

# AN INSTITUTION OF RESILIENCE

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Condensed Interim Financial Information  
FOR THE THIRD QUARTER ENDED SEPTEMBER 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 nine months ended September 30, 2017.

PTC has demonstrated a healthy recovery in its business performance in Q3'17 vs SPLY through its strategy of addressing affordability needs of its consumers to retain market leadership in the legitimate sector. This is enabled by revision of our portfolio pricing in June'17 in response to fiscal reforms and enforcement actions by the government to curb illicit trade. These efforts have brought the market share of illicit sector down to 35.5% at September 30th 2017 (40.8% at June'17). Despite the positive trend, business performance for the nine months ended September 30th 2017 still reflects carry over impact of massive consumer down trading to cheap duty evaded cigarettes in H1'2017.

Key financial indicators of PTC for YTD September 30, 2017 are:

	Rs (million)	
	Jan - Sep, 2017	Jan - Sep, 2016
Gross Turnover	80,659	101,861
Net Turnover	30,823	35,594
Cost of Sales	15,502	17,596
Gross Profit	15,321	17,997
Operating Profit	10,110	12,061
Profit Before Tax – PBT	10,147	12,371
Profit After Tax – PAT	6,755	8,269
Earnings Per Share – EPS (Rs)	26.44	32.36

The Gross Turnover has declined vs. SPLY owing to the steep decline in sales volume in H1'17 primarily driven by the rise in market share of the illicit sector especially in the VFM segment. This decline was partially netted off by the positive impact of excise led price increases taken during last year and recovery of business in Q3'17.

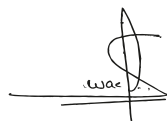
Cost of sales was lower by 12% primarily due to lower volumes vs SPLY, coupled with efficiencies through in-house process optimizations and footprint review of operations. These measures are in line with our objective to maintain a sustainable business model delivering high productivity with effective cost management.

Since the tax reforms introduced in Federal budget this year, PTC has contributed PKR 19.1 Bn in the Q3'17 (Up by PKR 5.6 Bn vs SPLY) and a total of PKR 53.4 Bn in nine months of 2017 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 sales of duty-evaded cigarettes on the sustainability of government revenues and legitimate industry. However, we expect that the continuous law enforcement efforts by relevant authorities together with the trend of business recovery carrying over from Q3'17 will bring about sustainable growth in government revenues.

PTC remains committed to deliver shareholder value through its strong brand portfolio, 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 ستمبر 2017 کو ختم ہونے والے 9 ماہ کی کارکردگی پیش کر رہے ہیں۔

پنی ٹی سی نے رواں سال 2017 کے تیسرے کوارٹر میں گزشتہ برس اسی عرصہ کے مقابلے میں کمی واقع ہوئی ہے۔ اس کی بڑی وجہ پہلے چھ ماہ میں پروڈکٹس کی فروخت میں کمی ہے کیونکہ غیر قانونی ٹوبیکو انڈسٹری کا حصہ بہت زیادہ تھا۔ گزشتہ برس میں ایکسائز کے اضافے کی وجہ سے لیے گئے قیمتوں میں اضافے اور رواں برس تیسری سہ ماہی میں ہونے والی کاروباری بحالی نے اس کی کوٹھما ہے۔

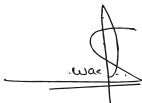
رواں سال کے بجٹ میں متعارف کرائے گئے مالیاتی اصلاحات کے نتیجے میں پنی ٹی سی نے رواں سال کے تیسرے کوارٹر میں 19.1 ارب روپے ایکسائز ڈیوٹی، سٹیکس، کسٹمز ڈیوٹیز اور انکم ٹیکس کی مد میں دیے ہیں۔ جو کہ گزشتہ سال اسی عرصہ کے دوران دے گئے ٹیکسز سے چھ ارب روپے زیادہ ہیں۔ رواں سال کے پہلے نو ماہ کے دوران مجموعی طور پر 53.4 ارب روپے دیئے ہیں۔ لاگت برائے فروخت گزشتہ برس اسی مدت کے مقابلے میں 12% کم رہی جس کی بڑی وجہ فروخت میں کمی ہے اس کے علاوہ پیداواری نظام میں مزید بہتری نے بھی اپنا کردار ادا کیا۔ یہ سب کوششیں ہمارے اس مقصد کے مطابق ہیں کہ ایک پائیدار کاروبار قائم رکھا جائے جو کم ترین لاگت میں بہترین پیداواری صلاحیت کا حامل ہو۔

کمپنی غیر ڈیوٹی شدہ سگریٹوں کی فروخت کے حکومتی آمدنی پر اور قانونی ٹوبیکو انڈسٹری پر ہونے والے خفیہ اثرات پر پھر سے زور دیتی ہے۔ تاہم، ہم یہ توقع رکھتے ہیں کہ متعلقہ حکام کی جانب سے قانون پر عمل درآمد کی مسلسل کوششیں اور تیسری سہ ماہی میں ہونے والی کاروباری بحالی سے حکومتی آمدنی میں استحکام آئے گا۔

30 ستمبر 2017 کو ڈائریکٹرز نے پنی ٹی سی کی کارکردگی رپورٹ پیش کر دی ہے جو کہ مندرجہ ذیل ہیں۔

