

COMMITMENT TO
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Condensed Interim Financial Information
for Half year ended June 30, 2015

Corporate Information

Board of Directors

Mueen Afzal
Chairman and Non-Executive Director

Graeme Amey
Managing Director and CEO

Syed Javed Iqbal
Director Finance & IT

Tajamal Shah
Legal Director

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

Syed Asif Shah
Non-Executive Director

Abid Niaz Hasan
Non-Executive Director

Hae In KIM
Non-Executive Director

Felicio Ferraz
Non-Executive Director

Audit Committee

Abid Niaz Hasan

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

Syed Asif Shah

Umar Mansoor (Secretary)

Company Secretary

Ayesha Rafique

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

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

Auditors

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

Share Registrar

FAMCO Associates (Pvt.) Ltd.
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 the performance of Pakistan Tobacco Company Limited (PTC) for the first half ended June 30, 2015.

Despite multiple challenges including consumer down trading to cheap duty evaded sector, volatile security environment and energy crisis, the Company has improved its volume and market share in H1 2015 vs. SPLY. This is mainly attributed to strong brand portfolio and brand building through effective marketing investments. Key brand initiatives included pack upgrade of Capstan by Pall Mall Original (CbPMO), our largest Value for Money brand, and launch of Pall Mall Plus, an innovative proposition, for our consumers in aspirational premium segment.

Key financial indicators of PTC for H1 2015 are:

	Rs (million)	
	Jan - Jun, 2015	Jan - Jun, 2014
Gross Turnover	70,881	58,475
Net Turnover	24,591	19,940
Cost Of Sales	14,356	12,843
Gross Profit	10,235	7,098
Operating Profit	7,004	4,097
Profit Before Tax – PBT	7,199	4,209
Profit After Tax – PAT	4,737	2,848
Earnings Per Share – EPS (Rs)	18.53	11.14

Though economic recovery continued from last year and Consumer Price Inflation fell to a single digit yet consumer wallet remained stretched. Amidst this operating environment and driven by excise rate change, PTC has taken above inflation portfolio wide price increase in H1'15. This has further widened the price gap vs. cheap duty evaded cigarettes and accelerated down trading. Thus the overall impact of price increase on PTC's volume will be more prominent in the coming months.

The growth in Gross Turnover vs. SPLY is driven by volume growth and excise led price increase taken during last year. Growth in H1 is also partially attributed to buying in lieu of Excise led price increase in June.

Cost of sales are 12% higher vs. SPLY mainly due to inflationary impact on raw material costs and marginally higher volumes. Consolidation of logistics operations, achievement of manufacturing excellence and optimisation of direct materials ensured continuous focus on costs and productivity savings which led to improvement in gross and operating profit vs. SPLY.

PTC continues to be a significant contributor to the National Exchequer with our contributions amounting to Rs.49.14 bn during H1'15 (up 17% vs. SPLY) in the form of excise duty, sales tax, customs duties and income tax. Lower disposable incomes continue to encourage down trading to low value brands of duty evaded sector. Thus sustainable growth in Government revenues is a challenge due to exponential rise in illicit and tax evading sector. Therefore reinforcement by law enforcement authorities to curtail illicit volume would be critical for the Government revenues in the long run.

PTC's operating environment poses numerous regulatory challenges that can impact sustainable growth of our business. Despite these challenges, we are committed to enhance shareholder value through investments behind our brands and people.



Graeme Amey
Managing Director and CEO



Syed Javed Iqbal
Director Finance & IT

Auditors' Report To The Members

On Review Of Condensed Interim Financial Information

INTRODUCTION

We have reviewed the accompanying condensed interim balance sheet of Pakistan Tobacco Company Limited as at June 30, 2015 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the interim financial information for the half year then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for quarters ended June 30, 2015 and 2014 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2015.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended June 30, 2015 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.



