

Flexible & Resilient



Condensed Interim Financial Information
for the half year ended June 30, 2011

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. Mustanser Ali Khan
Supply Chain Director

Mr. Feroze Ahmed
Strategy and Planning Director

Mr. Tajamal Shah
Legal Director

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

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

Mr. Abid Niaz Hasan
(Non-Executive Director)

Audit Committee

Mr. Mueen Afzal

Mr. Abid Niaz Hasan

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

Mr. Syed Asif Ali Shah

Mr. Imad Rahman (Secretary)

Company Secretary

Ms. Ayesha Rafique

Registered Office

Pakistan Tobacco Company Limited
Silver Square, Plot No. 15, F-11 Markaz,
Islamabad-44000.

Telephone: +92(051)2083200,2083201

Fax: +92(051) 2224216

Web: www.ptc.com.pk

Factories

Akora Khattak Factory
P.O. Akora Khattak
Tehsil and District Nowshera
N.W.F.P.

Telephone: +92(0923) 630901-11

Fax: +92(0923) 510792

Jhelum Factory
G.T. Road, Kala Gujran
Jhelum

Telephone: +92(0544) 646500-7

Fax: +92(0544) 646524

Bankers

Barclays Bank PLC
Citibank N.A.
Deutsche Bank
Habib Bank Limited
HSBC Bank Middle East Limited
MCB Bank Limited
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Ltd.
United Bank Limited

Auditors

A.F. Ferguson & Co.
Chartered Accountants
3rd Floor, PIA Building
49 Blue Area, P.O. Box 3021
Islamabad-44000
Telephone: +92(051) 2273457-60
Fax: +92(051) 2277924

Share Registrar

FAMCO Associates (Pvt.) Ltd.
State Life Building No.1-A, 1st Floor,
I.I. Chundrigar Road
Karachi
Ph: +92(021) 32420755, 32427012

Directors' Review

The Directors present the performance of the Company for the first half of 2011. Despite an encouraging performance in terms of growth in sales volume, our profitability continues to remain under pressure due to high Government levies, inflation and illicit trade.

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

	Rs (million)		
	Jan-Jun, 2011	Jan-Jun, 2010	Variance
Gross turnover	33,838	31,585	+7.1%
Net turnover	11,292	11,452	-1.4%
Gross Profit	2,871	3,819	-24.8%
Operating Profit	909	1,843	-50.7%
Profit Before Tax - PBT	879	1,830	-52.0%
Profit After Tax - PAT	578	1,197	-51.7%
Earnings Per Share - EPS (Rs)	2.26	4.68	-51.7%

Our sales, at 20.7 billion cigarette are up vs SPLY by 5.6% and market share, at 48.5% (for the period Jan - Jun 2011), is higher by 0.7 ppt vs. SPLY. Capstan by Pall Mall Original (CbPMO) has emerged as an unprecedented success as the brand has achieved 13.6% market share (for the period Jan - Jun 2011), with sales crossing 1 billion cigarettes per month in Mar 2011. JPGL, our key value driver, has also managed to post share growth despite the adverse market conditions. The encouraging sales performance demonstrates the strength of our product portfolio and the success of our marketing strategy.

The Excise led price increases during 2008 - 2010, shifted consumer purchases to the low priced brands of the illicit segment, resulting in a continuous slide in the legitimate players' sales volumes. In order to arrest this declining trend we, in Jun 2010, launched CbPMO in the low segment. Success of CbPMO helped us reverse the trend with first half 2011 sales being considerably higher than SPLY. This however, has caused our sales mix to deteriorate in favour of the value for money segment. Despite gross turnover growth of 7.1% vs. SPLY, the net turnover, trimmed by higher Excise and Sales Tax (increased in Federal Budget 2010) and Special Excise Duty (increased in March 2011) is 1.4% lower vs. SPLY.

Our cost of sales has increased by 10.3% which is partly driven by the increase in sales volumes. Inflationary increase in cost of sales, though unavoidable, has been restricted much below inflation through a number of productivity enhancement and cost saving initiatives.