روپے (ملین)		
جنوری سے ستمبر، 2017	جنوری سے ستمبر، 2016	
80,659	101,861	کل وصولیات (Gross Turnover)
30,823	35,594	خالص وصولیات (Net Turnover)
15,502	17,596	لاگت برائے فروخت (Cost of Sales)
15,321	17,997	مجموعی منافع (Gross Profit)
10,110	12,061	کاروباری منافع (Operating Profit)
10,147	12,371	قبل از ٹیکس منافع (Profit Before Tax – PBT)
6,755	8,269	بعد از ٹیکس منافع (Profit After Tax – PAT)
26.44	32.36	آمدنی فی حصص (Earnings Per Share – EPS (Rs) (روپے)

پنی ٹی سی اپنے مضبوط برانڈز، اعلیٰ صلاحیتوں کی حامل لوگ اور انتظامی پالیسیز کے ذریعے اپنے حصہ داران کو زیادہ سے زیادہ ویلیدو دینے کا عزم کئے ہوئے ہے۔



واکھل صابرا

ڈائریکٹر فنانس و آئی ٹی



سید جاوید اقبال

مینجنگ ڈائریکٹر چیف ایگزیکٹو

# Condensed Interim Profit and Loss Account (Unaudited)

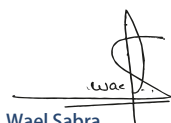
for the Nine months ended September 30, 2017

	Note	Three months ended		Nine months ended	
		Sep 30, 2017 Rs '000	Sep 30, 2016 Rs '000	Sep 30, 2017 Rs '000	Sep 30, 2016 Rs '000
<b>Gross turnover</b>		30,184,714	19,652,927	80,659,273	101,861,449
Excise duties		(13,002,024)	(9,964,861)	(37,710,695)	(50,959,358)
Sales tax		(4,573,908)	(2,942,362)	(12,125,629)	(15,308,555)
<b>Net turnover</b>		12,608,782	6,745,704	30,822,949	35,593,536
Cost of sales	7	(5,619,997)	(3,445,962)	(15,501,633)	(17,596,079)
<b>Gross profit</b>		6,988,785	3,299,742	15,321,316	17,997,457
Selling and distribution costs		(918,681)	(1,122,755)	(2,946,321)	(3,509,674)
Administrative expenses		(404,658)	(397,103)	(1,516,146)	(1,512,437)
Other expenses	8	(435,990)	(124,384)	(880,097)	(954,947)
Other income	9	106,700	2,699	130,962	40,832
		(1,652,629)	(1,641,543)	(5,211,602)	(5,936,226)
<b>Operating profit</b>		5,336,156	1,658,199	10,109,714	12,061,231
Finance income	10	25,999	69,359	88,010	346,161
Finance cost		(23,503)	(10,117)	(50,397)	(36,773)
Net finance income		2,496	59,242	37,613	309,388
<b>Profit before income tax</b>		5,338,652	1,717,441	10,147,327	12,370,619
Income tax expense	11	(1,560,098)	(519,528)	(3,392,294)	(4,101,406)
<b>Profit for the period</b>		3,778,554	1,197,913	6,755,033	8,269,213
Earnings per share - basic and diluted (Rupees)		14.79	4.69	26.44	32.36

The annexed notes 1 to 25 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)

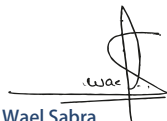
for the Nine months ended September 30, 2017

	Three months ended		Nine months ended	
	Sep 30, 2017 Rs '000	Sep 30, 2016 Rs '000	Sep 30, 2017 Rs '000	Sep 30, 2016 Rs '000
<b>Profit for the period</b>	3,778,554	1,197,913	6,755,033	8,269,213
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive income for the period</b>	3,778,554	1,197,913	6,755,033	8,269,213

The annexed notes 1 to 25 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)

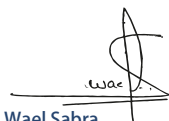
as at September 30, 2017

	Note	September 30, 2017 (Unaudited) Rs '000	December 31, 2016 (Audited) Rs '000
<b>Assets</b>			
Property, plant and equipment	12	8,304,524	8,629,435
Long term investment in subsidiary company	13	5,000	5,000
Long term deposits and prepayments		32,919	33,571
Non-current assets		8,342,443	8,668,006
Stock-in-trade		15,623,060	13,618,530
Stores and spares		511,817	570,224
Trade debts		2,399	1,839
Loans and advances	14	93,837	178,561
Short term prepayments		102,146	183,858
Other receivables	15	995,128	1,049,248
Short term investments		5,369,717	979,903
Cash and bank balances	16	165,010	147,324
<b>Current assets</b>		22,863,114	16,729,487
<b>Total assets</b>		31,205,557	25,397,493
<b>Equity</b>			
Share capital	17	2,554,938	2,554,938
Revenue reserves		14,366,293	10,421,692
<b>Total equity</b>		16,921,231	12,976,630
<b>Liabilities</b>			
Finance lease obligation	18	291,869	314,950
Deferred tax liabilities		988,061	1,132,463
<b>Non current liabilities</b>		1,279,930	1,447,413
Finance lease obligation	18	163,883	164,383
Accrued interest / mark-up		18,300	3,438
Short term running finance, secured	19	160,800	95,339
Trade and other payables	20	10,227,144	9,094,982
Current income tax liabilities		2,434,269	1,615,308
<b>Current liabilities</b>		13,004,396	10,973,450
<b>Total liabilities</b>		14,284,326	12,420,863
<b>Total equity and liabilities</b>		31,205,557	25,397,493
<b>Contingencies and commitments</b>			
	21		

