

# QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

for the quarter ended as at 30th September 2012



**BRITISH AMERICAN  
TOBACCO**  
BANGLADESH

SUCCESS AND RESPONSIBILITY GO TOGETHER

**British American Tobacco Bangladesh Company Limited**  
Statement of Financial Position (Unaudited) as at 30th September 2012

	<b>30-Sep-2012</b>	<b>31-Dec-2011</b>
	Taka '000s	Taka '000s
<b>ASSETS</b>		
<b>Non-current assets:</b>		
Property, plant and equipment	5,314,976	5,376,634
<b>Current assets:</b>		
Inventories	5,858,849	5,373,033
Trade and other receivables	326,454	926,842
Advance deposit and pre-payments	6,174,002	3,907,087
Cash and Cash Equivalents	2,179,245	837,393
<b>Total Current assets</b>	<b>14,538,550</b>	<b>11,044,355</b>
<b>Total assets</b>	<b>19,853,526</b>	<b>16,420,989</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Shareholder's equity:</b>		
Share capital	600,000	600,000
Capital reserve	64,896	64,896
Revenue reserve	5,989,330	5,246,404
<b>Total equity</b>	<b>6,654,226</b>	<b>5,911,300</b>
<b>Non-current liabilities:</b>		
Gratuity	234,535	252,089
Deferred tax liability	647,791	669,079
Obligation under finance lease	9,456	17,876
<b>Total non-current liabilities</b>	<b>891,782</b>	<b>939,044</b>
<b>Current liabilities:</b>		
Bank overdraft	-	-
Short term bank loans	-	-
Provision for expenses	1,767,609	1,838,021
Trade and other payables	4,272,131	3,437,758
Provision for Corporate tax	6,267,778	4,294,866
<b>Total current liabilities</b>	<b>12,307,518</b>	<b>9,570,645</b>
<b>Total equity and liabilities</b>	<b>19,853,526</b>	<b>16,420,989</b>

Sd/-

Arun Kaul  
Managing Director

Sd/-

Anthony Yong  
Director

Sd/-

Md. Azizur Rahman  
Company Secretary

# British American Tobacco Bangladesh Company Limited

## Statement of Comprehensive Income (Unaudited) for the period of 1st January to 30th September 2012

	<u>1-Jan-12</u> To <u>30-Sep-12</u>	<u>1-Jan-11</u> To <u>30-Sep-11</u>	<u>1-Jul-12</u> To <u>30-Sep-12</u>	<u>1-Jul-11</u> To <u>30-Sep-11</u>
	Taka '000s	Taka '000s	Taka '000s	Taka '000s
Gross Turnover	64,811,586	53,413,240	20,411,432	18,293,310
Supplementary duty & VAT	44,875,755	36,921,701	13,446,800	12,478,272
<b>Net turnover</b>	<u>19,935,831</u>	<u>16,491,539</u>	<u>6,964,632</u>	<u>5,815,038</u>
Cost of Sales	11,491,497	9,381,176	3,948,072	3,305,583
<b>Gross Profit</b>	<u>8,444,334</u>	<u>7,110,363</u>	<u>3,016,560</u>	<u>2,509,455</u>
Operating expenses	3,131,926	3,046,547	957,829	825,963
<b>Operating Profit</b>	<u>5,312,408</u>	<u>4,063,816</u>	<u>2,058,731</u>	<u>1,683,492</u>
Net Financial income/(Expense)	(139,198)	(98,548)	(80,371)	(67,153)
	5,173,210	3,965,268	1,978,360	1,616,339
Workers' profit participation fund	258,660	198,263	98,918	80,817
Profit before income tax	4,914,550	3,767,005	1,879,442	1,535,522
Income tax expense:				
Current Tax	1,972,912	1,828,389	770,840	474,275
Deferred Tax	(21,288)	143,251	(11,781)	11,436
	1,951,624	1,971,640	759,059	485,711
<b>Profit for the period</b>	<u>2,962,926</u>	<u>1,795,365</u>	<u>1,120,383</u>	<u>1,049,811</u>
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<u>2,962,926</u>	<u>1,795,365</u>	<u>1,120,383</u>	<u>1,049,811</u>
<b>Total comprehensive income transfer to revenue reserve</b>	<u>2,962,926</u>	<u>1,795,365</u>	<u>1,120,383</u>	<u>1,049,811</u>
<b>Appropriations:</b>				
Revenue reserve:	<u>2,962,926</u>	<u>1,795,365</u>	<u>1,120,383</u>	<u>1,049,811</u>
	Taka	Taka	Taka	Taka
Earnings Per Share	<u>49.38</u>	<u>29.92</u>	<u>18.67</u>	<u>17.50</u>

