



70 Years of Leadership

THIS LEGACY OF 7 DECADES IS A TESTAMENT TO OUR RESILIENCE



Condensed Interim
Financial Statements

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018

Corporate Information

Board of Directors

Mueen Afzal
Chairman and Non-Executive Director

Syed Javed Iqbal
MD & Chief Executive Officer

Wael Sabra
Chief Financial Officer & Director

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

Umair Luqman (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

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, 2018.

Despite overall declining tobacco consumption in the country, business performance of PTC for the first half of 2018 reflects the strength of PTC's brand portfolio, its efforts to address consumer affordability needs and winning up-traders through strong in-market execution. All this coupled with enforcement activities by relevant authorities has enabled PTC to retain its market leadership in the legitimate sector and to deliver a 22.5% increase in government revenue collections in fiscal year ending June 2018. Although, market share of the illicit sector dropped to 33.2% in May 2018 compared to 40.8% in June 2017, it continues to be alarmingly high.

PTC continued its strategy of strengthening its brand portfolio through focused marketing campaigns across its brand spectrum. In the premium segment, the Company introduced a pack and product upgrade for Dunhill in line with BAT's global standards. In the Value for Money (VFM) segment, rural focused activation was executed for Gold Flake. This segment was further strengthened through a journey towards modernization with the introduction of a new pack for Capstan by Pall Mall. Consistent focus on trade marketing continued through progressing further with sales data automation and customised training programs.

Key financial indicators of PTC for YTD H1 2018 are:

	Rs (million)	
	Jan - Jun, 2018	Jan - Jun, 2017
Gross Turnover	63,778	49,830
Net Turnover	26,269	17,570
Cost of Sales	13,054	9,882
Gross Profit	13,216	7,688
Operating Profit	9,370	4,774
Profit Before Tax – PBT	9,685	4,809
Profit After Tax – PAT	6,345	2,976
Earnings Per Share – EPS (Rs)	24.83	11.65

The Gross Turnover has increased vs. SPLY owing to the increase in sales volume primarily driven by PTC's strategy to address consumer affordability through narrowing the price gap of its VFM brands with those of duty not paid (DNP) sector. The company maintained its strategy despite an above inflation increase in excise rates through federal budget in April'18.

Cost of sales has increased in absolute value vs SPLY due to the increase in sales volumes. The economy has witnessed three significant rounds of devaluation of PKR between Dec'17 and Jun'18, which materially affects the input costs. These costs will impact the company in the coming months. We foresee a continuing pressure on the cost base with further rupee depreciation and its corresponding effect on domestic inflation. Amidst this challenging operating environment PTC continued its journey towards manufacturing excellence by achieving world class standards of equipment efficiencies within BAT globally.

PTC contributed PKR 41.8 Bn in H1'18 (up by 22% vs. SPLY) to the National Exchequer in the form of excise duty, sales tax, customs duties and income tax. We acknowledge the positive impact of the existing fiscal framework introduced in 2017 on the government's revenues as well as on curtailing the size of the DNP illicit sector. However, we continue to urge the enforcement authorities to further strengthen their policy against the DNP sector with a view to providing a level playing field for the legitimate tobacco industry supporting sustainability of government revenues.

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
MD & Chief Executive Officer



Wael Sabra
Chief Financial Officer & Director

جائزہ ڈائریکٹرز

پاکستان ٹوبیکو کمپنی کے ایڈمنسٹریٹرز 30 جون 2018 کو ختم ہونے والے نصف سال کی کارکردگی پیش کر رہے ہیں۔

اس سال ملک میں ٹوبیکو کی مجموعی کھپت میں کمی واقع ہوئی ہے۔ اس کے باوجود سال 2018 کے پہلے نصف میں PTC کی کاروباری کارکردگی بہتر رہی ہے۔ اس کی بڑی وجہ کمپنی کے براڈ کی مضبوطی ہے، صارفین کی قوت خرید پر آنے والے ڈاؤن کو کم کرنے کیلئے کی جانے والی کوششیں ہیں اور قانونی ٹوبیکو مصنوعات پر واپس آنے والے صارفین کو جیتنے کیلئے مارکیٹ میں کیا گیا بہترین کام ہے۔ اس کے علاوہ متعلق اداروں کی طرف قوانین کے نافذ کی کوششیں بھی کارآمد رہیں۔ ان سب محرکات کے باعث PTC نے قانونی ٹوبیکو انڈسٹری میں اپنی قیادت قائم رکھا اور جون 2018 میں ختم ہونے والے مالی سال میں قومی آمدنی میں پچھلے سال کے مقابلے میں 22.5% اضافہ کیا۔ اگرچہ غیر قانونی ٹوبیکو انڈسٹری کا مارکیٹ شیئر جون 2018 میں 40.8% سے گر کے مئی 2018 میں 33.2% پر آ گیا ہے۔ تاہم یہ اب بھی خطرناک حد تک زیادہ ہے۔

PTC نے اپنے براڈ پورٹ فولیو کو مضبوط کرنے کی حکمت عملی پر کام جاری رکھا اور تمام براڈز کیلئے بہت متوجہ مہمات چلائیں۔ پریمیم سگنٹس Dunhill کیلئے BAT کے عالمی معیار کے مطابق پیکٹ اور سگریٹ میں جدت لائی گئی۔ VFM- سگنٹس میں Gold Flake کیلئے دہلی علاقوں پر مرکوز مہم چلائی گئی۔ Capstan by Pall Mall کے پیکٹ میں جدت متعارف کرا کے اس سگنٹس کو اور مضبوط کیا گیا۔ ٹریڈ مارک کیلنگ پر مسلسل توجہ جاری رہی فروخت کے اعداد و شمار کو ڈیٹا کا طریقہ سے اکٹھا کرنے کے سفر میں پیکٹ اور سگنٹس میں حاصل کیے گئے اور لوگوں کیلئے ترقی پر وگرام بھی متعلقہ تھے۔

سال 2018 کے پہلے نصف سال میں پی ٹی سی کے کلیدی مالیاتی اشاریے یہ رہے۔

روپے (ملین)		
جنوری سے جون، 2018	جنوری سے جون، 2017	
63,778	49,830	کل وصولیات (Gross Turnover)
26,269	17,570	خالص وصولیات (Net Turnover)
13,054	9,882	لاگت برائے فروخت (Cost of Sales)
13,216	7,688	مجموعی منافع (Gross Profit)
9,370	4,774	کاروباری منافع (Operating Profit)
9,685	4,809	قبل از ٹیکس منافع (Profit Before Tax – PBT)
6,345	2,976	بعد از ٹیکس منافع (Profit After Tax – PAT)
24.83	11.65	آمدنی فی حصص (روپے) Earnings Per Share – EPS (Rs)

کل وصولیات گزشتہ برس اسی مدت کے مقابلے میں بڑھی ہیں کیونکہ فروخت کے حجم میں اضافہ ہوا ہے۔ اس کی بڑی وجہ کمپنی کی یہ حکمت عملی تھی کہ صارفین کی قوت خرید پر آنے والے ڈاؤن کو کم کرنے کیلئے اپنے VFM براڈز اور غیر ڈیوٹی شدہ سگریٹوں کی قیمت میں فرق کو کم کیا جائے۔ اپریل 2018 کے بجٹ میں ایکسائز ڈیوٹی میں جو اضافہ کیا گیا وہ افراط زر کی شرح میں اضافے سے بھی زیادہ تھا اس کے باوجود کمپنی اپنی اس حکمت عملی پر قائم رہی۔