Despite challenging circumstances the Company continues to place high importance on its human capital, investing continuously to offer them world-class training opportunities, an excellent work environment and competitive remuneration schemes. Increase in our people costs and inflationary pressures drove our admin cost up by 11.4% vs. SPLY.

As our revenue growth remained restricted, our costs though controlled due to strict cost control measures, increased on account of inflation, rising security and energy related expenses. Our Operating Profit therefore is lower vs. SPLY by 50.7%.

The Company's contribution to the National Exchequer, comprising of Federal Excise Duty, Sales Tax, Custom Duties and Income Tax during Jan - Jun 2011 stood at Rs. 23.2 bn, up by 10.5% vs. SPLY. Although the Company's volume has stabilized, the Excise led price increases have caused our brand mix to deteriorate as consumers down-traded and volume shifted from high and medium segment to the value for money segment. Hence the successive Excise increases in the last two years did not lead to the growth in the tax revenue envisaged by Government.

The illicit sector continues to flourish at the expense of legitimate players. In addition to low priced offerings, the smuggled brands which are non compliant with Pictorial Health Warning, have also grown. The presence of a strong and a largely unchecked illicit sector is the biggest threat to the long term viability of the legitimate sector as well as growth and sustainability of Government revenues. We therefore, would urge the Government to take urgent steps for strict enforcement of the existing laws to curb this menace.

A growing illicit sector, tough competitive environment and challenging economic circumstances have kept our profits under pressure. We, however, remain committed to our objective of long term and sustainable growth by reinforcing our competitive edge, enhancing productivity and improving spend efficacy.



Nicholas Stewart Hales
Managing Director and CEO



Mobasher Raza
Finance Director

Auditor's Report

Auditor's Report to the Members on review of interim financial information

Introduction

We have reviewed the accompanying condensed interim balance sheet of Pakistan Tobacco Company Limited as at June 30, 2011 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the six-month period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account for quarters ended June 30, 2011 and 2010 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2011.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended June 30, 2011 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.



Chartered Accountants

Islamabad:

Date: August 15, 2011

Engagement partner: [Sohail M Khan](#)

Condensed Interim Profit and Loss Account (Unaudited) for the half year ended June 30, 2011

	Note	Quarter ended		Half year ended		Rs '000
		June 30,	June 30,	June 30,	June 30,	
		2011	2010	2011	2010	
Gross turnover		17,383,562	15,831,690	33,838,201	31,584,792	
Excise duties		(9,013,073)	(7,884,219)	(17,499,618)	(15,644,711)	
Sales tax		(2,589,565)	(2,254,363)	(5,046,637)	(4,487,654)	
Net turnover		5,780,924	5,693,108	11,291,946	11,452,427	
Cost of sales	4	(4,329,348)	(3,887,427)	(8,421,055)	(7,633,126)	
Gross profit		1,451,576	1,805,681	2,870,891	3,819,301	
Selling and distribution expenses		(706,543)	(668,656)	(1,211,283)	(1,228,190)	
Administrative expenses		(381,420)	(319,428)	(685,384)	(615,327)	
Other operating expenses	5	(37,838)	(65,836)	(83,514)	(155,083)	
Other operating income		16,838	17,592	18,022	22,574	
		(1,108,963)	(1,036,328)	(1,962,159)	(1,976,026)	
Operating profit		342,613	769,353	908,732	1,843,275	
Finance income		29,780	30,954	32,010	33,586	
Finance cost		(17,056)	(12,755)	(61,686)	(46,794)	
Net finance income / (cost)		12,724	18,199	(29,676)	(13,208)	
Profit before income tax		355,337	787,552	879,056	1,830,067	
Income tax expense - current		(149,019)	(230,354)	(365,990)	(616,103)	
- deferred		28,433	(42,155)	65,216	(17,420)	
		(120,586)	(272,509)	(300,774)	(633,523)	
Profit for the period		234,751	515,043	578,282	1,196,544	
Earnings per share - basic and diluted (Rupees)		0.92	2.01	2.26	4.68	

The annexed notes 1 to 14 are an integral part of this condensed interim financial information.