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



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Managing Director & CEO



**Wael Sabra**  
Director Finance & IT



# Condensed Interim Statement of Changes in Equity (Unaudited)

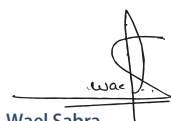
for the Nine months ended September 30, 2017

	Share capital Rs '000	Revenue reserves Rs '000	Total Rs '000
<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	-	8,269,213	8,269,213
Other comprehensive income	-	-	-
	-	8,269,213	8,269,213
<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)
1st Interim dividend relating to the year ended December 31, 2016 Rs. 6 per share	-	(1,532,963)	(1,532,963)
<b>Balance at September 30, 2016</b>	2,554,938	9,948,583	12,503,521
<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	-	6,755,033	6,755,033
Other comprehensive income	-	-	-
	-	6,755,033	6,755,033
<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 September 30, 2017</b>	2,554,938	14,366,293	16,921,231

The annexed notes 1 to 25 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)

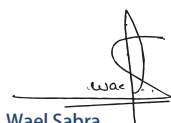
for the Nine months ended September 30, 2017

	Note	Sep 30, 2017 Rs '000	Sep 30, 2016 Rs '000
		Nine month ended	
<b>Cash flows from operating activities</b>			
Cash receipts from customers		80,658,713	101,858,960
Cash paid to Government for federal excise duty,			
Sales tax and other levies		(50,190,710)	(64,152,227)
Cash paid to suppliers		(19,610,447)	(20,980,926)
Finance cost paid		(35,535)	(44,502)
Royalty paid		(262,009)	(460,048)
Income tax paid		(2,717,735)	(3,280,288)
Finance income received		76,880	339,431
		7,919,157	13,280,400
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(822,210)	(312,176)
Proceeds from disposal of property, plant and equipment		203,300	188,927
		(618,910)	(123,249)
<b>Cash flows from financing activities</b>			
Dividends paid		(2,808,974)	(6,113,801)
Finance lease payments		(149,234)	(163,303)
		(2,958,208)	(6,277,104)
<b>Net increase in cash and cash equivalents</b>		4,342,039	6,880,047
Cash and cash equivalents at January 1		1,031,888	(1,166,412)
<b>Cash and cash equivalents at Sep 30</b>		5,373,927	5,713,635
<b>Cash and cash equivalents comprise:</b>			
Short term investments		5,369,717	5,284,365
Cash and bank balances	16	165,010	466,839
Short term running finance, secured	19	(160,800)	(37,569)
		5,373,927	5,713,635

The annexed notes 1 to 25 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 Nine months ended September 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 nine months ended September 30, 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 nine months ended September 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 1986, and the listing regulations of the Pakistan Stock Exchange.

The Companies Act, 2017 was enacted on 30 May 2017 and SECP vide its circular 23 of October 04, 2017 has clarified that the companies whose financial year, including interim period, closes on or before 31 Dec, 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.

# Notes to the Condensed Interim Financial Information (Unaudited)

for the Nine months ended September 30, 2017

## 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.

	Three months ended		Nine months ended	
	Sep 30, 2017 Rs '000	Sep 30, 2016 Rs '000	Sep 30, 2017 Rs '000	Sep 30, 2016 Rs '000
<b>7. Cost of sales</b>				
Raw material consumed:				
Opening stock of raw materials and work in process	9,887,005	7,303,246	12,449,905	11,233,495
Raw material purchases and expenses	9,022,616	8,912,417	13,385,896	14,416,017
Excise duty, customs duty and tobacco development cess	183,285	125,093	376,914	415,912
Closing stock of raw materials and work in process	(14,457,518)	(13,325,320)	(14,457,518)	(13,325,320)
	4,635,388	3,015,436	11,755,197	12,740,104
Royalty	134,711	109,452	401,690	433,290
Production overheads	1,163,312	774,186	3,321,087	2,754,459
Cost of goods manufactured	5,933,411	3,899,074	15,477,974	15,927,853
Cost of finished goods				
Opening stock	852,128	652,704	1,189,201	2,774,042
Closing stock	(1,165,542)	(1,105,816)	(1,165,542)	(1,105,816)
	(313,414)	(453,112)	23,659	1,668,226
	5,619,997	3,445,962	15,501,633	17,596,079

# Notes to the Condensed Interim Financial Information (Unaudited)

for the Nine months ended September 30, 2017

	Three months ended		Nine months ended	
	Sep 30, 2017 Rs '000	Sep 30, 2016 Rs '000	Sep 30, 2017 Rs '000	Sep 30, 2016 Rs '000
<b>8. Other expenses</b>				
Workers' Profit Participation Fund (WPPF)	286,650	92,006	545,066	664,373
Workers' Welfare Fund (WWF)	107,687	30,478	208,921	252,462
Bank charges and fees	10,358	4,752	26,865	33,592
Interest paid to WPPF	-	-	11,732	4,520
Loss on disposal / write off of operating assets	17,870	-	21,817	-
Foreign exchange loss	13,425	(2,852)	65,696	-
	435,990	124,384	880,097	954,947
<b>9. Other income</b>				
Income from services to associated companies:				
- BAT SAA (Private) Limited	-	-	13,169	18,198
- BAT Myanmar/BAT Bangladesh / Ceylon Tobacco	3,529	-	7,939	1,746
- BAT Singapore	-	-	5,477	-
	3,529	-	26,585	19,944
Gain on disposal of property, plant and equipment	-	(1,216)	-	10,167
Foreign exchange gain	-	3,330	-	3,330
Liabilities written back	102,766	-	103,207	-
Others	405	585	1,170	7,391
	106,700	2,699	130,962	40,832

