Pakistan Tobacco Company

AN INSTITUTION OF RESILIENCE

Condensed Interim Financial Information

FOR THE HALF YEAR ENDED JUNE 30, 2017

Corporate Information

Board of Directors

Mueen Afzal
Chairman and Non-Executive Director

Syed Javed Iqbal
Managing Director and CEO

Wael Sabra
Director Finance & IT

Tajamal Shah
Director Legal & External Affairs

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

Imran Maqbool
Non-Executive Director

Zafar Mahmood
Non-Executive Director

Hae In KIM
Non-Executive Director

Michael Koest
Non-Executive Director

Audit Committee

Zafar Mahmood

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

Imran Maqbool

Michael Koest

Hae In KIM

Ahmad Iqbal (Secretary)

Company Secretary

M Idries Ahmed

Registered Office

Pakistan Tobacco Company Limited
Serena Business Complex, Khayaban-e-Suhrwardy. P.O. Box 2549, Islamabad-44000
Telephone: +92 (051) 2083200, 2083201
Fax: +92 (051) 2604516
Web: www.ptc.com.pk

Factories

Akora Khattak Factory
P.O. Akora Khattak
Tehsil and District Nowshera,
Khyber Pakhtunkhwa
Telephone: +92 (0923) 561561-72
Fax: +92 (0923) 561502

Jhelum Factory
G.T. Road, Kala Gujran
Jhelum
Telephone: +92 (0544) 646500-7
Fax: +92 (0544) 646524

Bankers

MCB Bank Limited
MCB Islamic Bank Limited
Habib Bank Limited
National Bank of Pakistan
Citibank N.A.
Standard Chartered Bank (Pakistan) Ltd.
Deutsche Bank AG

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants
Sixth Floor, State Life Building No. 5
Jinnah Avenue, Blue Area, Islamabad. 44000
Telephone: +92 (051) 2823558
Fax: +92 (051) 2822671

Share Registrar

FAMCO Associates (Pvt.) Ltd.
8-F, Near Hotel Faran, Nursery, Block 6,
P.E.C.H.S, Shahrah-e-Faisal,
Karachi
Ph: +92 (021) 34380101-2

Directors' Review

The Directors present their performance report of Pakistan Tobacco Company Limited (PTC) for the half year ended June 30, 2017.

The Company continued to be severely impacted by the massive consumer down trading to cheap duty evaded cigarettes. This is reflected in the business results of the 1st half ended in comparison to the same period last year (SPLY). Despite a series of efforts by the law enforcement agencies to curb illicit trade of cigarettes throughout the 1st half of the year, the illicit sector maintained its market share at 40.8% at June 30th 2017. In the face of these challenges PTC continued its strategy of driving manufacturing excellence, effective cost management and addressing the affordability needs of its consumers to retain market leadership in the legitimate sector.

Key financial indicators of PTC for YTD H1 2017 are:

	Rs (million)	
	Jan - Jun, 2017	Jan - Jun, 2016
Gross Turnover	50,475	82,209
Net Turnover	18,214	28,848
Cost of Sales	9,882	14,150
Gross Profit	8,333	14,698
Operating Profit	4,774	10,403
Profit Before Tax – PBT	4,809	10,653
Profit After Tax – PAT	2,976	7,071
Earnings Per Share – EPS (Rs)	11.65	27.68

The Gross Turnover has declined vs. SPLY owing to the decline in sales volume primarily driven by the rise in market share of the illicit sector especially in the VFM segment. This decline was slightly netted off by the positive impact of excise led price increases taken during last year.

Cost of sales was lower by 30% primarily due to lower volumes vs SPLY. PTC remains focused on maintaining a sustainable business model built on high productivity and effective cost management.

PTC contributed PKR 34.3 Bn in H1'17 (down by PKR 23 Bn vs. SPLY) to the National Exchequer in the form of excise duty, sales tax, customs duties and income tax. The Company continues to stress the detrimental impact of growing sales of duty-evaded cigarettes on the sustainability of government revenues. In recognition of these negative factors, the government has initiated tax and policy reforms through the recent federal budget. The relevant authorities are urged to continue with the reforms and enforcement to create a level playing field to curb the growth of the duty-evaded segments of the industry and for the sustainability of government .revenue.

PTC revisited its portfolio pricing in June'17 in line with the fiscal measures introduced by the government in the federal budget. We expect that the law enforcement efforts by relevant authorities coupled with the excise reforms will bring about sustainable growth in Government revenues and will support the legitimate tobacco industry going forward.

PTC remains committed to deliver shareholder value through a strong brand portfolio and through the high quality of its personnel and management policies.

Syed Javed Iqbal
Managing Director & CEO

Wael Sabra
Director Finance & IT

جائزہ ڈائریکٹرز

پاکستان ٹوبیکو کمپنی کے ڈائریکٹرز 30 جون 2017 کو ختم ہونے والے نصف سال کی کارکردگی پیش کر رہے ہیں۔

صارفین کی ایک بڑی تعداد کی غیر ڈیوٹی شدہ سگریٹ پر منتقلی کمپنی پر منفی اثرات مرتب کرتی رہی۔ یہ اثرات کمپنی کی رواں برس نصف سال کی کاروباری کارکردگی میں گزشتہ برس اسی مدت کے مقابلے میں نظر آتے ہیں۔ قانون نافذ کرنے والے اداروں کی طرف سے غیر ڈیوٹی شدہ سگریٹوں کی خرید و فروخت کی روک تھام کیلئے مسلسل کوششوں کے باوجود غیر قانونی ٹوبیکو انڈسٹری کا کاروباری حصہ 30 جون 2017 پر 40.8% رہا۔ ان مشکلات کا سامنا کرتے ہوئے کمپنی پیداواری کمال کے حصول، لاگتوں کے موثر انتظام اور صارفین کی سستی مصنوعات کی ضرورت کو دیکھتے ہوئے جائز ٹوبیکو انڈسٹری میں اپنی قیادت کو قائم رکھنے کی حکمت عملی پر کاربند رہی۔

	روپے (ملین)	
	جنوری سے جون، 2017	جنوری سے جون، 2016
کل وصولیات (Gross Turnover)	50,475	82,209
خالص وصولیات (Net Turnover)	18,214	28,848
لاگت برائے فروخت (Cost of Sales)	9,882	14,150
مجموعی منافع (Gross Profit)	8,333	14,698
کاروباری منافع (Operating Profit)	4,774	10,403
قبل از ٹیکس منافع (Profit Before Tax – PBT)	4,809	10,653
بعد از ٹیکس منافع (Profit After Tax – PAT)	2,976	7,071
آمدنی فی حصص (روپے) Earnings Per Share – EPS (Rs)	11.65	27.68

گزشتہ برس اسی مدت کے مقابلے میں رواں برس کمپنی کی کل وصولیات میں کمی واقع ہوئی ہے جس کی بڑی وجہ غیر قانونی کاروبار کے VFM حصے میں مارکیٹ شیئر میں اضافہ ہے۔ اس کمی میں جزوی ازالہ گزشتہ برس ایکسائز کی مد میں قیمتوں میں اضافے کے اثرات کی صورت میں ہوا۔

گزشتہ برس اسی مدت کے مقابلے میں فروخت پر لاگتیں 30% سے کم ہوئی ہیں۔ کمپنی کی توجہ مرکوز ہے بہترین پیداواری صلاحیت اور لاگتوں کے موثر انتظام پر قائم ایک پائیدار کاروبار قائم رکھنے پر۔

