

# 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-  
Suhrawardy. P.O. Box 2549, Islamabad-44000  
Telephone: +92 (051) 2083200, 2083201  
Fax: +92 (051) 2604516  
Web: [www.ptc.com.pk](http://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.

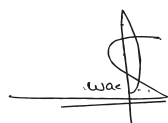
PTC contributed PKR 34.3 Bn in H1'17 (down by PKR 23 Bn vs. SPLY) to the National Exchequer in the form of excise duty, sales tax, customs duties and income tax. The Company continues to stress the detrimental impact of growing sales of duty-evaded cigarettes on the sustainability of government revenues. 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 منطقی 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، لاگوں 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، 2016 | جنوری سے جون، 2017 |                                                   |
| 82,209             | 50,475             | کل وصولیات (Gross Turnover)                       |
| 28,848             | 18,214             | خالص وصولیات (Net Turnover)                       |
| 14,150             | 9,882              | لاگت برائے فروخت (Cost of Sales)                  |
| 14,698             | 8,333              | مجموعی منافع (Gross Profit)                       |
| 10,403             | 4,774              | کاروباری منافع (Operating Profit)                 |
| 10,653             | 4,809              | قبل از ٹیکس منافع (Profit Before Tax – PBT)       |
| 7,071              | 2,976              | بعد از ٹیکس منافع (Profit After Tax – PAT)        |
| 27.68              | 11.65              | آمدنی فی حصص (روپے) Earnings Per Share – EPS (Rs) |

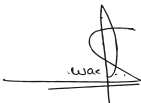
گزشتہ برس اسی مدت کے مقابلے میں رواں برس کمپنی کی کل وصولیات میں کمی واقع ہوئی ہے جس کی بڑی وجہ غیر قانونی کاروبار کے VFM حصے میں مارکیٹ شیئر میں اضافہ ہے۔ اس کمی میں جزوی ازالہ گزشتہ برس ایکسائز کی مدد میں وصولیات میں اضافے کے اثرات کی صورت میں ہوا۔

گزشتہ برس اسی مدت کے مقابلے میں فروخت پر لاگتیں 30% سے کم ہوئی ہیں۔ کمپنی کی توجہ مرکوز ہے بہترین پیداواری صلاحیت اور لاگوں 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 ڈیوٹی، 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 ٹیکس 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 گی اور قانونی ٹوبیکو انڈسٹری کو مستحکم 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۔

  
واکھل صابرا

ڈائریکٹر فنانس و آئی ٹی

  
سید جاوید اقبال

مینیجنگ ڈائریکٹر چیف ایگزیکٹو

# 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.

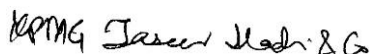
### Conclusion

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.

Date: July 27, 2017  
Islamabad



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**KPMG Taseer Hadi & Co**

Chartered Accountants

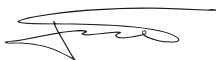
Engagement Partner: Atif Zamurrad Malik

# Condensed Interim Profit and Loss Account (Unaudited)

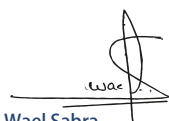
for the half year ended June 30, 2017

|                                                 | Note | Quarter ended               |                             | Half year ended             |                             |
|-------------------------------------------------|------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                                                 |      | June 30,<br>2017<br>Rs '000 | June 30,<br>2016<br>Rs '000 | June 30,<br>2017<br>Rs '000 | June 30,<br>2016<br>Rs '000 |
| <b>Gross turnover</b>                           |      | 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)                |
| <b>Net turnover</b>                             |      | 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)                |
| <b>Gross profit</b>                             |      | 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)                 |
| <b>Operating profit</b>                         |      | 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                     |
| <b>Profit before income tax</b>                 |      | 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)                 |
| <b>Profit for the period</b>                    |      | 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