## 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% (nine months ended September 30, 2016 : 4.0% and 6.30%) 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	September 30, 2017 (Unaudited) Rs '000	December 31, 2016 (Audited) Rs '000
<b>12. Property, plant and equipment</b>			
Operating fixed assets	12.1	7,738,186	8,282,901
Capital work in progress	12.2	566,338	346,534
		8,304,524	8,629,435

# Notes to the Condensed Interim Financial Information (Unaudited)

for the Nine months ended September 30, 2017

	September 30, 2017 (Unaudited) Rs '000	December 31, 2016 (Audited) Rs '000
<b>12.1 Operating fixed assets</b>		
Carrying amount at January 01	8,282,901	8,066,023
Additions during the nine months/year:		
- <b>Owned assets</b>		
Building	20,600	10,593
Plant and machinery	207,876	1,157,844
Office and household equipment	60,499	267,380
Vehicles	-	60
Furniture and fittings	3,643	12,385
	292,618	1,448,262
- <b>Leased assets</b>		
Vehicles	222,670	129,704
	515,288	1,577,966
Disposals during the nine months/year (net book value):		
- <b>Owned assets</b>		
Building	(15,305)	-
Plant and machinery	(160,597)	(175,681)
Office and household equipment	(1,586)	(107)
Vehicles	(15,026)	(6,026)
Furniture and fittings	(180)	(253)
	(192,694)	(182,067)
- <b>Leased assets</b>		
Vehicles	(31,821)	(91,787)
	(224,515)	(273,854)
Depreciation charge for the nine months/year:	(835,488)	(1,087,234)
Carrying amount at Sep 30/ December 31	7,738,186	8,282,901

- 12.1.1** During the nine months ended Sep 30, 2017, the Company acquired assets, including transfers from capital work in progress, with a cost of Rs 515,288 thousand (nine months ended Sep 30, 2016: Rs. 1,044,650 thousand). Operating fixed assets having net book value of Rs. 224,515 thousand were disposed off during nine months ended Sep 30, 2017 (nine months ended Sep 30, 2016: Rs. 178,759 thousand). Depreciation charge for nine months ended Sep 30, 2017 was Rs. 835,488 thousand (nine months ended Sep 30, 2016: Rs. 805,166 thousand).

	September 30, 2017 (Unaudited) Rs '000	December 31, 2016 (Audited) 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 nine months/year	493,559	334,295
	840,093	1,453,243
Transferred to operating fixed assets	(273,755)	(1,106,709)
Carrying amount as at end of the period	566,338	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 Nine months ended September 30, 2017

## 14. Loans and advances

These include non interest bearing advances to employees of Rs. 50,162 thousand (December 31, 2016: Rs. 45,572 thousand).

## 15. Other receivables

These include following balances due from related parties:

	Note	September 30, 2017 (Unaudited) Rs '000	December 31, 2016 (Audited) Rs '000
Associated companies		17,573	111,944
Subsidiary company		20,021	20,021
Employees retirement benefit plans		934,230	908,280
<b>16. Cash and bank balances</b>			
Cash at banks			
- deposit accounts		15,960	27,314
- current accounts	16.1	147,570	117,886
		163,530	145,200
Cash in hand		1,480	2,124
		165,010	147,324

**16.1** These include balances of Rs.95,659 thousand (December 31, 2016: Rs. 55,399 thousand) held in foreign currency accounts.

## 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 for vehicles. Total lease rentals due under various lease agreements aggregate to Rs 455,752 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.

## 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, 2016: Rs.6,500 million), out of which the amount un-availed at the reporting date was Rs. 6,339 million (December 31, 2016: Rs.6,405 million). These facilities are secured by hypothecation of stock in trade and plant & machinery amounting to Rs.7,222 million (December 31, 2016: Rs.7,222 million). The mark-up ranges between 6.36% and 6.54% (2016: 6.39% and 6.77%) per annum and is payable quarterly. The facilities are renewable on annual basis.

# Notes to the Condensed Interim Financial Information (Unaudited)

for the Nine months ended September 30, 2017

	September 30, 2017 (Unaudited) Rs '000	December 31, 2016 (Audited) Rs '000
<b>20. Trade and other payables</b>		
These include following balances due to related parties:		
Holding company	392,187	228,410
Associated companies	1,157,721	1,515,660
<b>21. Contingencies and commitments</b>		
<b>21.1 Contingencies</b>		
<b>Claims and guarantees</b>		
Claims against the Company not acknowledged as debt	72,474	69,450
Guarantees issued by banks on behalf of the Company	257,951	241,451

## Litigation

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

	September 30, 2017 (Unaudited) Rs '000	December 31, 2016 (Audited) Rs '000
<b>21.2 Commitments</b>		
Capital expenditure	230,039	-
Letters of credit outstanding	322,730	151,299
Lease rental	390,708	443,311



# Notes to the Condensed Interim Financial Information (Unaudited) for the Nine months ended September 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.

