

**Audited Interim Condensed Financial Statement
For The Nine-Month Period Ended September 30, 2021**

**Building A Better
TOMORROW**





Rahman Rahman Huq
Chartered Accountants
9 & 5 Mohakhali C/A
Dhaka 1212
Bangladesh

Telephone +880 2 2222 86450-2
Fax +880 2 2222 86449
Email dhaka@kpmg.com
Internet www.kpmg.com/bd

Independent Auditor's Report To the Shareholders of British American Tobacco Bangladesh Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the condensed interim financial statements of British American Tobacco Bangladesh Company Limited ("the Company"), which comprise the statement of financial position as at 30 September 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the quarter and nine-month period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give true and fair view of the financial position of the Company as at 30 September 2021, and of financial performance and its cash flows for the quarter and nine-month period then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 25 to the financial statements where management outlines the following legal cases:

- A BDT 17,806 million retrospective demand was made by the National Board of Revenue (NBR) for Value Added Tax and Supplementary Duties on the Company's Pilot and Bristol brands. Following a ruling by the Appellate Division of the Supreme Court on this matter in favour of the Company, the Government filed a review petition against such ruling. The review petition is pending hearing.

- The NBR has issued a BDT 24,371 million demand for Value Added Tax and Supplementary Duties following a High Court ruling that higher rates of tax and duties as per a 2017 Special Order were applicable for international cigarette brands up until the repeal of such order in 2018. The Company has filed an appeal against this ruling with the Appellate Division of the Supreme Court and obtained a stay on the matter.

Our opinion is not qualified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Independent Auditor's Report (continued)

1. Inventories:

See Note 6 to the financial statements.

The key audit matter	How the matter was addressed in our audit
As a manufacturing entity, the Company has significant volume of inventory (30 September 2021: BDT 42 billion; 31 December 2020: BDT 24 billion) across multiple product lines, held at its plants and at various warehouses and third-party locations throughout the country.	We have evaluated design and implementation of key controls around management of inventories and tested operating effectiveness thereof.
The storage and distribution of inventories from different locations increases the susceptibility to loss and misappropriation. Hence, existence of inventories has been considered as a key audit matter.	We have attended and observed management count and performed physical verification in selected locations to check the existence of inventory reported. We have reconciled physical count data to period end quantities reported.

2. Litigation and contingent liabilities in relation to indirect tax

See Notes 24 and 25 to the financial statements.

The key audit matter	How the matter was addressed in our audit
The Company has various indirect tax related claims and legal actions arising in the normal course of business. The potential amounts in question are significant. Determining whether there is a liability, and if so, the amount thereof, is inherently subjective. This renders claims and legal actions as a key audit matter.	Our audit procedures included, on all such significant claims and litigations: <ul style="list-style-type: none"> - Review of the Company's correspondence with the tax authorities, court verdicts obtained to date and management's assessment of the merits of each such matter. - Obtaining formal confirmations from the Company's external legal counsel. - Assessment of adequacy of disclosures.

Other matter

The financial statements of the Company for the quarter and nine-month period ended 30 September 2020 and for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on 21 October 2020 and 10 February 2021, respectively.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Independent Auditor's Report (continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the Companies Act 1994 and the Securities and Exchange Rules 1987, we also report the following:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of accounts as required by law have been kept by the Company so far as it appeared from our examination of these books;
- c) the statements of financial position and statement of profit or loss and other comprehensive income dealt with by the report are in agreement with the books of accounts and returns; and
- d) the expenditure incurred was for the purposes of the Company's business.

Ali Ashfaq, Partner, Enrolment number: 509
Rahman Rahman Huq, Chartered Accountants
Firm Registration Number: N/A

Dhaka, 26 OCT 2021

DVC: 2110260509A0200355

British American Tobacco Bangladesh Company Limited

Audited interim condensed statement of financial position

As at September 30, 2021

<i>In thousands of BDT</i>	<i>Notes</i>	30 September 2021	31 December 2020
Assets			
Property, plant and equipment	4	30,939,717	29,571,253
Right of use assets	5.1	1,911,089	1,440,480
Non-current assets		32,850,806	31,011,733
Current assets			
Inventories	6	42,101,064	23,780,680
Trade and other receivables	7	110,438	141,439
Advances, deposits and prepayments	8	3,265,545	3,940,328
Cash and cash equivalents	9	3,949,446	5,873,085
Current assets		49,426,493	33,735,532
Total assets		82,277,299	64,747,265
Equity and liabilities			
Equity			
Share capital	11	5,400,000	1,800,000
Capital reserve	13	64,896	64,896
Retained earnings		34,698,545	32,134,819
Total equity attributable to owners of the Company		40,163,441	33,999,715
Liabilities			
Net defined benefit plans		136,057	61,442
Deferred tax liabilities, net	14.3	5,882,948	5,184,594
Lease liabilities	5.2	1,769,774	1,312,345
Non-current liabilities		7,788,779	6,558,381
Short term bank loans		6,000,000	-
Trade and other payables	15	20,086,118	17,798,121
Unclaimed dividend		73,109	75,165
Lease liabilities	5.2	369,793	310,914
Current tax liabilities	16	7,142,097	5,384,973
Provisions		653,962	619,996
Current liabilities		34,325,079	24,189,169
Total liabilities		42,113,858	30,747,550
Total equity and liabilities		82,277,299	64,747,265

The annexed notes 1 to 27 form an integral part of these financial statements.