Nicholas Stewart Hales
Managing Director and CEO



Mobasher Raza
Finance Director

Condensed Interim Statement of Comprehensive Income (Unaudited) for the half year ended June 30, 2011

	Quarter ended		Half year ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Profit for the half year	234,751	515,043	578,282	1,196,544
Other comprehensive income for the half year	-	-	-	-
Total comprehensive income for the half year	234,751	515,043	578,282	1,196,544

Rs '000

The annexed notes 1 to 14 are an integral part of this condensed interim financial information.



Nicholas Stewart Hales
Managing Director and CEO



Mobasher Raza
Finance Director

Condensed Interim Balance Sheet (Unaudited) as at June 30, 2011

	Note	June 30, 2011	Rs '000 December 31, 2010
Non current assets			
Property, plant and equipment	6	5,592,261	5,823,688
Long term investment in subsidiary company	7	5,000	5,000
Long term loans, deposits and prepayments		21,524	18,792
		5,618,785	5,847,480
Current assets			
Stock-in-trade		4,006,511	6,002,823
Stores and spares		254,874	199,207
Trade debts		2,094	1,597
Loans and advances		71,016	48,267
Short term prepayments		97,325	118,329
Other receivables	8	86,720	93,546
Income tax paid in advance		-	15,206
Cash and bank balances		73,496	51,945
		4,592,036	6,530,920
Current liabilities			
Trade and other payables	9	3,500,065	5,339,725
Accrued interest / mark-up		16,872	46,789
Short term running finance	10	1,767,802	2,252,218
Current income tax liability		209,885	-
		5,494,624	7,638,732
Net current liabilities		(902,588)	(1,107,812)
Non current liabilities			
Deferred income tax liability		(1,072,365)	(1,137,581)
Net assets		3,643,832	3,602,087
Share capital and reserves			
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		1,088,894	1,047,149
Shareholders' equity		3,643,832	3,602,087
Contingencies and commitments	11		

The annexed notes 1 to 14 are an integral part of this condensed interim financial information.



Nicholas Stewart Hales
Managing Director and CEO



Mobasher Raza
Finance Director

Condensed Interim Cash Flow Statement (Unaudited) for the half year ended June 30, 2011

	June 30, 2011	Rs '000 June 30, 2010
Cash flows from operating activities		
Cash receipts from customers	33,828,878	31,586,515
Cash paid to Government for Federal excise duty, Sales tax and other levies	(24,759,295)	(22,773,119)
Cash paid to suppliers, employees and others	(7,519,145)	(7,150,101)
Finance cost paid	(91,603)	(61,856)
Cash paid as royalty	(172,415)	(172,850)
Income tax paid	(140,899)	(775,363)
Other cash receipts / (payments)	18,007	(21,779)
	1,163,528	631,447
Cash flows from investing activities		
Additions in property, plant and equipment	(160,084)	(158,860)
Proceeds from disposal of property, plant and equipment	5,886	16,779
Finance income received	32,010	33,586
	(122,188)	(108,495)
Cash flows from financing activities		
Dividends paid	(535,373)	(1,529,985)
	(535,373)	(1,529,985)
Increase / (Decrease) in cash and cash equivalents	505,967	(1,007,033)
Cash and cash equivalents at January 1	(2,200,273)	(1,252,963)
Cash and cash equivalents at June 30	(1,694,306)	(2,259,996)
Cash and cash equivalents comprise:		
Cash and bank balances	73,496	58,004
Short term running finance	(1,767,802)	(2,318,000)
	(1,694,306)	(2,259,996)

The annexed notes 1 to 14 are an integral part of this condensed interim financial information.