پیپرو اداری لاگت برائے فروخت گزشتہ برس اسی مدت کے مقابلے میں بڑھ گئی ہے کیونکہ فروخت کے حجم میں اضافہ ہوا ہے۔ روپے کی قدر میں اس سال 3 دفعہ کمی آئی ہے جس کی وجہ سے پیپرو اداری لاگوں پر قابل ذکر اثر پڑا ہے۔ کمپنی پاس کے اثرات آنے والے مہینوں میں نظر آئیں گے۔ روپے کی قدر میں مزید کمی، افراط زر کی شرح میں اضافہ اور پیپرو اداری لاگوں میں اضافہ متوقع ہے۔ ان مشکل حالات میں رہتے ہوئے PTC نے بہترین پیپرو اداری قابلیت کے حصول کی جانب اپنے سفر کو جاری رکھا ہے اور BAT Group میں میٹھوں کے استعمال کی شرح کے عالمی معیار کو حاصل کیا ہے۔

PTC نے 2018 کے پہلے نصف میں ایکسائز ڈیوٹی، بزنس ٹیکس، کشمہڈیوٹیز اور ٹیکس کی مدد میں 14.18 ارب روپے جمع کرائے ہیں جو پچھلے سال اسی مدت کے مقابلے میں 22% زیادہ ہے۔ 2017 میں لائی جانے والی مالیاتی اصلاحات کے نفاذ کی آمدنی پر مثبت اثرات مرتب ہوئے ہیں اور غیر قانونی ٹوبیکو انڈسٹری کے حجم میں کمی آئی ہے۔ تاہم مطلق کام سے گزارش کرتے ہیں کہ غیر قانونی ٹوبیکو انڈسٹری سے متعلق اپنی پالیسی مزید سخت کریں تاکہ قانونی ٹوبیکو انڈسٹری کو یکساں کاروباری مواقع ملیں اور نفاذ کی آمدنی میں مزید استحکام آئے۔

IPTC مضبوط براڈز، اعلیٰ صلاحیتوں کے حامل لوگ اور انتظامی پالیسیز کے ذریعے اپنے حصہ داران کو زیادہ سے زیادہ دلیلیڈ دینے کا عزم کیے ہوئے ہے۔

واکس صابرو

سید جاوید اقبال

چیف فنانسئل آفیسر اور ڈائریکٹر

ایم ڈی اور چیف ایگزیکٹو آفیسر

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Pakistan Tobacco Company Limited Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Pakistan Tobacco Company Limited as at 30 June 2018 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standards on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditors of the Entity". A review of interim financial statements 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 statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the audit resulting in this independent auditor's report is Atif Zamurrad Malik.

Other matter

The figures of the condensed interim statement of comprehensive income for the three months ended 30 June 2018, have not been reviewed and we do not express a conclusion on them.



KPMG Taseer Hadi & Co
Chartered Accountants

Date: July 23, 2018
Islamabad

Condensed Interim Profit or Loss Account (Un-audited)

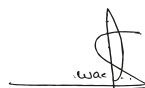
for the six months period ended June 30, 2018

	Note	Quarter ended		Half year ended	
		June 30, 2018 Rs '000	June 30, 2017 Rs '000	June 30, 2018 Rs '000	June 30, 2017 Rs '000
Gross turnover		31,962,254	27,865,012	63,778,352	49,830,160
Excise duties		(14,162,339)	(13,301,823)	(27,756,811)	(24,708,672)
Sales tax		(4,896,402)	(4,289,077)	(9,752,135)	(7,551,721)
Net turnover		12,903,513	10,274,112	26,269,406	17,569,767
Cost of sales	7	(6,718,403)	(5,721,425)	(13,053,773)	(9,881,634)
Gross profit		6,185,110	4,552,687	13,215,633	7,688,133
Selling and distribution costs		(1,002,820)	(725,201)	(1,879,581)	(1,383,242)
Administrative expenses		(583,495)	(683,679)	(1,229,667)	(1,111,488)
Other operating expenses	8	(367,015)	(250,012)	(839,022)	(444,108)
Other income	9	78,334	23,885	102,710	24,263
		(1,874,996)	(1,635,007)	(3,845,560)	(2,914,575)
Operating profit		4,310,114	2,917,680	9,370,073	4,773,558
Finance income	10	173,877	41,449	330,027	62,011
Finance cost		(7,229)	(15,498)	(14,994)	(26,894)
Net finance income		166,648	25,951	315,033	35,117
Profit before income tax		4,476,762	2,943,631	9,685,106	4,808,675
Income tax expense	11	(1,782,378)	(1,482,558)	(3,340,595)	(1,832,196)
Profit for the period		2,694,384	1,461,073	6,344,511	2,976,479
Earnings per share - basic and diluted (Rupees)		10.55	5.72	24.83	11.65

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



Syed Javed Iqbal
MD & Chief Executive Officer



Wael Sabra
Chief Financial Officer & Director

Condensed Interim Statement of Comprehensive Income (Un-audited)

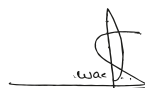
for the six months period ended June 30, 2018

	Quarter ended		Half year ended	
	June 30, 2018 Rs '000	June 30, 2017 Rs '000	June 30, 2018 Rs '000	June 30, 2017 Rs '000
Profit for the period	2,694,384	1,461,073	6,344,511	2,976,479
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	2,694,384	1,461,073	6,344,511	2,976,479

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



Syed Javed Iqbal
MD & Chief Executive Officer



Wael Sabra
Chief Financial Officer & Director

Condensed Interim Statement of Financial Position (Un-audited)

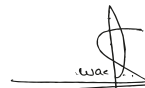
as at June 30, 2018

	Note	June 30, 2018 (Un-audited) Rs '000	December 31, 2017 (Audited) Rs '000
Assets			
Property, plant and equipment	12	8,539,503	8,630,814
Long term investment in subsidiary company	13	5,000	5,000
Long term deposits and prepayments		34,006	32,319
Non-current assets		8,578,509	8,668,133
Stock-in-trade		11,173,686	14,460,890
Stores and spares		718,803	593,909
Trade debts		2,341	2,636
Loans and advances	14	440,165	72,685
Due from government agencies	15	5,592,847	-
Short term prepayments		185,290	212,747
Other receivables	16	871,374	968,996
Short term investments		2,521,950	6,763,842
Cash and bank balances	17	705,241	390,128
Current assets		22,211,697	23,465,833
Total assets		30,790,206	32,133,966
Equity			
Share capital	18	2,554,938	2,554,938
Revenue reserves		15,590,895	14,356,260
Total equity		18,145,833	16,911,198
Liabilities			
Finance lease obligation	19	234,995	260,050
Deferred tax liabilities		1,051,046	1,108,225
Non current liabilities		1,286,041	1,368,275
Finance lease obligation	19	141,506	165,245
Accrued interest / mark-up		3,106	3,414
Trade and other payables	21	7,688,693	10,796,865
Other liabilities		1,901,112	2,226,659
Current income tax liabilities		1,623,915	662,310
Current liabilities		11,358,332	13,854,493
Total liabilities		12,644,373	15,222,768
Total equity and liabilities		30,790,206	32,133,966
Contingencies and commitments	22		