Sd/- Golam Moinuddin Chairman	Sd/- Shehzad Munim Managing Director	Sd/- A.K.M Aftab Ul Islam, FCA Director	Sd/- Amun Mustafiz Finance Director	Sd/- Md. Azizur Rahman Company Secretary
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As per our report on the same date.

Date : 26/10/2021

Sd/-
Rahman Rahman Huq
Chartered Accountants

British American Tobacco Bangladesh Company Limited

Audited interim condensed statement of profit or loss and other comprehensive income For the nine-month period ended September 30, 2021

In thousands of BDT	Notes	For the nine-month period ended 30 September		For the three-month period ended 30 September	
		2021	2020	2021	2020
Gross revenue		244,430,683	203,801,852	63,589,907	55,633,587
Supplementary duty and VAT		(191,348,749)	(160,359,876)	(48,919,748)	(42,896,430)
Net revenue from contracts with customers	17	53,081,934	43,441,976	14,670,159	12,737,157
Cost of sales		(23,235,979)	(20,462,745)	(6,465,002)	(5,956,596)
Gross profit		29,845,955	22,979,231	8,205,157	6,780,561
Operating expenses		(5,427,985)	(4,143,059)	(2,112,941)	(1,538,618)
Operating profit		24,417,970	18,836,172	6,092,216	5,241,943
Net finance income/(expenses)	18	(214,174)	(99,713)	(84,971)	(18,650)
Non-operating income/(expenses)		14,926	59,704	3,266	40,731
Profit before contribution to WPPF		24,218,722	18,796,163	6,010,511	5,264,024
Contribution to WPPF		(1,210,936)	(939,808)	(300,526)	(263,201)
Profit before tax		23,007,786	17,856,355	5,709,986	5,000,823
Current tax		(10,745,705)	(8,586,534)	(1,948,915)	(2,187,995)
Deferred tax	19	(698,354)	(548,245)	(817,348)	(94,682)
Income tax expense		(11,444,059)	(9,134,779)	(2,766,263)	(2,282,677)
Profit for the period		11,563,726	8,721,576	2,943,723	2,718,146
Other comprehensive income/(loss) for the period		-	-	-	-
Total comprehensive income for the period		11,563,726	8,721,576	2,943,723	2,718,146
<i>In BDT</i>					
Earnings per share	20	21.41	16.15	5.45	5.03

The annexed notes 1 to 27 form an integral part of these financial statements.

Sd/-
Golam Mainuddin
Chairman

Sd/-
Shehzad Munim
Managing Director

Sd/-
A.K.M Aftab Ul Islam, FCA
Director

Sd/-
Amun Mustafiz
Finance Director

Sd/-
Md. Azizur Rahman
Company Secretary

As per our report on the same date.

Sd/-
Rahman Rahman Huq
Chartered Accountants

Date : 26/10/2021

British American Tobacco Bangladesh Company Limited

Audited interim condensed statement of changes in equity For the nine-month period ended September 30, 2021

<i>In thousands of BDT</i>	Attributable to owners of the Company			
	Share capital	Capital reserve	Retained earnings	Total equity
Balance as at 1 January 2021	1,800,000	64,896	32,134,818	33,999,714
			-	
Total comprehensive income for the period				
Profit for the period	-	-	11,563,726	11,563,726
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	11,563,726	11,563,726
Transactions with owners of the Company				
Contributions and distributions				
FY 2020 cash dividend	-	-	(5,400,000)	(5,400,000)
FY 2020 stock dividend	3,600,000	-	(3,600,000)	-
Total contributions and distributions	3,600,000	-	(9,000,000)	(5,400,000)
Balance as at 30 September 2021	5,400,000	64,896	34,698,545	40,163,441

<i>In thousands of BDT</i>	Attributable to owners of the Company			
	Share capital	Capital reserve	Retained earnings	Total equity
Balance as at 1 January 2020, as previously reported	1,800,000	64,896	33,928,559	35,793,455
Total comprehensive income for the period				
Profit for the period	-	-	8,721,576	8,721,576
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	8,721,576	8,721,576
Transactions with owners of the Company				
Contributions and distributions				
FY 2019 cash dividend	-	-	(7,200,000)	(7,200,000)
Total contributions and distributions	-	-	(7,200,000)	(7,200,000)
Balance as at 30 September 2020	1,800,000	64,896	35,450,135	37,315,031

The annexed notes 1 to 27 form an integral part of these financial statements.

Sd/-
Golam Mainuddin
Chairman

Sd/-
Shehzad Munim
Managing Director

Sd/-
A.K.M Aftab Ul Islam, FCA
Director

Sd/-
Amun Mustafiz
Finance Director

Sd/-
Md. Azizur Rahman
Company Secretary

Date : 26/10/2021

British American Tobacco Bangladesh Company Limited

Audited interim condensed statement of cash flows

For the nine-month period ended September 30, 2021

<i>In thousands of BDT</i>	September 2021	September 2020
Operating activities		
Collection from distributors, leaf export and others	244,471,319	206,361,083
Payment for costs and expenses	(33,318,936)	(27,334,625)
Supplementary duty and VAT paid	(201,442,021)	(161,421,268)
Cash generated from operating activities	9,710,362	17,605,190
Income tax paid	(8,988,581)	(6,183,698)
Interest received/(paid)	(71,281)	28,840
Net cash generated from operating activities	650,500	11,450,332
Investing activities		
Purchase of property, plant and equipment	(2,759,502)	(771,862)
Proceeds from sale of property, plant and equipment	782	38,169
Net cash used in investing activities	(2,758,721)	(733,693)
Financing activities		
Net proceeds from short term loan	6,000,000	-
Lease movement	(422,477)	(429,805)
Dividend paid	(5,402,056)	(7,185,254)
Net cash generated from/(used in) financing activities	175,468	(7,615,059)
Net increase/(decrease) in cash and cash equivalents	(1,932,753)	3,101,580
Cash and cash equivalents at 1 January	5,873,085	5,393,764
Effect of exchange rate fluctuations on cash held	9,114	(508)
Cash and cash equivalents at 30 September	3,949,446	8,494,836

The annexed notes 1 to 27 form an integral part of these financial statements.