Sd/-  
\_\_\_\_\_  
Arun Kaul  
Managing Director

Sd/-  
\_\_\_\_\_  
Anthony Yong  
Director

Sd/-  
\_\_\_\_\_  
Md. Azizur Rahman  
Company Secretary

## British American Tobacco Bangladesh Company Limited

### Statement of Changes in Equity (Unaudited) for the period of 1st January to 30th September 2012

	Share Capital <u>Taka '000s</u>	Revenue reserve <u>Taka '000s</u>	capital reserve <u>Taka '000s</u>	Total <u>Taka '000s</u>
<b>Balance at 1st January 2011</b>	600,000	5,575,813	64,896	6,240,709
Dividend paid	-	(2,580,000)	-	(2,580,000)
Profit for the period of 1st Jan to 30th Sep 2011	-	1,795,365	-	1,795,365
<b>Balance as at 30 September 2011</b>	<b>600,000</b>	<b>4,791,178</b>	<b>64,896</b>	<b>5,456,074</b>
<b>Balance at 1st January 2012</b>	600,000	5,246,404	64,896	5,911,300
Dividend paid	-	(2,220,000)	-	(2,220,000)
Profit for the period of 1st Jan to 30th Sep 2012	-	2,962,926	-	2,962,926
<b>Balance as at 30 September 2012</b>	<b>600,000</b>	<b>5,989,330</b>	<b>64,896</b>	<b>6,654,226</b>

**British American Tobacco Bangladesh Company Limited**  
**Statement of Cash Flows (Unaudited)**  
**for the period of 1st January to 30th September 2012**

	<b>1-Jan-12 To 30-Sep-12</b>	<b>1-Jan-11 To 30-Sep-11</b>
	Taka '000s	Taka '000s
<b>Cash flows from operating activities:</b>		
Collection from distributors, leaf export and others	65,011,938	53,840,481
Payment for costs and expenses	(15,037,427)	(13,404,528)
Supplementary duty and VAT paid	(44,740,139)	(37,750,747)
Cash generated from operation	<u>5,234,372</u>	<u>2,685,207</u>
Income tax paid	(1,123,341)	(1,444,211)
Interest (paid)/received	(139,198)	(98,548)
Net cash flows from operating activities	<u>3,971,834</u>	<u>1,142,447</u>
<b>Cash flows from investing activities:</b>		
Acquisition of property, plant and equipment	(400,839)	(313,958)
Proceeds from sale of property, plant and equipment	567	28,061
Net cash used in investing activities	<u>(400,273)</u>	<u>(285,897)</u>
<b>Cash flows from financing activities:</b>		
Short term bank loan	-	700,000
Net proceeds from obligation under finance lease	(13,115)	(12,741)
Dividend paid	(2,216,594)	(2,574,101)
Net cash used in financing activities	<u>(2,229,709)</u>	<u>(1,886,841)</u>
Net (decrease)/increase in cash and cash equivalents for the Period	1,341,852	(1,030,291)
Cash and cash equivalents at the beginning of the Period	837,393	1,343,853
<b>Cash and cash equivalents at the end of the Period</b>	<u><u>2,179,245</u></u>	<u><u>313,562</u></u>
Closing cash and cash equivalents have been arrived at as follows:		
Cash and bank balances	2,179,245	769,726
Bank overdraft	-	(456,164)
	<u><u>2,179,245</u></u>	<u><u>313,562</u></u>

# British American Tobacco Bangladesh Company Limited

## Notes to the Financial Statements as at and for the quarter ended 30th September 2012

### 1. Reporting Entity

British American Tobacco Bangladesh Company Limited (the "Company") is a public limited company incorporated in Bangladesh and its shares are quoted in the Dhaka and Chittagong Stock Exchanges. The address of the Company's registered office is New DOHS Road, Mohakhali, Dhaka-1206, Bangladesh.

The Company manufactures and markets both international and local brands like Benson & Hedges, John Player Gold Leaf, Pall Mall, Capstan, Star, Scissors, Bristol, Pilot and Hollywood.

The Company has its Head Office and the cigarette factory in Dhaka, a green leaf threshing plant in Kushtia, a green leaf redrying plant in Manikganj and a number of leaf and sales offices throughout the country.

### 2. Basis of preparation

#### 2.1 Statement of compliance

The financial statements have been prepared in accordance with the Bangladesh Financial Reporting Standards (BFRS), the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws in Bangladesh. Cash flows from operating activities are computed under direct method as prescribed by the Securities and Exchange Rules 1987.

The financial statements were approved by the Board of Directors on 17 October 2012.