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



Syed Javed Iqbal
MD & Chief Executive Officer



Wael Sabra
Chief Financial Officer & Director

Condensed Interim Statement of Changes in Equity (Un-audited)

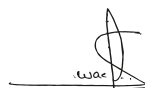
for the six months period ended June 30, 2018

	Share capital Rs '000	Revenue reserves Rs '000	Total Rs '000
Balance at January 1, 2017	2,554,938	10,421,692	12,976,630
Total comprehensive income for the period:			
Profit for the period	-	2,976,479	2,976,479
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	2,976,479	2,976,479
Transactions with owners of the Company:			
Final dividend for the year ended December 31, 2016 @ Rs.11 per share	-	(2,810,432)	2,810,432
Balance at June 30, 2017	2,554,938	10,587,739	13,142,677
Balance at January 1, 2018	2,554,938	14,356,260	16,911,198
Total comprehensive income for the period:			
Profit for the period	-	6,344,511	6,344,511
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	6,344,511	6,344,511
Transactions with owners of the Company:			
Final dividend relating to year ended December 31, 2017 @ Rs. 20 per share	-	(5,109,876)	(5,109,876)
Balance at June 30, 2018	2,554,938	15,590,895	18,145,833

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



Syed Javed Iqbal
MD & Chief Executive Officer



Wael Sabra
Chief Financial Officer & Director

Condensed Interim Statement of Cash Flows (Un-audited)

for the six months period ended June 30, 2018

	Note	June 30, 2018 Rs '000	June 30, 2017 Rs '000
Cash flows from operating activities			
Cash generated from operations	23	3,491,570	(462,639)
Finance cost paid		(15,302)	(20,508)
Income tax paid		(2,436,170)	(1,613,369)
Contribution to retirement benefit funds		(148,225)	(108,758)
Net cash from/(used in) operating activities		891,873	(2,205,274)
Cash flows from investing activities			
Purchases of property, plant and equipment		(370,510)	(249,013)
Proceeds from sale of property, plant and equipment		101,087	195,248
Interest received		348,660	62,011
Net cash from/(used in) investing activities		79,237	8,246
Cash flows from financing activities			
Dividends paid		(4,769,072)	(2,808,353)
Finance lease payments		(128,817)	(100,811)
Net cash used in financing activities		(4,897,889)	(2,909,164)
Net decrease in cash and cash equivalents		(3,926,779)	(5,106,192)
Cash and cash equivalents at January 1		7,153,970	1,031,888
Cash and cash equivalents at June 30		3,227,191	(4,074,304)
Cash and cash equivalents comprise:			
Short-term investments		2,521,950	-
Cash and bank balances		705,241	142,680
Short term running finance		-	(4,216,984)
		3,227,191	(4,074,304)

The annexed notes 1 to 27 form an integral part of this condensed interim financial statements.



Syed Javed Iqbal

MD & Chief Executive Officer



Wael Sabra

Chief Financial Officer & Director

Notes to the Condensed Interim Financial Statements (Un-audited)

for the six months period ended June 30, 2018

1. The Company and its 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

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standards (IAS) 34, Interim Financial Reporting, issued by the International Accounting Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3. Basis of preparation

These interim financial statements should be read in conjunction with the Company's latest annual financial statements as at and for the year ended December 31, 2017 ('last annual financial statements'). These interim financial statements do not include all of the information required for a complete set of financial statements prepared in accordance with the approved accounting and reporting 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 figures of condensed interim statement of financial position are extracted from annual financial statements as of December 31, 2017 whereas comparative figures of condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows are extracted from un-audited condensed interim financial statements of the Company for the half year ended June 30, 2017. Due to a change in financial reporting framework consequent to applicability of requirements of the Companies Act, 2017, certain changes in presentation and disclosures have been made in the comparative figures, however, there was no change in the reported amounts of profit or loss or the amounts presented in the statement of financial position.

These condensed interim financial statements are un-audited and is being submitted to the members of the Company as required under Section 237 of the Companies Act, 2017, and the listing regulations of the Pakistan Stock Exchange. These condensed interim financial statements have been reviewed, not audited and also include the statement of profit or loss for the quarter ended June 30, 2017 which was not subject to review.

4. Use of judgements and estimates

In preparing these interim financial statements, management has made judgements and estimates 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 described in the last annual financial statements except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 15 which are described in Note 5 and the change in estimate of residual values and useful lives of property, plant and equipment which are described below:

Notes to the Condensed Interim Financial Statements (Un-audited)

for the six months period ended June 30, 2018

- The Company changed residual values of vehicles from 35% to 20% and useful life of plant and machinery from 14.5 years to 20 years. The change in estimate is applied prospectively and resulted in a decrease of Rs. 158 million depreciation expense for the period with corresponding increase in carrying amount of property, plant and equipment as at June 30, 2018.

Measurement of fair values

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

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

5. Significant accounting policies

The accounting policies and the methods of computation adopted in the preparation of these interim financial statements are the same as those applied in the preparation of the financial statements as at and for the year ended December 31, 2017 except for the following.

- The Company has adopted IFRS 9 'Financial Instruments' from 1 January 2018; however, the adoption of this standard has no impact on the amounts reported in these interim financial statements.
- The Company has adopted IFRS 15 'Revenue from Contracts with Customers' from 1 January 2018. Accordingly, the Company has changed its accounting policy for revenue recognition in respect of certain marketing costs previously recognized as 'selling and distribution costs' These costs are now recognized as deduction from transactions price of sale of goods as required under IFRS 15.

The change in accounting policy has been applied retrospectively and comparative figures in the condensed interim statement of profit or loss are restated. The following table summarises the impacts of adopting IFRS 15 on the comparative figures as presented in the interim statement of profit or loss for each of the line items affected.

	As previously reported (Rs.000)	Effect of change in accounting policy (Rs.'000)	Restated amount (Rs.000)
Revenue	50,474,559	(644,399)	49,830,160
Selling and distribution costs	(2,027,641)	644,399	(1,383,242)

There was no significant impact on the comparative figures presented in the interim statement of financial position, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows. Further, the change in accounting policy has no impact on the reported amount of accumulated profits as at 01 January 2017.

6. Standards issued but not effective

A number of new standards and amendments to standards are effective for annual periods beginning after January 01, 2018 and earlier application is permitted; however, the Company has not early adopted the new or amended standards except for IFRS 9 and IFRS 15 in preparing these condensed interim financial statements.