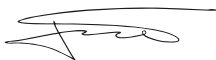
**Wael Sabra**  
Director Finance & IT

# Condensed Interim Statement of Comprehensive Income (Unaudited)

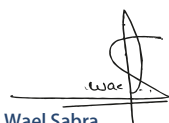
for the half year ended June 30, 2017

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

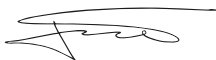


# Condensed Interim Balance Sheet (Unaudited)

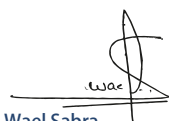
as at June 30, 2017

|                                            | Note | June<br>30, 2017<br>(Unaudited)<br>Rs '000 | December<br>31, 2016<br>(Audited)<br>Rs '000 |
|--------------------------------------------|------|--------------------------------------------|----------------------------------------------|
| <b>Assets</b>                              |      |                                            |                                              |
| 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                                       |
| <b>Non-current assets</b>                  |      | <b>8,071,289</b>                           | <b>8,668,006</b>                             |
| 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                                      |
| <b>Current assets</b>                      |      | <b>19,587,192</b>                          | <b>16,729,487</b>                            |
| <b>Total assets</b>                        |      | <b>27,658,481</b>                          | <b>25,397,493</b>                            |
| <b>Equity</b>                              |      |                                            |                                              |
| Share capital                              | 18   | 2,554,938                                  | 2,554,938                                    |
| Revenue reserves                           |      | 10,587,739                                 | 10,421,692                                   |
| <b>Total equity</b>                        |      | <b>13,142,677</b>                          | <b>12,976,630</b>                            |
| <b>Liabilities</b>                         |      |                                            |                                              |
| Finance lease obligation                   | 19   | 282,697                                    | 314,950                                      |
| Deferred tax liabilities                   |      | 1,011,010                                  | 1,132,463                                    |
| <b>Non current liabilities</b>             |      | <b>1,293,707</b>                           | <b>1,447,413</b>                             |
| 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                                    |
| <b>Current liabilities</b>                 |      | <b>13,222,097</b>                          | <b>10,973,450</b>                            |
| <b>Total liabilities</b>                   |      | <b>14,515,804</b>                          | <b>12,420,863</b>                            |
| <b>Total equity and liabilities</b>        |      | <b>27,658,481</b>                          | <b>25,397,493</b>                            |
| <b>Contingencies and commitments</b>       | 22   |                                            |                                              |

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



**Syed Javed Iqbal**  
Managing Director & CEO



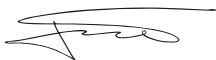
**Wael Sabra**  
Director Finance & IT

# Condensed Interim Statement of Changes in Equity (Unaudited)

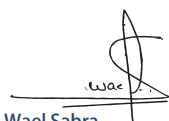
for the half year ended June 30, 2017

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



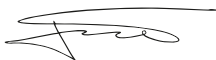
**Wael Sabra**  
Director Finance & IT

# Condensed Interim Cash Flow Statement (Unaudited)

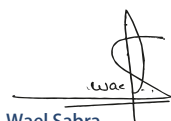
for the half year ended June 30, 2017

|                                                         | Note | June<br>30, 2017<br>Rs '000 | June<br>30, 2016<br>Rs '000 |
|---------------------------------------------------------|------|-----------------------------|-----------------------------|
| <b>Cash flows from operating activities</b>             |      |                             |                             |
| 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                   |
| <b>Cash flows from investing activities</b>             |      |                             |                             |
| 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)                    |
| <b>Cash flows from financing activities</b>             |      |                             |                             |
| Dividends paid                                          |      | (2,808,353)                 | (4,584,933)                 |
| Finance lease payments                                  |      | (100,811)                   | (107,975)                   |
|                                                         |      | (2,909,164)                 | (4,692,908)                 |
| <b>Net increase in cash and cash equivalents</b>        |      | (5,106,192)                 | 4,342,408                   |
| Cash and cash equivalents at January 1                  |      | 1,031,888                   | (1,166,412)                 |
| <b>Cash and cash equivalents at June 30</b>             |      | (4,074,304)                 | 3,175,996                   |
| <b>Cash and cash equivalents comprise:</b>              |      |                             |                             |
| 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.

