

Interim Condensed Financial Information for the quarter ended 30 September 2019



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Balance for a Better Bangladesh



British American Tobacco Bangladesh Company Limited

Condensed Statement of financial position

As at 30 September 2019

	Notes	30 Sep 2019 BDT (000)	31 Dec 2018 BDT (000)
Assets			
Non-current assets			
Property, plant and equipment	5	30,295,604	26,483,587
Total non-current assets		30,295,604	26,483,587
Current assets			
Inventories	6	22,080,013	19,429,201
Trade and other receivables	7	932,929	4,174,125
Advances, deposits and prepayments	8	2,593,022	4,822,711
Cash and cash equivalents	9	3,411,593	1,633,605
Current assets		29,017,557	30,059,642
Total assets		59,313,161	56,543,229
Equity and liabilities			
Equity			
Share capital		1,800,000	600,000
Capital reserve		64,896	64,896
Retained earnings		31,135,051	28,863,958
Total equity attributable to owners of the Company		32,999,947	29,528,854
Non-current liabilities			
Net defined benefit plans		983,505	978,538
Deferred tax	10	3,416,164	3,112,979
Total non-current liabilities		4,399,669	4,091,517
Current liabilities			
Bank overdrafts		673,689	799,880
Short term bank loans		-	4,380,000
Trade and other payables	11	14,373,279	10,518,444
Current tax liabilities	12	5,203,503	5,918,997
Provision		1,663,074	1,305,537
Current liabilities		21,913,545	22,922,858
Total liabilities		26,313,214	27,014,375
Total equity and liabilities		59,313,161	56,543,229

Sd /-
Golam Mainuddin
Chairman

Sd /-
Shehzad Munim
Managing Director

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

Sd /-
Stephan Matthiesen
Finance Director

Sd /-
Md. Azizur Rahman FCS
Company Secretary

British American Tobacco Bangladesh Company Limited

Condensed statement of profit or loss and other comprehensive income For the quarter ended 30 September 2019

	1-Jan-19 To 30-Sep-19	1-Jan-18 To 30-Sep-18	1-Jul-19 To 30-Sep-19	1-Jul-18 To 30-Sep-18
Notes	BDT (000)	BDT (000)	BDT (000)	BDT (000)
Gross revenue	194,360,657	170,023,553	60,114,492	50,272,981
Supplementary duty and VAT	(153,754,042)	(128,933,582)	(44,928,181)	(38,593,103)
Net revenue from contracts with customers	40,606,615	41,089,971	15,186,312	11,679,878
Cost of sales	(21,005,541)	(19,670,562)	(7,134,792)	(5,754,948)
Gross profit	19,601,074	21,419,409	8,051,520	5,924,930
Operating expenses	(5,310,705)	(4,741,816)	(1,797,755)	(1,794,419)
Operating profit	14,290,369	16,677,592	6,253,765	4,130,511
Net finance income/(expenses)	(437,161)	(363,339)	(227,534)	(190,389)
Non-operating income/(expenses)	48,057	(87,904)	34,590	(124,371)
Profit before contribution to WPPF	13,901,265	16,226,350	6,060,820	3,815,750
Contribution to WPPF	(695,063)	(811,318)	(303,044)	(190,787)
Profit before tax	13,206,201	15,415,033	5,757,777	3,624,963
Income tax expense				
Current tax	(6,431,923)	(7,262,727)	(2,799,143)	(1,428,984)
Deferred tax	(303,185)	(281,709)	(297,277)	(150,181)
Profit for the period	6,471,093	7,870,597	2,661,357	2,045,798
Total comprehensive income/(loss) for the period	6,471,093	7,870,597	2,661,357	2,045,798
	BDT	BDT	BDT	BDT
Earnings per share	35.95	43.73	14.79	11.37

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Condensed statement of changes in equity
For the quarter ended 30 September 2019

	Share capital	Capital reserve	Retained earnings	Total equity
	BDT (000)	BDT (000)	BDT (000)	BDT (000)
Balance at 1 January 2019	600,000	64,896	28,863,958	29,528,854
Profit for the period	-	-	6,471,093	6,471,093
Total comprehensive income for the period ended 30 September 2019	600,000	64,896	6,471,093	35,999,947
Dividend Paid				
Stock Dividend for the year 2018	1,200,000	-	(1,200,000)	-
Cash Dividend for the year 2018	-	-	(3,000,000)	(3,000,000)
Balance at 30 September 2019	1,800,000	64,896	31,135,051	32,999,947
Balance at 1 January 2018	600,000	64,896	22,447,542	23,112,438
Profit for the period	-	-	7,870,597	7,870,597
Total comprehensive income for the period ended 30 September 2018	-	-	7,870,597	30,983,035
Dividends				
Stock Dividend for the year 2017	-	-	-	-
Cash Dividend for the year 2017	-	-	(3,600,000)	(3,600,000)
Balance at 30 September 2018	600,000	64,896	26,718,139	27,383,035