پی ٹی سی نے رواں برس نصف سال میں ایکسائز ڈیوٹی، سیلز ٹیکس، کسٹم ڈیوٹیز، اور انکم ٹیکس کی صورت میں قومی خزانے میں 34.3 ارب روپے (گزشتہ برس کی اسی مدت کے مقابلے میں 23 ارب روپے کم) جمع کرائے۔ کمپنی غیر ڈیوٹی شدہ سگریٹوں کی فروخت میں اضافے کے حکومتی آمدنی پر منفی اثرات پر پھر سے زور دیتی ہے۔ ان منفی عوامل کے پیش نظر حکومت پاکستان نے حالیہ وفاقی بجٹ کے ذریعے ٹیکس اور پالیسی میں اصلاحات کی ہیں۔ متعلقہ حکام سے پھر گزارش کی جاتی ہے کہ اصلاحات اور قانون پر عمل درآمد کے اس سلسلے کو جاری رکھیں تاکہ غیر ڈیوٹی شدہ سگریٹوں کی خرید و فروخت پر قابو پا کر تمام سٹیک ہولڈرز کو یکساں کاروباری مواقع فراہم کیے جاسکیں اور حکومتی آمدنی کے استحکام کو یقینی بنایا جاسکے۔

حکومت پاکستان کی جانب سے وفاقی بجٹ میں ٹیکس اصلاحات کے پیش نظر پی ٹی سی نے اپنی مصنوعات کی قیمتوں میں جون 2017 میں تبدیلی کی ہے۔ ہم یہ توقع رکھتے ہیں کہ متعلقہ حکام کی جانب سے قانون پر عمل درآمد کی کوششیں اور ایکسائز میں اصلاحات حکومتی آمدنی میں پائیدار اضافے کا باعث بنے گیں اور قانونی ٹوبیکو انڈسٹری کو مستقبل میں مدد دے گی۔

پی ٹی سی اپنے مضبوط برانڈز، اعلیٰ صلاحیتوں کے حامل لوگ اور انتظامی پالیسیز کے ذریعے اپنے حصہ داران کو زیادہ سے زیادہ ویلیو دینے کا عزم کیے ہوئے ہے۔

سید جاوید اقبال
مینیجنگ ڈائریکٹر و چیف ایگزیکٹو

وائل صابرا
ڈائریکٹر فنانس و آئی ٹی

Auditors' Report To The Members
On Review Of Condensed Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Pakistan Tobacco Company Limited** ("the Company") as at 30 June 2017 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity and notes to the accounts for the six months 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 for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

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 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Other matter

The figures for the three months periods ended 30 June 2017 and 30 June 2016, in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

KPMG Taseer Hadi & Co

Date: July 27, 2017
Islamabad

KPMG Taseer Hadi & Co
Chartered Accountants
Engagement Partner: Atif Zamurrad Malik

Condensed Interim Profit and Loss Account (Unaudited)

for the half year ended June 30, 2017

	Note	Quarter ended June 30, 2017 Rs '000	Quarter ended June 30, 2016 Rs '000	Half year ended June 30, 2017 Rs '000	Half year ended June 30, 2016 Rs '000
Gross turnover		28,448,866	49,083,373	50,474,559	82,208,521
Excise duties		(13,301,823)	(24,400,353)	(24,708,672)	(40,994,496)
Sales tax		(4,289,077)	(7,382,670)	(7,551,721)	(12,366,193)
Net turnover		10,857,966	17,300,350	18,214,166	28,847,832
Cost of sales	7	(5,721,425)	(8,503,379)	(9,881,634)	(14,150,118)
Gross profit		5,136,541	8,796,971	8,332,532	14,697,714
Selling and distribution costs		(1,309,055)	(1,485,651)	(2,027,641)	(2,386,918)
Administrative expenses		(683,679)	(516,655)	(1,111,488)	(1,115,334)
Other expenses	8	(250,012)	(506,623)	(444,108)	(830,562)
Other income	9	23,885	31,265	24,263	38,133
		(2,218,861)	(2,477,664)	(3,558,974)	(4,294,681)
Operating profit		2,917,680	6,319,307	4,773,558	10,403,033
Finance income	10	41,449	238,628	62,011	276,801
Finance cost		(15,498)	(11,265)	(26,894)	(26,655)
Net finance income		25,951	227,363	35,117	250,146
Profit before income tax		2,943,631	6,546,670	4,808,675	10,653,179
Income tax expense	11	(1,482,558)	(2,288,648)	(1,832,196)	(3,581,879)
Profit for the period		1,461,073	4,258,022	2,976,479	7,071,300
Earnings per share - basic and diluted (Rupees)		5.72	16.67	11.65	27.68

The annexed notes 1 to 26 form an integral part of this condensed interim financial information.

Syed Javed Iqbal
Managing Director & CEO

Wael Sabra
Director Finance & IT

Condensed Interim Statement of Comprehensive Income (Unaudited)

for the half year ended June 30, 2017

	Quarter ended		Half year ended	
	June 30, 2017 Rs '000	June 30, 2016 Rs '000	June 30, 2017 Rs '000	June 30, 2016 Rs '000
Profit for the period	1,461,073	4,258,022	2,976,479	7,071,300
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	1,461,073	4,258,022	2,976,479	7,071,300

The annexed notes 1 to 26 form an integral part of this condensed interim financial information.

Syed Javed Iqbal
Managing Director & CEO

Wael Sabra
Director Finance & IT

Condensed Interim Balance Sheet (Unaudited)

as at June 30, 2017

	Note	June 30, 2017 (Unaudited) Rs '000	December 31, 2016 (Audited) Rs '000
Assets			
Property, plant and equipment	12	8,035,777	8,629,435
Long term investment in subsidiary company	13	5,000	5,000
Long term deposits and prepayments		30,512	33,571
Non-current assets		8,071,289	8,668,006
Stock-in-trade		10,739,133	13,618,530
Stores and spares		502,195	570,224
Trade debts		3,021	1,839
Loans and advances	14	192,081	178,561
Short term prepayments		141,612	183,858
Due from government agencies	15	6,687,698	-
Other receivables	16	1,178,772	1,049,248
Short term investments		-	979,903
Cash and bank balances	17	142,680	147,324
Current assets		19,587,192	16,729,487
Total assets		27,658,481	25,397,493
Equity			
Share capital	18	2,554,938	2,554,938
Revenue reserves		10,587,739	10,421,692
Total equity		13,142,677	12,976,630
Liabilities			
Finance lease obligation	19	282,697	314,950
Deferred tax liabilities		1,011,010	1,132,463
Non current liabilities		1,293,707	1,447,413
Finance lease obligation	19	168,403	164,383
Accrued interest / mark-up		9,824	3,438
Short term running finance, secured	20	4,216,984	95,339
Trade and other payables	21	6,871,297	9,094,982
Current income tax liabilities		1,955,589	1,615,308
Current liabilities		13,222,097	10,973,450
Total liabilities		14,515,804	12,420,863
Total equity and liabilities		27,658,481	25,397,493
Contingencies and commitments	22		

The annexed notes 1 to 26 form an integral part of this condensed interim financial information.