# Notes to the Condensed Interim Financial Information (Unaudited)

for the half year ended June 30, 2017

- 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    |                  | Half year ended  |                  |
|--------------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                        | June 30,<br>2017 | June 30,<br>2016 | June 30,<br>2017 | June 30,<br>2016 |
|                                                        | Rs '000          | Rs '000          | Rs '000          | Rs '000          |
| <b>7. Cost of sales</b>                                |                  |                  |                  |                  |
| 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,<br>2017<br>Rs '000 | June 30,<br>2016<br>Rs '000 | June 30,<br>2017<br>Rs '000 | June 30,<br>2016<br>Rs '000 |
| <b>8. Other expenses</b>                          |                             |                             |                             |                             |
| 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                     |
| <b>9. Other income</b>                            |                             |                             |                             |                             |
| 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,<br>2017<br>(Unaudited)<br>Rs '000 | December<br>31, 2016<br>(Audited)<br>Rs '000 |
|------------------------------------------|------|--------------------------------------------|----------------------------------------------|
| <b>12. Property, plant and equipment</b> |      |                                            |                                              |
| 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,<br>2017<br>(Unaudited)<br>Rs '000 | December<br>31, 2016<br>(Audited)<br>Rs '000 |
|-------------------------------------------------------|--------------------------------------------|----------------------------------------------|
| <b>12.1 Operating fixed assets</b>                    |                                            |                                              |
| Carrying amount at January 01                         | 8,282,901                                  | 8,066,023                                    |
| Additions during the half year/year:                  |                                            |                                              |
| <b>- Owned assets</b>                                 |                                            |                                              |
| 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                                    |
| <b>- Leased assets</b>                                |                                            |                                              |
| Vehicles                                              | 164,395                                    | 129,704                                      |
|                                                       | 385,044                                    | 1,577,966                                    |
| Disposals during the half year/year (net book value): |                                            |                                              |
| <b>- Owned assets</b>                                 |                                            |                                              |
| 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)                                    |
| <b>- Leased assets</b>                                |                                            |                                              |
| 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,<br>2017<br>(Unaudited)<br>Rs '000 | December<br>31, 2016<br>(Audited)<br>Rs '000 |
|---------------------------------------------------|--------------------------------------------|----------------------------------------------|
| <b>12.2 Capital work in progress</b>              |                                            |                                              |
| 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,<br>2017<br>(Unaudited)<br>Rs '000 | December<br>31, 2016<br>(Audited)<br>Rs '000 |
|------------------------------------|------|--------------------------------------------|----------------------------------------------|
| Associated companies               |      | 55,660                                     | 111,944                                      |
| Subsidiary company                 |      | 20,021                                     | 20,021                                       |
| Employees retirement benefit plans |      | 902,178                                    | 908,280                                      |
| <b>17. Cash and bank balances</b>  |      |                                            |                                              |
| 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                                        |
|                                    |      | <b>142,680</b>                             | <b>147,324</b>                               |

**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,<br>30, 2017<br>(Unaudited)<br>Rs '000 | December<br>31, 2016<br>(Audited)<br>Rs '000 |
|------------------------------------------------|------|------------------------------------------------|----------------------------------------------|
| <b>20. Short term running finance, secured</b> |      |                                                |                                              |
| 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                                       |
|                                                |      | <b>4,216,984</b>                               | <b>95,339</b>                                |



# Notes to the Condensed Interim Financial Information (Unaudited)

for the half year ended June 30, 2017

**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<br>30, 2017<br>(Unaudited)<br>Rs '000 | December<br>31, 2016<br>(Audited)<br>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

|                                                     |         |         |
|-----------------------------------------------------|---------|---------|
| 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<br>30, 2017<br>(Unaudited)<br>Rs '000 | December<br>31, 2016<br>(Audited)<br>Rs '000 |
|-------------------------------|--------------------------------------------|----------------------------------------------|
| <b>22.2 Commitments</b>       |                                            |                                              |
| Capital expenditure           | 230,954                                    | -                                            |
| Letters of credit outstanding | 223,764                                    | 151,299                                      |
| Lease rental                  | 429,529                                    | 443,311                                      |