Sd/- <hr style="width: 80%; margin: 0 auto;"/> Golam Mainuddin Chairman	Sd/- <hr style="width: 80%; margin: 0 auto;"/> Shehzad Munim Managing Director	Sd/- <hr style="width: 80%; margin: 0 auto;"/> A.K.M Aftab Ul Islam, FCA Director
Sd/- <hr style="width: 80%; margin: 0 auto;"/> Amun Mustafiz Finance Director	Sd/- <hr style="width: 80%; margin: 0 auto;"/> Md. Azizur Rahman Company Secretary	

Date : 26/10/2021

British American Tobacco Bangladesh Company Limited

Notes to the audited interim condensed financial statements For the nine-month period ended September 30, 2021

1 Company profile

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

The Company manufactures tobacco product and market brands including Benson & Hedges, John Player Gold Leaf, Capstan, Star, Royals, Derby, Pilot, Hollywood and Lucky Strike. The Company has its head office and cigarette factory in Dhaka and Savar, 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

These condensed interim financial statements have been prepared in accordance with the International Accounting Standard IAS 34: *Interim Financial Reporting*, the Companies Act 1994, the Securities and Exchange Rules 1987, Financial Reporting Act 2015, relevant guidelines issued by Bangladesh Securities and Exchange Commission ("BSEC") and other applicable laws and regulations in Bangladesh. Cash flows from operating activities are prepared under direct method as prescribed by the Securities and Exchange Rules 1987.

These financial statements have been prepared on a going concern basis. Unless otherwise specifically mentioned, historical cost principle has been followed for the purpose of these financial statements; Except for inventory, trade receivables and contingent consideration that have been measured at fair value. The financial statements provide comparative information in respect of the previous period.

The condensed interim financial statements should be read in conjunction with the British American Tobacco Company Bangladesh Limited's annual statutory financial statements as at 31 December 2020.

2.1 Functional and presentation currency

These financial statements are presented in Bangladesh Taka (Taka/Tk/BDT), which is both functional and presentational currency of the Company. The amounts in these financial statements have been rounded off to the nearest thousand BDT (000) unless otherwise indicated. Because of these rounding off, in some instance the total may not match the sum of individual balance.

2.2 Authorisation for Issue

These condensed interim financial statements were authorised for issue by the Board of Directors on 26 October, 2021

3 Significant accounting policies

The same accounting policies and methods of computation have been followed in these condensed interim financial statements as were applied in the preparation of the financial statements of British American Tobacco Company Bangladesh Limited as at and for the year ended 31 December 2020.

4 Property, plant and equipment

<i>In thousands of BDT</i>	Freehold building	Freehold land	Furniture and fixtures	IT equipment	Laboratory equipment	Leasehold building	Office equipment	Plant and machinery	Vehicles	Assets under construction	Total
										(AUC)	
Cost											
Balance as at 1 January 2020	2,259,082	1,526,496	371,509	447,339	337,978	872,456	1,055,757	24,680,778	1,273,134	7,746,358	40,570,886
Additions	2,708,704	-	49,330	40,773	54,000	243,585	64,874	1,016,633	113,909	1,547,862	5,839,369
Disposals/transfers	(12,458)	-	(8,847)	(96,353)	(7,041)	-	(27,876)	(71,909)	(139,033)	(4,117,913)	(4,476,830)
Balance as at 31 December 2020	4,955,327	1,526,496	411,992	391,759	384,937	1,116,041	1,092,754	25,625,501	1,251,911	5,176,707	41,933,426
Balance as at 1 January 2021	4,955,327	1,526,496	411,992	391,759	384,937	1,116,041	1,092,754	25,625,501	1,251,911	5,176,707	41,933,426
Additions	495,299	-	129,698	114,518	62,416	33,323	49,508	4,238,011	112,070	2,074,786	7,309,629
Disposals/transfers	-	-	(1,074)	(27,687)	-	-	(2,768)	(59,127)	-	(4,549,862)	(4,640,517)
Balance as at 30 September 2021	5,450,626	1,526,496	540,616	478,590	447,353	1,149,364	1,139,494	29,804,385	1,363,981	2,701,631	44,602,537
Accumulated depreciation and impairment losses											
Balance as at 1 January 2020	246,719	-	262,040	350,089	188,910	199,437	494,426	8,587,762	709,538	-	11,038,921
Depreciation for the year	64,314	-	30,100	57,423	25,235	31,390	182,267	1,069,938	199,091	-	1,659,758
Impairment	(6,963)	-	(8,515)	(96,304)	(7,040)	-	(27,853)	(56,320)	(133,491)	-	(336,506)
Balance as at 31 December 2020	304,050	-	283,625	311,207	207,105	230,828	646,841	9,601,380	775,138	-	12,362,173
Balance as at 1 January 2021	304,050	-	283,625	311,207	207,105	230,828	646,841	9,601,380	775,138	-	12,362,173
Depreciation for the period	80,502	-	32,714	45,641	22,031	40,060	137,576	885,962	142,222	-	1,386,698
Impairment	-	-	(1,074)	(27,659)	-	-	(2,767)	(54,551)	-	-	(66,051)
Disposals/transfers	384,552	-	315,265	329,189	229,136	270,878	783,650	10,432,791	917,390	-	13,662,820
Balance as at 30 September 2021	769,104	-	620,020	668,066	456,272	541,766	1,564,200	20,845,582	1,834,750	-	23,274,748
Net book value											
As at 31 December 2020	4,651,277	1,526,496	128,367	80,553	177,832	885,213	443,914	16,024,120	476,773	5,176,707	29,571,253
As at 30 September 2021	5,066,074	1,526,496	225,351	149,401	218,217	878,468	355,844	19,371,594	446,622	2,701,631	30,939,717

