

# THE SPIRIT OF **EXCELLENCE**

CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016

# 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 LEX

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

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

Imran Maqbool

Zafar Mahmood

Hae In Kim

Michael Koest

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

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

## Auditors

KPMG Taseer Hadi & Co.  
Sixth Floor, State Life Building No.5  
Jinnah Avenue, Blue Area,  
Islamabad - 44000  
Ph: +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 the performance of Pakistan Tobacco Company Limited (PTC) for the nine months ended September 30, 2016.

The illicit market of cigarettes in Pakistan grew to 39.5% as at September 30, 2016. Despite the enormous challenge of continuous consumer down trading to cheap duty evaded cigarettes the Company continues to be resilient by improving in all operational areas through its strategy of strengthening brand portfolio and effective marketing initiatives. Key Brand initiatives in the period included innovations in premium segment brands to enhance value for the consumers and improvement in product quality of our largest Value For Money (VFM) brand, Capstan by Pall Mall Original (CbPMO). This has enabled the Company to deliver a higher legitimate market share during the period vs. SPLY.

Key financial indicators of PTC for YTD Q3 2016 are:

	Rs (million)	
	Jan - Sep, 2016	Jan - Sep, 2015
Gross Turnover	101,861	96,034
Net Turnover	35,594	33,050
Cost of Sales	17,596	18,866
Gross Profit	17,997	14,184
Operating Profit	12,061	9,316
Profit Before Tax – PBT	12,371	9,533
Profit After Tax – PAT	8,269	6,332
Earnings Per Share – EPS (Rs)	32.36	24.78

The legitimate tobacco industry is facing immense pressure due to exponential growth of duty evaded segment, led largely by the excise driven price increases, the recent one being in Jun'16. Despite recovery in key economic indicators, the consumer wallet remained under pressure. Hence excise led price increases had further stretched the consumer and widened the price gap between legitimate and local duty evaded cigarettes. This accelerated significant down trading to duty evaded segment resulting in a steep decline in legitimate industry volumes and loss in Government revenues.

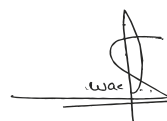
Cost of sales are 7% lower vs. SPLY mainly due to lower volumes. Continuous focus on Company's operations to deliver efficiencies and productivity savings along with prudent cost controls across the business has resulted in improvement in Gross & Operating profits vs. SPLY.

PTC continues to be a significant contributor to the National Exchequer, contributing up to Rs.70.83 bn during the period (up 6% vs. SPLY) in the form of excise duty, sales tax, customs duties and income tax. The Company continuously stresses upon the detrimental impacts of duty evaded segment on sustainable growth in Government revenues in the long run. Hence the relevant authorities are strongly urged to undertake strict enforcement of regulatory regime to curtail illicit volume and support the legitimate industry.

PTC's operating environment poses numerous regulatory and socio political challenges that can impact sustainable growth of its business. However, we remain committed to enhance shareholder value through continuous value injection in our brands and investment behind our people.



**Syed Javed Iqbal**  
Managing Director & CEO



**Wael Sabra**  
Director Finance & IT

## ڈائریکٹرز کی جائزہ رپورٹ

پاکستان ٹو بیکو کمپنی کے ڈائریکٹرز ۳۰ ستمبر ۲۰۱۶ تک کی کارکردگی پیش کر رہے ہیں۔

30 ستمبر تک غیر قانونی سگریٹوں مارکیٹ شیئر %39.5 تک پہنچ چکا ہے۔ مختلف دشواریوں کے باوجود کمپنی نے ہر شعبے میں نمایاں کارکردگی کا مظاہرہ کیا۔ اہم چیلنجز میں سستی اور غیر ٹیکس ادا شدہ غیر قانونی سگریٹوں کا بڑھتا ہوا استعمال، توانائی کی کمی اور سیاسی و معاشرتی عدم استحکام شامل ہیں۔ کمپنی کے مضبوط برینڈز اور موثر مارکیٹنگ خرچ اچھی کارکردگی دکھانے میں معاون ثابت رہے۔ کمپنی اس دوران اپنے برینڈز میں جدت متعارف کروانے اور اپنی پراڈکٹس کے معیار کو بہتر بنانے کے لیے کوشاں رہی۔ جس کا نتیجہ ایک بہتر مارکیٹ شیئر کی صورت میں سامنے آیا۔