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

## 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<br>receivables  | Other<br>financial<br>liabilities | Total        | Loans and<br>receivables    | Other<br>financial<br>liabilities | Total       |
|                                                         |                           | Rs '000                           |              |                             | Rs '000                           |             |
| <b>Financial assets measured at fair value</b>          |                           |                                   |              |                             |                                   |             |
| <b>Financial assets not measured at fair value</b>      |                           |                                   |              |                             |                                   |             |
| Deposits                                                | -                         | -                                 | -            | -                           | -                                 | -           |
| Trade debts                                             | 25,605                    | -                                 | 25,605       | 25,053                      | -                                 | 25,053      |
| Loans and advances                                      | 3,021                     | -                                 | 3,021        | 1,839                       | -                                 | 1,839       |
| Other receivables                                       | 192,081                   | -                                 | 192,081      | 178,561                     | -                                 | 178,561     |
| Short-term investment                                   | 1,178,772                 | -                                 | 1,178,772    | 1,049,248                   | -                                 | 1,049,248   |
| Cash and bank balances                                  | 142,680                   | -                                 | 142,680      | 979,903                     | -                                 | 979,903     |
|                                                         | 1,542,159                 | -                                 | 1,542,159    | 2,381,928                   | -                                 | 2,381,928   |
| <b>Financial liabilities measured at fair value</b>     |                           |                                   |              |                             |                                   |             |
| <b>Financial liabilities not measured at fair value</b> |                           |                                   |              |                             |                                   |             |
| Finance lease obligation                                | -                         | -                                 | -            | -                           | -                                 | -           |
| Accrued interest / mark-up                              | -                         | (451,100)                         | (451,100)    | -                           | (479,333)                         | (479,333)   |
| Short term running finance                              | -                         | (9,824)                           | (9,824)      | -                           | (3,438)                           | (3,438)     |
| Trade and other payables                                | -                         | (4,216,984)                       | (4,216,984)  | -                           | (95,339)                          | (95,339)    |
|                                                         | -                         | (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.

# Notes to the Condensed Interim Financial Information (Unaudited)

for the half year ended June 30, 2017

## 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 parties were as follows:

|                                                                 | Quarter ended               |                             | Half year ended             |                             |
|-----------------------------------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                                                                 | June 30,<br>2017<br>Rs '000 | June 30,<br>2016<br>Rs '000 | June 30,<br>2017<br>Rs '000 | June 30,<br>2016<br>Rs '000 |
| <b>Purchase of goods and services</b>                           |                             |                             |                             |                             |
| from Holding company                                            | 155,207                     | 156,102                     | 304,393                     | 321,471                     |
| Associated companies                                            | 325,716                     | 213,604                     | 632,226                     | 697,913                     |
| <b>Sale of goods and services to</b>                            |                             |                             |                             |                             |
| Holding company                                                 | -                           | 28,082                      | -                           | 28,082                      |
| Associated companies                                            | 67,762                      | 206,799                     | 583,683                     | 242,291                     |
| <b>Dividend paid to</b>                                         |                             |                             |                             |                             |
| Holding company                                                 | 2,660,388                   | 4,353,362                   | 2,660,388                   | 4,353,362                   |
| <b>Royalty charged by</b>                                       |                             |                             |                             |                             |
| Holding company                                                 | 132,384                     | 180,857                     | 266,979                     | 323,838                     |
| <b>Expenses reimbursed to</b>                                   |                             |                             |                             |                             |
| Holding company                                                 | 1,885                       | -                           | 2,803                       | -                           |
| Associated companies                                            | -                           | 191                         | -                           | 191                         |
| <b>Expenses reimbursed by</b>                                   |                             |                             |                             |                             |
| Holding company                                                 | 1,549                       | 4,249                       | 1,549                       | 4,249                       |
| Associated companies                                            | 59,119                      | 10,275                      | 99,284                      | 10,275                      |
| <b>Employees retirement benefit plans - Expense</b>             |                             |                             |                             |                             |
| 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                       |
| <b>Finance cost paid to related party</b>                       | 9,520                       | 9,878                       | 18,949                      | 21,579                      |
| <b>Profit received on bank deposits held with related party</b> | -                           | -                           | 375                         | 410                         |
| <b>Lease rentals paid to related party</b>                      | 43,850                      | 40,800                      | 86,137                      | 80,850                      |
| <b>Remuneration of key management personnel</b>                 | 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

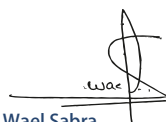
The Board of Directors in their meeting held on July 27, 2017 has declared the first interim dividend of Rs Nil (2016: Rs 6) per share. This interim dividend of Rs Nil thousand (2016: Rs 1,532,963) will be recorded as liability in the financial statements for the next quarter as required by the IAS 10 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



