

# Corporate Information



## Board of Directors

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

Mr. Nicholas Stewart Hales  
*Managing Director and CEO*

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

Mr. Ahmed Zeb  
*Supply Chain Director*

Mr. Christopher Edward John Goody  
*Marketing Director*

Mr. Tajamal Shah  
*Legal Director*

Lt. Gen. (Retd.) Ali Kuli Khan Khattak  
*(Non-Executive Director)*

Mr. Syed Asif Shah  
*(Non-Executive Director)*

Mr. Istaqbal Mehdi  
*(Non-Executive Director)*

Mr. Kunwar Idris  
*(Non-Executive Director)*

Mr. Abid Niaz Hasan  
*(Non-Executive Director)*

Mr. Feroze Ahmed  
*(Non-Executive Director)*

## Audit Committee

Mr. Abid Niaz Hasan

Mr. Mueen Afzal

Lt. Gen. (Retd.) Ali Kuli Khan Khattak

Mr. Syed Asif Shah

Mr. Istaqbal Mehdi

Mr. Kunwar Idris

Mr. Faisal Saif (Secretary)

## Company Secretary

Ms. Ayesha Rafique

## Registered Office

Pakistan Tobacco Company Limited  
Silver Square, Plot No. 15,  
F-11 Markaz, P.O. Box 2549  
Islamabad-44000  
Telephone: (051) 2083200, 2083201  
Fax: (051) 2224216  
Web: [www.ptc.com.pk](http://www.ptc.com.pk)

## Factories

**Akora Khattak Factory**  
P.O. Akora Khattak  
Tehsil and District Nowshera  
N.W.F.P.  
Telephone: (0923) 630901-11  
Fax: (0923) 510792

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

## Bankers

Citibank N.A.  
Deutsche Bank  
Habib Bank Limited  
HSBC Bank Middle East Limited  
MCB Bank Limited  
National Bank of Pakistan  
RBS The Royal Bank of Scotland  
Standard Chartered Bank (Pakistan) Ltd.

## Auditors

**A.F. Ferguson & Co.**  
Chartered Accountants  
3<sup>rd</sup> Floor, PIA Building  
49 Blue Area, P.O. Box 3021  
Islamabad-44000  
Telephone: (051) 2273457-60  
Fax: (051) 2277924

## Share Registrar

**FAMCO Associates (Pvt.) Ltd.**  
State Life Building No.2-A, 4th Floor  
Wallace Road, Off I.I. Chundrigar Road  
Karachi  
Ph: (021) 2420755, 2427012

## Directors' Review

The Directors are pleased to present the performance of the Company for the nine months ended September 30, 2009. Although the to-date results show growth, these are mainly on the back of an excellent first six months with various factors affecting the business in the third quarter.

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

	July-Sept 2009	July-Sept 2008	Variance	Jan-Sept, 2009	Jan-Sept, 2008	Variance
	Rs (million)		(%)	Rs (million)		(%)
Gross Turnover	11,540	11,044	+4.49	42,203	35,523	+18.80
Gross Profit	1,554	1,637	- 5.10	6,313	5,449	+15.86
Operating Profit	750	758	-1.06	3,822	3,189	+19.86
Profit After Tax – PAT	491	493	- 0.42	2,526	2,082	+21.34
Earning Per Share – EPS (Rs)	1.92	1.93	- 0.52	9.89	8.15	+21.35

There have been some significant changes in the market and business in the third quarter as Company had to take large price increases due primarily to an increase in Excise Duty in June. This has adversely affected the legitimate market with significant down trading to tax evaded cigarettes brands. Prevailing high inflation, high raw material and energy costs, have significantly driven up the cost base.

As a result, the third quarter results have been adversely affected with Volumes, Gross Turnover and Profit halting the growth trend and remaining flat as costs rise. Gross Profit number is lower with PBT and PAT essentially flat vs. SPLY for the period.