5 Schedule of lease

The Company has leases for warehouse, forklift, office and rented apartment which have been capitalised under IFRS 16: *Leases*.

5.1 Right of use assets

<i>In thousands of BDT</i>	Rented				Total
	apartment	Fork lift	Office	Warehouse	
Cost					
Balance as at 1 January 2020	46,330	32,440	79,639	2,004,280	2,162,689
Additions/modifications	45,148	85,285	38,840	248,879	418,152
Disposals/modifications	(22,458)	-	(11,821)	(418,628)	(452,907)
Balance as at 31 December 2020	69,021	117,725	106,658	1,834,531	2,127,934
Balance as at 1 January 2021	69,021	117,725	106,658	1,834,531	2,127,935
Additions/modifications	880	5,485	16,394	785,759	808,518
Disposals/modifications	(15,293)	(3,467)	(5,152)	(224,201)	(248,113)
Balance as at 30 September 2021	54,608	119,743	117,900	2,396,089	2,688,340
Accumulated depreciation and impairment losses					
Balance as at 1 January 2020	26,961	5,114	19,299	439,092	490,466
Depreciation for the year	20,803	14,787	21,419	391,720	448,728
Disposals/modifications	(20,805)	-	(11,821)	(219,114)	(251,740)
Balance as at 31 December 2020	26,959	19,901	28,897	611,698	687,455
Balance as at 1 January 2021	26,959	19,901	28,897	611,698	687,455
Depreciation for the period	16,183	15,179	17,270	276,651	325,283
Disposals/modifications	(13,777)	(3,467)	(5,152)	(213,091)	(235,487)
Balance as at 30 September 2021	29,365	31,613	41,015	675,258	777,251
Net book value					
As at 31 December 2020	42,062	97,824	77,761	1,222,832	1,440,480
As at 30 September 2021	25,243	88,130	76,885	1,720,831	1,911,089

5.2 Lease liabilities

<i>In thousands of BDT</i>	30 September 2021	31 December 2020
Non-current		
Lease liabilities	2,380,024	1,767,551
Interest liabilities	(610,250)	(455,207)
	1,769,774	1,312,345
Current		
Lease liabilities	563,747	449,766
Interest liabilities	(193,954)	(138,852)
	369,793	310,914
Total lease liabilities	2,139,567	1,623,258

6 Inventories

<i>In thousands of BDT</i>	<i>Note</i>	30 September 2021	31 December 2020
Inventories in hand	6.1	41,766,084	23,110,649
Inventories in transit	6.2	334,980	670,031
		42,101,064	23,780,680

6.1 Inventories in hand

<i>In thousands of BDT</i>	30 September 2021	31 December 2020
Leaf	14,766,256	8,425,259
Wrapping materials	1,356,536	1,162,903
Work in process	67,683	69,237
Consumable stores	787,276	639,815
Finished goods		
Cost of finished goods	3,284,334	2,199,237
VAT, SD and HDS on finished goods	21,503,999	10,614,199
	41,766,084	23,110,649

6.2 Inventories in transit

<i>In thousands of BDT</i>	30 September 2021	31 December 2020
Leaf	28,960	50,482
Wrapping materials	227,681	502,944
Consumable stores	78,339	116,605
	334,980	670,031

Raw materials and finished goods inventories are measured at the lower of cost and net realisable value. Spare parts are valued at cost.

7 Trade and other receivables

<i>In thousands of BDT</i>	30 September 2021	31 December 2020
Trade receivables	4,263	4,130
Expected credit loss	(4)	(4)
Net trade receivables	4,259	4,126
Intercompany receivables	106,179	128,512
Sundry receivables	-	8,801
	110,438	141,439

8 Advances, deposits and prepayments

<i>In thousands of BDT</i>	30 September 2021	31 December 2020
Advances	3,204,480	3,913,978
Deposits	11,700	24,336
Prepayments	49,365	2,014
	3,265,545	3,940,328

9 Cash and cash equivalents

<i>In thousands of BDT</i>	30 September 2021	31 December 2020
Cash in hand	527	2,155
	<u>527</u>	<u>2,155</u>
Cash at bank		
Dividend account	73,104	75,165
Foreign currency - current accounts	1,211,944	616,730
Current accounts	1,361,188	1,898,486
Fixed deposit receipt (FDR)	422,475	2,594,572
Short term deposit (STD)	880,208	685,977
	<u>3,948,919</u>	<u>5,870,930</u>
	<u>3,949,446</u>	<u>5,873,085</u>

All the above balances are held with scheduled and nationalised banks. Cash at banks earns interest at floating rates based on daily bank deposit rates.

9.1 Restricted cash balance

Dividend account is used only to pay dividends to the shareholders. The balance of this account moves with dividend transactions only.