	September 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	25,165	-	25,165	25,053	-	25,053
Loans and advances	2,399	-	2,399	1,839	-	1,839
Other receivables	93,837	-	93,837	178,561	-	178,561
Short-term investment	995,128	-	995,128	1,049,248	-	1,049,248
Cash and bank balances	5,369,717	-	5,369,717	979,903	-	979,903
	165,010	-	165,010	147,324	-	147,324
	6,651,256	-	6,651,256	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	-	(455,752)	(455,752)	-	(479,333)	(479,333)
Accrued interest / mark-up	-	(18,300)	(18,300)	-	(3,438)	(3,438)
Short term running finance	-	(160,800)	(160,800)	-	(95,339)	(95,339)
Trade and other payables	-	(10,144,120)	(10,144,120)	-	(9,074,607)	(9,074,607)
	-	(10,778,972)	(10,778,972)	-	(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.

### 22.2 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 Nine months ended September 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 year 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:

	Three months ended		Nine months ended	
	Sep 30, 2017 Rs '000	Sep 30, 2016 Rs '000	Sep 30, 2017 Rs '000	Sep 30, 2016 Rs '000
<b>Purchase of goods and services from</b>				
Holding company	167,382	151,403	474,578	472,874
Associated companies	650,450	311,212	1,282,676	1,009,316
<b>Sale of goods and services to</b>				
Holding company	677	14,218	2,226	46,549
Associated companies	45,503	119,740	728,470	372,306
<b>Dividend paid to</b>				
Holding company	-	1,451,120	2,660,388	5,804,482
<b>Royalty charged by</b>				
Holding company	134,711	109,452	401,690	433,290
<b>Employees retirement benefit plans - Expense</b>				
Staff pension fund	-	10,457	-	31,411
Staff defined contribution pension fund	19,847	17,660	56,459	51,241
Employees' gratuity fund	18,932	29,145	54,067	87,548
Management provident fund	17,437	16,259	49,999	50,267
Employees' provident fund	3,677	4,730	14,228	14,248
<b>Remuneration of key management personnel</b>	174,722	234,723	450,202	679,357

# Notes to the Condensed Interim Financial Information (Unaudited)

for the Nine months ended September 30, 2017

## 24. Post balance sheet events

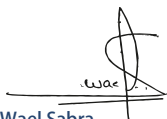
The Board of Directors in their meeting held on October 19, 2017 has declared the second interim dividend of Rs 10 (2016: Rs 8) per share. This interim dividend of Rs 2,554,938 thousand (2016: Rs 2,043,950) will be recorded as liability in the financial statements for the next quarter as required by 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 condensed interim financial information has been authorised for issue by the Board of Directors of the Company on October 19, 2017.



**Syed Javed Iqbal**  
Managing Director & CEO



**Wael Sabra**  
Director Finance & IT

# Consolidated Condensed Interim Profit and Loss Account (Unaudited)

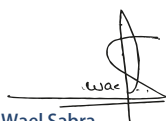
for the Nine months ended September 30, 2017

	Note	Three months ended		Nine months ended	
		Sep 30, 2017 Rs '000	Sep 30, 2016 Rs '000	Sep 30, 2017 Rs '000	Sep 30, 2016 Rs '000
<b>Gross turnover</b>		30,184,714	19,652,927	80,659,273	101,861,449
Excise duties		(13,002,024)	(9,964,861)	(37,710,695)	(50,959,358)
Sales tax		(4,573,908)	(2,942,362)	(12,125,629)	(15,308,555)
<b>Net turnover</b>		12,608,782	6,745,704	30,822,949	35,593,536
Cost of sales	7	(5,619,997)	(3,445,962)	(15,501,633)	(17,596,079)
<b>Gross profit</b>		6,988,785	3,299,742	15,321,316	17,997,457
Selling and distribution costs		(918,681)	(1,122,755)	(2,946,321)	(3,509,674)
Administrative expenses		(404,658)	(397,103)	(1,516,146)	(1,512,437)
Other expenses	8	(435,990)	(124,384)	(880,097)	(954,947)
Other income	9	106,700	2,699	130,962	40,832
		(1,652,629)	(1,641,543)	(5,211,602)	(5,936,226)
<b>Operating profit</b>		5,336,156	1,658,199	10,109,714	12,061,231
Finance income	10	25,999	69,359	88,010	346,161
Finance cost		(23,503)	(10,117)	(50,397)	(36,773)
Net finance income		2,496	59,242	37,613	309,388
<b>Profit before income tax</b>		5,338,652	1,717,441	10,147,327	12,370,619
Income tax expense	11	(1,560,098)	(519,528)	(3,392,294)	(4,101,406)
<b>Profit for the period</b>		3,778,554	1,197,913	6,755,033	8,269,213
Earnings per share - basic and diluted (Rupees)		14.79	4.69	26.44	32.36

The annexed notes 1 to 24 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)

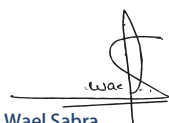
for the Nine months ended September 30, 2017