Despite the sharp decline in the third quarter performance the YTD results however still show growth and this has mainly been driven by strong performance in the first 6 months which have resulted in to-date growth in Gross Turnover and Profit numbers (PBT, PAT) vs. SPLY.

The 4th quarter is expected to be tough for the business with challenges continuing to mount. However we expect that we shall be able to keep in line with last year's performance.

Despite the adverse changes in the operating environment and slowing performance of the Company in the third quarter, our contribution to the exchequer continues to grow and is up by 20.2% versus same period last year.

The Company continues to support its portfolio and build strong brands to drive growth. Our premium brand, Dunhill, was focus of activity this quarter, with the introduction of the new Panel Pack in Q3 '09 and continues to be a strong performer in the premium segment.

The unprecedented Excise led price increases across the portfolio have hit all segment brands hard, especially in the low segment where consumers are the most price sensitive. As a result, Gold Flake, our largest selling brand has witnessed considerable down-trading to the illicit segment. In order to protect our volume share, Wills Kings was launched at a price point below Gold Flake and has performed well.

The regulatory environment continues to change with the introduction of new restrictions. The Government has announced a series of initiatives that include the introduction of pictorial health warnings in 2010, and withdrawal of designated public smoking zones. Pakistan Tobacco Company as a responsible Company is taking all the necessary steps to ensure full regulatory compliance.

In continuation of our afforestation drive, PTC planted 50,000 trees on National Tree Planting Day. In addition, the Company entered into a partnership with the National Highway Authority and the Ministry of Environment to plant 600,000 trees along the entire M1 Motorway between Islamabad and Peshawar as a part of our commitment towards a greener Pakistan.

The illicit sector continues to be a threat and has started showing signs of growth with the latest Excise led price increases. This has already started to adversely affect the legitimate industry players' financials and operations. Going forward it is imperative that the Government redouble its effort to check this problem, in the absence of which it is unlikely that the legitimate industry will be able to meet its revenue collection expectations for the year.

Volatile security and economic conditions prevalent in Pakistan continue to pose risks for the business. In addition to the above, severe power shortages, inflationary pressures and price hikes in leaf continue to affect the cost base of the Company. Although the cost mitigation measures are in place, given the magnitude of the impacts, they may not be able to fully cover the impact of the same.

Maintaining a healthy profit growth trend will be an increasingly difficult task in the current business environment with cost pressures and significant market down-trading. Going forward the Company remains committed and prepared to drive performance and business excellence in order to enhance shareholder value.



**MUEEN AFZAL**  
Chairman



**NICHOLAS STEWART HALES**  
Managing Director and CEO

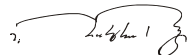
## Condensed Interim Profit and Loss Account (Unaudited) for the nine month ended September 30, 2009

	Note	Three months ended		Nine months ended	
		Sep 30, 2009	Sep 30, 2008	Sep 30, 2009	Sept 30, 2008
Rs '000					
Gross turnover		11,540,070	11,044,685	42,202,759	35,523,484
Excise duty		5,790,381	5,239,133	20,114,790	17,000,148
Sales tax		1,650,142	1,579,719	6,028,439	4,894,146
<b>Net turnover</b>		<b>4,099,547</b>	<b>4,225,833</b>	<b>16,059,530</b>	<b>13,629,190</b>
Cost of sales	4	2,545,433	2,588,227	9,746,773	8,180,595
<b>Gross profit</b>		<b>1,554,114</b>	<b>1,637,606</b>	<b>6,312,757</b>	<b>5,448,595</b>
Marketing and distribution expenses		439,857	484,583	1,385,700	1,233,884
Administrative expenses		325,173	299,445	830,937	748,771
Other income		20,990	14,783	59,980	30,241
Other expenses	5	59,310	109,566	333,990	307,444
		803,350	878,811	2,490,647	2,259,858
<b>Operating profit</b>		<b>750,764</b>	<b>758,795</b>	<b>3,822,110</b>	<b>3,188,737</b>
Finance income		20,266	13,774	98,134	49,283
Finance cost		15,035	14,220	40,642	37,324
Net finance income / cost		5,231	(446)	57,492	11,959
<b>Profit before taxation</b>		<b>755,995</b>	<b>758,349</b>	<b>3,879,602</b>	<b>3,200,696</b>
Income tax expense - current		272,693	202,660	1,389,304	1,051,824
- deferred		(8,310)	62,021	(35,551)	67,301
		264,383	264,681	1,353,753	1,119,125
<b>Profit for the period</b>		<b>491,612</b>	<b>493,668</b>	<b>2,525,849</b>	<b>2,081,571</b>
Earnings per share (Rupees)		1.92	1.93	9.89	8.15

