,144,094	9,190,430	8,464,870
Royalty charged by				
Holding company	124,913	98,811	373,507	(1,398,732)
Employees retirement benefit plans - expense				
Staff pension fund	-	-	(29,178)	(25,281)
Staff defined contribution pension fund	30,688	30,512	87,289	85,252
Employees' gratuity fund	33,968	24,808	97,964	80,153
Management provident fund	20,764	19,066	61,474	57,195
Employees' provident fund	4,729	4,432	14,266	13,231
Remuneration of key management personnel	176,071	214,966	448,722	544,397
Other income:				
Associated company:				
Recharges written back	-	519,352	-	519,352

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

for the Nine months period ended September 30, 2020

23. Post balance sheet events

The Board of Directors in its meeting held on October 23, 2020 has declared an interim dividend of Rs 20.00 (2019: Rs 13.00) per share. This interim dividend of Rs 5,109,876 thousand (2019: Rs 3,321,419 thousand) will be recorded as liability in the interim financial statements for the next quarter as required by the IAS 10 'Events after the Balance Sheet Date'. These condensed interim financial statements do not reflect this dividend.

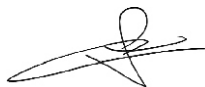
24. Date of authorisation for issue

These consolidated condensed interim financial statements have been authorised for issue by the Board of Directors of the Group on October 23, 2020.



Usman Zahur

MD & Chief Executive Officer



William Pegel

Chief Financial Officer & Director



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COMPANY**



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