	Three months ended		Nine months ended	
	Sep 30, 2017 Rs '000	Sep 30, 2016 Rs '000	Sep 30, 2017 Rs '000	Sep 30, 2016 Rs '000
<b>Profit for the period</b>	3,778,554	1,197,913	6,755,033	8,269,213
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive income for the period</b>	3,778,554	1,197,913	6,755,033	8,269,213

The annexed notes 1 to 24 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)

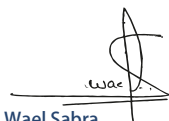
as at September 30, 2017

	Note	September 30, 2017 (Unaudited) Rs '000	December 31, 2016 (Audited) Rs '000
<b>Assets</b>			
Property, plant and equipment	12	8,329,572	8,654,483
Long term deposits and prepayments		32,919	33,571
Non-current assets		8,362,491	8,688,054
Stock-in-trade		15,623,060	13,618,530
Stores and spares		511,817	570,224
Trade debts		2,399	1,839
Loans and advances	13	93,837	178,561
Short term prepayments		102,146	183,858
Other receivables	14	975,107	1,029,227
Short term investments		5,369,717	979,903
Cash and bank balances	15	165,010	147,324
<b>Current assets</b>		22,843,093	16,709,466
<b>Total assets</b>		31,205,584	25,397,520
<b>Equity</b>			
Share capital	16	2,554,938	2,554,938
Revenue reserves		14,366,293	10,421,692
<b>Total equity</b>		16,921,231	12,976,630
<b>Liabilities</b>			
Finance lease obligation	17	291,869	314,950
Deferred tax liabilities		988,061	1,132,463
<b>Non current liabilities</b>		1,279,930	1,447,413
Finance lease obligation	17	163,883	164,383
Accrued interest / mark-up		18,300	3,438
Short term running finance, secured	18	160,800	95,339
Trade and other payables	19	10,227,171	9,095,009
Current income tax liabilities		2,434,269	1,615,308
<b>Current liabilities</b>		13,004,423	10,973,477
<b>Total liabilities</b>		14,284,353	12,420,890
<b>Total equity and liabilities</b>		31,205,584	25,397,520
<b>Contingencies and commitments</b>	20		

The annexed notes 1 to 24 form an integral part of this consolidated condensed interim financial information.



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Managing Director & CEO



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Director Finance & IT

# Consolidated Condensed Interim Statement of Changes in Equity (Unaudited)

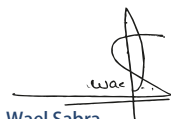
for the Nine months ended September 30, 2017

	Share capital Rs '000	Revenue reserves Rs '000	Total Rs '000
<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	-	8,269,213	8,269,213
Other comprehensive income	-	-	-
	-	8,269,213	8,269,213
<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)
1st Interim dividend relating to the year ended December 31, 2016 Rs. 6 per share	-	(1,532,963)	(1,532,963)
<b>Balance at September 30, 2016</b>	2,554,938	9,948,583	12,503,521
<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	-	6,755,033	6,755,033
Other comprehensive income	-	-	-
	-	6,755,033	6,755,033
<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 September 30, 2017</b>	2,554,938	14,366,293	16,921,231

The annexed notes 1 to 24 form an integral part of this consolidated condensed interim financial information.



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Managing Director & CEO




**Wael Sabra**  
Director Finance & IT

# Consolidated Condensed Interim Cash Flow Statement (Unaudited)

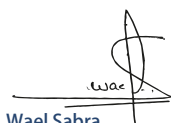
for the Nine months ended September 30, 2017

	Note	Sep 30, 2017 Rs '000	Sep 30, 2016 Rs '000
		Nine month ended	
<b>Cash flows from operating activities</b>			
Cash receipts from customers		80,658,713	101,858,960
Cash paid to Government for federal excise duty,			
Sales tax and other levies		(50,190,710)	(64,152,227)
Cash paid to suppliers		(19,610,447)	(20,980,926)
Finance cost paid		(35,535)	(44,502)
Royalty paid		(262,009)	(460,048)
Income tax paid		(2,717,735)	(3,280,288)
Finance income received		76,880	339,431
		7,919,157	13,280,400
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(822,210)	(312,176)
Proceeds from disposal of property, plant and equipment		203,300	188,927
		(618,910)	(123,249)
<b>Cash flows from financing activities</b>			
Dividends paid		(2,808,974)	(6,113,801)
Finance lease payments		(149,234)	(163,303)
		(2,958,208)	(6,277,104)
<b>Net increase in cash and cash equivalents</b>		4,342,039	6,880,047
Cash and cash equivalents at January 1		1,031,888	(1,166,412)
<b>Cash and cash equivalents at Sep 30</b>		5,373,927	5,713,635
<b>Cash and cash equivalents comprise:</b>			
Short term investments		5,369,717	5,284,365
Cash and bank balances	15	165,010	466,839
Short term running finance, secured	18	(160,800)	(37,569)
		5,373,927	5,713,635

The annexed notes 1 to 24 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 Nine months ended September 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 Group 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

This condensed interim financial information of the Group for the nine months ended September 30, 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 Group'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 nine months ended September 30, 2016.

### 3. Basis of preparation

This 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 1986, and the listing regulations of the Pakistan Stock Exchange.

The Companies Act, 2017 was enacted on 30 May 2017 and SECP vide its circular 23 of 04 October, 2017 has clarified that the companies whose financial year, including interim period, closes on or before 31 Dec, 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 Nine months ended September 30, 2017

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.