#### 2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis.

#### 2.3 Functional and presentational currency

These financial statements are prepared in Bangladesh Taka (Taka/Tk.) which is the Company's functional currency. All financial information presented in Taka has been rounded to the nearest thousand.

#### 2.4 Use of estimates and judgments

The preparation of financial statements in conformity with BFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

#### 2.5 Comparative information

Comparative information has been disclosed in respect of the year 2011 for all numerical information in the financial statements and also the narrative and descriptive information where it is relevant for understanding of the current year's financial statements.

Figures for the year 2011 have been rearranged, wherever considered necessary, to ensure better comparability with the current year.

### 3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

## 3.1 Property, plant and equipment

### 3.1.1 Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the property, plant and equipment. Property, plant and equipment under construction are stated at cost. Fully depreciated assets except plant and machinery are carried in the books at one percent of their original cost. Fully depreciated plant and machinery are carried in the books at one Taka.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised as gain or loss.

### 3.1.2 Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in statement of comprehensive income as incurred.

### 3.1.3 Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost less its residual value.

Depreciation is recognised in statement of comprehensive income on the straight-line method with a pro-rata charge based on the month of acquisition. Land is not depreciated. The depreciation rates per annum applicable to different categories of property, plant and equipment are as follows:

	Useful life (in years)
Freehold building	40
Leasehold building	22
Plant and machinery	5/14
Laboratory equipment	14
Office equipment	3/4/10
Furniture and fixtures	10
Air conditioners	4
Vehicles	4

## 3.2 Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

## 3.3 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sales.

## 3.4 Trade and other receivables

Trade and other receivables are initially recognised at cost which is the fair value of the consideration given in return. After initial recognition these are carried at cost less any impairment losses due to uncollectibility of any amount so recognised.

### **3.5 Income tax**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of comprehensive income.

#### **3.5.1 Current tax**

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The Company qualifies as a "Publicly Traded Cigarette Manufacturing Company"; hence, the applicable tax rate is 35%.

#### **3.5.2 Deferred tax**

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### **3.6 Revenue recognition policy**

Revenue from sale of goods is recognised when the significant risk and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and amount of revenue can be measured reliably.

Gross turnover comprises domestic sales of cigarettes, export of leaf and includes supplementary duty, export duty and value added tax paid to the Government of Bangladesh.

### **3.7 Earnings per share**

The Company presents basic earnings per share (EPS) data for its ordinary shares.

#### **3.7.1 Basic earnings per share**

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.



#### 4. Property, plant and equipment

##### 4.1 Schedule of property, plant and equipment and depreciation at 30 September 2012

Particulars	Cost as at		Additions and transfers from WIP during the period		Disposal/ adjustment during the period		Cost as at 30 September 2012		Accumulated depreciation as at 1 January 2012		Depreciation charge for the period		Disposal/ adjustment during the period		Accumulated depreciation as at 30 September 2012		Cost less accumulated depreciation as at 30 September 2012	
	Taka '000s	Taka '000s	Taka '000s	Taka '000s	Taka '000s	Taka '000s	Taka '000s	Taka '000s	Taka '000s	Taka '000s	Taka '000s	Taka '000s	Taka '000s	Taka '000s	Taka '000s	Taka '000s	Taka '000s	Taka '000s
<b>Original cost:</b>																		
Freehold land	189,759	153,926	-	343,685	-	-	-	-	-	-	-	-	-	-	-	-	-	343,685
Freehold building	573,685	17,249	-	590,934	-	10,723	-	100,561	100,561	10,723	-	111,284	-	-	111,284	-	-	479,650
Leasehold building	218,612	4,108	-	222,721	-	6,998	-	83,335	83,335	6,998	-	90,333	-	-	90,333	-	-	132,388
Plant and machinery	6,941,598	136,915	(4)	7,078,509	(4)	296,139	(4)	3,836,236	3,836,236	296,139	(1)	4,132,373	(1)	-	4,132,373	-	-	2,946,136
Laboratory equipment	98,957	4,269	-	103,226	-	5,094	-	39,578	39,578	5,094	-	44,673	-	-	44,673	-	-	58,553
Office equipment	298,689	62,771	(10,804)	350,656	(10,804)	33,556	(10,547)	197,081	197,081	33,556	(10,547)	220,090	(10,547)	-	220,090	-	-	130,566
Furniture and fixtures	10,666	1,262	(276)	11,652	(276)	684	(66)	5,696	5,696	684	(66)	6,314	(66)	-	6,314	-	-	5,338
Air conditioners	206,799	3,842	(80)	210,561	(80)	19,733	(79)	133,976	133,976	19,733	(79)	153,629	(79)	-	153,629	-	-	56,931
Vehicles	532,411	58,493	-	590,904	-	89,102	-	248,329	248,329	89,102	-	337,430	-	-	337,430	-	-	253,473
	9,071,176	442,833	(11,163)	9,502,847	(11,163)	462,029	(10,694)	4,644,791	4,644,791	462,029	(10,694)	5,096,126	(10,694)	-	5,096,126	-	-	4,406,721
Buildings, plant and machinery etc. under construction	950,249	(41,994)	-	908,255	-	-	-	-	-	-	-	-	-	-	-	-	-	908,255
2012	<b>10,021,425</b>	<b>400,839</b>	<b>(11,163)</b>	<b>10,411,101</b>	<b>(11,163)</b>	<b>462,029</b>	<b>(10,694)</b>	<b>4,644,791</b>	<b>4,644,791</b>	<b>462,029</b>	<b>(10,694)</b>	<b>5,096,126</b>	<b>(10,694)</b>	<b>-</b>	<b>5,096,126</b>	<b>-</b>	<b>-</b>	<b>5,314,976</b>
2011	<b>9,438,109</b>	<b>1,241,237</b>	<b>(657,921)</b>	<b>10,021,425</b>	<b>(657,921)</b>	<b>633,396</b>	<b>(111,152)</b>	<b>4,122,547</b>	<b>4,122,547</b>	<b>633,396</b>	<b>(111,152)</b>	<b>4,644,791</b>	<b>(111,152)</b>	<b>-</b>	<b>4,644,791</b>	<b>-</b>	<b>-</b>	<b>5,376,634</b>