The annexed notes 1 to 16 are an integral part of these condensed interim financial statements.



**NICHOLAS STEWART HALES**  
Managing Director and CEO



**MOBASHER RAZA**  
Finance Director

# Condensed Interim Balance Sheet (Unaudited)

as at September 30, 2009



PAKISTAN TOBACCO  
COMPANY

	Note	September 30, 2009	Rs '000 December 31, 2008
<b>Non current Assets</b>			
Property, plant and equipment	6	5,645,733	5,599,758
Long term investment in subsidiary company	7	5,000	5,000
Long term loans		8,830	9,244
Long term deposits and prepayments		21,584	41,172
		5,681,147	5,655,174
<b>Current assets</b>			
Stock-in-trade		6,527,972	4,059,063
Stores and spares		254,741	190,646
Trade debts		2,055	2,666
Advances, prepayments and other receivables	8	270,747	418,320
Cash and bank balances		386,215	69,172
		7,441,730	4,739,867
<b>Current liabilities</b>			
Trade and other payables	9	5,638,315	4,335,058
Short term borrowings	10	728,829	572,397
Current income tax liability		818,389	303,183
		7,185,533	5,210,638
<b>Net current assets / (liabilities)</b>		<b>256,197</b>	<b>(470,771)</b>
<b>Non current liabilities</b>			
Retirement benefit obligations		(739,133)	(739,133)
Deferred income tax liability		(801,388)	(836,939)
		(1,540,521)	(1,576,072)
<b>Net assets</b>		<b>4,396,823</b>	<b>3,608,331</b>
<b>Share capital</b>			
Authorised share capital			
300,000,000 ordinary shares of Rs 10 each		3,000,000	3,000,000
Issued, subscribed and paid-up capital			
255,493,792 ordinary shares of Rs 10 each		2,554,938	2,554,938
Revenue reserves		1,841,885	1,053,393
<b>Shareholders' equity</b>		<b>4,396,823</b>	<b>3,608,331</b>
Contingencies and commitments	11		

The annexed notes 1 to 16 are an integral part of these condensed interim financial statements.

**NICHOLAS STEWART HALES**  
Managing Director and CEO

**MOBASHER RAZA**  
Finance Director

## Condensed Interim Cash Flow Statement (Unaudited)

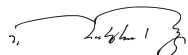
for the nine month ended September 30, 2009