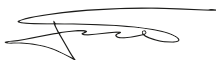
**Wael Sabra**  
Director Finance & IT

# Consolidated Condensed Interim Profit and Loss Account (Unaudited)

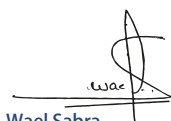
for the half year ended June 30, 2017

|                                                 | Note | Quarter ended               |                             | Half year ended             |                             |
|-------------------------------------------------|------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                                                 |      | June 30,<br>2017<br>Rs '000 | June 30,<br>2016<br>Rs '000 | June 30,<br>2017<br>Rs '000 | June 30,<br>2016<br>Rs '000 |
| <b>Gross turnover</b>                           |      | 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)                |
| <b>Net turnover</b>                             |      | 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)                |
| <b>Gross profit</b>                             |      | 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)                 |
| <b>Operating profit</b>                         |      | 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                     |
| <b>Profit before income tax</b>                 |      | 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)                 |
| <b>Profit for the period</b>                    |      | 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)

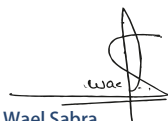
for the half year ended June 30, 2017

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



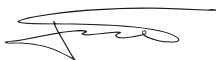
**Wael Sabra**  
Director Finance & IT

# Consolidated Condensed Interim Balance Sheet (Unaudited)

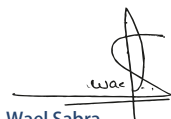
as at June 30, 2017

|                                      | Note | June<br>30, 2017<br>(Unaudited)<br>Rs '000 | December<br>31, 2016<br>(Audited)<br>Rs '000 |
|--------------------------------------|------|--------------------------------------------|----------------------------------------------|
| <b>Assets</b>                        |      |                                            |                                              |
| Property, plant and equipment        | 12   | 8,060,825                                  | 8,654,483                                    |
| Long term deposits and prepayments   |      | 30,512                                     | 33,571                                       |
| <b>Non-current assets</b>            |      | <b>8,091,337</b>                           | <b>8,688,054</b>                             |
| 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                                      |
| <b>Current assets</b>                |      | <b>19,567,171</b>                          | <b>16,709,466</b>                            |
| <b>Total assets</b>                  |      | <b>27,658,508</b>                          | <b>25,397,520</b>                            |
| <b>Equity</b>                        |      |                                            |                                              |
| Share capital                        | 17   | 2,554,938                                  | 2,554,938                                    |
| Revenue reserves                     |      | 10,587,739                                 | 10,421,692                                   |
| <b>Total equity</b>                  |      | <b>13,142,677</b>                          | <b>12,976,630</b>                            |
| <b>Liabilities</b>                   |      |                                            |                                              |
| Finance lease obligation             | 18   | 282,697                                    | 314,950                                      |
| Deferred tax liabilities             |      | 1,011,010                                  | 1,132,463                                    |
| <b>Non current liabilities</b>       |      | <b>1,293,707</b>                           | <b>1,447,413</b>                             |
| 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                                    |
| <b>Current liabilities</b>           |      | <b>13,222,124</b>                          | <b>10,973,477</b>                            |
| <b>Total liabilities</b>             |      | <b>14,515,831</b>                          | <b>12,420,890</b>                            |
| <b>Total equity and liabilities</b>  |      | <b>27,658,508</b>                          | <b>25,397,520</b>                            |
| <b>Contingencies and commitments</b> | 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)