Notes to the Condensed Interim Financial Statements (Un-audited)

for the six months period ended June 30, 2018

	Quarter ended		Half year ended	
	June 30, 2018 Rs '000	June 30, 2017 Rs '000	June 30, 2018 Rs '000	June 30, 2017 Rs '000
7. Cost of sales				
Raw material consumed:				
Opening stock of raw materials and work in process	12,050,893	11,076,691	13,137,236	12,449,905
Raw material purchases and expenses	2,863,654	2,550,381	6,315,057	3,785,676
Duties, taxes and tobacco development cess	213,978	91,815	954,184	193,628
Closing stock of raw materials and work in process	(9,770,739)	(9,887,005)	(9,770,739)	(9,887,005)
	5,357,786	3,831,882	10,635,738	6,542,204
Royalty	115,092	132,384	244,036	266,979
Production overheads	874,114	815,266	2,240,628	2,735,378
Cost of goods manufactured	6,346,992	4,779,532	13,120,402	9,544,561
Cost of finished goods				
Opening stock	1,774,358	1,794,021	1,336,318	1,189,201
Closing stock	(1,402,947)	(852,128)	(1,402,947)	(852,128)
	371,411	941,893	(66,629)	337,073
	6,718,403	5,721,425	13,053,773	9,881,634
8. Other operating expenses				
Workers' Profit Participation Fund (WPPF)	240,427	158,145	520,162	258,416
Workers' Welfare Fund (WWF)	91,360	61,126	197,979	101,234
Bank charges and fees	8,386	8,930	16,231	16,507
Interest paid to WPPF	-	-	-	11,732
Loss on disposal of operating assets	-	6,258	-	3,947
Foreign exchange loss	26,842	15,553	104,650	52,272
	367,015	250,012	839,022	444,108
9. Other income				
Income from services to associated companies:				
- BAT SAA (Private) Limited	54,451	13,169	54,451	13,169
- BAT Myanmar/BAT Bangladesh	-	4,410	3,928	4,410
- BAT Singapore	-	5,477	-	5,477
	54,451	23,056	58,379	23,056
Gain on disposal of property, plant and equipment	12,479	-	21,104	-
Liabilities written back	11,052	442	22,530	442
Others	352	387	697	765
	78,334	23,885	102,710	24,263
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 6.58% (half year ended June 30, 2017 : 3.75% and 5.90%) per annum and is received on maturity.

Notes to the Condensed Interim Financial Statements (Un-audited)

for the six months period ended June 30, 2018

11. Income tax expense

The applicable income tax rate was reduced from 30% to 29% during the period on account of the changes made to the Income Tax Ordinance, 2001. Further, income tax charge also included prior year charge of Rs 390,340 thousand in respect of super tax levied for the tax year 2018 (2017 : Rs 461,464 thousand for tax year 2017) and Rs 194,019 thousand super tax levied for tax year 2019 (2018:Rs nil for tax year 2018) in accordance with the Finance Act, 2017.

	Note	June 30, 2018 (Un-audited) Rs '000	December 31, 2017 (Audited) Rs '000
12. Property, plant and equipment			
Operating fixed assets	12.1	7,929,586	8,171,245
Capital work in progress	12.2	609,917	459,569
		8,539,503	8,630,814
12.1 Operating fixed assets			
Carrying amount at January 01		8,171,245	8,282,901
Additions during the half year/year:			
- Owned assets			
Building		-	64,328
Plant and machinery		205,676	747,226
Office and household equipment		13,568	683
Vehicles		-	171,617
Furniture and fittings		918	6,500
		220,162	990,354
- Leased assets			
Vehicles		80,023	244,157
		300,185	1,234,511
Disposals during the half year/year (net book value):			
- Owned assets			
Building		-	(15,252)
Plant and machinery		(25,516)	(164,723)
Office and household equipment		(272)	(1,586)
Vehicles		-	(4,682)
Furniture and fittings		-	(353)
		(25,788)	(186,596)
- Leased assets			
Vehicles		(54,195)	(47,229)
		(79,983)	(233,825)
Depreciation charge for the half year/year:		(461,861)	(1,112,342)
Carrying amount at June 30/ December 31		7,929,586	8,171,245

- 12.1.1** During the half year ended 30 June 2018, the Company acquired assets, including transfers from capital work in progress, amounting to Rs. 300,185 thousand (half year ended 30 June 2017: Rs. 385,044 thousand). Operating fixed assets having net book value of Rs. 79,983 thousand were disposed off during half year ended 30 June 2018 (half year ended 30 June 2017: Rs. 199,289 thousand). Depreciation charge for half year ended 30 June 2018 was Rs. 461,861 thousand (half year ended 30 June 2017: Rs. 556,265 thousand).

Notes to the Condensed Interim Financial Statements (Un-audited)

for the six months period ended June 30, 2018

	June 30, 2018 (Un-audited) Rs '000	December 31,2017 (Audited) Rs '000
12.2 Capital work in progress		
Balance as at the beginning of the period	459,569	346,534
Additions during the half year/year	236,277	417,633
	695,846	764,167
Transferred to operating fixed assets	(85,929)	(304,598)
Carrying amount as at end of the period	609,917	459,569

13. Long term investment in subsidiary company

This represents 500,001 (December 31, 2017: 500,001) fully paid ordinary shares of Rs.10 each in Phoenix (Private) Limited, a wholly owned subsidiary of the Company which has not yet commenced commercial production. The break up value of shares calculated by reference to net assets worked out to be Rs.10 per share based on financial statements for the half year ended June 30, 2018.

14. Loans and advances

These include non-interest bearing advances to employees of Rs. 44,248 thousand (December 31, 2017: Rs. 41,953 thousand).

15. Due from government agencies

This represents advance payments in June 2018 against excise duties and sales tax. The advances will be adjusted against excise duty payable for the months of July 2018 and August 2018.

16. Other receivables

These include following balances due from related parties:

	Note	June 30, 2018 (Un-audited) Rs '000	December 31,2017 (Audited) Rs '000
Holding company / associated companies		57,052	52,145
Subsidiary company		20,021	20,021
Employees retirement benefit plans		779,055	765,618
17. Cash and bank balances			
Cash at banks			
- deposit accounts		8,560	9,460
- current accounts	17.1	694,700	379,278
		703,260	388,738
Cash in hand		1,981	1,390
		705,241	390,128

17.1 These include balances of Rs. 107,000 thousand (December 31, 2017: Rs. 96,741 thousand) held in foreign currency accounts.

Notes to the Condensed Interim Financial Statements (Un-audited)

for the six months period ended June 30, 2018

18. Share capital

Authorised share capital of the Company is Rs. 3,000,000 thousand (December 31, 2017: 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, 2017: 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 376,501 thousand (December 31, 2017: Rs 425,295 thousand) and are payable in equal monthly instalments latest by December 2022. Taxes, repairs, replacement and insurance costs are to be borne by the Company. Financing rates of 7.61% to 8.40% (December 31, 2017: 7.30% to 7.40%) per annum have been used as discounting factor.

20. Short term running finance-secured

Short term running finance facilities available under mark-up arrangements with banks amount to Rs. 6,500 million (December 31, 2017: Rs.6,500 million), out of which the amount un-availed at the reporting date was Rs. 6,500 million (December 31, 2017: Rs.6,500 million). These facilities are secured by hypothecation of stock in trade and plant & machinery amounting to Rs.7,222 million (December 31, 2017: Rs.7,222 million). The mark-up ranges between 6.40% and 7.06% (2017: 6.34% and 6.54%) per annum and is payable quarterly. The facilities are renewable on annual basis.

21. Trade and other payables

21.1 These include following balances due to related parties:

	June 30, 2018 (Un-audited) Rs '000	December 31, 2017 (Audited) Rs '000
Holding company / associated companies	1,540,248	1,593,422
Employees retirement benefit plans	137,981	147,071

21.2 Trade and other payables include unpaid/unclaimed dividend amounting to Rs. 605,107 thousand (December 31, 2017: Rs. 264,303 thousand).

21.3 These also include 'contract liabilities' representing advances from customers amounting to Rs. 10,005 thousand (December 31, 2017: Rs. 150 thousand).