	Sep 30, 2009	Rs '000 Sep 30, 2008
<b>Cash flow from operating activities</b>		
Cash receipts from customers	42,203,370	35,522,774
Cash paid to Government for Federal excise duty, Sales tax and other levies	(26,602,752)	(21,727,863)
Cash paid to suppliers, employees and others	(13,213,493)	(9,910,282)
Financial cost paid	(43,133)	(35,883)
Income tax paid	(874,098)	(716,013)
Other cash receipts	125,227	11,026
<b>Cash generated from operating activities</b>	<b>1,595,121</b>	<b>3,143,759</b>
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(553,345)	(729,384)
Proceeds from sale of property, plant and equipment	56,020	22,670
Interest received	98,134	49,283
<b>Cash used in investing activities</b>	<b>(399,191)</b>	<b>(657,431)</b>
<b>Cash flow from financing activities</b>		
Dividend paid	(1,035,319)	(1,950,943)
<b>Cash used in financing activities</b>	<b>(1,035,319)</b>	<b>(1,950,943)</b>
<b>Net increase in cash and cash equivalents</b>	<b>160,611</b>	<b>535,385</b>
Cash and cash equivalents at January 1	(503,225)	(871,884)
<b>Cash and cash equivalents at September 30</b>	<b>(342,614)</b>	<b>(336,499)</b>
<b>Cash and cash equivalents comprise:</b>		
Cash and bank balances	386,215	183,772
Short term borrowings	(728,829)	(520,271)
	<b>(342,614)</b>	<b>(336,499)</b>

The annexed notes 1 to 16 are an integral part of these condensed interim financial statements.



**NICHOLAS STEWART HALES**  
Managing Director and CEO



**MOBASHER RAZA**  
Finance Director

# Condensed Interim Statement of Changes in Equity (Unaudited)

for the nine month ended September 30, 2009



	Share capital	Revenue reserves	Rs '000 Total
<b>Balance at January 1, 2008</b>	<b>2,554,938</b>	<b>1,467,919</b>	<b>4,022,857</b>
Actuarial loss on retirement benefit plans related to prior period (net of tax)		(318,177)	(318,177)
<b>Restated balance at January 1, 2008</b>	<b>2,554,938</b>	<b>1,149,742</b>	<b>3,704,680</b>
Final dividend of Rs 3.90 per share relating to the year ended December 31, 2007		(996,426)	(996,426)
Profit for the nine months		2,081,571	2,081,571
1st Interim dividend of Rs 1.75 per share relating to the year ended December 31, 2008		(447,114)	(447,114)
2nd Interim dividend of Rs 2.00 per share relating to the year ended December 31, 2008		(510,987)	(510,987)
<b>Balance at September 30, 2008</b>	<b>2,554,938</b>	<b>1,276,786</b>	<b>3,831,724</b>
Profit for the quarter		450,724	450,724
Actuarial loss on retirement benefit plans (net of tax)		(163,130)	(163,130)
3rd Interim dividend of Rs 2.00 per share relating to the year ended December 31, 2008		(510,987)	(510,987)
<b>Balance at December 31, 2008</b>	<b>2,554,938</b>	<b>1,053,393</b>	<b>3,608,331</b>
Final dividend of Rs 2.30 per share relating to the year ended December 31, 2008		(587,635)	(587,635)
1st Interim dividend of Rs 1.75 per share relating to the year ending December 31, 2009		(447,114)	(447,114)
Profit for the nine months		2,525,849	2,525,849
2nd Interim dividend of Rs 2.75 per share relating to the year ending December 31, 2009		(702,608)	(702,608)
<b>Balance at September 30, 2009</b>	<b>2,554,938</b>	<b>1,841,885</b>	<b>4,396,823</b>

The annexed notes 1 to 16 are an integral part of these condensed interim financial statements.

**NICHOLAS STEWART HALES**  
Managing Director and CEO

**MOBASHER RAZA**  
Finance Director

# Selected Notes to and Forming Part of the Condensed Interim Financial Statements (Unaudited) for the nine month ended September 30, 2009

## 1. Legal status and operations

Pakistan Tobacco Company Limited (the Company) is a public listed company incorporated in Pakistan on November 18, 1947 under the Companies Act, 1913 (now the Companies Ordinance, 1984) and its shares are quoted on the Karachi, Lahore and Islamabad stock exchanges of Pakistan. The Company is a subsidiary of British American Tobacco (Investments) Limited, United Kingdom, whereas its ultimate parent company is British American Tobacco p.l.c, United Kingdom. The registered office of the Company is situated at Silver Square, Plot No. 15, F-11 Markaz, Islamabad. The Company is engaged in the manufacture and sale of cigarettes.