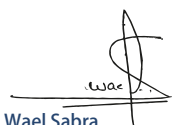
for the half year ended June 30, 2017

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

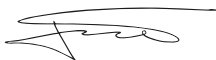


# Consolidated Condensed Interim Cash Flow Statement (Unaudited)

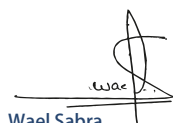
for the half year ended June 30, 2017

|                                                         | Note | June<br>30, 2017<br>Rs '000 | June<br>30, 2016<br>Rs '000 |
|---------------------------------------------------------|------|-----------------------------|-----------------------------|
| <b>Cash flows from operating activities</b>             |      |                             |                             |
| 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                   |
| <b>Cash flows from investing activities</b>             |      |                             |                             |
| 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)                    |
| <b>Cash flows from financing activities</b>             |      |                             |                             |
| Dividends paid                                          |      | (2,808,353)                 | (4,584,933)                 |
| Finance lease payments                                  |      | (100,811)                   | (107,975)                   |
|                                                         |      | (2,909,164)                 | (4,692,908)                 |
| <b>Net increase in cash and cash equivalents</b>        |      | (5,106,192)                 | 4,342,408                   |
| Cash and cash equivalents at January 1                  |      | 1,031,888                   | (1,166,412)                 |
| <b>Cash and cash equivalents at June 30</b>             |      | (4,074,304)                 | 3,175,996                   |
| <b>Cash and cash equivalents comprise:</b>              |      |                             |                             |
| 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.

# Notes to the Consolidated Condensed Interim Financial Information (Unaudited)

for the half year ended June 30, 2017

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.

| Note                                                   | Quarter ended               |                             | Half year ended             |                             |
|--------------------------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                                                        | June 30,<br>2017<br>Rs '000 | June 30,<br>2016<br>Rs '000 | June 30,<br>2017<br>Rs '000 | June 30,<br>2016<br>Rs '000 |
| <b>7. Cost of sales</b>                                |                             |                             |                             |                             |
| 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                                   | 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,<br>2017<br>Rs '000 | June 30,<br>2016<br>Rs '000 | June 30,<br>2017<br>Rs '000 | June 30,<br>2016<br>Rs '000 |
| <b>8. Other expenses</b>                          |                             |                             |                             |                             |
| 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                     |
| <b>9. Other income</b>                            |                             |                             |                             |                             |
| 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,<br>2017<br>(Unaudited)<br>Rs '000 | December<br>31, 2016<br>(Audited)<br>Rs '000 |
|------------------------------------------|------|--------------------------------------------|----------------------------------------------|
| <b>12. Property, plant and equipment</b> |      |                                            |                                              |
| 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,<br>2017<br>(Unaudited)<br>Rs '000 | December<br>31, 2016<br>(Audited)<br>Rs '000 |
|-------------------------------------------------------|--------------------------------------------|----------------------------------------------|
| <b>12.1 Operating fixed assets</b>                    |                                            |                                              |
| Carrying amount at January 01                         | 8,286,265                                  | 8,069,387                                    |
| Additions during the half year/year:                  |                                            |                                              |
| <b>- Owned assets</b>                                 |                                            |                                              |
| 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                                    |
| <b>- Leased assets</b>                                |                                            |                                              |
| Vehicles                                              | 164,395                                    | 129,704                                      |
|                                                       | 385,044                                    | 1,577,966                                    |
| Disposals during the half year/year (net book value): |                                            |                                              |
| <b>- Owned assets</b>                                 |                                            |                                              |
| 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)                                    |
| <b>- Leased assets</b>                                |                                            |                                              |
| 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,<br>2017<br>(Unaudited)<br>Rs '000 | December<br>31, 2016<br>(Audited)<br>Rs '000 |
|---------------------------------------------------|--------------------------------------------|----------------------------------------------|
| <b>12.2 Capital work in progress</b>              |                                            |                                              |
| 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,<br>2017<br>(Unaudited)<br>Rs '000 | December<br>31, 2016<br>(Audited)<br>(Rs '000) |
|------------------------------------|------|--------------------------------------------|------------------------------------------------|
| Associated companies               |      | 55,660                                     | 111,944                                        |
| Employees retirement benefit plans |      | 902,178                                    | 908,280                                        |
| <b>16. Cash and bank balances</b>  |      |                                            |                                                |
| 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,<br>30, 2017<br>(Unaudited)<br>Rs '000 | December<br>31, 2016<br>(Audited)<br>(Rs '000) |
|------------------------------------------------|------|------------------------------------------------|------------------------------------------------|
| <b>19. Short term running finance, secured</b> |      |                                                |                                                |
| 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                                         |

# Notes to the Consolidated Condensed Interim Financial Information (Unaudited)

for the half year ended June 30, 2017

**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<br>30, 2017<br>(Unaudited)<br>Rs '000 | December<br>31, 2016<br>(Audited)<br>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