9.2 Reconciliation between net profit with cash flows from operating activities

<i>In thousands of BDT</i>	For the nine-month period ended 30 September	
	2021	2020
Profit for the period (profit after tax)	11,563,726	8,721,576
Adjustment for:	-	
Depreciation and Impairment	1,711,981	1,565,245
(Gain)/loss on fixed asset	3,823	(36,247)
Other adjustments	<u>11,649,120</u>	<u>9,235,000</u>
	24,928,651	19,485,573
Changes in:		
(Increase)/decrease in inventories	(18,320,382)	(7,295,063)
(Increase)/decrease in trade receivables and others	31,001	2,535,267
(Increase)/decrease in advances, deposits and prepayments	674,517	846,460
Increase/(decrease) in trade payables and others	2,287,996	2,872,955
Increase/(decrease) in net defined benefit plans	74,614	(831,126)
Increase/(decrease) in provisions	<u>33,966</u>	<u>(8,876)</u>
Cash generated from operating activities	9,710,362	17,605,190
Income tax & interest payments	(9,059,862)	(6,154,858)
Net cash generated from operating activities	650,500	11,450,332

10 Net asset value (NAV) per share

<i>In thousands of BDT</i>	<i>Note</i>	30 September 2021	31 December 2020
The computation of NAV Per Share			
Net assets value		40,163,441	33,999,715
Weighted average number of shares outstanding	20	540,000	540,000
NAV per share in BDT		74.38	62.96

11 Share capital

<i>In BDT</i>	30 September 2021	31 December 2020
Authorised:		
60,000,000 ordinary shares of BDT 10 each	600,000,000	600,000,000
480,000,000 ordinary shares of BDT 10 each	4,800,000,000	4,800,000,000
	5,400,000,000	5,400,000,000
Issued, subscribed and fully paid up:		
Issued for cash:		
3 ordinary shares of BDT 10 each	30	30
Issued for consideration other than cash:		
59,999,997 ordinary shares of BDT 10 each	599,999,970	599,999,970
120,000,000 bonus shares of BDT 10 each	1,200,000,000	1,200,000,000
360,000,000 bonus shares of BDT 10 each	3,600,000,000	-
	5,400,000,000	1,800,000,000

12 Shareholding position

	30 September 2021			31 December 2020		
	No. of shares	Value (BDT)	Percentage	No. of shares	Value (BDT)	Percentage
Name of shareholder						
Raleigh Investment Co. Ltd., UK	393,708,222	3,937,082,220	72.91%	131,236,074	1,312,360,740	72.91%
Investment Corporation of Bangladesh	29,986,886	299,868,860	5.54%	10,996,609	109,966,090	6.11%
Sadharan Bima Corporation	15,285,423	152,854,230	2.83%	5,083,991	50,839,910	2.82%
Bangladesh Development Bank Limited	1,818,904	18,189,040	0.34%	605,688	6,056,880	0.34%
Government of Bangladesh	3,481,416	34,814,160	0.64%	1,160,472	11,604,720	0.64%
Others	95,719,149	957,191,490	17.74%	30,917,166	309,171,660	17.18%
	540,000,000	5,400,000,000	100%	180,000,000	1,800,000,000	100%

12.1 Share distribution schedule

A distribution schedule of the shares at the reporting date is given below following the requirement of listing regulations:

	30 September 2021			31 December 2020		
	Number of shareholders	Total number of shares	Percentage of holding	Number of shareholders	Total number of shares	Percentage of holding
Shareholder's range						
Less than 501 shares	59,793	5,262,067	0.97%	13,786	1,354,340	0.75%
501 to 5,000 shares	9,036	13,296,134	2.46%	2,209	2,886,106	1.60%
5,001 to 10,000 shares	601	4,356,323	0.81%	121	864,131	0.48%
10,001 to 20,000 shares	275	3,951,761	0.73%	66	941,221	0.52%
20,001 to 30,000 shares	95	2,397,252	0.44%	28	699,710	0.39%
30,001 to 40,000 shares	37	1,288,038	0.24%	8	289,070	0.16%
40,001 to 50,000 shares	36	1,666,231	0.31%	8	369,799	0.21%
50,001 to 100,000 shares	63	4,542,217	0.84%	23	1,594,139	0.89%
100,001 to 1,000,000 shares	66	17,363,833	3.22%	26	8,549,758	4.75%
Over 1,000,000 shares	15	485,872,144	89.98%	8	162,451,726	90.25%
	70,017	540,000,000	100%	16,283	180,000,000	100%

13 Capital reserve

Capital reserve represents non-remittable reserve of BDT 64.9 million which is 90% of the cumulative post tax profit on disposal of property, plant and equipment as historically 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.

14 Deferred tax

14.1 Deferred tax asset

<i>In thousands of BDT</i>	Carrying amount at reporting date	Tax base	Taxable/ (deductible) temporary difference
30 September 2021			
Provision for inventories	(176,128)	-	(176,128)
Provision for gratuity	(136,057)	-	(136,057)
Net temporary difference	(312,185)	-	(312,185)
Applicable tax rate			47.5%
Deferred tax asset			(148,288)
<i>In thousands of BDT</i>	Carrying amount at reporting date	Tax base	Taxable/ (deductible) temporary difference
31 December 2020			
Provision for inventories	(256,897)	-	(256,897)
Provision for gratuity	(61,442)	-	(61,442)
Net temporary difference	(318,339)	-	(318,339)
Applicable tax rate			47.5%
Deferred tax asset			(151,211)