	June 30, 2018 (Un-audited) Rs '000	December 31, 2017 (Audited) Rs '000
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22. Contingencies and commitments

22.1 Contingencies

Claims and guarantees

Claims against the Company not acknowledged as debt	73,631	72,474
Guarantees issued by banks on behalf of the Company	287,451	276,051

Litigation

There is no significant change to status of litigations disclosed in annual financial statements for the year ended 31 December 2017.

Notes to the Condensed Interim Financial Statements (Un-audited)

for the six months period ended June 30, 2018

	June 30, 2018 (Un-audited) Rs '000	December 31, 2017 (Audited) Rs '000
22.2 Commitments		
Capital expenditure	698,763	-
Letters of credit outstanding	374,884	386,925
Lease rentals	516,830	644,519
	Half year ended	
	June 30, 2018 Rs '000	June 30, 2017 Rs '000
23. Cash generated from operations		
Profit before income tax	9,685,106	4,808,675
Adjustment for non-cash items:		
- Depreciation	461,861	556,265
- (Gain)/loss on disposal of property, plant and equipment	(21,104)	3,947
- Finance cost	14,994	26,894
- Finance income	(330,027)	(62,011)
- Reversal of provision for slow moving stores and spares	-	49,160
- Reversal of provision for stock-in-trade	(12,664)	(20,576)
- Provision for staff retirement benefit plans	133,033	114,860
	246,093	668,539
Changes in working capital:		
- Stock-in-trade	3,299,868	2,899,973
- Stores and spares	(124,894)	18,869
- Trade debts	295	(1,182)
- Loans and advances	(367,480)	(13,520)
- Short term prepayments	(5,565,390)	(6,645,452)
- Other receivables	92,426	(135,626)
- Trade and other payables	(3,447,220)	(2,065,974)
- Other liabilities	(325,547)	-
	(6,437,942)	(5,942,912)
Changes in long term deposits and prepayments	(1,687)	3,059
	3,491,570	(462,639)

Notes to the Condensed Interim Financial Statements (Un-audited)

for the six months period ended June 30, 2018

24. Financial instruments

24.1 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, 2018 (Un-audited)			December 31, 2017 (Audited)		
	Loans and receivables	Other financial liabilities	Total	Loans and receivables	Other financial liabilities	Total
	Rs '000			Rs '000		
Financial assets measured at fair value						
Financial assets not measured at fair value						
Deposits	-	-	-	-	-	-
Trade debts	26,817	-	26,817	25,465	-	25,465
Other receivables	2,341	-	2,341	2,636	-	2,636
Short-term investment	871,374	-	871,374	968,996	-	968,996
Cash and bank balances	2,521,950	-	2,521,950	6,763,842	-	6,763,842
	705,241	-	705,241	390,128	-	390,128
	4,127,723	-	4,127,723	8,151,067	-	8,151,067
Financial liabilities measured at fair value						
Financial liabilities not measured at fair value						
Finance lease obligation	-	-	-	-	-	-
Accrued interest / mark-up	-	(376,501)	(376,501)	-	(425,295)	(425,295)
Trade and other payables	-	(3,106)	(3,106)	-	(3,414)	(3,414)
	-	(6,524,394)	(6,524,394)	-	(6,624,273)	(6,624,273)
	-	(6,904,001)	(6,904,001)	-	(7,052,982)	(7,052,982)

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. There have been no change

24.2 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, 2017.

Notes to the Condensed Interim Financial Statements (Un-audited)

for the six months period ended June 30, 2018

25. Related parties

British American Tobacco (Investments) Limited (BAT-IL) holds 94.34% (December 31, 2017: 94.34%) shares of the Company. 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, 2018 Rs '000	June 30, 2017 Rs '000	June 30, 2018 Rs '000	June 30, 2017 Rs '000
Purchase of goods and services from				
Holding company	221,802	155,207	453,982	304,393
Associated companies	126,773	325,716	486,478	632,226
Sale of goods and services to				
Holding company	-	-	-	-
Associated companies	4,721	67,762	122,898	583,683
Dividend paid to				
Holding company	4,837,068	2,660,388	4,837,068	2,660,388
Royalty charged by				
Holding company	115,092	132,384	244,036	266,979
Expenses reimbursed to				
Holding company	8,368	1,885	11,415	2,803
Associated companies	8,145	-	8,200	-
Expenses reimbursed by				
Holding company	-	1,549	-	1,549
Associated companies	78,869	59,119	78,869	99,284
Employees retirement benefit plans - expense				
Staff defined contribution pension fund	23,879	19,388	44,888	36,612
Employees' gratuity fund	22,073	15,100	44,021	35,135
Management provident fund	18,939	17,207	36,143	32,562
Employees' provident fund	4,017	7,417	7,982	10,551
Remuneration of key management personnel	154,848	134,789	298,012	275,480
Other income:				
Associated company: Recharges written back	11,052	-	22,530	-

Notes to the Condensed Interim Financial Statements (Un-audited)

for the six months period ended June 30, 2018

26. Post balance sheet events

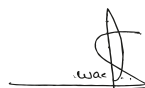
The Board of Directors in its meeting held on 23 July 2018 has declared the first interim dividend of Rs 7.00 (2017: Rs nil) per share. This interim dividend of Rs 1,788,456 thousand (2017: Rs nil) will be recorded as liability in the interim financial statements for the next quarter as required by the IAS 10 'Events after the Balance Sheet Date'. These condensed interim financial statements do not reflect this dividend.

27. Date of authorisation for issue

These condensed interim financial statements have been authorised for issue by the Board of Directors of the Company on 23 July 2018.



Syed Javed Iqbal
MD & Chief Executive Officer



Wael Sabra
Chief Financial Officer & Director

Consolidated Condensed Interim Profit or Loss Account (Un-audited)

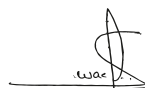
for the six months period ended June 30, 2018

	Note	Quarter ended		Half year ended	
		June 30, 2018 Rs '000	June 30, 2017 Rs '000	June 30, 2018 Rs '000	June 30, 2017 Rs '000
Gross turnover		31,962,254	27,865,012	63,778,352	49,830,160
Excise duties		(14,162,339)	(13,301,823)	(27,756,811)	(24,708,672)
Sales tax		(4,896,402)	(4,289,077)	(9,752,135)	(7,551,721)
Net turnover		12,903,513	10,274,112	26,269,406	17,569,767
Cost of sales	7	(6,718,403)	(5,721,425)	(13,053,773)	(9,881,634)
Gross profit		6,185,110	4,552,687	13,215,633	7,688,133
Selling and distribution costs		(1,002,820)	(725,201)	(1,879,581)	(1,383,242)
Administrative expenses		(583,495)	(683,679)	(1,229,667)	(1,111,488)
Other operating expenses	8	(367,015)	(250,012)	(839,022)	(444,108)
Other income	9	78,334	23,885	102,710	24,263
		(1,874,996)	(1,635,007)	(3,845,560)	(2,914,575)
Operating profit		4,310,114	2,917,680	9,370,073	4,773,558
Finance income	10	173,877	41,449	330,027	62,011
Finance cost		(7,229)	(15,498)	(14,994)	(26,894)
Net finance income		166,648	25,951	315,033	35,117
Profit before income tax		4,476,762	2,943,631	9,685,106	4,808,675
Income tax expense	11	(1,782,378)	(1,482,558)	(3,340,595)	(1,832,196)
Profit for the period		2,694,384	1,461,073	6,344,511	2,976,479
Earnings per share - basic and diluted (Rupees)		10.55	5.72	24.83	11.65

The annexed notes 1 to 26 form an integral part of these consolidated condensed interim financial statements.