Chartered Accountants

Islamabad:

Engagement partner: S. Haider Abbas

Condensed Interim Profit and Loss Account (Unaudited)

for the half year ended June 30, 2015

	Note	Quarter ended		Half year ended	
		June 30,	June 30,	June 30,	June 30,
		2015	2014	2015	2014
					Rs '000
Gross turnover		38,019,853	31,591,939	70,880,632	58,475,049
Excise duties		(19,051,453)	(16,082,906)	(35,620,215)	(29,725,849)
Sales tax		(5,723,176)	(4,758,850)	(10,669,241)	(8,809,012)
Net turnover		13,245,224	10,750,183	24,591,176	19,940,188
Cost of sales	5	(7,880,657)	(6,867,879)	(14,356,484)	(12,842,599)
Gross profit		5,364,567	3,882,304	10,234,692	7,097,589
Selling and distribution expenses		(780,046)	(801,759)	(1,699,358)	(1,487,673)
Administrative expenses		(370,316)	(709,618)	(854,973)	(1,158,409)
Other operating expenses	6	(360,702)	(236,415)	(753,204)	(456,809)
Other operating income		50,680	64,930	76,980	101,819
		(1,460,384)	(1,682,862)	(3,230,555)	(3,001,072)
Operating profit		3,904,183	2,199,442	7,004,137	4,096,517
Finance income		183,186	140,029	230,852	157,562
Finance cost		(15,086)	(13,578)	(36,385)	(44,598)
Net finance income		168,100	126,451	194,467	112,964
Profit before income tax		4,072,283	2,325,893	7,198,604	4,209,481
Income tax expense - current		(1,468,173)	(761,479)	(2,517,985)	(1,404,761)
- deferred		49,490	39,723	56,193	42,867
	7	(1,418,683)	(721,756)	(2,461,792)	(1,361,894)
Profit for the period		2,653,600	1,604,137	4,736,812	2,847,587
Earnings per share - basic and diluted (Rupees)		10.38	6.27	18.53	11.14

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.



Graeme Amey
Managing Director and CEO



Syed Javed Iqbal
Director Finance & IT

Condensed Interim Statement of Comprehensive Income (Unaudited)

for the half year ended June 30, 2015

Rs '000

	Quarter ended		Half year ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Profit for the half year	2,653,600	1,604,137	4,736,812	2,847,587
Other comprehensive income for the half year	-	-	-	-
Total comprehensive income for the half year	2,653,600	1,604,137	4,736,812	2,847,587

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.



Graeme Amey
Managing Director and CEO



Syed Javed Iqbal
Director Finance & IT

Condensed Interim Balance Sheet (Unaudited)

as at June 30, 2015

	Note	June 30, 2015 (Unaudited)	Rs '000 December 31, 2014 (Audited)
Non current assets			
Property, plant and equipment	8	8,701,291	8,713,477
Long term investment in subsidiary company	9	5,000	5,000
Long term loans		3	19
Long term deposits and prepayments		25,771	32,453
		8,732,065	8,750,949
Current assets			
Stock-in-trade		6,144,716	11,894,508
Stores and spares		541,025	472,029
Trade debts		4,090	3,225
Loans and advances		571,872	66,692
Short term prepayments		142,721	183,145
Other receivables	10	650,107	425,467
Cash and bank balances		761,642	149,573
		8,816,173	13,194,639
Current liabilities			
Trade and other payables	11	4,653,396	11,266,499
Short term running finance	12	30,618	562,870
Finance lease obligation		120,494	119,375
Accrued interest / mark-up		7,811	24,166
Current income tax liability		1,534,907	460,732
		6,347,226	12,433,642
Net current assets		2,468,947	760,997
Non current liabilities			
Deferred income tax liability		(1,044,036)	(1,100,229)
Finance lease obligation		(474,727)	(400,354)
		(1,518,763)	(1,500,583)
Net assets		9,682,249	8,011,363
Share capital and reserves			
Authorised share capital 300,000,000 ordinary shares of Rs 10 each		3,000,000	3,000,000
Issued, subscribed and paid-up capital 255,493,792 ordinary shares of Rs 10 each		2,554,938	2,554,938
Retained earnings		7,127,311	5,456,425
Shareholders' equity		9,682,249	8,011,363
Contingencies and commitments	13		

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.