Syed Javed Iqbal
Managing Director & CEO

Wael Sabra
Director Finance & IT

Condensed Interim Statement of Changes in Equity (Unaudited)

for the half year ended June 30, 2017

	Share capital Rs '000	Revenue reserves Rs '000	Total Rs '000
Balance at January 1, 2017	2,554,938	10,421,692	12,976,630
Total comprehensive income for the period			
Profit for the period	-	2,976,479	2,976,479
Other comprehensive income	-	-	-
	-	2,976,479	2,976,479
Transactions with owners of the Company			
Final dividend for the year ended December 31, 2016 @ Rs.11 per share	-	(2,810,432)	(2,810,432)
Balance at June 30, 2017	2,554,938	10,587,739	13,142,677
Balance at January 1, 2016	2,554,938	7,811,221	10,366,159
Total comprehensive income for the period			
Profit for the period	-	7,071,300	7,071,300
Other comprehensive income	-	-	-
	-	7,071,300	7,071,300
Transactions with owners of the Company			
Final dividend relating to year ended December 31, 2015 @ Rs. 18 per share	-	(4,598,888)	(4,598,888)
Balance at June 30, 2016	2,554,938	10,283,633	12,838,571

The annexed notes 1 to 26 form an integral part of this condensed interim financial information.

Syed Javed Iqbal
Managing Director & CEO

Wael Sabra
Director Finance & IT

Condensed Interim Cash Flow Statement (Unaudited)

for the half year ended June 30, 2017

	Note	June 30, 2017 Rs '000	June 30, 2016 Rs '000
Cash flows from operating activities			
Cash receipts from customers		50,473,377	82,208,257
Cash paid to Government for federal excise duty, Sales tax and other levies		(40,736,784)	(58,690,270)
Cash paid to suppliers		(10,178,054)	(11,980,086)
Finance cost paid		(20,508)	(33,931)
Cash paid as royalty		(129,937)	(143,440)
Income tax paid		(1,613,368)	(2,565,194)
Finance income received		62,011	286,080
		(2,143,263)	9,081,416
Cash flows from investing activities			
Purchases of property, plant and equipment		(249,013)	(221,022)
Proceeds from disposal of property, plant and equipment		195,248	174,922
		(53,765)	(46,100)
Cash flows from financing activities			
Dividends paid		(2,808,353)	(4,584,933)
Finance lease payments		(100,811)	(107,975)
		(2,909,164)	(4,692,908)
Net increase in cash and cash equivalents		(5,106,192)	4,342,408
Cash and cash equivalents at January 1		1,031,888	(1,166,412)
Cash and cash equivalents at June 30		(4,074,304)	3,175,996
Cash and cash equivalents comprise:			
Short term investments		-	2,988,322
Cash and bank balances	17	142,680	189,018
Short term running finance	20	(4,216,984)	(1,344)
		(4,074,304)	3,175,996

The annexed notes 1 to 26 form an integral part of this condensed interim financial information.

Syed Javed Iqbal
Managing Director & CEO

Wael Sabra
Director Finance & IT

Notes to the Condensed Interim Financial Information (Unaudited)

for the half year ended June 30, 2017

1. Legal status and operations

Pakistan Tobacco Company Limited (the Company) is a public listed company incorporated in Pakistan on 18 November 1947 under the Companies Act, 1913 (now the Companies Act, 2017) and its shares are quoted on the Pakistan Stock Exchange. The Company is a subsidiary of the British American Tobacco (Investments) Limited, United Kingdom, whereas its ultimate parent company is British American Tobacco p.l.c, United Kingdom. The Company is engaged in the manufacture and sale of cigarettes.

The registered office of the Company is situated at Serena Business Complex, Khayaban-e-Suharwardy, Islamabad.

2. Statement of compliance

This condensed interim financial information of the Company for the half year ended 30 June 2017 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.

This interim financial information should be read in conjunction with the Company's latest annual financial statements as at and for the year ended December 31, 2016 ('last annual financial statements'). This interim financial information does not include all of the information required for a complete set of financial statements prepared in accordance with the approved accounting standards as applicable in Pakistan. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

Comparative condensed interim balance sheet is extracted from annual financial statements as of December 31, 2016 whereas comparative condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim cash flow statement are extracted from unaudited condensed interim financial information of the Company for the half year ended June 30, 2016.

3. Basis of preparation

This condensed interim financial information is unaudited and is being submitted to the members of the Company as required under Section 245 of the Companies Ordinance 1984, and the listing regulations of the Pakistan Stock Exchange. This condensed interim financial information have been reviewed, not audited and also include the profit and loss account for the quarter ended June 30, 2017 which was not subject to review.

The Companies Act, 2017 was enacted on 30 May 2017 and SECP vide its circular 17 of 2017 has clarified that the companies whose financial year, including interim period, closes on or before 30 June 2017 shall prepare their financial statements, including interim financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

4. Use of judgements and estimates

In preparing this condensed interim financial information, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty including measurement of fair values were the same as those that applied to the separate financial statements as at and for the year ended December 31, 2016.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

5. Significant 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, 2016.

6. Standards issued but not effective

A number of new standards and amendments to standards are effective for annual periods beginning after January 01, 2017 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing this condensed interim financial information. Amendments and interpretations to published accounting standards effective for the financial year ending December 31, 2017 are not expected to have material impact on the Company's condensed interim financial information.

The Companies Act, 2017 applicable for financial year closing after June 30, 2017 requires certain additional disclosures in the financial statements. These requirements are applicable to the Company’s complete set of financial statements for the year ending December 31, 2017.

	Note	Quarter ended June 30, 2017 Rs '000	Quarter ended June 30, 2016 Rs '000	Half year ended June 30, 2017 Rs '000	Half year ended June 30, 2016 Rs '000
7. Cost of sales					
Raw material consumed:					
Opening stock of raw materials and work in process		11,076,691	8,902,720	12,449,905	11,233,495
Raw material purchases and expenses		2,550,381	2,182,985	3,785,676	5,503,500
Excise duty, customs duty and tobacco development cess		91,815	100,249	193,628	290,820
Closing stock of raw materials and work in process		(9,887,005)	(7,303,246)	(9,887,005)	(7,303,246)
		3,831,882	3,882,708	6,542,204	9,724,569
Royalty		132,384	180,857	266,979	323,838
Production overheads	7.1	815,266	1,128,904	2,735,378	1,980,373
Cost of goods manufactured		4,779,532	5,192,469	9,544,561	12,028,780
Cost of finished goods					
Opening stock		1,794,021	3,963,614	1,189,201	2,774,042
Closing stock		(852,128)	(652,704)	(852,128)	(652,704)
		941,893	3,310,910	337,073	2,121,338
		5,721,425	8,503,379	9,881,634	14,150,118

7.1 These include Rs. 619 million on account of employees separation scheme (half year ended June 30, 2016: Nil).

Notes to the Condensed Interim Financial Information (Unaudited)

for the half year ended June 30, 2017

	Quarter ended		Half year ended	
	June 30, 2017 Rs '000	June 30, 2016 Rs '000	June 30, 2017 Rs '000	June 30, 2016 Rs '000
8. Other expenses				
Workers' Profit Participation Fund (WPPF)	158,145	351,716	258,416	572,367
Workers' Welfare Fund (WWF)	61,126	136,116	101,234	221,983
Bank charges and fees	8,930	15,939	16,507	28,840
Interest paid to WPPF	-	-	11,732	4,520
Loss on disposal of operating assets	6,258	-	3,947	-
Foreign exchange loss	15,553	2,852	52,272	2,852
	250,012	506,623	444,108	830,562
9. Other income				
Income from services to associated companies:				
- BAT SAA (Private) Limited	13,169	18,198	13,169	18,198
- BAT Myanmar/BAT Bangladesh	4,410	1,746	4,410	1,746
- BAT Singapore	5,477	-	5,477	-
	23,056	19,944	23,056	19,944
Gain on disposal of property, plant and equipment	-	10,877	-	11,383
Liabilities written back	442	-	442	-
Others	387	444	765	6,806
	23,885	31,265	24,263	38,133

10. Finance income

This includes profit from placement with banks in saving accounts, term deposit and treasury bills earned under interest arrangement. The interest rates range between 3.75% and 5.90% (half year ended June 30, 2016 : 4.0% and 7.10%) per annum and is received on maturity.