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Condensed statement of cash flows

For the quarter ended 30 September 2019

	1-Jan-19 to 30-Sep-19 BDT (000)	1-Jan-18 to 30-Sep-18 BDT (000)
Operating activities		
Collection from distributors, leaf export and others	197,621,650	170,880,814
Payment for costs and expenses	(27,076,222)	(28,935,892)
Supplementary duty and VAT paid	(151,741,323)	(130,284,220)
Cash generated from operating activities	18,804,104	11,660,702
Income tax paid	(7,147,417)	(6,859,493)
Interest paid	(328,506)	(352,522)
Net cash flows from operating activities	11,328,182	4,448,687
20		
Investing activities		
Purchase of property, plant and equipment	(2,077,135)	(3,444,504)
Proceeds from sale of property, plant and equipment	29,548	29,179
Net cash flows used in investing activities	(2,047,587)	(3,415,325)
Financing activities		
Proceeds from short term loan	-	5,780,000
Repayment of short term loan	(4,380,000)	-
Dividend paid	(2,996,417)	(3,596,118)
Net cash flows used in financing activities	(7,376,417)	2,183,882
Net Increase/(decrease) in cash and cash equivalents	1,904,178	3,217,244
Cash and cash equivalents at 01 January 2019	833,725	(2,079,741)
Cash and cash equivalents at 30 September 2019	2,737,904	1,137,503

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British American Tobacco Bangladesh Company Limited

Notes to the Financial Statements for the period ended 30 June 2019

1 Company profile

British American Tobacco Bangladesh Company Limited (the "Company") is a public limited company incorporated in Bangladesh and its shares are quoted in 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 and markets brands including Benson & Hedges, John Player Gold Leaf, Capstan, Star, Royals, Derby, 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

This interim condensed financial information have been prepared in accordance with the international accounting standard (IAS) 34, the Companies Act 1994, the Securities and Exchange Rules 1987 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.

The financial statements have been prepared on a historical cost basis, except for financial assets and contingent consideration that have been measured at fair value where applicable. The financial statements provide comparative information in respect of the previous period.

On 14 December 2017, the Institute of Chartered Accountants of Bangladesh (ICAB) has adopted International Financial Reporting Standards issued by the International Accounting Standards Board as IFRSs. As the ICAB previously adopted such standards as Bangladesh Financial Reporting Standards without any modification, this recent adoption will not have any impact on the financial statements of the Company going forward.

3 Significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

Set out below is an index of the significant accounting policies:

- A. Current versus non-current classification
- B. Property, plant and equipment
- C. Financial instruments
- D. Share capital
- E. Impairment
- F. Lease
- G. Inventories
- H. Employee benefits
- I. Provisions
- J. Contingencies
- K. Revenue from contracts with customers
- L. Income tax expense
- M. Foreign currency transactions
- N. Finance income and expenses
- O. Earnings per share (EPS)
- P. Statement of cash flows
- Q. Dividends
- R. Materiality and aggregation
- S. Events after the reporting period
- T. Changes in accounting policies and disclosures

4 New standards, interpretations and amendments adopted by the company

IFRS 16 Leases

IFRS 16 eliminates the earlier operating/finance lease dual accounting model for leases. The change interprets a single accounting model on balance sheet, similar to current finance lease accounting. Issued in January 2016, the new IFRS is replaced the existing guidance in IAS 17 Leases. IFRS 16 is effective from or after 1 January 2019.

The Company has implemented the application of IFRS 16 which has an impact in financial statement.

5 Property, plant and equipment	Balance as at	Balance as at
	30-Sep-19	31-Dec-18
<i>In thousands of BDT</i>		
Opening balance (WDV)	26,483,587	20,915,160
Addition	5,242,689	7,402,801
Disposal	(1,289)	(141,040)
Depreciation	(1,429,383)	(1,693,334)
	30,295,604	26,483,587

6 Inventories

<i>In thousands of BDT</i>		
Leaf	16,300,373	10,853,048
Wrapping materials	736,440	2,475,352
Work in process	28,024	33,444
Consumable stores	536,058	519,389
Finished goods	4,103,288	5,410,613
Inventories in transit	375,830	137,355
	22,080,013	19,429,201

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

7 Trade and other receivables

<i>In thousands of BDT</i>		
Trade receivables	14,119	3,671,608
Intercompany receivables	485,429	120,750
Sundry receivables	433,382	381,767
	932,929	4,174,125

These are all unsecured and considered good; as such no provision was required to be made against these receivables.