Graeme Amey
Managing Director and CEO



Syed Javed Iqbal
Director Finance & IT

Condensed Interim Cash Flow Statement (Unaudited)

for the half year ended June 30, 2015

	June 30, 2015	Rs '000 June 30, 2014
Cash flows from operating activities		
Cash receipts from customers	71,061,606	58,533,896
Cash paid to Government for federal excise duty, Sales tax and other levies	(53,026,980)	(43,338,600)
Cash paid to suppliers, employees and other	(11,829,490)	(10,452,487)
Finance cost paid	(52,740)	(65,162)
Cash paid as royalty	(273,196)	(240,162)
Income tax paid	(1,443,810)	(818,269)
Finance income received	230,852	157,562
	4,666,242	3,776,778
Cash flows from investing activities		
Purchase of property, plant and equipment	(451,389)	(940,044)
Proceeds from disposal of property, plant and equipment	85,790	20,017
	(365,599)	(920,027)
Cash flows from financing activities		
Dividends paid	(3,090,929)	(1,529,229)
Finance lease payments	(65,393)	(65,195)
	(3,156,322)	(1,594,424)
Net increase in cash and cash equivalents	1,144,321	1,262,327
Cash and cash equivalents at January 1	(413,297)	(2,376,317)
Cash and cash equivalents at June 30	731,024	(1,113,990)
Cash and cash equivalents comprise:		
Short term investment	585,947	-
Cash and bank balances	175,695	52,568
Short term running finance	(30,618)	(1,166,558)
	731,024	(1,113,990)

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.



Graeme Amey
Managing Director and CEO



Syed Javed Iqbal
Director Finance & IT

Condensed Interim Statement of Changes in Equity (Unaudited)

for the half year ended June 30, 2015

	Share capital	Revenue reserves	Rs '000 Total
Balance at January 1, 2014	2,554,938	2,857,270	5,412,208
Total comprehensive income for the half year	-	2,847,587	2,847,587
Transactions with owners: Final dividend of Rs 6.00 per share relating to the year ended December 31, 2013	-	(1,532,963)	(1,532,963)
Balance at June 30, 2014	2,554,938	4,171,894	6,726,832
Balance at July 1, 2014	2,554,938	4,171,894	6,726,832
Total comprehensive income for the half year	-	2,051,012	2,051,012
Transactions with owners: 1st Interim dividend of Rs 3.00 per share relating to the year ended December 31, 2014	-	(766,481)	(766,481)
Balance at December 31, 2014	2,554,938	5,456,425	8,011,363
Balance at January 1, 2015	2,554,938	5,456,425	8,011,363
Total comprehensive income for the half year	-	4,736,812	4,736,812
Transactions with owners: Final dividend of Rs 12.00 per share relating to the year ended December 31, 2014	-	(3,065,926)	(3,065,926)
Balance at June 30, 2015	2,554,938	7,127,311	9,682,249

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.



Graeme Amey
Managing Director and CEO



Syed Javed Iqbal
Director Finance & IT

Selected notes to and forming part of the Condensed Interim Financial Information (Unaudited)

for the half year ended June 30, 2015

1. Legal status and operations

Pakistan Tobacco Company Limited (the Company) is a public listed company incorporated in Pakistan on November 18, 1947 under the Companies Act, 1913 (now the Companies Ordinance, 1984) and its shares are quoted on the Karachi, Lahore and Islamabad stock exchanges of Pakistan. The Company is a subsidiary of British American Tobacco (Investments) Limited, United Kingdom, whereas its ultimate parent company is British American Tobacco p.l.c, United Kingdom. The registered office of the Company is situated at Serena Business Complex, Khayaban-e-Suherwardy, Islamabad. The Company is engaged in the manufacture and sale of cigarettes.

2. Basis of preparation

These condensed interim financial informations of the Company for the half year ended June 30, 2015 have 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. The condensed interim financial information should be read in conjunction with the financial statements for the year ended December 31, 2014, which have been prepared in accordance with approved accounting standards as applicable in Pakistan.

These condensed interim financial information have been reviewed, not audited and also include the profit and loss account for the quarter ended June 30, 2015 which was not subject to review.

3. Accounting policies, critical accounting estimates and judgments

The accounting policies, significant judgements made in the application of accounting policies, key sources of estimations, 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, 2014.

Amendments and interpretations to published accounting standards effective for the financial year ending December 31, 2015 are not expected to have material impact on the Company's condensed interim financial information.