11. Income tax expense

The applicable income tax rate was reduced from 31% to 30% during the period on account of the changes made to the Income Tax Ordinance, 2001. Further, tax charge also included prior year charge of Rs 461,464 thousand in respect of super tax levied for the tax year 2016 (2016 : Rs 317,372 thousand for tax year 2015) in accordance with the Finance Act, 2017.

	Note	June 30, 2017 (Unaudited) Rs '000	December 31, 2016 (Audited) Rs '000
12. Property, plant and equipment			
Operating fixed assets	12.1	7,912,391	8,282,901
Capital work in progress	12.2	123,386	346,534
		8,035,777	8,629,435

Notes to the Condensed Interim Financial Information (Unaudited)

for the half year ended June 30, 2017

	June 30, 2017 (Unaudited) Rs '000	December 31, 2016 (Audited) Rs '000
12.1 Operating fixed assets		
Carrying amount at January 01	8,282,901	8,066,023
Additions during the half year/year:		
- Owned assets		
Building	19,101	10,593
Plant and machinery	143,484	1,157,844
Office and household equipment	54,779	267,380
Vehicles	-	60
Furniture and fittings	3,285	12,385
	220,649	1,448,262
- Leased assets		
Vehicles	164,395	129,704
	385,044	1,577,966
Disposals during the half year/year (net book value):		
- Owned assets		
Building	(1,100)	-
Plant and machinery	(157,683)	(175,681)
Office and household equipment	(1,586)	(107)
Vehicles	(15,026)	(6,026)
Furniture and fittings	(180)	(253)
	(175,575)	(182,067)
- Leased assets		
Vehicles	(23,714)	(91,787)
	(199,289)	(273,854)
Depreciation charge for the half year/year:	(556,265)	(1,087,234)
Carrying amount at June 30/ December 31	7,912,391	8,282,901

12.1.1 During the half year ended 30 June 2017, the Company acquired assets, including transfers from capital work in progress, with a cost of Rs 385,044 thousand (half year ended 30 June 2016: Rs. 254,281 thousand). Operating fixed assets having net book value of Rs. 199,289 thousand were disposed off during half year ended 30 June 2017 (half year ended 30 June 2016: Rs. 163,538 thousand). Depreciation charge for half year ended 30 June 2017 was Rs. 556,265 thousand (half year ended 30 June 2016: Rs. 531,311 thousand).

	June 30, 2017 (Unaudited) Rs '000	December 31, 2016 (Audited) Rs '000
12.2 Capital work in progress		
Carrying amount as at the beginning of the period	346,534	1,118,948
Additions during the half year/year	16,079	334,295
	362,613	1,453,243
Transferred to operating fixed assets	(239,227)	(1,106,709)
Carrying amount as at end of the period	123,386	346,534

13. Long term investment in subsidiary company

This represents 500,001 (December 31, 2016: 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, 2017. This is a wholly owned subsidiary of the Company which has not yet commenced commercial production.

Notes to the Condensed Interim Financial Information (Unaudited)

for the half year ended June 30, 2017

14. Loans and advances

These include non interest bearing advances to employees of Rs. 46,145 thousand (December 31, 2016: Rs. 45,572 thousand).

15. Due from government agencies

This represents advance payments in June 2017 against excise duties and sales tax. The advances will be adjusted against excise duty payable for the months of July 2017 and August 2017.

16. Other receivables

These include following balances due from related parties:

	Note	June 30, 2017 (Unaudited) Rs '000	December 31,2016 (Audited) Rs '000
Associated companies		55,660	111,944
Subsidiary company		20,021	20,021
Employees retirement benefit plans		902,178	908,280
17. Cash and bank balances			
Cash at banks			
- deposit accounts		17,751	27,314
- current accounts	17.1	123,757	117,886
	17.2	141,508	145,200
Cash in hand		1,172	2,124
		142,680	147,324

17.1 These include balances of Rs.99,918 thousand (December 31, 2016: Rs. 55,399 thousand) held in foreign currency accounts.

17.2 These include balances of Rs. 21,936 thousand (December 31, 2016: Rs. 28,882 thousand) held with MCB Bank Limited, a related party.

18. Share capital

Authorised share capital of the Company is Rs. 3,000,000 thousand (December 31, 2016: Rs. 3,000,000 thousand) divided into 300,000,000 ordinary shares of Rs. 10 each. Issued, subscribed and paid up capital of the Company is Rs. 2,554,938 thousand (December 31, 2016: Rs. 2,554,938 thousand) divided into 255,493,792 ordinary shares of Rs. 10 each.

19. Finance lease obligation

This represents finance lease agreements entered into with a leasing company (a related party) for vehicles. Total lease rentals due under various lease agreements aggregate to Rs 451,100 thousand (December 31, 2016: Rs 479,333 thousand) and are payable in equal monthly instalments latest by December 2021. Taxes, repairs, replacement and insurance costs are to be borne by the Company. Financing rates of 7.30% to 7.38% (December 31, 2016: 7.19% to 7.58%) per annum have been used as discounting factor.

	Note	June 30, 30, 2017 (Unaudited) Rs '000	December 31, 2016 (Audited) Rs '000
20. Short term running finance, secured			
Short term running finance from related party	20.1	523,721	14,682
Short term running finance - others	20.2	3,693,263	80,657
		4,216,984	95,339

20.1 This represents running finance facility available under mark-up arrangements from MCB Bank Limited, a related party, on account of common directorship, amounting to Rs.1,300 million (December 31, 2016: Rs.1,300 million), out of which un-availed at the reporting date was Rs.776 million (December 31, 2016: Rs.1,285 million). This facility is secured by hypothecation of stock in trade and plant & machinery amounting to Rs.1,444 million (December 31, 2016: Rs.1,444 million). The mark-up ranges between 6.50% and 6.53% (2016: 6.44% and 6.76%) per annum and is payable quarterly. The facility is renewable on annual basis.

20.2 Short term running finance facilities available under mark-up arrangements with banks amount to Rs.5,200 million (December 31, 2016: Rs.5,200 million), out of which the amount un-availed at the reporting date was Rs. 1,507 million (December 31, 2016: Rs.5,120 million). These facilities are secured by hypothecation of stock in trade and plant & machinery amounting to Rs.5,778 million (December 31, 2016: Rs.5,778 million). The mark-up ranges between 6.37% and 6.54% (2016: 6.39% and 6.77%) per annum and is payable quarterly. The facilities are renewable on annual basis.

21. Trade and other payables

These include following balances due to related parties:

	June 30, 2017 (Unaudited) Rs '000	December 31, 2016 (Audited) Rs '000
Holding company	376,263	228,410
Associated companies	1,231,097	1,515,660

22. Contingencies and commitments

22.1 Contingencies

Claims and guarantees

	June 30, 2017 (Unaudited) Rs '000	December 31, 2016 (Audited) Rs '000
Claims against the Company not acknowledged as debt	72,474	69,450
Guarantees issued by banks on behalf of the Company	256,051	241,451

Litigation

There is no significant change to status of litigations disclosed in annual financial statements for the year ended 31 December 2016.