## 2. Basis of preparation

These condensed interim financial statements have been prepared in accordance with the requirements of International Accounting Standard 34 'Interim financial reporting'.

## 3. Accounting policies

The accounting policies adopted for the preparation of these condensed interim financial statements are same as those applied in preparation of the annual published financial statements for the year ended December 31, 2008

	Three month ended		Nine months ended	
	Sep 30, 2009	Sep 30, 2008	Sep 30, 2009	Sep 30, 2008
				Rs '000
<b>4. Cost of sales</b>				
<b>Raw materials consumed</b>				
Opening stock of raw materials and work in process	2,119,223	2,217,835	3,574,582	3,515,552
Raw material purchases and expenses	5,782,476	4,194,768	10,102,439	7,020,233
Closing stock of raw materials and work in process	(5,575,384)	(4,184,495)	(5,575,384)	(4,184,495)
	<b>2,326,315</b>	<b>2,228,108</b>	<b>8,101,637</b>	<b>6,351,290</b>
Customs duty and tobacco development cess	114,774	84,519	364,281	254,167
Production overheads	535,614	543,127	1,748,962	1,617,859
<b>Cost of goods manufactured</b>	<b>2,976,703</b>	<b>2,855,754</b>	<b>10,214,880</b>	<b>8,223,316</b>
Cost of finished goods:				
Opening stock	521,318	257,823	484,481	482,629
Closing stock	(952,588)	(525,350)	(952,588)	(525,350)
	(431,270)	(267,527)	(468,107)	(42,721)
	<b>2,545,433</b>	<b>2,588,227</b>	<b>9,746,773</b>	<b>8,180,595</b>



**Selected Notes to and Forming Part of the  
Condensed Interim Financial Statements  
(Unaudited) for the nine month ended September 30, 2009**



	Three month ended		Nine months ended	
	Sep 30, 2009	Sep 30, 2008	Sep 30, 2009	Sep 30, 2008
<b>5 Other expenses</b>				
Workers' Profit Participation Fund	40,626	40,746	208,451	171,896
Workers' Welfare Fund	15,896	15,825	80,964	65,320
Head office relocation expenses (note 5.1)	-	44,183	36,577	44,183
Miscellaneous expenses	2,788	8,812	7,998	26,045
	<b>59,310</b>	<b>109,566</b>	<b>333,990</b>	<b>307,444</b>

5.1 This is net of insurance proceeds of Rs 80,675 thousand received as partial settlement of claim against Evacuee Trust office damages.

	Rs '000	
	Sep 30, 2009	December 31, 2008
<b>6. Property, plant and equipment</b>		
Operating fixed assets - note 6.1	5,225,864	5,412,917
Capital work in progress	419,869	186,841
	<b>5,645,733</b>	<b>5,599,758</b>

	Nine Month ended	
	Sep 30, 2009	Sep 30, 2008
<b>6.1 Additions to the operating fixed assets</b>		
Freehold building	-	1,753
Plant and machinery	103,195	620,931
Vehicles	111,961	93,565
Office and household equipment	71,984	34,870
Furniture and fittings	33,177	853
	<b>320,317</b>	<b>751,972</b>

**6.2 Book value of disposals of operating fixed assets**

Plant and machinery	3,506	1,181
Vehicles	14,165	5,803
Office and household equipment	2,895	3,488
Furniture and fittings	25	-
	<b>20,591</b>	<b>10,472</b>

**7. Long term investment in subsidiary company**

This represents 500,001 (2008: 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, 2008 (2007: Rs 10 per share). This is a wholly owned subsidiary of the Company which has not yet commenced commercial production.