4. Financial risk management

The Company's financial risk management objective and policies are consistent with those disclosed in the financial statements for the year ended December 31, 2014.

5. Cost of sales

	Rs '000			
	Quarter ended		Half year ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Raw materials consumed				
Opening stock of raw materials and work in process	6,911,695	6,275,323	9,802,963	7,558,214
Raw material purchases and expenses	3,067,245	3,107,416	5,736,609	6,186,394
Excise duty, customs duty and tobacco development cess	171,437	158,886	332,902	391,478
Closing stock of raw materials and work in process	(5,876,063)	(4,442,460)	(5,876,063)	(4,442,460)
	4,274,314	5,099,165	9,996,411	9,693,626

Selected notes to and forming part of the Condensed Interim Financial Information (Unaudited)

for the half year ended June 30, 2015

	Rs '000			
	Quarter ended		Half year ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Royalty	152,732	155,790	299,428	278,635
Production overheads	1,093,031	773,503	2,258,841	2,040,490
Cost of goods manufactured	5,520,077	6,028,458	12,554,680	12,012,751
Cost of finished goods:				
Opening stock	2,720,321	1,617,726	2,161,545	1,608,153
Closing stock	(359,741)	(778,305)	(359,741)	(778,305)
	2,360,580	839,421	1,801,804	829,848
	7,880,657	6,867,879	14,356,484	12,842,599
6. Other operating expenses				
Workers Profit Participation Fund	218,838	122,554	386,798	223,722
Workers Welfare Fund	85,640	47,344	150,562	85,956
Bank charges and fees	14,560	11,758	26,805	21,907
Interest paid to WPPF	-	-	892	517
Foreign exchange loss	41,664	54,759	188,147	124,707
	360,702	236,415	753,204	456,809

7. Taxation

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The applicable income tax rate was reduced from 33% to 32% during the period on account of the changes made to Income tax Ordinance, 2001 in 2015. Further, tax charge also included prior year charge of Rs 203,547 thousand in respect of super tax levied for the tax year 2015 as per Finance Act 2015.

	Rs '000	
	June 30, 2015	December 31, 2014
8. Property, plant and equipment		
Operating fixed assets - note 8.1	7,564,045	7,648,611
Capital work in progress	1,137,246	1,064,866
	8,701,291	8,713,477
8.1 Operating fixed assets		
Opening net book amount	7,648,611	6,070,353
Additions during the half year / year at cost		
Owned assets		
Building	21,894	49,420
Plant and machinery	129,120	1,869,112
Vehicles	-	20,907
Office and household equipment	2,662	165,289
Furniture and fittings	2,549	262,987
	156,225	2,367,715
Leased assets		
Vehicles	280,089	129,955
	436,314	2,497,670

Selected notes to and forming part of the Condensed Interim Financial Information (Unaudited)

for the half year ended June 30, 2015

	June 30, 2015	Rs '000 December 31, 2014
Disposals during the half year / year - at net book amount		
Owned assets		
Building	-	(1,032)
Plant and machinery	-	(28,089)
Vehicles	(35,633)	(54,791)
Office and household equipment	(136)	(601)
Furniture and fittings	-	(1,102)
	(35,769)	(85,615)
Depreciation charge for the half year / year	(485,111)	(833,797)
Net book amount	7,564,045	7,648,611

9. Long term investment in subsidiary

This represents 500,001 (December 31, 2014: 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, 2014. This is a wholly owned subsidiary of the Company which has not yet commenced commercial production.

10. Other receivables

These include following balances due from related parties:

	June 30, 2015	Rs '000 December 31, 2014
Associated companies	18,751	45,979
Subsidiary company	20,021	20,021
Employees retirement benefit plans	364,279	319,535

11. Trade and other payables

These include following balances due to related parties:

Holding company	212,780	185,610
Associated companies	1,239,706	821,884
Employees retirement benefit plans	339,428	327,900

12. Short term running finance

Short term running finance facilities available under mark-up arrangements with banks amount to Rs 6,500 million (December 31, 2014: Rs 6,500 million), out of which the amount unavailed at the half year end was Rs 6,469 million (December 31, 2014: Rs 5,937 million). These facilities are secured by hypothecation of stock-in-trade and plant & machinery amounting to Rs 7,222 million (December 31, 2014: Rs 7,222 million). The mark-up ranges between 7.01% and 10.34% (December 31, 2014: 10.03% and 10.69%) per annum and is payable quarterly. The facilities are renewable on annual basis.