22.2 Commitments

	June 30, 2017 (Unaudited) Rs '000	December 31, 2016 (Audited) Rs '000
Capital expenditure	230,954	-
Letters of credit outstanding	223,764	151,299
Lease rental	429,529	443,311

23. Financial instruments

23.1 Carrying amounts and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	June 30, 2017 (Unaudited)			December 31, 2016 (Audited)		
	Loans and receivables	Other financial liabilities	Total	Loans and receivables	Other financial liabilities	Total
		Rs '000			Rs '000	
Financial assets measured at fair value	-	-	-	-	-	-
Financial assets not measured at fair value						
Deposits	25,605	-	25,605	25,053	-	25,053
Trade debts	3,021	-	3,021	1,839	-	1,839
Loans and advances	192,081	-	192,081	178,561	-	178,561
Other recievables	1,178,772	-	1,178,772	1,049,248	-	1,049,248
Short-term investment	-	-	-	979,903	-	979,903
Cash and bank balances	142,680	-	142,680	147,324	-	147,324
	1,542,159	-	1,542,159	2,381,928	-	2,381,928
Financial liabilities measured at fair value	-	-	-	-	-	-
Financial liabilities not measured at fair value						
Finance lease obligation	-	(451,100)	(451,100)	-	(479,333)	(479,333)
Accrued interest / mark-up	-	(9,824)	(9,824)	-	(3,438)	(3,438)
Short term running finance	-	(4,216,984)	(4,216,984)	-	(95,339)	(95,339)
Trade and other payables	-	(6,607,027)	(6,607,027)	-	(9,074,607)	(9,074,607)
	-	(11,284,935)	(11,284,935)	-	(9,652,717)	(9,652,717)

The Company has not disclosed the fair values of financial assets and financial liabilities as these are for short-term or reprice over short-term. Therefore, the carrying amounts are reasonable approximation of their values.

23.2 Financial risk management

The Company's financial risk management objective and policies are consistent with that disclosed in the financial statements for the year ended December 31, 2016.

24. Related parties

British American Tobacco (Investments) Limited (BAT-IL) holds 94.34% (December 31, 2016: 94.34%) shares of the Company at the period end. Therefore, all the subsidiaries and associated undertakings of BAT-IL and the ultimate parent company British American Tobacco, p.l.c (BAT) are related parties of the Company. The related parties also include directors and their relatives, key management personnel and their relatives, entities in which directors have interest or common directorship, subsidiary and associated companies and subsidiaries of holding company, post-employment benefit plans and persons or entities having control or joint control or having significant influence over the Company.

The amounts due from and due to these parties are disclosed in the respective notes. All outstanding balances with related parties are to be settled in the normal course of business. None of the balances are secured.Transactions with related paties were as follows:

	Quarter ended		Half year ended	
	June 30, 2017 Rs '000	June 30, 2016 Rs '000	June 30, 2017 Rs '000	June 30, 2016 Rs '000
Purchase of goods and services				
from Holding company	155,207	156,102	304,393	321,471
Associated companies	325,716	213,604	632,226	697,913
Sale of goods and services to				
Holding company	-	28,082	-	28,082
Associated companies	67,762	206,799	583,683	242,291
Dividend paid to				
Holding company	2,660,388	4,353,362	2,660,388	4,353,362
Royalty charged by				
Holding company	132,384	180,857	266,979	323,838
Expenses reimbursed to				
Holding company	1,885	-	2,803	-
Associated companies	-	191	-	191
Expenses reimbursed by				
Holding company	1,549	4,249	1,549	4,249
Associated companies	59,119	10,275	99,284	10,275
Employees retirement benefit plans - Expense				
Staff pension fund	-	12,087	-	20,954
Staff defined contribution pension fund	19,388	17,626	36,612	33,582
Employees' gratuity fund	15,100	24,305	35,135	58,402
Management provident fund	17,207	17,876	32,562	34,008
Employees' provident fund	7,417	4,737	10,551	9,518
Finance cost paid to related party	9,520	9,878	18,949	21,579
Profit received on bank deposits held with related party	-	-	375	410
Lease rentals paid to related party	43,850	40,800	86,137	80,850
Remuneration of key management personnel	134,789	283,433	275,480	444,634

Notes to the Condensed Interim Financial Information (Unaudited)

for the half year ended June 30, 2017

25. Post balance sheet events

The Board of Directors in their meeting held on July 27, 2017 has declared the first interim dividend of Rs Nil (2016: Rs 6) per share. This interim dividend of Rs Nil thousand(2016: Rs 1,532,963) will be recorded as liability in the financial statements for the next quarter as required by the IAS 10 Events after the Balance Sheet Date. This condensed interim financial information does not reflect this dividend.

26. Date of authorization for issue

This condensed interim financial information has been authorised for issue by the Board of Directors of the Company on July 27, 2017.

Syed Javed Iqbal
Managing Director & CEO

Wael Sabra
Director Finance & IT

Consolidated Condensed Interim Profit and Loss Account (Unaudited)

for the half year ended June 30, 2017

	Note	Quarter ended June 30, 2017 Rs '000	Quarter ended June 30, 2016 Rs '000	Half year ended June 30, 2017 Rs '000	Half year ended June 30, 2016 Rs '000
Gross turnover		28,448,866	49,083,373	50,474,559	82,208,521
Excise duties		(13,301,823)	(24,400,353)	(24,708,672)	(40,994,496)
Sales tax		(4,289,077)	(7,382,670)	(7,551,721)	(12,366,193)
Net turnover		10,857,966	17,300,350	18,214,166	28,847,832
Cost of sales	7	(5,721,425)	(8,503,379)	(9,881,634)	(14,150,118)
Gross profit		5,136,541	8,796,971	8,332,532	14,697,714
Selling and distribution costs		(1,309,055)	(1,485,651)	(2,027,641)	(2,386,918)
Administrative expenses		(683,679)	(516,655)	(1,111,488)	(1,115,334)
Other expenses	8	(250,012)	(506,623)	(444,108)	(830,562)
Other income	9	23,885	31,265	24,263	38,133
		(2,218,861)	(2,477,664)	(3,558,974)	(4,294,681)
Operating profit		2,917,680	6,319,307	4,773,558	10,403,033
Finance income	10	41,449	238,628	62,011	276,801
Finance cost		(15,498)	(11,265)	(26,894)	(26,655)
Net finance income		25,951	227,363	35,117	250,146
Profit before income tax		2,943,631	6,546,670	4,808,675	10,653,179
Income tax expense	11	(1,482,558)	(2,288,648)	(1,832,196)	(3,581,879)
Profit for the period		1,461,073	4,258,022	2,976,479	7,071,300
Earnings per share - basic and diluted (Rupees)		5.72	16.67	11.65	27.68

The annexed notes 1 to 25 form an integral part of this consolidated condensed interim financial information.

Syed Javed Iqbal
Managing Director & CEO

Wael Sabra
Director Finance & IT

Consolidated Condensed Interim Statement of Comprehensive Income (Unaudited)

for the half year ended June 30, 2017

	Quarter ended		Half year ended	
	June 30, 2017 Rs '000	June 30, 2016 Rs '000	June 30, 2017 Rs '000	June 30, 2016 Rs '000
Profit for the period	1,461,073	4,258,022	2,976,479	7,071,300
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	1,461,073	4,258,022	2,976,479	7,071,300

The annexed notes 1 to 25 form an integral part of this consolidated condensed interim financial information.