Nicholas Stewart Hales
Managing Director and CEO



Mobasher Raza
Finance Director

Condensed Interim Statement of Changes in Equity (Unaudited) for the half year ended June 30, 2011

	Share capital	Revenue reserves	Rs '000 Total
Balance at January 1, 2010	2,554,938	1,705,296	4,260,234
Total comprehensive income for the half year		1,196,544	1,196,544
Transactions with owners:			
Final dividend of Rs 4.75 per share relating to the year ended December 31, 2009		(1,213,596)	(1,213,596)
1st Interim dividend of Rs 1.25 per share relating to the year ended December 31, 2010		(319,367)	(319,367)
		(1,532,963)	(1,532,963)
Balance at June 30, 2010	2,554,938	1,368,877	3,923,815
Balance at January 1, 2011	2,554,938	1,047,149	3,602,087
Total comprehensive income for the half year		578,282	578,282
Transactions with owners:			
Final dividend of Rs 2.10 per share relating to the year ended December 31, 2010		(536,537)	(536,537)
Balance at June 30, 2011	2,554,938	1,088,894	3,643,832

The annexed notes 1 to 14 are an integral part of this condensed interim financial information.



Nicholas Stewart Hales
Managing Director and CEO



Mobasher Raza
Finance Director

Selected notes to and forming part of the condensed interim financial information (Unaudited) for the half year ended June 30, 2011

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

This condensed interim financial information of the Company for the six months period ended June 30, 2011 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

3. Accounting policies

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements for the year ended December 31, 2010.

	Quarter ended		Half year ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
				Rs '000
4. Cost of sales				
Raw materials consumed				
Opening stock of raw materials and work in process	4,276,412	3,703,583	5,318,558	4,915,788
Raw material purchases and expenses	2,373,202	1,678,309	4,555,533	3,803,982
Closing stock of raw materials and work in process	(3,045,583)	(3,005,329)	(3,045,583)	(3,005,329)
	3,604,031	2,376,563	6,828,508	5,714,441
Excise duty, Customs duty and tobacco development cess	141,948	109,510	268,638	240,700
Royalty	92,026	91,352	177,337	180,120
Production overheads	725,197	773,252	1,423,235	1,367,246
Cost of goods manufactured	4,563,202	3,350,677	8,697,718	7,502,507
Cost of finished goods:				
Opening stock	727,074	1,255,710	684,265	849,579
Closing stock	(960,928)	(718,960)	(960,928)	(718,960)
	(233,854)	536,750	(276,663)	130,619
	4,329,348	3,887,427	8,421,055	7,633,126

Selected notes to and forming part of the condensed interim financial information (Unaudited) for the half year ended June 30, 2011

	Rs '000			
	Quarter ended		Half year ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
5. Other operating expenses				
Workers' Profit Participation Fund	19,145	42,063	47,356	98,246
Workers' Welfare Fund	8,423	14,158	20,708	36,601
Bank charges and fees	8,186	10,650	13,327	20,092
Interest on Workers' Profit Participation Fund	-	-	-	144
Foreign exchange loss	2,084	-	2,123	-
Miscellaneous expenses	-	(1,035)	-	-
	37,838	65,836	83,514	155,083

	Rs'000	
	June 30, 2011	December 31, 2010
6. Property, plant and equipment		
Operating fixed assets - note 6.1	5,309,609	5,621,915
Capital work in progress	282,652	201,773
	5,592,261	5,823,688

	Half year ended	
	June 30, 2011	June 30, 2010
6.1 Movement in operating fixed assets		
Net book amount at January 1	5,621,915	5,483,038
Additions to the operating fixed assets		
Building	611	1,180
Plant and machinery	40,671	381,271
Vehicles	32,111	75,146
Office and household equipment	3,758	24,646
Furniture and fittings	2,054	2,143
	79,205	484,386
Book value of disposals of operating fixed assets		
Plant and machinery	-	(614)
Vehicles	(2,628)	(5,150)
Office and household equipment	(266)	(3,464)
	(2,894)	(9,228)
Depreciation charge for the half year	(388,617)	(363,801)
Net book amount at June 30	5,309,609	5,594,395

7. Long term investment in subsidiary company

This represents 500,001 (December 31, 2010: 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, 2010. This is a wholly owned subsidiary of the Company which has not yet commenced commercial production.