8 Advances, deposits and prepayments

<i>In thousands of BDT</i>		
Advances	2,509,618	4,809,523
Deposits	12,636	12,636
Prepayments	70,769	552
	2,593,022	4,822,711

9 Cash and cash equivalents	Balance as at 30-Sep-19	Balance as at 31-Dec-18
<i>In thousands of BDT</i>		
Cash in hand	1,858	810
Cash at bank		
Dividend account	49,972	46,389
Foreign currency - current accounts	800,023	1,167,192
Foreign currency - fixed deposit receipt	844,950	
Current accounts	1,714,791	419,214
	<u>3,409,736</u>	<u>1,632,795</u>
Cash and cash equivalents at statement of financial position	<u>3,411,593</u>	<u>1,633,605</u>

All the above balances are held with scheduled and nationalized banks.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 30 September:

	1-Jan-19 to 30-Sep-19	1-Jan-18 to 30-Sep-18
Cash at bank and in hand	3,411,593	1,137,504
Bank overdrafts used for cash management purpose	(673,689)	-
Cash and cash equivalents in the statement of cash flows	<u>2,737,904</u>	<u>1,137,504</u>

10 Deferred tax

In thousands of BDT

10.1 Deferred tax asset

	30-Sep-19			31-Dec-18		
	Carrying amount at reporting date	Tax base	Taxable/ (deductible) temporary difference	Carrying amount at reporting date	Tax base	Taxable/ (deductible) temporary difference
	BDT (000)		BDT (000)	BDT (000)		BDT (000)
Provision for inventories	(276,479)	(40,299)	(316,778)	(276,479)	-	(276,479)
Provision for gratuity	(1,038,057)	(4,966)	(1,043,024)	(1,038,057)	-	(1,038,057)
Net temporary difference	(1,314,536)	(45,266)	(1,359,802)	(1,314,536)	-	(1,314,536)
Applicable tax rate			47.5%			47.5%
Deferred tax asset			<u>(645,906)</u>			<u>(624,405)</u>

10.2 Deferred tax liability

	30-Sep-19			31-Dec-18		
	Carrying amount at reporting date	Tax base	Taxable/ (deductible) temporary difference	Carrying amount at reporting date	Tax base	Taxable/ (deductible) temporary difference
	BDT (000)		BDT (000)	BDT (000)		BDT (000)
Property, plant and equipment excluding land	7,868,177	683,549	8,551,726	15,160,801	7,292,624	7,868,177
Net temporary difference	7,868,177	683,549	8,551,726	15,160,801	7,292,624	7,868,177
Applicable tax rate			47.5%			47.5%
Deferred tax liabilities			<u>4,062,070</u>			<u>3,737,384</u>

10.3 Net deferred tax liabilities

	Balance as at 30-Sep-19	Balance as at 31-Dec-18
Deferred tax asset	(645,906)	(624,405)
Deferred tax liabilities	4,062,070	3,737,384
Net deferred tax liabilities	3,416,164	3,112,979

11 Trade and other payables	Balance as at 30-Sep-19	Balance as at 31-Dec-18
<i>In thousands of BDT</i>		
Trade payables	4,325,910	3,200,709
Intercompany payables	5,058,797	4,730,835
Workers' profit participation fund	695,063	361,543
Wages and other benefits	283,499	507,976
Unclaimed dividend	49,972	46,389
Sundry payables	922,398	1,151,323
Accrued expenses	1,364,169	519,669
Lease liabilities	1,673,471	-
	14,373,279	10,518,444

12 Current tax liabilities

<i>In thousands of BDT</i>		
Balance as at 1 January 2019	5,918,997	5,364,697
Provision made during the period	6,431,923	8,985,069
	12,350,920	14,349,766
Advance payment of corporate tax	(7,147,417)	(8,430,769)
Balance as at 30 September 2019	5,203,503	5,918,997

13 Contingencies

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

	Balance as at 30-Sep-19	Balance as at 31-Dec-18
<i>In thousands of BDT</i>		
Letter of credit	<u>928,832</u>	<u>2,196,184</u>
Bank guarantee	<u>26,149</u>	<u>62,106</u>

14 Litigation

The Company has various claims and legal actions arising in the ordinary course of business. In particular, in November 2013, the Company received a retrospective notice of imposition and realization of VAT and Supplementary Duty on low price category brands (Pilot & Bristol) from the National Board of Revenue (NBR) alleging to have evaded tax by selling in the low price segments rather than the mid-tier segments. The claim was for approximately BDT 17,806 million against which the Company appealed and subsequently the Appellate Division of the Supreme Court has accepted the Company's appeals by judgement and order dated 25 July 2018. The Company is awaiting the certified copy of the judgement.