Syed Javed Iqbal
Managing Director & CEO

Wael Sabra
Director Finance & IT

Consolidated Condensed Interim Balance Sheet (Unaudited)

as at June 30, 2017

	Note	June 30, 2017 (Unaudited) Rs '000	December 31, 2016 (Audited) Rs '000
Assets			
Property, plant and equipment	12	8,060,825	8,654,483
Long term deposits and prepayments		30,512	33,571
Non-current assets		8,091,337	8,688,054
Stock-in-trade		10,739,133	13,618,530
Stores and spares		502,195	570,224
Trade debts		3,021	1,839
Loans and advances	13	192,081	178,561
Short term prepayments		141,612	183,858
Due from government agencies	14	6,687,698	-
Other receivables	15	1,158,751	1,029,227
Short term investments		-	979,903
Cash and bank balances	16	142,680	147,324
Current assets		19,567,171	16,709,466
Total assets		27,658,508	25,397,520
Equity			
Share capital	17	2,554,938	2,554,938
Revenue reserves		10,587,739	10,421,692
Total equity		13,142,677	12,976,630
Liabilities			
Finance lease obligation	18	282,697	314,950
Deferred tax liabilities		1,011,010	1,132,463
Non current liabilities		1,293,707	1,447,413
Finance lease obligation	18	168,403	164,383
Accrued interest / mark-up		9,824	3,438
Short term running finance, secured	19	4,216,984	95,339
Trade and other payables	20	6,871,324	9,095,009
Current income tax liabilities		1,955,589	1,615,308
Current liabilities		13,222,124	10,973,477
Total liabilities		14,515,831	12,420,890
Total equity and liabilities		27,658,508	25,397,520
Contingencies and commitments	21		

The annexed notes 1 to 25 form an integral part of this consolidated condensed interim financial information.

Syed Javed Iqbal
Managing Director & CEO

Wael Sabra
Director Finance & IT

Consolidated Condensed Interim Statement of Changes in Equity (Unaudited)

for the half year ended June 30, 2017

	Share capital Rs '000	Revenue reserves Rs '000	Total Rs '000
Balance at January 1, 2017	2,554,938	10,421,692	12,976,630
Total comprehensive income for the period			
Profit for the period	-	2,976,479	2,976,479
Other comprehensive income	-	-	-
	-	2,976,479	2,976,479
Transactions with owners of the Company			
Final dividend for the year ended December 31, 2016 @ Rs.11 per share	-	(2,810,432)	(2,810,432)
Balance at June 30, 2017	2,554,938	10,587,739	13,142,677
Balance at January 1, 2016	2,554,938	7,811,221	10,366,159
Total comprehensive income for the period			
Profit for the period	-	7,071,300	7,071,300
Other comprehensive income	-	-	-
	-	7,071,300	7,071,300
Transactions with owners of the Company			
Final dividend relating to year ended December 31, 2015 @ Rs. 18 per share	-	(4,598,888)	(4,598,888)
Balance at June 30, 2016	2,554,938	10,283,633	12,838,571

The annexed notes 1 to 25 form an integral part of this consolidated condensed interim financial information.

Syed Javed Iqbal
Managing Director & CEO

Wael Sabra
Director Finance & IT

Consolidated Condensed Interim Cash Flow Statement (Unaudited)

for the half year ended June 30, 2017

	Note	June 30, 2017 Rs '000	June 30, 2016 Rs '000
Cash flows from operating activities			
Cash receipts from customers		50,473,377	82,208,257
Cash paid to Government for federal excise duty, Sales tax and other levies		(40,736,784)	(58,690,270)
Cash paid to suppliers		(10,178,054)	(11,980,086)
Finance cost paid		(20,508)	(33,931)
Cash paid as royalty		(129,937)	(143,440)
Income tax paid		(1,613,368)	(2,565,194)
Finance income received		62,011	286,080
		(2,143,263)	9,081,416
Cash flows from investing activities			
Purchases of property, plant and equipment		(249,013)	(221,022)
Proceeds from disposal of property, plant and equipment		195,248	174,922
		(53,765)	(46,100)
Cash flows from financing activities			
Dividends paid		(2,808,353)	(4,584,933)
Finance lease payments		(100,811)	(107,975)
		(2,909,164)	(4,692,908)
Net increase in cash and cash equivalents		(5,106,192)	4,342,408
Cash and cash equivalents at January 1		1,031,888	(1,166,412)
Cash and cash equivalents at June 30		(4,074,304)	3,175,996
Cash and cash equivalents comprise:			
Short term investments		-	2,988,322
Cash and bank balances	16	142,680	189,018
Short term running finance	19	(4,216,984)	(1,344)
		(4,074,304)	3,175,996

The annexed notes 1 to 25 form an integral part of this consolidated condensed interim financial information.

Syed Javed Iqbal
Managing Director & CEO

Wael Sabra
Director Finance & IT

Notes to the Consolidated Condensed Interim Financial Information (Unaudited)
for the half year ended June 30, 2017

1. Legal status and operations

Pakistan Tobacco Company Limited (the Company) is a public listed company incorporated in Pakistan on 18 November 1947 under the Companies Act, 1913 (now the Companies Act, 2017) and its shares are quoted on the Pakistan Stock Exchange. The Company is a subsidiary of the British American Tobacco (Investments) Limited, United Kingdom, whereas its ultimate parent company is British American Tobacco p.l.c, United Kingdom. The Company is engaged in the manufacture and sale of cigarettes.

The registered office of the Company is situated at Serena Business Complex, Khayaban-e-Suharwardy, Islamabad.

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

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

2. Statement of compliance

This consolidated condensed interim financial information of the Group for the half year ended 30 June 2017 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.

This interim financial information should be read in conjunction with the Group's latest annual financial statements as at and for the year ended December 31, 2016 ('last annual financial statements'). This interim financial information does not include all of the information required for a complete set of financial statements prepared in accordance with the approved accounting standards as applicable in Pakistan. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

Comparative condensed interim balance sheet is extracted from annual financial statements as of December 31, 2016 whereas comparative condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim cash flow statement are extracted from unaudited condensed interim financial information of the Group for the half year ended June 30, 2016.

3. Basis of preparation

This consolidated condensed interim financial information is unaudited and is being submitted to the members of the Group as required under Section 245 of the Companies Ordinance 1984, and the listing regulations of the Pakistan Stock Exchange. This condensed interim financial information have been reviewed, not audited and also include the profit and loss account for the quarter ended June 30, 2017 which was not subject to review.

The Companies Act, 2017 was enacted on 30 May 2017 and SECP vide its circular 17 of 2017 has clarified that the companies whose financial year, including interim period, closes on or before 30 June 2017 shall prepare their financial statements, including interim financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

4. Use of judgements and estimates

In preparing this condensed interim financial information, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty including measurement of fair values were the same as those that applied to the separate financial statements as at and for the year ended December 31, 2016.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

5. Significant 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, 2016.

6. Standards issued but not effective

A number of new standards and amendments to standards are effective for annual periods beginning after January 01, 2017 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing this condensed interim financial information. Amendments and interpretations to published accounting standards effective for the financial year ending December 31, 2017 are not expected to have material impact on the Company's condensed interim financial information.