Syed Javed Iqbal
MD & Chief Executive Officer



Wael Sabra
Chief Financial Officer & Director

Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited)

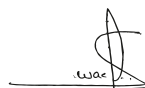
for the six months period ended June 30, 2018

	Quarter ended		Half year ended	
	June 30, 2018 Rs '000	June 30, 2017 Rs '000	June 30, 2018 Rs '000	June 30, 2017 Rs '000
Profit for the period	2,694,384	1,461,073	6,344,511	2,976,479
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	2,694,384	1,461,073	6,344,511	2,976,479

The annexed notes 1 to 26 form an integral part of these consolidated condensed interim financial statements.



Syed Javed Iqbal
MD & Chief Executive Officer



Wael Sabra
Chief Financial Officer & Director

Consolidated Condensed Interim Statement of Financial Position (Un-audited)

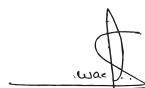
as at June 30, 2018

	Note	June 30, 2018 (Un-audited) Rs '000	December 31, 2017 (Audited) Rs '000
Assets			
Property, plant and equipment	12	8,564,551	8,655,862
Long term deposits and prepayments		34,006	32,319
Non-current assets		8,598,557	8,688,181
Stock-in-trade		11,173,686	14,460,890
Stores and spares		718,803	593,909
Trade debts		2,341	2,636
Loans and advances	13	440,165	72,685
Due from government agencies	14	5,592,847	-
Short term prepayments		185,290	212,747
Other receivables	15	851,353	948,975
Short term investments		2,521,950	6,763,842
Cash and bank balances	16	705,241	390,128
Current assets		22,191,676	23,445,812
Total assets		30,790,233	32,133,993
Equity			
Share capital	17	2,554,938	2,554,938
Revenue reserves		15,590,895	14,356,260
Total equity		18,145,833	16,911,198
Liabilities			
Finance lease obligation	18	234,995	260,050
Deferred tax liabilities		1,051,046	1,108,225
Non current liabilities		1,286,041	1,368,275
Finance lease obligation	18	141,506	165,245
Accrued interest / mark-up		3,106	3,414
Trade and other payables	20	7,688,720	10,796,892
Other liabilities		1,901,112	2,226,659
Current income tax liabilities		1,623,915	662,310
Current liabilities		11,358,359	13,854,520
Total liabilities		12,644,400	15,222,795
Total equity and liabilities		30,790,233	32,133,993
Contingencies and commitments	21		

The annexed notes 1 to 26 form an integral part of these consolidated condensed interim financial statements.



Syed Javed Iqbal
MD & Chief Executive Officer



Wael Sabra
Chief Financial Officer & Director

Consolidated Condensed Interim Statement of Changes in Equity (Un-audited)

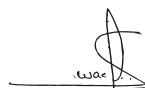
for the six months period ended June 30, 2018

	Share capital Rs '000	Revenue reserves Rs '000	Total Rs '000
Balance at January 1, 2017	2,554,938	10,421,692	12,976,630
Total comprehensive income for the period:			
Profit for the period	-	2,976,479	2,976,479
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	2,976,479	2,976,479
Transactions with owners of the Company:			
Final dividend for the year ended December 31, 2016 @ Rs.11 per share	-	(2,810,432)	2,810,432
Balance at June 30, 2017	2,554,938	10,587,739	13,142,677
Balance at January 1, 2018	2,554,938	14,356,260	16,911,198
Total comprehensive income for the period:			
Profit for the period	-	6,344,511	6,344,511
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	6,344,511	6,344,511
Transactions with owners of the Company:			
Final dividend relating to year ended December 31, 2017 @ Rs. 20 per share	-	(5,109,876)	(5,109,876)
Balance at June 30, 2018	2,554,938	15,590,895	18,145,833

The annexed notes 1 to 26 form an integral part of these consolidated condensed interim financial statements.



Syed Javed Iqbal
MD & Chief Executive Officer



Wael Sabra
Chief Financial Officer & Director

Consolidated Condensed Interim Statement of Cash Flows (Un-audited)

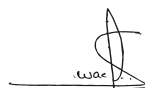
for the six months period ended June 30, 2018

	Note	June 30, 2018 Rs '000	June 30, 2017 Rs '000
Cash flows from operating activities			
Cash generated from operations	23	3,491,570	(462,639)
Finance cost paid		(15,302)	(20,508)
Income tax paid		(2,436,170)	(1,613,369)
Contribution to retirement benefit funds		(148,225)	(108,758)
Net cash from/(used in) operating activities		891,873	(2,205,274)
Cash flows from investing activities			
Purchases of property, plant and equipment		(370,510)	(249,013)
Proceeds from sale of property, plant and equipment		101,087	195,248
Interest received		348,660	62,011
Net cash from/(used in) investing activities		79,237	8,246
Cash flows from financing activities			
Dividends paid		(4,769,072)	(2,808,353)
Finance lease payments		(128,817)	(100,811)
Net cash used in financing activities		(4,897,889)	(2,909,164)
Net decrease in cash and cash equivalents		(3,926,779)	(5,106,192)
Cash and cash equivalents at January 1		7,153,970	1,031,888
Cash and cash equivalents at June 30		3,227,191	(4,074,304)
Cash and cash equivalents comprise:			
Short-term investments		2,521,950	-
Cash and bank balances		705,241	142,680
Short term running finance		-	(4,216,984)
		3,227,191	(4,074,304)

The annexed notes 1 to 26 form an integral part of these consolidated condensed interim financial statements.



Syed Javed Iqbal
MD & Chief Executive Officer



Wael Sabra
Chief Financial Officer & Director

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

for the six months period ended June 30, 2018

1. The Company and its 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, Azad Jamu 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

These consolidated condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standards (IAS) 34, Interim Financial Reporting, issued by the International Accounting Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3. Basis of preparation

These consolidated condensed interim financial statements should be read in conjunction with the Group's latest annual financial statements as at and for the year ended December 31, 2017 ('last annual financial statements'). These interim financial statements do not include all of the information required for a complete set of financial statements prepared in accordance with the approved accounting and reporting 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 figures of condensed interim statement of financial position are extracted from annual financial statements as of December 31, 2017 whereas comparative figures of condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows are extracted from un-audited condensed interim financial statements of the Company for the half year ended June 30, 2017. Due to a change in financial reporting framework consequent to applicability of requirements of the Companies Act, 2017, certain changes in presentation and disclosures have been made in the comparative figures, however, there was no change in the reported amounts of profit or loss or the amounts presented in the statement of financial position.

4. Use of judgements and estimates

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty including measurement of fair values

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

for the six months period ended June 30, 2018

were the same as those described in the last annual financial statements except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 15 which are described in Note 5 and the change in estimate of residual values and useful lives of property, plant and equipment which are described below:

- The Group changed residual values of vehicles from 35% to 20% and useful life of plant and machinery from 14.5 years to 20 years. The change in estimate is applied prospectively and resulted in a decrease of Rs. 158 million depreciation expense for the period with corresponding increase in carrying amount of property, plant and equipment as at June 30, 2018.