Selected notes to and forming part of the condensed interim financial information (Unaudited) for the half year ended June 30, 2011

	June 30, 2011	Rs '000 December 31, 2010
8. Other receivables		
These include following balances due from related parties:		
Associated companies	25,791	39,221
Subsidiary company	20,021	20,021
Employees' retirement benefit plans	830	9,419

9. Trade and other payables

These include following balances due to related parties:

Associated companies	395,339	198,914
Employees' retirement benefit plans	77,881	86,510

10. Short term running finance

Short term running finance facilities available under mark-up arrangements with banks amount to Rs 5,350 million (December 31, 2010: Rs 5,350 million), out of which the amount unavailed at the half year end was Rs 3,582 million (December 31, 2010: Rs 3,098 million). These facilities are secured by hypothecation of stock-in-trade and plant & machinery amounting to Rs 5,940 million (December 31, 2010: Rs 5,940 million). The mark-up ranges between 13.28% and 14.66% (December 31, 2010: 12.72% and 14.39%) per annum and is payable quarterly. The facilities are renewable on annual basis.

	June 30, 2011	Rs '000 December 31, 2010
11. Contingencies and commitments		
11.1 Contingencies		
Claims and guarantees		
(i) Claims not acknowledged as debt	127,050	127,050
(ii) Guarantees issued by banks on behalf of the Company	218,108	199,608
11.2 Commitments		
(i) Capital expenditure commitments outstanding	146,931	-
(ii) Letters of credit outstanding	647,512	748,185

Selected notes to and forming part of the condensed interim financial information (Unaudited) for the half year ended June 30, 2011

	Quarter ended		Half year ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Rs '000				
12. Transactions with related parties				
Purchase of goods and services				
Holding company	63,719	50,697	124,729	92,524
Associated companies	337,109	361,032	661,590	751,762
Sale of goods and services				
Holding company	3,961	2,144	3,961	2,144
Associated companies	166,767	80,996	341,582	219,101
Royalty charge				
Holding company	92,026	91,352	177,337	180,120
Expenses reimbursed by				
Holding company	627	134	627	134
Associated companies	276	-	784	587
Employees' retirement benefit plans - Expense				
Staff pension fund	17,636	15,029	35,272	27,985
Staff defined contribution pension fund	3,638	2,136	6,822	3,739
Employees' gratuity fund	8,434	8,413	16,871	15,667
Management provident fund	11,696	11,060	21,977	20,376
Employees' provident fund	3,748	2,772	7,480	5,542
Remuneration of key management personnel	190,352	170,252	365,858	284,631

13. Basis for presentation of interim financial information

This condensed interim financial information is 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. The figures for the half year ended June 30, 2011 have been reviewed by external auditors as required by the Code of Corporate Governance.

14. Date of authorisation

This condensed interim financial information has been authorised for issue by the Board of Directors of the Company on August 15, 2011.



Nicholas Stewart Hales
Managing Director and CEO



Mobasher Raza
Finance Director

Consolidated Condensed Interim Profit and Loss Account (Unaudited) for the half year ended June 30, 2011

	Note	Quarter ended		Half year ended		Rs '000
		June 30,	June 30,	June 30,	June 30,	
		2011	2010	2011	2010	
Gross turnover		17,383,562	15,831,690	33,838,201	31,584,792	
Excise duties		(9,013,073)	(7,884,219)	(17,499,618)	(15,644,711)	
Sales tax		(2,589,565)	(2,254,363)	(5,046,637)	(4,487,654)	
Net turnover		5,780,924	5,693,108	11,291,946	11,452,427	
Cost of sales	4	(4,329,348)	(3,887,427)	(8,421,055)	(7,633,126)	
Gross profit		1,451,576	1,805,681	2,870,891	3,819,301	
Selling and distribution expenses		(706,543)	(668,656)	(1,211,283)	(1,228,190)	
Administrative expenses		(381,420)	(319,428)	(685,384)	(615,327)	
Other operating expenses	5	(37,838)	(65,836)	(83,514)	(155,083)	
Other operating income		16,838	17,592	18,022	22,574	
		(1,108,963)	(1,036,328)	(1,962,159)	(1,976,026)	
Operating profit		342,613	769,353	908,732	1,843,275	
Finance income		29,780	30,954	32,010	33,586	
Finance cost		(17,056)	(12,755)	(61,686)	(46,794)	
Net finance income / (cost)		12,724	18,199	(29,676)	(13,208)	
Profit before income tax		355,337	787,552	879,056	1,830,067	
Income tax expense - current		(149,019)	(230,354)	(365,990)	(616,103)	
- deferred		28,433	(42,155)	65,216	(17,420)	
		(120,586)	(272,509)	(300,774)	(633,523)	
Profit for the period		234,751	515,043	578,282	1,196,544	
Earnings per share - basic and diluted (Rupees)		0.92	2.01	2.26	4.68	

The annexed notes 1 to 13 are an integral part of this consolidated condensed interim financial information.