The Companies Act, 2017 applicable for financial year closing after June 30, 2017 requires certain additional disclosures in the financial statements. These requirements are applicable to the Group's complete set of financial statements for the year ending December 31, 2017.

		Quarter ended		Half year ended	
	Note	June 30, 2017 Rs '000	June 30, 2016 Rs '000	June 30, 2017 Rs '000	June 30, 2016 Rs '000
7. Cost of sales					
Raw material consumed:					
Opening stock of raw materials and work in process		11,076,691	8,902,720	12,449,905	11,233,495
Raw material purchases and expenses		2,550,381	2,182,985	3,785,676	5,503,500
Excise duty, customs duty and tobacco development cess		91,815	100,249	193,628	290,820
Closing stock of raw materials and work in process		(9,887,005)	(7,303,246)	(9,887,005)	(7,303,246)
		3,831,882	3,882,708	6,542,204	9,724,569
Royalty		132,384	180,857	266,979	323,838
Production overheads	7.1	815,266	1,128,904	2,735,378	1,980,373
Cost of goods manufactured		4,779,532	5,192,469	9,544,561	12,028,780
Cost of finished goods					
Opening stock		1,794,021	3,963,614	1,189,201	2,774,042
Closing stock		(852,128)	(652,704)	(852,128)	(652,704)
		941,893	3,310,910	337,073	2,121,338
		5,721,425	8,503,379	9,881,634	14,150,118

7.1 These include Rs. 619 million on account of employees separation scheme (half year ended June 30, 2016: Nil).

Notes to the Consolidated Condensed Interim Financial Information (Unaudited)
for the half year ended June 30, 2017

	Quarter ended		Half year ended	
	June 30, 2017 Rs '000	June 30, 2016 Rs '000	June 30, 2017 Rs '000	June 30, 2016 Rs '000
8. Other expenses				
Workers' Profit Participation Fund (WPPF)	158,145	351,716	258,416	572,367
Workers' Welfare Fund (WWF)	61,126	136,116	101,234	221,983
Bank charges and fees	8,930	15,939	16,507	28,840
Interest paid to WPPF	-	-	11,732	4,520
Loss on disposal of operating assets	6,258	-	3,947	-
Foreign exchange loss	15,553	2,852	52,272	2,852
	250,012	506,623	444,108	830,562
9. Other income				
Income from services to associated companies:				
- BAT SAA (Private) Limited	13,169	18,198	13,169	18,198
- BAT Myanmar/BAT Bangladesh	4,410	1,746	4,410	1,746
- BAT Singapore	5,477	-	5,477	-
	23,056	19,944	23,056	19,944
Gain on disposal of property, plant and equipment	-	10,877	-	11,383
Liabilities written back	442	-	442	-
Others	387	444	765	6,806
	23,885	31,265	24,263	38,133

10. Finance income

This includes profit from placement with banks in saving accounts, term deposit and treasury bills earned under interest arrangement. The interest rates range between 3.75% and 5.90% (half year ended June 30, 2016 : 4.0% and 7.10%) per annum and is received on maturity.

11. Income tax expense

The applicable income tax rate was reduced from 31% to 30% during the period on account of the changes made to the Income Tax Ordinance, 2001. Further, tax charge also included prior year charge of Rs 461,464 thousand in respect of super tax levied for the tax year 2016 (2016 : Rs 317,372 thousand for tax year 2015) in accordance with the Finance Act, 2017.

	Note	June 30, 2017 (Unaudited) Rs '000	December 31, 2016 (Audited) Rs '000
12. Property, plant and equipment			
Operating fixed assets	12.1	7,915,755	8,286,265
Capital work in progress	12.2	145,070	368,218
		8,060,825	8,654,483

Notes to the Consolidated Condensed Interim Financial Information (Unaudited)

for the half year ended June 30, 2017

	June 30, 2017 (Unaudited) Rs '000	December 31, 2016 (Audited) Rs '000
12.1 Operating fixed assets		
Carrying amount at January 01	8,286,265	8,069,387
Additions during the half year/year:		
- Owned assets		
Building	19,101	10,593
Plant and machinery	143,484	1,157,844
Office and household equipment	54,779	267,380
Vehicles	-	60
Furniture and fittings	3,285	12,385
	220,649	1,448,262
- Leased assets		
Vehicles	164,395	129,704
	385,044	1,577,966
Disposals during the half year/year (net book value):		
- Owned assets		
Building	(1,100)	-
Plant and machinery	(157,683)	(175,681)
Office and household equipment	(1,586)	(107)
Vehicles	(15,026)	(6,026)
Furniture and fittings	(180)	(253)
	(175,575)	(182,067)
- Leased assets		
Vehicles	(23,714)	(91,787)
	(199,289)	(273,854)
Depreciation charge for the half year/year:	(556,265)	(1,087,234)
Carrying amount at June 30/ December 31	7,915,755	8,286,265

12.1.1 During the half year ended 30 June 2017, the Group acquired assets, including transfers from capital work in progress, with a cost of Rs 385,044 thousand (half year ended 30 June 2016: Rs. 254,281 thousand). Operating fixed assets having net book value of Rs. 199,289 thousand were disposed off during half year ended 30 June 2017 (half year ended 30 June 2016: Rs. 163,538 thousand). Depreciation charge for half year ended 30 June 2017 was Rs. 556,265 thousand (half year ended 30 June 2016: Rs. 531,311 thousand).

	June 30, 2017 (Unaudited) Rs '000	December 31, 2016 (Audited) Rs '000
12.2 Capital work in progress		
Carrying amount as at the beginning of the period	368,218	1,140,632
Additions during the half year/year	16,079	334,295
	384,297	1,474,927
Transferred to operating fixed assets	(239,227)	(1,106,709)
Carrying amount as at end of the period	145,070	368,218

Notes to the Consolidated Condensed Interim Financial Information (Unaudited)

for the half year ended June 30, 2017

13. Loans and advances

These include non interest bearing advances to employees of Rs. 46,145 thousand (December 31, 2016: Rs. 45,572 thousand).

14. Due from government agencies

This represents advance payments in June 2017 against excise duties and sales tax. The advances will be adjusted against excise duty payable for the months of July 2017 and August 2017.

15. Other receivables

These include following balances due from related parties:

	Note	June 30, 2017 (Unaudited) Rs '000	December 31,2016 (Audited) Rs '000
Associated companies		55,660	111,944
Employees retirement benefit plans		902,178	908,280
16. Cash and bank balances			
Cash at banks			
- deposit accounts		17,751	27,314
- current accounts	16.1	123,757	117,886
	16.2	141,508	145,200
Cash in hand		1,172	2,124
		142,680	147,324

16.1 These include balances of Rs.99,918 thousand (December 31, 2016: Rs. 55,399 thousand) held in foreign currency accounts.

16.2 These include balances of Rs. 21,936 thousand (December 31, 2016: Rs. 28,882 thousand) held with MCB Bank Limited, a related party.

17. Share capital

Authorised share capital of the Company is Rs. 3,000,000 thousand (December 31, 2016: Rs. 3,000,000 thousand) divided into 300,000,000 ordinary shares of Rs. 10 each. Issued, subscribed and paid up capital of the Company is Rs. 2,554,938 thousand (December 31, 2016: Rs. 2,554,938 thousand) divided into 255,493,792 ordinary shares of Rs. 10 each.