	1-Jan-19 to 30-Sep-19	1-Jan-18 to 30-Sep-18
15 Revenue from contracts with customers		
<i>In thousands of BDT</i>		
15.1 Quantity in million sticks	36,609	39,434
Gross revenue from domestic sale	192,348,310	169,136,159
Supplementary duty and VAT	(153,703,074)	(128,800,472)
Revenue from domestic sale, net	38,645,236	40,335,687
15.2 Quantity in million sticks	20,070	-
Gross revenue from finished goods export	20,942	-
Revenue from export of finished goods, net	20,942	-
15.3 Quantity in million kgs	7.44	3.62
Gross revenue from leaf export	1,990,988	887,394
Leaf export duty	(50,633)	(133,109)
Revenue from export of leaf, net	1,940,355	754,284
Total revenue from contracts with customers, net	40,606,533	41,089,971

16 Income tax expenses

In thousands of BDT

Current income tax:

Current income tax charge

6,431,923

7,262,727

Deferred tax:

Relating to origination and reversal of temporary differences

303,185

281,709

Income tax expense reported in the statement of profit or loss

6,735,109

7,544,435

17 Basic earnings per share

In thousands of BDT

The computation of earning per share is given below:

Total profit attributable to the ordinary shareholders

6,471,093

7,870,597

Weighted average number of shares outstanding

180,000

180,000

Basic earnings per share in BDT

35.95

43.73

The company recommended 200% stock dividend for the year 2018. The dividend was approved by the shareholders in the 46th annual general meeting held on 28th April, 2019. Subsequently the shares have been allotted to the eligible shareholders on 27th May, 2019.

17.1 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

17.2 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 2019.

18 Net Asset value(NAV) per share

In thousands of BDT

The computation of NAV Per Share

Net Assets Value

32,999,947

27,383,035

Weighted average number of shares outstanding

17.1

180,000

180,000

NAV Per Share in BDT

183.33

152.13

		1-Jan-19 to 30-Sep-19	1-Jan-18 to 30-Sep-18
19	Net operating cash flows per share (NOCFPS)		
	<i>In thousands of BDT</i>		
	Net cash flow from operating activities	11,328,182	4,448,687
	Weighted average number of shares outstanding 17.1	180,000	180,000
	Net Operating cash flow per share (NOCFPS) in BDT	62.93	24.71

20 Reconciliation between net profit with cash flows from operating activities

	<i>In thousands of BDT</i>	
Profit for the period (Profit After Tax)	6,471,093	7,870,597
Adjustment for:		
Depreciation	1,429,383	948,852
Income tax expense	6,431,923	7,262,727
Net finance (income)/expenses	437,161	363,339
(Gain)/Loss on fixed asset	(28,259)	109,306
Other Adjustments	303,185	281,709
	<u>15,044,487</u>	<u>16,836,529</u>
Changes in:		
(Increase)/decrease in inventories	(2,650,812)	(12,503,175)
(Increase)/decrease in trade receivables and others	3,241,196	835,859
(Increase)/decrease in advances, deposits and prepayments	628,951	768,695
Increase/(decrease) in trade payables and others	2,177,779	5,783,564
Increase/(decrease) in net defined benefit plans	4,967	41,459
Increase/(decrease) in provisions	357,537	(102,228)
Tax payment during the period	(7,147,417)	(6,859,493)
Interest payment during the period	(328,506)	(352,522)
Net cash generated from operating activities	<u>11,328,182</u>	<u>4,448,687</u>

21 Significant deviations

- 21.1 Earning per share (EPS) decreased for lower profit after tax from same period of previous year. Decline in profit is driven by lower sales volume particularly in low segment, offset by growth in top segments
- 21.2 Net Operating cash flow per share (NOCFPS) increased mainly because of lower duty paid finished goods compared to same period last year offset by higher tax payment

22 General

Figures appearing in these financial statements have been rounded to the nearest thousand taka.

23 Events after the reporting period

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.



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