Selected notes to and forming part of the Condensed Interim Financial Information (Unaudited)

for the half year ended June 30, 2015

	June 30, 2015	Rs '000 December 31, 2014
13. Contingencies and commitments		
13.1 Contingencies		
Claims and guarantees		
(i) Claims against the Company not acknowledged as debt	131,800	131,800
(ii) Guarantees issued by banks on behalf of the Company	226,631	212,455
13.2 Commitments		
(i) Capital expenditure	748,510	-
(ii) Letters of credit outstanding	650,001	584,891

14. Transactions with related parties

	Quarter ended		Half year ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Purchase of goods and services				
Holding company	173,629	101,605	339,458	200,296
Associated companies	161,783	339,551	511,819	605,155
Sale of goods and services				
Holding company	-	-	4,540	-
Associated companies	17,793	26,070	21,593	27,938
Royalty charge				
Holding company	152,732	155,790	299,428	278,635
Expenses reimbursed to				
Holding company	-	7,733	-	10,093
Associated companies	4,817	535	4,817	535
Expenses reimbursed by				
Holding company	-	7,796	-	7,796
Associated companies	1,862	4,464	1,862	4,464
Employees retirement benefit plans - Expense				
Staff pension fund	10,126	7,884	17,491	15,228
Staff defined contribution pension fund	16,262	12,564	28,127	23,316
Employees' gratuity fund	25,677	21,203	45,609	39,116
Management provident fund	16,886	15,671	31,909	29,673
Employees' provident fund	4,709	4,922	9,372	8,231
Remuneration of key management personnel	186,155	228,338	333,792	402,368

15. Date of authorisation

This condensed interim financial information has been authorised for issue by the Board of Directors of the Company on July 22, 2015.



Graeme Amey
Managing Director and CEO



Syed Javed Iqbal
Director Finance & IT

Consolidated Condensed Interim Profit and Loss Account (Unaudited)

for the half year ended June 30, 2015

	Note	Quarter ended		Half year ended	
		June 30,	June 30,	June 30,	June 30,
		2015	2014	2015	2014
Rs '000					
Gross turnover		38,019,853	31,591,939	70,880,632	58,475,049
Excise duties		(19,051,453)	(16,082,906)	(35,620,215)	(29,725,849)
Sales tax		(5,723,176)	(4,758,850)	(10,669,241)	(8,809,012)
Net turnover		13,245,224	10,750,183	24,591,176	19,940,188
Cost of sales	5	(7,880,657)	(6,867,879)	(14,356,484)	(12,842,599)
Gross profit		5,364,567	3,882,304	10,234,692	7,097,589
Selling and distribution expenses		(780,046)	(801,759)	(1,699,358)	(1,487,673)
Administrative expenses		(370,316)	(709,618)	(854,973)	(1,158,409)
Other operating expenses	6	(360,702)	(236,415)	(753,204)	(456,809)
Other operating income		50,680	64,930	76,980	101,819
		(1,460,384)	(1,682,862)	(3,230,555)	(3,001,072)
Operating profit		3,904,183	2,199,442	7,004,137	4,096,517
Finance income		183,186	140,029	230,852	157,562
Finance cost		(15,086)	(13,578)	(36,385)	(44,598)
Net finance income		168,100	126,451	194,467	112,964
Profit before income tax		4,072,283	2,325,893	7,198,604	4,209,481
Income tax expense - current		(1,468,173)	(761,479)	(2,517,985)	(1,404,761)
- deferred		49,490	39,723	56,193	42,867
	7	(1,418,683)	(721,756)	(2,461,792)	(1,361,894)
Profit for the period		2,653,600	1,604,137	4,736,812	2,847,587
Earnings per share - basic and diluted (Rupees)		10.38	6.27	18.53	11.14