**8. Advances, prepayments and other receivables**

These include following balances due from related parties:

	Rs '000	
	Sep 30, 2009	December 31, 2008
Associated companies	46,596	61,600
Subsidiary company	25,100	24,800
Employees' benefit funds	-	48,700

## Selected Notes to and Forming Part of the Condensed Interim Financial Statements (Unaudited) for the nine month ended September 30, 2009

	Sep 30, 2009	Rs '000 December 31, 2008
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### 9. Trade and other payables

These include following balances due to related parties:

Associated companies	158,118	204,600
Employees' benefit funds	110,066	4,000

### 10. Short term borrowings

Short term finance facilities available under mark-up arrangements with banks amount to Rs 3,250 million (2008: Rs 2,800 million), out of which the amount unavailed at the period end was Rs 2,521 million (2008: Rs 2,228 million). These facilities are secured by hypothecation of stock-in-trade. The mark-up ranges between 11.89% and 17.38% (2008: 9.87% and 17%) per annum and is payable quarterly. The facilities are renewable on annual basis.

	Sep 30, 2009	Rs '000 December 31, 2008
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### 11. Contingencies and commitments

#### 11.1 Contingencies

##### (a) Claims and guarantees

(i) Claims against the Company not acknowledged as debt	117,836	87,688
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(ii) Guarantees issued by banks on behalf of the Company	171,637	118,008
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##### (b) Litigation

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have any material impact on these interim financial statements.

#### 11.2 Commitments

(a) Capital expenditure commitments	297,345	-
(b) Letters of credit (other than for capital expenditure)	1,036,959	616,502

### 12. Non adjusting event after the balance sheet date

Third interim dividend in respect of the year ending December 31, 2009 of Rs 2.75 per share (2008: Rs 2.00 per share) amounting to a total dividend of Rs 702,608 thousand (2008: Rs 510,987 thousand) has been proposed out of the unappropriated profit at the Board of Directors meeting held on October 20, 2009. These financial statements do not include the effect of this appropriation of profit.

# Selected Notes to and Forming Part of the Condensed Interim Financial Statements (Unaudited) for the nine month ended September 30, 2009



	Three month ended		Nine months ended	
	Sep 30, 2009	Sep 30, 2008	Sep 30, 2009	Sep 30, 2008
Rs '000				
<b>13. Transactions with related parties</b>				
Purchase of goods and services				
Holding company	47,523	41,924	114,363	123,787
Associated companies	564,593	238,427	1,353,902	550,256
Sale of goods and services				
Holding company	530	1,664	2,969	3,605
Associated companies	15,128	13,419	112,381	36,175
Royalty charge				
Holding company	68,456	71,457	247,820	225,651
Expenses reimbursed to				
Holding company	-	-	-	19
Associated companies	-	81	218	1,047
Expenses reimbursed by				
Associated companies	128	572	1,086	837
Subsidiary companies	97	82	265	246
Contribution to retirement benefit funds by the Company				
Staff pension fund	46,282	25,084	138,846	75,252
Employee gratuity fund	15,949	11,958	47,848	35,874
Management provident fund	9,288	8,096	27,259	23,786
Employee provident fund	6,589	2,187	10,009	2,833

## 14. Basis for presentation of interim financial information

These interim financial statements are being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984 and the Listing Regulations of the Karachi, Lahore and Islamabad stock exchanges.

## 15. Corresponding figures

- (i) Revenue reserve balance as at January 1, 2008 has been restated for the effect of change in accounting policy in 2008 for recognition of actuarial gains and losses on retirement benefit plans.
- (ii) Federal excise duty amounting to Rs 17,000,148 has been shown as reduction from gross turnover to conform to current period's presentation. Previously this was shown under cost of sales.
- (iii) Finance income of Rs 49,283 thousand has been shown separately to conform to current period's presentation. Previously this was included in other income.

## 16. Date of authorisation

These condensed interim financial statements have been authorised for issue by the Board of Directors of the Company on October 20, 2009.

**NICHOLAS STEWART HALES**  
Managing Director and CEO

**MOBASHER RAZA**  
Finance Director