Nicholas Stewart Hales
Managing Director and CEO



Mobasher Raza
Finance Director

Consolidated Condensed Interim Statement of Comprehensive Income (Unaudited) for the half year ended June 30, 2011

	Quarter ended		Half year ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
				Rs '000
Profit for the half year	234,751	515,043	578,282	1,196,544
Other comprehensive income for the half year	-	-	-	-
Total comprehensive income for the half year	234,751	515,043	578,282	1,196,544

The annexed notes 1 to 13 are an integral part of this consolidated condensed interim financial information.



Nicholas Stewart Hales
Managing Director and CEO



Mobasher Raza
Finance Director

Consolidated Condensed Interim Balance Sheet (Unaudited) as at June 30, 2011

	Note	June 30, 2011	Rs '000 December 31, 2010
Non current assets			
Property, plant and equipment	6	5,617,309	5,848,736
Long term loans, deposits and prepayments		21,524	18,792
		5,638,833	5,867,528
Current assets			
Stock-in-trade		4,006,511	6,002,823
Stores and spares		254,874	199,207
Trade debts		2,094	1,597
Loans and advances		71,016	48,267
Short term prepayments		97,325	118,329
Other receivables	7	66,699	73,525
Income tax paid in advance		-	15,206
Cash and bank balances		73,496	51,945
		4,572,015	6,510,899
Current liabilities			
Trade and other payables	8	3,500,092	5,339,752
Accrued interest / mark-up		16,872	46,789
Short term running finance	9	1,767,802	2,252,218
Current income tax liability		209,885	-
		5,494,651	7,638,759
Net current liabilities		(922,636)	(1,127,860)
Non current liabilities			
Deferred income tax liability		(1,072,365)	(1,137,581)
Net assets		3,643,832	3,602,087
Share capital and reserves			
Authorised share capital 300,000,000 ordinary shares of Rs 10 each		<u>3,000,000</u>	<u>3,000,000</u>
Issued, subscribed and paid-up capital 255,493,792 ordinary shares of Rs 10 each		2,554,938	2,554,938
Revenue reserves		1,088,894	1,047,149
Shareholders' equity		3,643,832	3,602,087
Contingencies and commitments	10		

The annexed notes 1 to 13 are an integral part of this consolidated condensed interim financial information.



Nicholas Stewart Hales
Managing Director and CEO



Mobasher Raza
Finance Director

Consolidated Condensed Interim Cash Flow Statement (Unaudited) for the half year ended June 30, 2011

	June 30, 2011	Rs '000 June 30, 2010
Cash flows from operating activities		
Cash receipts from customers	33,828,878	31,586,515
Cash paid to Government for Federal excise duty, Sales tax and other levies	(24,759,295)	(22,773,119)
Cash paid to suppliers, employees and others	(7,519,145)	(7,150,101)
Finance cost paid	(91,603)	(61,856)
Cash paid as royalty	(172,415)	(172,850)
Income tax paid	(140,899)	(775,363)
Other cash receipts / (payments)	18,007	(21,779)
	1,163,528	631,447
Cash flows from investing activities		
Additions in property, plant and equipment	(160,084)	(158,860)
Proceeds from disposal of property, plant and equipment	5,886	16,779
Finance income received	32,010	33,586
	(122,188)	(108,495)
Cash flows from financing activities		
Dividends paid	(535,373)	(1,529,985)
	(535,373)	(1,529,985)
Increase / (Decrease) in cash and cash equivalents	505,967	(1,007,033)
Cash and cash equivalents at January 1	(2,200,273)	(1,252,963)
Cash and cash equivalents at June 30	(1,694,306)	(2,259,996)
Cash and cash equivalents comprise:		
Cash and bank balances	73,496	58,004
Short term running finance	(1,767,802)	(2,318,000)
	(1,694,306)	(2,259,996)

The annexed notes 1 to 13 are an integral part of this consolidated condensed interim financial information.