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



Graeme Amey
Managing Director and CEO



Syed Javed Iqbal
Director Finance & IT

Consolidated Condensed Interim Statement of Comprehensive Income (Unaudited)

for the half year ended June 30, 2015

Rs '000

	Quarter ended		Half year ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Profit for the half year	2,653,600	1,604,137	4,736,812	2,847,587
Other comprehensive income for the half year	-	-	-	-
Total comprehensive income for the half year	2,653,600	1,604,137	4,736,812	2,847,587

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



Graeme Amey
Managing Director and CEO



Syed Javed Iqbal
Director Finance & IT

Consolidated Condensed Interim Balance Sheet (Unaudited)

as at June 30, 2015

	Note	June 30, 2015 (Unaudited)	Rs '000 December 31, 2014 (Audited)
Non current assets			
Property, plant and equipment	8	8,726,339	8,738,525
Long term loans		3	19
Long term deposits and prepayments		25,771	32,453
		8,752,113	8,770,997
Current assets			
Stock-in-trade		6,144,716	11,894,508
Stores and spares		541,025	472,029
Trade debts		4,090	3,225
Loans and advances		571,872	66,692
Short term prepayments		142,721	183,145
Other receivables	9	630,086	405,446
Cash and bank balances		761,642	149,573
		8,796,152	13,174,618
Current liabilities			
Trade and other payables	10	4,653,423	11,266,526
Short term running finance	11	30,618	562,870
Finance lease obligation		120,494	119,375
Accrued interest / mark-up		7,811	24,166
Current income tax liability		1,534,907	460,732
		6,347,253	12,433,669
Net current assets		2,448,899	740,949
Non current liabilities			
Deferred income tax liability		(1,044,036)	(1,100,229)
Finance lease obligation		(474,727)	(400,354)
		(1,518,763)	(1,500,583)
Net assets		9,682,249	8,011,363
Share capital and reserves			
Authorised share capital 300,000,000 ordinary shares of Rs 10 each		3,000,000	3,000,000
Issued, subscribed and paid-up capital 255,493,792 ordinary shares of Rs 10 each		2,554,938	2,554,938
Retained earnings		7,127,311	5,456,425
Shareholders' equity		9,682,249	8,011,363
Contingencies and commitments	12		

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



Graeme Amey
Managing Director and CEO



Syed Javed Iqbal
Director Finance & IT

Consolidated Condensed Interim Cash Flow Statement (Unaudited)

for the half year ended June 30, 2015

	June 30, 2015	Rs '000 June 30, 2014
Cash flows from operating activities		
Cash receipts from customers	71,061,606	58,533,896
Cash paid to Government for federal excise duty, Sales tax and other levies	(53,026,980)	(43,338,600)
Cash paid to suppliers, employees and other	(11,829,490)	(10,452,487)
Finance cost paid	(52,740)	(65,162)
Cash paid as royalty	(273,196)	(240,162)
Income tax paid	(1,443,810)	(818,269)
Finance income received	230,852	157,562
	4,666,242	3,776,778
Cash flows from investing activities		
Purchase of property, plant and equipment	(451,389)	(940,044)
Proceeds from disposal of property, plant and equipment	85,790	20,017
	(365,599)	(920,027)
Cash flows from financing activities		
Dividends paid	(3,090,929)	(1,529,229)
Finance lease payments	(65,393)	(65,195)
	(3,156,322)	(1,594,424)
Net increase in cash and cash equivalents	1,144,321	1,262,327
Cash and cash equivalents at January 1	(413,297)	(2,376,317)
Cash and cash equivalents at June 30	731,024	(1,113,990)
Cash and cash equivalents comprise:		
Short term investment	585,947	-
Cash and bank balances	175,695	52,568
Short term running finance	(30,618)	(1,166,558)
	731,024	(1,113,990)