14.2 Deferred tax liability

<i>In thousands of BDT</i>	Carrying amount at reporting date	Tax base	Taxable/ (deductible) temporary difference
30 September 2021			
Property, plant and equipment excluding land and AUC	26,529,758	13,603,941	12,925,817
Right of use assets	1,911,089	-	1,911,089
Lease liabilities	(2,139,567)	-	(2,139,567)
Net temporary difference	26,301,280	13,603,941	12,697,339
Applicable tax rate			47.5%
Deferred tax liabilities			6,031,236
<i>In thousands of BDT</i>	Carrying amount at reporting date	Tax base	Taxable/ (deductible) temporary difference
31 December 2020			
Property, plant and equipment excluding land and AUC	22,665,854	11,249,801	11,416,053
Right of use assets	1,440,480	-	1,440,480
Lease liabilities	(1,623,258)	-	(1,623,258)
Net temporary difference	22,483,075	11,249,801	11,233,274
Applicable tax rate			47.5%
Deferred tax liabilities			5,335,805

14.3 Deferred tax liabilities, net

	30 September	31 December
<i>In thousands of BDT</i>	2021	2020
Deferred tax asset	(148,288)	(151,211)
Deferred tax liabilities	6,031,236	5,335,805
Net deferred tax liabilities	5,882,948	5,184,594

15 Trade and other payables

	30 September	31 December
<i>In thousands of BDT</i>	2021	2020
Trade payables	7,509,188	4,472,814
Intercompany payables	7,348,627	6,979,871
Workers' Profit Participation Fund (WPPF)	1,181,484	1,110,014
Wages and other benefits	377,038	429,686
Accrued expenses	2,532,654	4,566,659
Sundry payables	1,137,127	239,077
	20,086,118	17,798,121

16 Current tax liabilities

	30 September	31 December
<i>In thousands of BDT</i>	2021	2020
Opening balance	5,384,973	4,022,936
Provision made during the period	10,745,705	9,204,416
	16,130,678	13,227,351
Advance payment of corporate tax	(8,988,581)	(7,842,378)
	7,142,097	5,384,973

17 Revenue from contracts with customers

	For the nine-month period ended 30 September	
<i>In thousands of BDT</i>	2021	2020
Quantity in million sticks	45,343.57	38,470.93
Gross revenue from domestic sale	243,403,021	202,524,656
Supplementary duty and VAT	(191,348,749)	(160,359,876)
Revenue from domestic sale, net	52,054,272	42,164,780
Quantity in million sticks	15.97	307.74
Gross revenue from finished goods export	35,167	268,657
Revenue from export of finished goods, net	35,167	268,657
Quantity in million kgs	3.77	4.84
Gross revenue from leaf export	992,495	1,008,539
Revenue from export of leaf, net	992,495	1,008,539
Total revenue from contracts with customers, net	53,081,934	43,441,976

18 Net finance income/(expenses)	For the nine-month period ended 30 September	
	2021	2020
<i>In thousands of BDT</i>		
Interest income	42,630	203,417
Interest expenses		
Borrowing	(113,911)	(174,577)
IFRS 16	(142,893)	(128,553)
Net finance income/(expenses)	(214,174)	(99,713)

19 Income tax expenses	For the nine-month period ended 30 September	
	2021	2020
<i>In thousands of BDT</i>		
Current income tax:		
Current income tax charge	10,745,705	8,586,534
Deferred tax:		
Relating to origination and reversal of temporary differences	698,354	548,245
Income tax expense reported in the statement of profit or loss	11,444,059	9,134,779

19.1 Reconciliation of effective tax rate	For the nine-month period ended			
	<i>In thousands of BDT</i>	30 September 2021		30 September 2020
Profit before tax		23,007,786		17,856,355
Current tax expense	46.70%	10,745,705	48.09%	8,586,534
Deferred tax expense	3.04%	698,354	3.07%	548,245
Total tax expense	49.74%	11,444,059	51.16%	9,134,779
Expected income tax using applicable tax rate	47.50%	10,928,700	47.50%	8,481,768
Prior year adjustment	0.00%	-	0.00%	-
Tax on non deductible expenses	-0.80%	(182,995)	0.59%	104,765
Effective current tax	46.70%	10,745,705	48.09%	8,586,534
Effective deferred tax	3.04%	698,354	3.07%	548,245
	49.74%	11,444,059	51.16%	9,134,779

20 Basic earnings per share	For the nine-month period ended 30 September	
	2021	2020
<i>In thousands of BDT</i>		
Computation of earning per share		
Total profit attributable to the ordinary shareholders	11,563,726	8,721,576
Weighted average number of shares outstanding	540,000	540,000
Basic earnings per share in BDT	21.41	16.15

The Board of Directors proposed to issue 1:2 bonus shares on 10 February 2021 which was duly approved by the shareholders at 48th Annual General Meeting on 28 March 2021. Subsequently, the shares have been allotted to the shareholders on 18 April 2021.

20.1 Weighted average number of ordinary shares outstanding

The weighted average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares issued during the period multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the year. The weighted average number of shares is calculated by assuming that the shares have always been in issue. This means that they have been issued at the start of the year presented as the comparative figures.

20.2 Diluted earnings per share

No diluted earnings per share is required to be calculated for this period as there was no scope for dilution till 30 September 2021.

21 Net operating cash flows per share (NOCFPS)

<i>In thousands of BDT</i>	Note	For the nine-month period ended 30 September	
		2021	2020
Net cash flow from operating activities		650,500	11,450,332
Weighted average number of shares outstanding	20	540,000	540,000
Net operating cash flow per share (NOCFPS) in BDT		1.20	21.20

22 Related party disclosures

Other related party transactions

The Company carried out a number of transactions with related parties in the normal course of business on arms length basis. The name of these related parties, nature of transactions and their total value have been set in accordance with the provisions of IAS 24: *Related party disclosures*.