	<b>2012</b>	<b>2011</b>
	Taka '000s	Taka '000
<b>5. Inventories</b>		
Leaf	4,738,684	3,609,519
Wrapping materials	235,690	303,733
Work in process	23,655	17,425
Finished goods	593,634	1,191,155
Consumable stores	267,186	251,201
	<b>5,858,849</b>	<b>5,373,033</b>

## 6. Capital reserve

Capital reserve represents non-remittable reserve of Tk 64,896 thousand which is 90% of the cumulative post tax profit on disposal of property, plant and equipment as defined and directed by Bangladesh Bank. The requirement to create such special reserve on profit from sale of property, plant and equipment has been withdrawn since 1993.

## 7. Revenue reserve

Opening balance	5,246,404	5,575,813
Less: Dividend paid	2,220,000	2,880,000
	3,026,404	2,695,813
Add: Net profit transferred from profit and loss account	2,962,926	2,550,591
<b>Closing balance</b>	<b>5,989,330</b>	<b>5,246,404</b>

## 8. Gratuity

	<b>234,535</b>	<b>252,089</b>
--	----------------	----------------

This represents total liability of the Company on account of gratuity that would be payable if all eligible employees retire on the reporting date.

## 9. Deferred tax liability

Opening balance	669,079	517,989
Add : Addition during the year	(21,288)	151,090
<b>Closing balance</b>	<b>647,791</b>	<b>669,079</b>



## 10. Net turnover

Gross Turnover  
 Supplementary duty & VAT

Turnover from leaf tobacco export  
 Export duty

	<b>2012</b>	<b>2011</b>
	Taka '000s	Taka '000s
	62,880,056	51,734,718
	(44,677,648)	(36,761,815)
	18,202,408	14,972,903
	1,931,530	1,678,522
	(198,107)	(159,886)
	1,733,423	1,518,636
	<b>19,935,831</b>	<b>16,491,539</b>

## 11. Cost of sales

Raw materials consumed  
 Production overhead

	9,548,802	7,720,429
	1,942,695	1,660,747
	<b>11,491,497</b>	<b>9,381,176</b>

## 12. Tax

### 12.1 Current Tax

Provision for current year

	1,972,912	1,828,389
	-	-
	<b>1,972,912</b>	<b>1,828,389</b>

### 12.2 Deferred Tax

Deferred tax provision has been made as per Corporate tax rate 35%.

## 13. Earnings per share

### 13.1 Basic earnings per share

Basic earning per share has been calculated taking a capital base of 60,000,000 ordinary share of Tk. 10 each as issued up to 31st December 2011

Sd/-  
 \_\_\_\_\_  
 Arun Kaul  
 Managing Director

Sd/-  
 \_\_\_\_\_  
 Anthony Yong  
 Director

Sd/-  
 \_\_\_\_\_  
 Md. Azizur Rahman  
 Company Secretary



**British American Tobacco Bangladesh Company Limited**  
New D.O.H.S. Road Mohakhali  
Dhaka 1206, P.O. Box 6069 Bangladesh  
Tel: +88 02 8822791-5, +88 02 8827646-8, +88 02 8829716-8  
Fax: +88 02 8822786, Web: [www.batbangladesh.com](http://www.batbangladesh.com)