### 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.

	Three months ended		Nine months ended	
	Sep 30, 2017 Rs '000	Sep 30, 2016 Rs '000	Sep 30, 2017 Rs '000	Sep 30, 2016 Rs '000
<b>7. Cost of sales</b>				
Raw material consumed:				
Opening stock of raw materials and work in process	9,887,005	7,303,246	12,449,905	11,233,495
Raw material purchases and expenses	9,022,616	8,912,417	13,385,896	14,416,017
Excise duty, customs duty and tobacco development cess	183,285	125,093	376,914	415,912
Closing stock of raw materials and work in process	(14,457,518)	(13,325,320)	(14,457,518)	(13,325,320)
	4,635,388	3,015,436	11,755,197	12,740,104
Royalty	134,711	109,452	401,690	433,290
Production overheads	1,163,312	774,186	3,321,087	2,754,459
Cost of goods manufactured	5,933,411	3,899,074	15,477,974	15,927,853
Cost of finished goods				
Opening stock	852,128	652,704	1,189,201	2,774,042
Closing stock	(1,165,542)	(1,105,816)	(1,165,542)	(1,105,816)
	(313,414)	(453,112)	23,659	1,668,226
	5,619,997	3,445,962	15,501,633	17,596,079

# Notes to the Consolidated Condensed Interim Financial Information (Unaudited) for the Nine months ended September 30, 2017

	Three months ended		Nine months ended	
	Sep 30, 2017 Rs '000	Sep 30, 2016 Rs '000	Sep 30, 2017 Rs '000	Sep 30, 2016 Rs '000
<b>8. Other expenses</b>				
Workers' Profit Participation Fund (WPPF)	286,650	92,006	545,066	664,373
Workers' Welfare Fund (WWF)	107,687	30,478	208,921	252,462
Bank charges and fees	10,358	4,752	26,865	33,592
Interest paid to WPPF	-	-	11,732	4,520
Loss on disposal / write off of operating assets	17,870	-	21,817	-
Foreign exchange loss	13,425	(2,852)	65,696	-
	435,990	124,384	880,097	954,947
<b>9. Other income</b>				
Income from services to associated companies:				
- BAT SAA (Private) Limited	-	-	13,169	18,198
- BAT Myanmar/BAT Bangladesh / Ceylon Tobacco	3,529	-	7,939	1,746
- BAT Singapore	-	-	5,477	-
	3,529	-	26,585	19,944
Gain on disposal of property, plant and equipment	-	(1,216)	-	10,167
Foreign exchange gain	-	3,330	-	3,330
Liabilities written back	102,766	-	103,207	-
Others	405	585	1,170	7,391
	106,700	2,699	130,962	40,832

## 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% (nine months ended September 30, 2016 : 4.0% and 6.30%) 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	September 30, 2017 (Unaudited) Rs '000	December 31, 2016 (Audited) Rs '000
<b>12. Property, plant and equipment</b>			
Operating fixed assets	12.1	7,741,550	8,286,265
Capital work in progress	12.2	588,022	368,218
		8,329,572	8,654,483

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

for the Nine months ended September 30, 2017

	September 30, 2017 (Unaudited) Rs '000	December 31, 2016 (Audited) Rs '000
<b>12.1 Operating fixed assets</b>		
Carrying amount at January 01	8,286,265	8,069,387
Additions during the nine months/year:		
- <b>Owned assets</b>		
Building	20,600	10,593
Plant and machinery	207,876	1,157,844
Office and household equipment	60,499	267,380
Vehicles	-	60
Furniture and fittings	3,643	12,385
	292,618	1,448,262
- <b>Leased assets</b>		
Vehicles	222,670	129,704
	515,288	1,577,966
Disposals during the nine months/year (net book value):		
- <b>Owned assets</b>		
Building	(15,305)	-
Plant and machinery	(160,597)	(175,681)
Office and household equipment	(1,586)	(107)
Vehicles	(15,026)	(6,026)
Furniture and fittings	(180)	(253)
	(192,694)	(182,067)
- <b>Leased assets</b>		
Vehicles	(31,821)	(91,787)
	(224,515)	(273,854)
Depreciation charge for the nine months/year:	(835,488)	(1,087,234)
Carrying amount at Sep 30/ December 31	7,741,550	8,286,265

**12.1.1** During the nine months ended Sep 30, 2017, the Company acquired assets, including transfers from capital work in progress, with a cost of Rs 515,288 thousand (nine months ended Sep 30, 2016: Rs. 1,044,650 thousand). Operating fixed assets having net book value of Rs. 224,515 thousand were disposed off during nine months ended Sep 30, 2017 (nine months ended Sep 30, 2016: Rs. 178,759 thousand). Depreciation charge for nine months ended Sep 30, 2017 was Rs. 835,488 thousand (nine months ended Sep 30, 2016: Rs. 805,166 thousand).

	September 30, 2017 (Unaudited) Rs '000	December 31, 2016 (Audited) 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 nine months/year	493,559	334,295
	861,777	1,474,927
Transferred to operating fixed assets	(273,755)	(1,106,709)
Carrying amount as at end of the period	588,022	368,218

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

for the Nine months ended September 30, 2017

## 13. Loans and advances

These include non interest bearing advances to employees of Rs. 50,162 thousand (December 31, 2016: Rs. 45,572 thousand).