<i>In thousands of BDT</i>	Relationship	Transaction values for the nine-month period ended		Balance outstanding as at	
		30 September 2021	31 December 2020	30 September 2021	31 December 2020
Income					
a. Leaf, Cigarette export and sale of goods					
BAT (GLP) Limited	BAT Group company	265,895	1,176,778	(50,420)	467
PTCL	BAT Group company	96,985	130,980	(5,763)	114,167
BAT (Singapore) PTE LTD	BAT Group company	26,492	274,409	16,278	-
Ceylon Tobacco Company PLC	BAT Group company	-	1,354	-	-
BAT PT. Export Leaf Indonesia, Malang	BAT Group company	8,675	-	-	-
Central Manufacturing Company PTE Ltd	BAT Group company	-	(31)	-	-
		398,047	1,583,489	(39,905)	114,634
b. Other fee					
Other fee received to be received from:					
BAT (GLP) Limited	BAT Group company	1,046	-	-	-
BAT INVESTMENTS LTD	Holding company	-	-	1,101	1,101
British-American Tobacco Polska S.A	BAT Group company	-	-	-	1,266
BAT Japan	BAT Group company	20,592	8,853	11,769	-
British American Tobacco Exports Ltd	BAT Group company	3,267	-	3,267	-
Solomon Islands Tobacco Co. Ltd.	BAT Group company	4,553	-	4,553	-
BAT MARKETING (S) PTE LTD	BAT Group company	1,175	-	1,175	-
BAT DENMARK A/S (HOP A/S)	BAT Group company	-	1,480	1,480	1,480
PT Bentoel Internasional Investama	BAT Group company	2,699	-	2,699	-
VINA-BAT JV HCMC Branch	BAT Group company	3,095	12,958	4,822	1,727
CTBAT International Co. Limited	BAT Group company	8	-	8	-
		36,435	23,290	30,874	5,574
Total related party income and outstanding Balance		434,482	1,606,780	(9,031)	120,208

Expenses

c. Procurement of services

Procurement of information technology, product and other services:

BASS GSD limited	BAT Group company	637,663	801,185	(1,599,818)	(962,155)
BRITISH AMERICAN TOBACCO AUSTRALIA	BAT Group company	-	1,034	(2,469)	(2,469)
BAT GERMANY GMBH	BAT Group company	-	-	-	(1,703)
BAT (Hamburg International) GmbH	BAT Group company	-	3,731	-	(6,308)
BAT Holdings Limited	Holding company	-	23,909	(27,469)	(27,469)
BAT Asia-Pacific Region Limited	BAT Group company	-	-	(79,542)	(79,542)
BAT AsPac Service Centre Sdn Bhd	BAT Group company	174,609	376,012	(710,334)	(646,630)
BAT GSD (KL) Sdn Bhd	BAT Group company	-	327	(3,151)	(3,151)
BAT Investments LTD	Holding company	-	2,627	916,127	(2,627)
BAT PT. Export Leaf Indonesia, Malang	BAT Group company	190,819	2,345	(204,939)	(14,121)
BAT KOREA MANUFACTURING LTD	BAT Group company	12,713	4,176	(16,889)	(4,176)
British American Tobacco Tutun	BAT Group company	-	-	(47,053)	(47,053)
BAT Japan	BAT Group company	-	10,094	(10,094)	(10,094)
		1,015,804	1,225,440	(1,785,631)	(1,807,498)

d. Purchase of leaf & goods

Purchase of leaf and wrapping materials from:

BAT Singapore (Private) limited	BAT Group company	7,398	193,544	15,913	15,785
BAT (GLP) Limited	BAT Group company	275,346	549,021	60,378	8,303
PTCL	BAT Group company	1,221	3,169	(1,221)	(3,169)
BAT PT. Export Leaf Indonesia, Malang	BAT Group company	28,646	139,702	182,634	1,855
British American Tobacco Western Europe	BAT Group company	32,409	24,111	(11,357)	(10,201)
BAT KOREA MANUFACTURING LTD	BAT Group company	218,153	5,985	10,504	(4,955)
		563,173	915,532	256,851	7,618

e. Royalty

Royalty paid/payable to:

BAT Holdings Limited	Holding company	537,641	650,620	(2,612,969)	(2,075,329)
		537,641	650,620	(2,612,969)	(2,075,329)

f. Technical and advisory fee

Payment of fees for technical and advisory support services to:

BAT Investments Ltd	Holding company	-	1,138,313	(3,071,068)	(3,071,068)
		-	1,138,313	(3,071,068)	(3,071,068)

g. Purchase of equipment

Purchase of equipment from:

BAT Singapore (Private) limited	BAT Group company	-	-	(15,785)	(15,785)
BAT MARKETING (S) PTE LTD	BAT Group company	-	4,484	-	(4,484)
BAT Pecci Dohanygyar KFT	BAT Group company	-	245	-	-
BAT Germany GMBH	BAT Group company	-	-	(327)	(2,013)
BRITISH AMERICAN TOBACCO CHILE	BAT Group company	-	-	(69)	(69)
PTCL	BAT Group company	165,031	-	-	-
British American Tobacco Kenya Ltd	BAT Group company	-	94	(166)	(166)
BAT Nigeria Ltd	BAT Group company	-	-	(516)	(516)
BAT Romania Investment	BAT Group company	-	-	(1,093)	(1,093)
British American Tobacco Tutun	BAT Group company	-	891	(986)	(986)
British American Tobacco Mexico	BAT Group company	-	-	(181)	(181)
		165,031	5,714	(19,122)	(25,292)