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

# Notes to the Consolidated Condensed Interim Financial Information (Unaudited)

## for the half year ended June 30, 2017

### 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                     |                             |             |
| <b>Financial assets measured at fair value</b>          |                           |                             |              |                             |                             |             |
| <b>Financial assets not measured at fair value</b>      |                           |                             |              |                             |                             |             |
| Deposits                                                | -                         | -                           | -            | -                           | -                           | -           |
| Trade debts                                             | 25,605                    | -                           | 25,605       | 25,053                      | -                           | 25,053      |
| Loans and advances                                      | 3,021                     | -                           | 3,021        | 1,839                       | -                           | 1,839       |
| Other receivables                                       | 192,081                   | -                           | 192,081      | 178,561                     | -                           | 178,561     |
| Short-term investment                                   | 1,158,751                 | -                           | 1,158,751    | 1,029,227                   | -                           | 1,029,227   |
| Cash and bank balances                                  | -                         | -                           | -            | 979,903                     | -                           | 979,903     |
|                                                         | 142,680                   | -                           | 142,680      | 147,324                     | -                           | 147,324     |
|                                                         | 1,522,138                 | -                           | 1,522,138    | 2,361,907                   | -                           | 2,361,907   |
| <b>Financial liabilities measured at fair value</b>     |                           |                             |              |                             |                             |             |
| <b>Financial liabilities not measured at fair value</b> |                           |                             |              |                             |                             |             |
| Finance lease obligation                                | -                         | -                           | -            | -                           | -                           | -           |
| Accrued interest / mark-up                              | -                         | (451,100)                   | (451,100)    | -                           | (479,333)                   | (479,333)   |
| Short term running finance                              | -                         | (9,824)                     | (9,824)      | -                           | (3,438)                     | (3,438)     |
| Trade and other payables                                | -                         | (4,216,984)                 | (4,216,984)  | -                           | (95,339)                    | (95,339)    |
|                                                         | -                         | (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.



# Notes to the Consolidated Condensed Interim Financial Information (Unaudited)

for the half year ended June 30, 2017

## 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 parties were as follows:

|                                                                 | Quarter ended               |                             | Half year ended             |                             |
|-----------------------------------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                                                                 | June 30,<br>2017<br>Rs '000 | June 30,<br>2016<br>Rs '000 | June 30,<br>2017<br>Rs '000 | June 30,<br>2016<br>Rs '000 |
| <b>Purchase of goods and services</b>                           |                             |                             |                             |                             |
| 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                     |
| <b>Dividend paid to</b>                                         |                             |                             |                             |                             |
| Holding company                                                 | 2,660,388                   | 4,353,362                   | 2,660,388                   | 4,353,362                   |
| <b>Royalty charged by</b>                                       |                             |                             |                             |                             |
| Holding company                                                 | 132,384                     | 180,857                     | 266,979                     | 323,838                     |
| <b>Expenses reimbursed to</b>                                   |                             |                             |                             |                             |
| Holding company                                                 | 1,885                       | -                           | 2,803                       | -                           |
| Associated companies                                            | -                           | 191                         | -                           | 191                         |
| <b>Expenses reimbursed by</b>                                   |                             |                             |                             |                             |
| Holding company                                                 | 1,549                       | 4,249                       | 1,549                       | 4,249                       |
| Associated companies                                            | 59,119                      | 10,275                      | 99,284                      | 10,275                      |
| <b>Employees retirement benefit plans - Expense</b>             |                             |                             |                             |                             |
| 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                       |
| <b>Finance cost paid to related party</b>                       | 9,520                       | 9,878                       | 18,949                      | 21,579                      |
| <b>Profit received on bank deposits held with related party</b> | -                           | -                           | 375                         | 410                         |
| <b>Lease rentals paid to related party</b>                      | 43,850                      | 40,800                      | 86,137                      | 80,850                      |
| <b>Remuneration of key management personnel</b>                 | 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

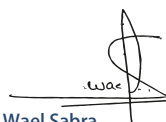
The Board of Directors in their meeting held on July 27, 2017 has declared the first interim dividend of Rs Nil (2016: Rs 6) per share. This interim dividend of Rs Nil thousand (2016: Rs 1,532,963) will be recorded as liability in the financial statements for the next quarter as required by the IAS 10 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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