## 14. Other receivables

These include following balances due from related parties:

	Note	September 30, 2017 (Unaudited) Rs '000	December 31, 2016 (Audited) Rs '000
Associated companies		17,573	111,944
Employees retirement benefit plans		934,230	908,280
<b>15. Cash and bank balances</b>			
Cash at banks			
- deposit accounts		15,960	27,314
- current accounts	15.1	147,570	117,886
		163,530	145,200
Cash in hand		1,480	2,124
		165,010	147,324

**15.1** These include balances of Rs.95,659 thousand (December 31, 2016: Rs. 55,399 thousand) held in foreign currency accounts.

## 16. 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.

## 17. Finance lease obligation

This represents finance lease agreements entered into with a leasing company for vehicles. Total lease rentals due under various lease agreements aggregate to Rs 455,752 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.

## 18. 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, 2016: Rs.6,500 million), out of which the amount un-availed at the reporting date was Rs. 6,339 million (December 31, 2016: Rs.6,405 million). These facilities are secured by hypothecation of stock in trade and plant & machinery amounting to Rs.7,222 million (December 31, 2016: Rs.7,222 million). The mark-up ranges between 6.36% and 6.54% (2016: 6.39% and 6.77%) per annum and is payable quarterly. The facilities are renewable on annual basis.

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

for the Nine months ended September 30, 2017

	September 30, 2017 (Unaudited) Rs '000	December 31, 2016 (Audited) Rs '000
<b>19. Trade and other payables</b>		
These include following balances due to related parties:		
Holding company	392,187	228,410
Associated companies	1,157,721	1,515,660
<b>20. Contingencies and commitments</b>		
<b>20.1 Contingencies</b>		
<b>Claims and guarantees</b>		
Claims against the Group not acknowledged as debt	72,474	69,450
Guarantees issued by banks on behalf of the Group	257,951	241,451
<b>Litigation</b>		
There is no significant change to status of litigations disclosed in annual financial statements for the year ended 31 December 2016.		
	September 30, 2017 (Unaudited) Rs '000	December 31, 2016 (Audited) Rs '000
<b>20.2 Commitments</b>		
Capital expenditure	230,039	-
Letters of credit outstanding	322,730	151,299
Lease rental	390,708	443,311

# Notes to the Consolidated Condensed Interim Financial Information (Unaudited) for the Nine months ended September 30, 2017

## 21. Financial instruments

### 21.1 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.

	September 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	25,165	-	25,165	25,053	-	25,053
Loans and advances	2,399	-	2,399	1,839	-	1,839
Other receivables	93,837	-	93,837	178,561	-	178,561
Short-term investment	975,107	-	975,107	1,029,227	-	1,029,227
Cash and bank balances	5,369,717	-	5,369,717	979,903	-	979,903
	165,010	-	165,010	147,324	-	147,324
	6,631,235	-	6,631,235	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	-	(455,752)	(455,752)	-	(479,333)	(479,333)
Accrued interest / mark-up	-	(18,300)	(18,300)	-	(3,438)	(3,438)
Short term running finance	-	(160,800)	(160,800)	-	(95,339)	(95,339)
Trade and other payables	-	(10,144,147)	(10,144,147)	-	(9,074,634)	(9,074,634)
	-	(10,778,999)	(10,778,999)	-	(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.

### 21.2 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 Nine months ended September 30, 2017

## 22. Related parties

British American Tobacco (Investments) Limited (BAT-IL) holds 94.34% (December 31, 2016: 94.34%) shares of the Company at the year 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:

	Three months ended		Nine months ended	
	Sep 30, 2017 Rs '000	Sep 30, 2016 Rs '000	Sep 30, 2017 Rs '000	Sep 30, 2016 Rs '000
<b>Purchase of goods and services from</b>				
Holding company	167,382	151,403	474,578	472,874
Associated companies	650,450	311,212	1,282,676	1,009,316
<b>Sale of goods and services to</b>				
Holding company	677	14,218	2,226	46,549
Associated companies	45,503	119,740	728,470	372,306
<b>Dividend paid to</b>				
Holding company	-	1,451,120	2,660,388	5,804,482
<b>Royalty charged by</b>				
Holding company	134,711	109,452	401,690	433,290
<b>Employees retirement benefit plans - Expense</b>				
Staff pension fund	-	10,457	-	31,411
Staff defined contribution pension fund	19,847	17,660	56,459	51,241
Employees' gratuity fund	18,932	29,145	54,067	87,548
Management provident fund	17,437	16,259	49,999	50,267
Employees' provident fund	3,677	4,730	14,228	14,248
<b>Remuneration of key management personnel</b>	174,722	234,723	450,202	679,357



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


for the Nine months ended September 30, 2017

## 23. Post balance sheet events

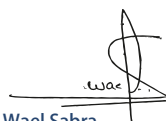
The Board of Directors in their meeting held on October 19, 2017 has declared the second interim dividend of Rs 10 (2016: Rs 8) per share. This interim dividend of Rs 2,554,938 thousand (2016: Rs 2,043,950) will be recorded as liability in the financial statements for the next quarter as required by the IAS 10 Events after the Balance Sheet Date. This condensed interim financial information does not reflect this dividend.

## 24. 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 October 19, 2017.



**Syed Javed Iqbal**  
Managing Director & CEO



**Wael Sabra**  
Director Finance & IT





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