Total related party expenses and outstanding balance		2,281,649	3,935,619	(7,231,939)	(6,971,568)
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23 Commitments

	30 September	31 December
<i>In thousands of BDT</i>	2021	2020
Capital expenditure		
Authorised but not provided for	797,095	923,461
	797,095	923,461

24 Contingencies

Contingent liabilities of the Company that relate to issue of letter of credit and bank guarantee to third parties as listed below:

	30 September	31 December
<i>In thousands of BDT</i>	2021	2020
Letter of credit		
Citibank, N.A.	706,854	935,264
Commercial Bank of Ceylon PLC	77,344	250,576
The Hong Kong and Shanghai Banking Corporation Limited	1,174,941	462,125
Standard Chartered Bank	1,332,332	860,463
	3,291,471	2,508,428
Bank Guarantee		
Standard Chartered Bank	97,990	41,045
Commercial Bank of Ceylon PLC	127,965	140,600
Eastern Bank Ltd.	13,514	13,514
Citibank, N.A.	2,000	2,000
	241,469	197,159

25 Litigation

The company has various claims and legal actions arising in the ordinary course of business. Management believes that there is a strong defence against each of these claims and legal actions.

- The Company has various claims and legal actions arising in the ordinary course of business. In particular, NBR had made three VAT demands, totalling BDT 17,806 million against BATB to restate Bristol and Pilot brands in the mid-price rather than the low segment. The NBR alleged that Pilot and Bristol should be priced in the mid-tier segment. BATB challenged the legality of these demands by way of filing two writ petitions. Judgment was given by the High Court on 30 March 2016 ordering BATB to pay the demands, except the amount corresponding to the fiscal year of 2009 to 2010. Two Appeals were filed on 12 April 2016 in respect of the judgment of the High Court dated 30 March 2016 and stay obtained for the full amount pending hearing of the application to admit the appeals. The applications for admission of appeals were granted on 13 November 2017. In early July 2018, the Supreme Court of Bangladesh finished the hearing of the appeals, and on 25 July 2018, the Court ruled in BATB's favour. On 25 March 2020, the Government had filed review petitions against the judgment passed by the Appellate Division of the Supreme Court of Bangladesh. The review petitions are pending hearing.
- On 1st July, 2017, NBR issued a Special Order (SO) whereby it introduced discriminatory pack price and supplementary duty for local and international brands (BDT 27 per 10 stick pack at the rate of 52% SD for local brands and BDT 35 per 10 stick pack at the rate of 55% SD for international brands in low segment). Since the SO mentioned above cannot legally replace the Government notification circulated in 2017 (exempting cigarettes from paying SD altogether) and considering the shortfall in Government revenue, the cigarette manufacturers started selling low segment cigarettes at BDT 27 and paid 52% SD. On the other hand, BATB submitted the price declaration (VAT-1) at BDT 27 to the LTU-VAT in due process which was neither being questioned nor being challenged in court by NBR. Moreover, NBR by another SO dated 7th June 2018 repealed the earlier SO dated 1st July 2017, with retrospective effect from 1st June 2017 to remove the discrimination in pricing and supplementary duty rates between local and international brands.

In January 2019, a competitor filed a writ petition by which it challenged the failure of Government to implement the closing budget speech of the Hon'ble Finance Minister dated 27th June 2018 and reserving low segment for local brands and further challenged the legality of the 2018 SO of NBR. Upon hearing on multiple occasions, on 21st September 2020, the High Court (HC) passed the judgment in the matter. It did not find any merit in the argument of the competitor in relation to reintroducing discriminatory rates and therefore the HC discharged the Rule. However, the Court declared the retrospective application of the SO dated 7th June 2018 illegal and held that any shortfall of revenue under the 2017 SO may be recovered from any party or manufacturer during the period of 1st June 2017 to 6th June 2018.

Subsequently, the LTU-VAT issued a Show Cause Notice dated 24th September 2020 following the High Court judgment (received 27th September 2020) claiming unpaid VAT & SD of BDT 24,371 million from 1st June 2017 to 6th June 2018. Being aggrieved, BATB moved a Civil Miscellaneous Petition (CMP) on 4th October 2020 and obtained stay on High Court judgment. Since High Court judgment is stayed, the Show Cause Notice proceedings shall also be deemed to have been stayed. Upon obtaining the certified copy of the High Court judgment, BATB has filed Civil Petition (CP) in the Appellate Division of the Supreme Court on 17th December 2020. The order of stay on High Court judgment has been extended.

26 Significant deviations

Earning per share (EPS) increased for higher profit after tax compared to 30 September 2020 driven by growth in volume. Net operating cash flow per share (NOCFPS) decreased due to higher corporate tax payments, leaf purchase and higher finished goods inventory compared to 30 September 2020.

27 Events after the reporting period

- 27.1** The Board of Directors of British American Tobacco Bangladesh Company Limited at its [11/2021] meeting held on 26 October 2021 recommended an interim cash dividend of BOT 12.50 per share for the year 2021. The dividend is subject to final approval by the shareholders at the relevant annual general meeting of the Company.
- 27.2** There are no other events identified after the date of the statement of financial position which require adjustment or disclosure in the accompanying financial statements.

Padma Bridge

Connecting People to Prosperity in Bangladesh



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New DOHS Road, Mohakhali
Dhaka-1206, Bangladesh
Telephone: (+880) 248811279-83
www.batbangladesh.com