Nicholas Stewart Hales
Managing Director and CEO



Mobasher Raza
Finance Director

Consolidated Condensed Interim Statement of Changes in Equity (Unaudited) for the half year ended June 30, 2011

	Share capital	Revenue reserves	Rs '000 Total
Balance at January 1, 2010	2,554,938	1,705,296	4,260,234
Total comprehensive income for the half year		1,196,544	1,196,544
Transactions with owners:			
Final dividend of Rs 4.75 per share relating to the year ended December 31, 2009		(1,213,596)	(1,213,596)
1st Interim dividend of Rs 1.25 per share relating to the year ended December 31, 2010		(319,367)	(319,367)
		(1,532,963)	(1,532,963)
Balance at June 30, 2010	2,554,938	1,368,877	3,923,815
Balance at January 1, 2011	2,554,938	1,047,149	3,602,087
Total comprehensive income for the half year		578,282	578,282
Transactions with owners:			
Final dividend of Rs 2.10 per share relating to the year ended December 31, 2010		(536,537)	(536,537)
Balance at June 30, 2011	2,554,938	1,088,894	3,643,832

The annexed notes 1 to 13 are an integral part of this consolidated condensed interim financial information.



Nicholas Stewart Hales
Managing Director and CEO



Mobasher Raza
Finance Director

Selected notes to and forming part of the consolidated condensed interim financial information (Unaudited) for the half year ended June 30, 2011

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.

Phoenix (Private) Limited (PPL) is a private company incorporated on March 9, 1992 in Azad Jammu and Kashmir under the Companies Ordinance 1984. the registered office of the PPL is situated at Bun Khurma, Chichian Road, Mirpur, Azad Jammu and Kashmir. The objective for which PPL has been incorporated is to operate and manage an industrial undertaking in Azad Jammu and Kashmir to deal in tobacco products. PPL has not yet commenced its commercial operations.

For the purpose of this consolidated condensed financial information, the Company and its wholly owned subsidiary PPL is referred to as the Group.

2. Basis of preparation

This consolidated condensed interim financial information of the Group for the six months period ended June 30, 2011 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed

3. Accounting policies

The accounting policies and the methods of computation adopted in the preparation of this consolidated condensed interim financial information are the same as those applied in the preparation of the financial statements for the year ended December 31, 2010.

	Quarter ended		Half year ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
4. Cost of sales				
Raw materials consumed				
Opening stock of raw materials and work in process	4,276,412	3,703,583	5,318,558	4,915,788
Raw material purchases and expenses	2,373,202	1,678,309	4,555,533	3,803,982
Closing stock of raw materials and work in process	(3,045,583)	(3,005,329)	(3,045,583)	(3,005,329)
	3,604,031	2,376,563	6,828,508	5,714,441
Excise duty, Customs duty and tobacco development cess	141,948	109,510	268,638	240,700
Royalty	92,026	91,352	177,337	180,120
Production overheads	725,197	773,252	1,423,235	1,367,246
Cost of goods manufactured	4,563,202	3,350,677	8,697,718	7,502,507
Cost of finished goods:				
Opening stock	727,074	1,255,710	684,265	849,579
Closing stock	(960,928)	(718,960)	(960,928)	(718,960)
	(233,854)	536,750	(276,663)	130,619
	4,329,348	3,887,427	8,421,055	7,633,126

Selected notes to and forming part of the consolidated condensed interim financial information (Unaudited) for the half year ended June 30, 2011