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



Graeme Amey
Managing Director and CEO



Syed Javed Iqbal
Director Finance & IT

Consolidated Condensed Interim Statement of Changes in Equity (Unaudited)


for the half year ended June 30, 2015

	Share capital	Revenue reserves	Rs '000 Total
Balance at January 1, 2014	2,554,938	2,857,270	5,412,208
Total comprehensive income for the half year	-	2,847,587	2,847,587
Transactions with owners: Final dividend of Rs 6.00 per share relating to the year ended December 31, 2013	-	(1,532,963)	(1,532,963)
Balance at June 30, 2014	2,554,938	4,171,894	6,726,832
Balance at July 1, 2014	2,554,938	4,171,894	6,726,832
Total comprehensive income for the half year	-	2,051,012	2,051,012
Transactions with owners: 1st Interim dividend of Rs 3.00 per share relating to the year ended December 31, 2014	-	(766,481)	(766,481)
Balance at December 31, 2014	2,554,938	5,456,425	8,011,363
Balance at January 1, 2015	2,554,938	5,456,425	8,011,363
Total comprehensive income for the half year	-	4,736,812	4,736,812
Transactions with owners: Final dividend of Rs 12.00 per share relating to the year ended December 31, 2014	-	(3,065,926)	(3,065,926)
Balance at June 30, 2015	2,554,938	7,127,311	9,682,249

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



Graeme Amey
Managing Director and CEO



Syed Javed Iqbal
Director Finance & IT

Selected notes to and forming part of the Consolidated Condensed Interim Financial Information (Unaudited)

for the half year ended June 30, 2015

1. Legal status and operations

Pakistan Tobacco Company Limited (the Company) is a public listed company incorporated in Pakistan on November 18, 1947 under the Companies Act, 1913 (now the Companies Ordinance, 1984) and its shares are quoted on the Karachi, Lahore and Islamabad stock exchanges of Pakistan. The Company is a subsidiary of British American Tobacco (Investments) Limited, United Kingdom, whereas its ultimate parent company is British American Tobacco p.l.c, United Kingdom. The registered office of the Company is situated at Serena Business Complex, Khayaban-e-Suherwardy, Islamabad. The Company is engaged in the manufacture and sale of cigarettes.

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

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

2. Basis of preparation

These condensed interim financial informations of the Group for the half year ended June 30, 2015 have 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. The condensed interim financial information should be read in conjunction with the financial statements for the year ended December 31, 2014, which have been prepared in accordance with approved accounting standards as applicable in Pakistan.

3. Accounting policies, critical accounting estimates and judgments

The accounting policies, significant judgements made in the application of accounting policies, key sources of estimations, 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, 2014.

Amendments and interpretations to published accounting standards effective for the financial year ending December 31, 2015 are not expected to have material impact on the Group's condensed interim financial information.

4. Financial risk management

The Group's financial risk management objective and policies are consistent with those disclosed in the financial statements for the year ended December 31, 2014.

5. Cost of sales

Rs '000

	Quarter ended		Half year ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Raw materials consumed				
Opening stock of raw materials and work in process	6,911,695	6,275,323	9,802,963	7,558,214
Raw material purchases and expenses	3,067,245	3,107,416	5,736,609	6,186,394
Excise duty, customs duty and tobacco development cess	171,437	158,886	332,902	391,478
Closing stock of raw materials and work in process	(5,876,063)	(4,442,460)	(5,876,063)	(4,442,460)
	4,274,314	5,099,165	9,996,411	9,693,626

Selected notes to and forming part of the Consolidated Condensed Interim Financial Information (Unaudited)

for the half year ended June 30, 2015

	Quarter ended		Half year ended	
	June 30,	June 30,	June 30,	June 30,
	2015	2014	2015	2014
				Rs '000
Royalty	152,732	155,790	299,428	278,635
Production overheads	1,093,031	773,503	2,258,841	2,040,490
Cost of goods manufactured	5,520,077	6,028,458	12,554,680	12,012,751
Cost of finished goods:				
Opening stock	2,720,321	1,617,726	2,161,545	1,608,153
Closing stock	(359,741)	(778,305)	(359,741)	(778,305)
	2,360,580	839,421	1,801,804	829,848
	7,880,657	6,867,879	14,356,484	12,842,599
6. Other operating expenses				
Workers Profit Participation Fund	218,838	122,554	386,798	223,722
Workers Welfare Fund	85,640	47,344	150,562	85,956
Bank charges and fees	14,560	11,758	26,805	21,907
Interest paid to WPPF	-	-	892	517
Foreign exchange loss	41,664	54,759	188,147	124,707
	360,702	236,415	753,204	456,809

7. Taxation

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The applicable income tax rate was reduced from 33% to 32% during the period on account of the changes made to Income tax Ordinance, 2001 in 2015. Further, tax charge also included prior year charge of Rs 203,547 thousand in respect of super tax levied for the tax year 2015 as per Finance Act 2015.