Measurement of fair values

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 these interim financial statements are the same as those applied in the preparation of the financial statements as at and for the year ended December 31, 2017 except for the following.

- The Group has adopted IFRS 9 'Financial Instruments' from 1 January 2018; however, the adoption of this standard has no impact on the amounts reported in these interim financial statements.
- The Group has adopted IFRS 15 'Revenue from Contracts with Customers' from 1 January 2018. Accordingly, the Company has changed its accounting policy for revenue recognition in respect of certain marketing costs previously recognized as 'selling and distribution costs' These costs are now recognized as deduction from transactions price of sale of goods as required under IFRS 15.

The change in accounting policy has been applied retrospectively and comparative figures in the condensed interim statement of profit or loss are restated. The following table summarises the impacts of adopting IFRS 15 on the comparative figures as presented in the interim statement of profit or loss for each of the line items affected.

	As previously reported (Rs.000)	Effect of change in accounting policy (Rs.'000)	Restated amount (Rs.000)
Revenue	50,474,559	(644,399)	49,830,160
Selling and distribution costs	(2,027,641)	644,399	(1,383,242)

There was no significant impact on the comparative figures presented in the interim statement of financial position, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows. Further, the change in accounting policy has no impact on the reported amount of accumulated profits as at 01 January 2017.

6. Standards issued but not effective

A number of new standards and amendments to standards are effective for annual periods beginning after January 01, 2018 and earlier application is permitted; however, the Group has not early adopted the new or amended standards except for IFRS 9 and IFRS 15 in preparing these condensed interim financial statements.

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

for the six months period ended June 30, 2018

	Quarter ended		Half year ended	
	June 30, 2018 Rs '000	June 30, 2017 Rs '000	June 30, 2018 Rs '000	June 30, 2017 Rs '000
7. Cost of sales				
Raw material consumed:				
Opening stock of raw materials and work in process	12,050,893	11,076,691	13,137,236	12,449,905
Raw material purchases and expenses	2,863,654	2,550,381	6,315,057	3,785,676
Duties, taxes and tobacco development cess	213,978	91,815	954,184	193,628
Closing stock of raw materials and work in process	(9,770,739)	(9,887,005)	(9,770,739)	(9,887,005)
	5,357,786	3,831,882	10,635,738	6,542,204
Royalty	115,092	132,384	244,036	266,979
Production overheads	874,114	815,266	2,240,628	2,735,378
Cost of goods manufactured	6,346,992	4,779,532	13,120,402	9,544,561
Cost of finished goods				
Opening stock	1,774,358	1,794,021	1,336,318	1,189,201
Closing stock	(1,402,947)	(852,128)	(1,402,947)	(852,128)
	371,411	941,893	(66,629)	337,073
	6,718,403	5,721,425	13,053,773	9,881,634
8. Other operating expenses				
Workers' Profit Participation Fund (WPPF)	240,427	158,145	520,162	258,416
Workers' Welfare Fund (WWF)	91,360	61,126	197,979	101,234
Bank charges and fees	8,386	8,930	16,231	16,507
Interest paid to WPPF	-	-	-	11,732
Loss on disposal of operating assets	-	6,258	-	3,947
Foreign exchange loss	26,842	15,553	104,650	52,272
	367,015	250,012	839,022	444,108
9. Other income				
Income from services to associated companies:				
- BAT SAA (Private) Limited	54,451	13,169	54,451	13,169
- BAT Myanmar/BAT Bangladesh	-	4,410	3,928	4,410
- BAT Singapore	-	5,477	-	5,477
	54,451	23,056	58,379	23,056
Gain on disposal of property, plant and equipment	12,479	-	21,104	-
Liabilities written back	11,052	442	22,530	442
Others	352	387	697	765
	78,334	23,885	102,710	24,263
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 6.58% (half year ended June 30, 2017 : 3.75% and 5.90%) per annum and is received on maturity.

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

for the six months period ended June 30, 2018

11. Income tax expense

The applicable income tax rate was reduced from 30% to 29% during the period on account of the changes made to the Income Tax Ordinance, 2001. Further, income tax charge also included prior year charge of Rs 390,340 thousand in respect of super tax levied for the tax year 2018 (2017 : Rs 461,464 thousand for tax year 2017) and Rs 194,019 thousand super tax levied for tax year 2019 (2018:Rs nil for tax year 2018) in accordance with the Finance Act, 2017.

	Note	June 30, 2018 (Un-audited) Rs '000	December 31, 2017 (Audited) Rs '000
12. Property, plant and equipment			
Operating fixed assets	12.1	7,932,950	8,174,609
Capital work in progress	12.2	631,601	481,253
		8,564,551	8,655,862
12.1 Operating fixed assets			
Carrying amount at January 01		8,174,609	8,286,265
Additions during the half year/year:			
- Owned assets			
Building		-	64,328
Plant and machinery		205,676	747,226
Office and household equipment		13,568	683
Vehicles		-	171,617
Furniture and fittings		918	6,500
		220,162	990,354
- Leased assets			
Vehicles		80,023	244,157
		300,185	1,234,511
Disposals during the half year/year (net book value):			
- Owned assets			
Building		-	(15,252)
Plant and machinery		(25,516)	(164,723)
Office and household equipment		(272)	(1,586)
Vehicles		-	(4,682)
Furniture and fittings		-	(353)
		(25,788)	(186,596)
- Leased assets			
Vehicles		(54,195)	(47,229)
		(79,983)	(233,825)
Depreciation charge for the half year/year:		(461,861)	(1,112,342)
Carrying amount at June 30/ December 31		7,932,950	8,174,609

- 12.1.1** During the half year ended 30 June 2018, the Company acquired assets, including transfers from capital work in progress, amounting to Rs. 300,185 thousand (half year ended 30 June 2017: Rs. 385,044 thousand). Operating fixed assets having net book value of Rs. 79,983 thousand were disposed off during half year ended 30 June 2018 (half year ended 30 June 2017: Rs. 199,289 thousand). Depreciation charge for half year ended 30 June 2018 was Rs. 461,861 thousand (half year ended 30 June 2017: Rs. 556,265 thousand).

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

for the six months period ended June 30, 2018

	June 30, 2018 (Un-audited) Rs '000	December 31,2017 (Audited) Rs '000
12.2 Capital work in progress		
Balance as at the beginning of the period	481,253	368,218
Additions during the half year/year	236,277	417,633
	717,530	785,851
Transferred to operating fixed assets	(85,929)	(304,598)
Carrying amount as at end of the period	631,601	481,253

13. Loans and advances

These include non-interest bearing advances to employees of Rs. 44,248 thousand (December 31, 2017: Rs. 41,953 thousand).

14. Due from government agencies

This represents advance payments in June 2018 against excise duties and sales tax. The advances will be adjusted against excise duty payable for the months of July 2018 and August 2018.

15. Other receivables

These include following balances due from related parties:

	Note	June 30, 2018 (Un-audited) Rs '000	December 31,2017 (Audited) Rs '000
Holding company / associated companies		57,052	52,145
Employees retirement benefit plans		779,055	765,618
16. Cash and bank balances			
Cash at banks			
- deposit accounts		8,560	9,460
- current accounts	16.1	694,700	379,278
		703,260	388,738
Cash in hand		1,981	1,390
		705,241	390,128

16.1 These include balances of Rs. 107,000 thousand (December 31, 2017: Rs. 96,741 thousand) held in foreign currency accounts.