	Rs '000			
	Quarter ended		Half year ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
5. Other operating expenses				
Workers' Profit Participation Fund	19,145	42,063	47,356	98,246
Workers' Welfare Fund	8,423	14,158	20,708	36,601
Bank charges and fees	8,186	10,650	13,327	20,092
Interest on Workers' Profit Participation Fund	-	-	-	144
Foreign exchange loss	2,084	-	2,123	-
Miscellaneous expenses	-	(1,035)	-	-
	37,838	65,836	83,514	155,083
				Rs '000
			June 30, 2011	December 31, 2010
6. Property, plant and equipment				
Operating fixed assets - note 6.1			5,312,973	5,625,279
Capital work in progress			304,336	223,457
			5,617,309	5,848,736
				Rs '000
			June 30, 2011	June 30, 2010
6.1 Movement in operating fixed assets				
Net book amount at January 1			5,625,279	5,486,402
Additions to the operating fixed assets				
Building			611	1,180
Plant and machinery			40,671	381,271
Vehicles			32,111	75,146
Office and household equipment			3,758	24,646
Furniture and fittings			2,054	2,143
			79,205	484,386
Book value of disposals of operating fixed assets				
Plant and machinery			-	(614)
Vehicles			(2,628)	(5,150)
Office and household equipment			(266)	(3,464)
			(2,894)	(9,228)
Depreciation charge for the half year			(388,617)	(363,801)
Net book amount at June 30			5,312,973	5,597,759

Selected notes to and forming part of the consolidated condensed interim financial information (Unaudited) for the half year ended June 30, 2011

	June 30, 2011	Rs '000 December 31, 2010
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7. Other receivables

These include following balances due from related parties:

Associated companies	25,791	39,221
Employees retirement benefit plans	830	9,419

8. Trade and other payables

These include following balances due to related parties:

Associated companies	395,339	198,914
Employees' retirement benefit plans	77,881	86,510

9. Short term running finance

Short term running finance facilities available under mark-up arrangements with banks amount to Rs 5,350 million (December 31, 2010: Rs 5,350 million), out of which the amount unavailed at the half year end was Rs 3,582 million (December 31, 2010: Rs 3,098 million). These facilities are secured by hypothecation of stock-in-trade and plant & machinery amounting to Rs 5,940 million (December 31, 2010: Rs 5,940 million). The mark-up ranges between 13.28% and 14.66% (December 31, 2010: 12.72% and 14.39%) per annum and is payable quarterly. The facilities are renewable on annual basis.

	June 30, 2011	Rs '000 December 31, 2010
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10. Contingencies and commitments

10.1 Contingencies

Claims and guarantees

(i) Claims not acknowledged as debt	127,050	127,050
(ii) Guarantees issued by banks on behalf of the Company	218,108	199,608

10.2 Commitments

(i) Capital expenditure commitments outstanding	146,931	-
(ii) Letters of credit outstanding	647,512	748,185

Selected notes to and forming part of the consolidated condensed interim financial information (Unaudited) for the half year ended June 30, 2011

	Quarter ended		Half year ended	
	June 30,	June 30,	June 30,	June 30,
	2011	2010	2011	2010
Rs '000				
11. Transactions with related parties				
Purchase of goods and services				
Holding company	63,719	50,697	124,729	92,524
Associated companies	337,109	361,032	661,590	751,762
Sale of goods and services				
Holding company	3,961	2,144	3,961	2,144
Associated companies	166,767	80,996	341,582	219,101
Royalty charge				
Holding company	92,026	91,352	177,337	180,120
Expenses reimbursed by				
Holding company	627	134	627	134
Associated companies	276	-	784	587
Employees' retirement benefit plans - Expense				
Staff pension fund	17,636	15,029	35,272	27,985
Staff defined contribution pension fund	3,638	2,136	6,822	3,739
Employees' gratuity fund	8,434	8,413	16,871	15,667
Management provident fund	11,696	11,060	21,977	20,376
Employees' provident fund	3,748	2,772	7,480	5,542
Remuneration of key management personnel	190,352	170,252	365,858	284,631

12. Basis for presentation of interim financial information

This consolidated condensed interim financial information is 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.

13. Date of authorisation

This consolidated condensed interim financial information has been authorised for issue by the Board of Directors of the Group on August 15, 2011.



Nicholas Stewart Hales
Managing Director and CEO



Mobasher Raza
Finance Director

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