	Rs '000	
	June 30, 2015	December 31, 2014
8. Property, plant and equipment		
Operating fixed assets - note 8.1	7,567,409	7,651,975
Capital work in progress	1,158,930	1,086,550
	8,726,339	8,738,525
8.1 Operating fixed assets		
Opening net book amount	7,651,975	6,073,717
Additions during the half year / year at cost		
Owned assets		
Building	21,894	49,420
Plant and machinery	129,120	1,869,112
Vehicles	-	20,907
Office and household equipment	2,662	165,289
Furniture and fittings	2,549	262,987
	156,225	2,367,715
Leased assets		
Vehicles	280,089	129,955
	436,314	2,497,670

Selected notes to and forming part of the Consolidated Condensed Interim Financial Information (Unaudited) for the half year ended June 30, 2015

	June 30, 2015	Rs '000 December 31, 2014
Disposals during the half year / year - at net book amount		
Owned assets		
Building	-	(1,032)
Plant and machinery	-	(28,089)
Vehicles	(35,633)	(54,791)
Office and household equipment	(136)	(601)
Furniture and fittings	-	(1,102)
	(35,769)	(85,615)
Depreciation charge for the half year / year	(485,111)	(833,797)
Net book amount	7,567,409	7,651,975

9. Other receivables

These include following balances due from related parties:

	June 30, 2015	Rs '000 December 31, 2014
Associated companies	18,751	45,979
Employees retirement benefit plans	364,279	319,535

10. Trade and other payables

These include following balances due to related parties:

Holding company	212,780	185,610
Associated companies	1,239,706	821,884
Employees retirement benefit plans	339,428	327,900

11. Short term running finance

Short term running finance facilities available under mark-up arrangements with banks amount to Rs 6,500 million (December 31, 2014: Rs 6,500 million), out of which the amount unavailed at the half year end was Rs 6,469 million (December 31, 2014: Rs 5,937 million). These facilities are secured by hypothecation of stock-in-trade and plant & machinery amounting to Rs 7,222 million (December 31, 2014: Rs 7,222 million). The mark-up ranges between 7.01% and 10.34% (December 31, 2014: 10.03% and 10.69%) per annum and is payable quarterly. The facilities are renewable on annual basis.

Selected notes to and forming part of the Consolidated Condensed Interim Financial Information (Unaudited) for the half year ended June 30, 2015

	June 30, 2015	Rs '000 December 31, 2014
12. Contingencies and commitments		
12.1 Contingencies		
Claims and guarantees		
(i) Claims against the Company not acknowledged as debt	131,800	131,800
(ii) Guarantees issued by banks on behalf of the Company	226,631	212,455
12.2 Commitments		
(i) Capital expenditure	748,510	-
(ii) Letters of credit outstanding	650,001	584,891

13. Transactions with related parties

	Quarter ended		Half year ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Purchase of goods and services				
Holding company	173,629	101,605	339,458	200,296
Associated companies	161,783	339,551	511,819	605,155
Sale of goods and services				
Holding company	-	-	4,540	-
Associated companies	17,793	26,070	21,593	27,938
Royalty charge				
Holding company	152,732	155,790	299,428	278,635
Expenses reimbursed to				
Holding company	-	7,733	-	10,093
Associated companies	4,817	535	4,817	535
Expenses reimbursed by				
Holding company	-	7,796	-	7,796
Associated companies	1,862	4,464	1,862	4,464
Employees retirement benefit plans - Expense				
Staff pension fund	10,126	7,884	17,491	15,228
Staff defined contribution pension fund	16,262	12,564	28,127	23,316
Employees' gratuity fund	25,677	21,203	45,609	39,116
Management provident fund	16,886	15,671	31,909	29,673
Employees' provident fund	4,709	4,922	9,372	8,231
Remuneration of key management personnel	186,155	228,338	333,792	402,368

14. Date of authorisation

This consolidated condensed interim financial information has been authorised for issue by the Board of Directors of the Group on July 22, 2015.



Graeme Amey
Managing Director and CEO



Syed Javed Iqbal
Director Finance & IT

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