18. Finance lease obligation

This represents finance lease agreements entered into with a leasing company (a related party) for vehicles. Total lease rentals due under various lease agreements aggregate to Rs 451,100 thousand (December 31, 2016: Rs 479,333 thousand) and are payable in equal monthly instalments latest by December 2021. Taxes, repairs, replacement and insurance costs are to be borne by the Company. Financing rates of 7.30% to 7.38% (December 31, 2016: 7.19% to 7.58%) per annum have been used as discounting factor.

	Note	June 30, 30, 2017 (Unaudited) Rs '000	December 31, 2016 (Audited) Rs '000
19. Short term running finance, secured			
Short term running finance from related party	19.1	523,721	14,682
Short term running finance - others	19.2	3,693,263	80,657
		4,216,984	95,339

19.1 This represents running finance facility available under mark-up arrangements from MCB Bank Limited, a related party, on account of common directorship, amounting to Rs.1,300 million (December 31, 2016: Rs.1,300 million), out of which un-availed at the reporting date was Rs.776 million (December 31, 2016: Rs.1,285 million). This facility is secured by hypothecation of stock in trade and plant & machinery amounting to Rs.1,444 million (December 31, 2016: Rs.1,444 million). The mark-up ranges between 6.50% and 6.53% (2016: 6.44% and 6.76%) per annum and is payable quarterly. The facility is renewable on annual basis.

19.2 Short term running finance facilities available under mark-up arrangements with banks amount to Rs.5,200 million (December 31, 2016: Rs.5,200 million), out of which the amount un-availed at the reporting date was Rs. 1,507 million (December 31, 2016: Rs.5,120 million). These facilities are secured by hypothecation of stock in trade and plant & machinery amounting to Rs.5,778 million (December 31, 2016: Rs.5,778 million). The mark-up ranges between 6.37% and 6.54% (2016: 6.39% and 6.77%) per annum and is payable quarterly. The facilities are renewable on annual basis.

20. Trade and other payables

These include following balances due to related parties:

	June 30, 2017 (Unaudited) Rs '000	December 31, 2016 (Audited) Rs '000
Holding company	376,263	228,410
Associated companies	1,231,097	1,515,660

21. Contingencies and commitments

21.1 Contingencies

Claims and guarantees

	June 30, 2017 (Unaudited) Rs '000	December 31, 2016 (Audited) Rs '000
Claims against the Company not acknowledged as debt	72,474	69,450
Guarantees issued by banks on behalf of the Company	256,051	241,451

Litigation

There is no significant change to status of litigations disclosed in annual financial statements for the year ended 31 December 2016.

	June 30, 2017 (Unaudited) Rs '000	December 31, 2016 (Audited) Rs '000
21.2 Commitments		
Capital expenditure	230,954	-
Letters of credit outstanding	223,764	151,299
Lease rental	429,529	443,311

22. Financial instruments

22.1 Carrying amounts and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	June 30, 2017 (Unaudited)			December 31, 2016 (Audited)		
	Loans and receivables	Other financial liabilities	Total	Loans and receivables	Other financial liabilities	Total
		Rs '000			Rs '000	
Financial assets measured at fair value	-	-	-	-	-	-
Financial assets not measured at fair value						
Deposits	25,605	-	25,605	25,053	-	25,053
Trade debts	3,021	-	3,021	1,839	-	1,839
Loans and advances	192,081	-	192,081	178,561	-	178,561
Other recievables	1,158,751	-	1,158,751	1,029,227	-	1,029,227
Short-term investment	-	-	-	979,903	-	979,903
Cash and bank balances	142,680	-	142,680	147,324	-	147,324
	1,522,138	-	1,522,138	2,361,907	-	2,361,907
Financial liabilities measured at fair value	-	-	-	-	-	-
Financial liabilities not measured at fair value						
Finance lease obligation	-	(451,100)	(451,100)	-	(479,333)	(479,333)
Accrued interest / mark-up	-	(9,824)	(9,824)	-	(3,438)	(3,438)
Short term running finance	-	(4,216,984)	(4,216,984)	-	(95,339)	(95,339)
Trade and other payables	-	(6,607,054)	(6,607,054)	-	(9,074,634)	(9,074,634)
	-	(11,284,962)	(11,284,962)	-	(9,652,744)	(9,652,744)

The Group has not disclosed the fair values of financial assets and financial liabilities as these are for short-term or reprice over short-term. Therefore, the carrying amounts are reasonable approximation of their values.

22.2 Financial risk management

The Group's financial risk management objective and policies are consistent with that disclosed in the financial statements for the year ended December 31, 2016.

23. Related parties

British American Tobacco (Investments) Limited (BAT-IL) holds 94.34% (December 31, 2016: 94.34%) shares of the Company at the period end. Therefore, all the subsidiaries and associated undertakings of BAT-IL and the ultimate parent company British American Tobacco, p.l.c (BAT) are related parties of the Company. The related parties also include directors and their relatives, key management personnel and their relatives, entities in which directors have interest or common directorship, subsidiary and associated companies and subsidiaries of holding company, post-employment benefit plans and persons or entities having control or joint control or having significant influence over the Company.

The amounts due from and due to these parties are disclosed in the respective notes. All outstanding balances with related parties are to be settled in the normal course of business. None of the balances are secured.Transactions with related paties were as follows:

	Quarter ended		Half year ended	
	June 30, 2017 Rs '000	June 30, 2016 Rs '000	June 30, 2017 Rs '000	June 30, 2016 Rs '000
Purchase of goods and services				
from Holding company	155,207	156,102	304,393	321,471
Associated companies	325,716	213,604	632,226	697,913
Sale of goods and services to				
Holding company	-	28,082	-	28,082
Associated companies	67,762	206,799	583,683	242,291
Dividend paid to				
Holding company	2,660,388	4,353,362	2,660,388	4,353,362
Royalty charged by				
Holding company	132,384	180,857	266,979	323,838
Expenses reimbursed to				
Holding company	1,885	-	2,803	-
Associated companies	-	191	-	191
Expenses reimbursed by				
Holding company	1,549	4,249	1,549	4,249
Associated companies	59,119	10,275	99,284	10,275
Employees retirement benefit plans - Expense				
Staff pension fund	-	12,087	-	20,954
Staff defined contribution pension fund	19,388	17,626	36,612	33,582
Employees' gratuity fund	15,100	24,305	35,135	58,402
Management provident fund	17,207	17,876	32,562	34,008
Employees' provident fund	7,417	4,737	10,551	9,518
Finance cost paid to related party	9,520	9,878	18,949	21,579
Profit received on bank deposits held with related party	-	-	375	410
Lease rentals paid to related party	43,850	40,800	86,137	80,850
Remuneration of key management personnel	134,789	283,433	275,480	444,634

Notes to the Consolidated Condensed Interim Financial Information (Unaudited)
for the half year ended June 30, 2017

24. Post balance sheet events

The Board of Directors in their meeting held on July 27, 2017 has declared the first interim dividend of Rs Nil (2016: Rs 6) per share. This interim dividend of Rs Nil thousand(2016: Rs 1,532,963) will be recorded as liability in the financial statements for the next quarter as required by the IAS 10 Events after the Balance Sheet Date. This condensed interim financial information does not reflect this dividend.

25. Date of authorization for issue

This consolidated condensed interim financial information has been authorised for issue by the Board of Directors of the Group on July 27, 2017.

Syed Javed Iqbal
Managing Director & CEO

Wael Sabra
Director Finance & IT

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