17. Share capital

Authorised share capital of the Company is Rs. 3,000,000 thousand (December 31, 2017: 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, 2017: Rs. 2,554,938 thousand) divided into 255,493,792 ordinary shares of Rs. 10 each.

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

for the six months period ended June 30, 2018

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 376,501 thousand (December 31, 2017: Rs 425,295 thousand) and are payable in equal monthly instalments latest by December 2022. Taxes, repairs, replacement and insurance costs are to be borne by the Company. Financing rates of 7.61% to 8.40% (December 31, 2017: 7.30% to 7.40%) per annum have been used as discounting factor.

19. Short term running finance-secured

Short term running finance facilities available under mark-up arrangements with banks amount to Rs. 6,500 million (December 31, 2017: Rs.6,500 million), out of which the amount un-availed at the reporting date was Rs. 6,500 million (December 31, 2017: Rs.6,500 million). These facilities are secured by hypothecation of stock in trade and plant & machinery amounting to Rs.7,222 million (December 31, 2017: Rs.7,222 million). The mark-up ranges between 6.40% and 7.06% (2017: 6.34% and 6.54%) per annum and is payable quarterly. The facilities are renewable on annual basis.

20. Trade and other payables

20.1 These include following balances due to related parties:

	June 30, 2018 (Un-audited) Rs '000	December 31, 2017 (Audited) Rs '000
Holding company / associated companies	1,540,248	1,593,422
Employees retirement benefit plans	137,981	147,071

20.2 Trade and other payables include unpaid/unclaimed dividend amounting to Rs. 605,107 thousand (December 31, 2017: Rs. 264,303 thousand).

20.3 These also include 'contract liabilities' representing advances from customers amounting to Rs. 10,005 thousand (December 31, 2017: Rs. 150 thousand).

	June 30, 2018 (Un-audited) Rs '000	December 31, 2017 (Audited) Rs '000
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21. Contingencies and commitments

21.1 Contingencies

Claims and guarantees

Claims against the Group not acknowledged as debt	73,631	72,474
Guarantees issued by banks on behalf of the Group	287,451	276,051

Litigation

There is no significant change to status of litigations disclosed in annual financial statements for the year ended 31 December 2017.

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

for the six months period ended June 30, 2018

	June 30, 2018 (Un-audited) Rs '000	December 31, 2017 (Audited) Rs '000
21.2 Commitments		
Capital expenditure	698,763	-
Letters of credit outstanding	374,884	386,925
Lease rentals	516,830	644,519
	Half year ended	
	June 30, 2018 Rs '000	June 30, 2017 Rs '000
22. Cash generated from operations		
Profit before income tax	9,685,106	4,808,675
Adjustment for non-cash items:		
- Depreciation	461,861	556,265
- (Gain)/loss on disposal of property, plant and equipment	(21,104)	3,947
- Finance cost	14,994	26,894
- Finance income	(330,027)	(62,011)
- Reversal of provision for slow moving stores and spares	-	49,160
- Reversal of provision for stock-in-trade	(12,664)	(20,576)
- Provision for staff retirement benefit plans	133,033	114,860
	246,093	668,539
Changes in working capital:		
- Stock-in-trade	3,299,868	2,899,973
- Stores and spares	(124,894)	18,869
- Trade debts	295	(1,182)
- Loans and advances	(367,480)	(13,520)
- Short term prepayments	(5,565,390)	(6,645,452)
- Other receivables	92,426	(135,626)
- Trade and other payables	(3,447,220)	(2,065,974)
- Other liabilities	(325,547)	-
	(6,437,942)	(5,942,912)
Changes in long term deposits and prepayments	(1,687)	3,059
	3,491,570	(462,639)

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

for the six months period ended June 30, 2018

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, 2018 (Un-audited)			December 31, 2017 (Audited)		
	Loans and receivables	Other financial liabilities	Total	Loans and receivables	Other financial liabilities	Total
	Rs '000			Rs '000		
Financial assets measured at fair value						
Financial assets not measured at fair value						
Deposits	-	-	-	-	-	-
Trade debts	26,817	-	26,817	25,465	-	25,465
Other receivables	2,341	-	2,341	2,636	-	2,636
Short-term investment	851,353	-	851,353	948,975	-	948,975
Cash and bank balances	2,521,950	-	2,521,950	6,763,842	-	6,763,842
	705,241	-	705,241	390,128	-	390,128
	4,107,702	-	4,107,702	8,131,046	-	8,131,046
Financial liabilities measured at fair value						
Financial liabilities not measured at fair value						
Finance lease obligation	-	-	-	-	-	-
Accrued interest / mark-up	-	(376,501)	(376,501)	-	(425,295)	(425,295)
Trade and other payables	-	(3,106)	(3,106)	-	(3,414)	(3,414)
	-	(6,524,421)	(6,524,421)	-	(6,624,300)	(6,624,300)
	-	(6,904,028)	(6,904,028)	-	(7,053,009)	(7,053,009)

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. There have been no change.

23.2 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, 2017.

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

for the six months period ended June 30, 2018

24. Related parties

British American Tobacco (Investments) Limited (BAT-IL) holds 94.34% (December 31, 2017: 94.34%) shares of the Company. 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, 2018 Rs '000	June 30, 2017 Rs '000	June 30, 2018 Rs '000	June 30, 2017 Rs '000
Purchase of goods and services from				
Holding company	221,802	155,207	453,982	304,393
Associated companies	126,773	325,716	486,478	632,226
Sale of goods and services to				
Holding company	-	-	-	-
Associated companies	4,721	67,762	122,898	583,683
Dividend paid to				
Holding company	4,837,068	2,660,388	4,837,068	2,660,388
Royalty charged by				
Holding company	115,092	132,384	244,036	266,979
Expenses reimbursed to				
Holding company	8,368	1,885	11,415	2,803
Associated companies	8,145	-	8,200	-
Expenses reimbursed by				
Holding company	-	1,549	-	1,549
Associated companies	78,869	59,119	78,869	99,284
Employees retirement benefit plans - expense				
Staff defined contribution pension fund	23,879	19,388	44,888	36,612
Employees' gratuity fund	22,073	15,100	44,021	35,135
Management provident fund	18,939	17,207	36,143	32,562
Employees' provident fund	4,017	7,417	7,982	10,551
Remuneration of key management personnel	154,848	134,789	298,012	275,480
Other income:				
Associated company: Recharges written back	11,052	-	22,530	-

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

for the six months period ended June 30, 2018

25. Post balance sheet events

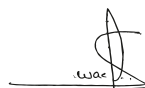
The Board of Directors in its meeting held on 23 July 2018 has declared the first interim dividend of Rs 7.00 (2017: Rs nil) per share. This interim dividend of Rs 1,788,456 thousand (2017: Rs nil) will be recorded as liability in the interim financial statements for the next quarter as required by the IAS 10 'Events after the Balance Sheet Date'. These condensed interim financial statements do not reflect this dividend.

26. Date of authorisation for issue

These consolidated condensed interim financial statements have been authorised for issue by the Board of Directors of the Group on 23 July 2018.



Syed Javed Iqbal
MD & Chief Executive Officer



Wael Sabra
Chief Financial Officer & Director

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