کمپنی کے اہم مالیاتی نتائج درج ذیل ہیں:-


روپے (ملین)			
جنوری سے جون، ۲۰۱۵	جنوری سے جون، ۲۰۱۶		
۹۶،۰۳۴	۱۰۱،۸۶۱	(Gross Turnover)	مُل وصولیات
۳۳،۰۵۰	۳۵،۵۹۴	(Net Turnover)	اصل وصولیات
۱۸،۸۶۶	۱۷،۵۹۶	(Cost of Sales)	لاگت فروخت
۱۴،۱۸۴	۱۷،۹۹۷	(Gross Profit)	مُل منافع
۹،۳۱۶	۱۲،۰۶۱	(Operating Profit)	کاروباری منافع
۹،۵۳۳	۱۲،۳۷۱	(Profit Before Tax – PBT)	منافع قبل از محصول
۶،۳۳۲	۸،۲۶۹	(Profit After Tax – PAT)	منافع بعد از محصول
۲۴،۷۸	۳۲،۳۶	(Earnings Per Share – EPS (Rs)	آمدنی فی حصص (روپے)


قانونی تہا کوصحت بڑھتے ہوئے غیر ٹیکس ادا شدہ سگریٹوں کی فروخت کے باعث، معیشت میں بہتری کے باوجود صارف معاشی طور پر دباؤ میں رہا۔ اس ماحول میں کمپنی نے ستمبر ۲۰۱۶ تک ایکسائز ڈیوٹی بڑھنے کی بنیاد پر اپنی پراڈکٹس کی قیمتوں میں اضافہ کیا۔ اس اضافے کی وجہ سے نہ صرف صارف پر دباؤ بڑھا بلکہ قانونی ٹیکس ادا شدہ سگریٹوں اور غیر ٹیکس ادا شدہ غیر قانونی سگریٹوں کی قیمتوں کے فرق میں بھی اضافہ ہوا۔ جس کی وجہ سے صارف تیزی سے سستی سگریٹوں پر منتقل ہونا شروع ہو گئے۔

لاگت فروخت پچھلی مرتبہ کی نسبت کم رہی جسکی بنیادی وجہ سگریٹ کی کم فروخت تھی۔ کمپنی اپنے کل منافع اور کاروباری منافع کو بہتر کرنے کے لیے اپنے آپریٹرز کو مزید موثر بنانے اور اپنے اخراجات کو سلسلہ کم سے کم کرنے کی کوشش کرتی رہی۔

کمپنی نے ایکسائز ڈیوٹی، سلز ٹیکس، کسٹم ڈیوٹی اور آکر ٹیکس کی مد میں حکومتی نرانے میں ۷۰.۸۳ ارب روپے جمع کرائے، اسی وجہ سے کمپنی حکومتی آمدنی کا ایک اہم حصہ دار رہی۔ کمپنی مستقل طور پر اس بات پر زور دے رہی ہے کہ غیر ٹیکس ادا شدہ غیر قانونی سستی سگریٹوں کی فروخت میں تیزی سے ہوتے ہوئے اضافے کی وجہ سے حکومتی آمدنی میں بتدریج کمی ہو رہی ہے اور حکومتی آمدنی میں اضافہ ایک بہت اہم چیلنج ہے۔ حکومتی آمدنی کی پائیداری اور ترقی کے لئے ضروری ہے کہ سرکاری ادارے غیر ٹیکس ادا شدہ غیر قانونی سگریٹوں کی فروخت کے خلاف مناسب قانونی کارروائی کریں۔

مختلف ریگولیٹری اور سماجی و سیاسی چیلنجز کمپنی کی ترقی اور اس کی پائیداری پر اثر انداز ہو سکتے ہیں۔ اس کے باوجود ہم کمپنی کو ایک ذمہ دار کاروباری طرح چلانے کے لیے اور اسے اپنے حصہ داروں کے لیے زیادہ سے زیادہ منافع بخش بنانے کے لیے پرعزم ہیں۔

  
واکس صابرہ  
فنانس اور آئی ٹی ڈائریکٹر

  
سید جاوید اقبال  
چیئنگ ڈائریکٹر اور سی ای او

# Condensed Interim Profit and Loss Account (Unaudited)

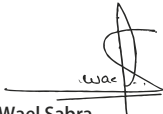
for the Nine months ended September 30, 2016

	Note	Three months ended		Nine months ended	
		Sep 30,	Sep 30,	Sep 30,	Sep 30,
		2016	2015	2016	2015
Rs '000					
<b>Gross turnover</b>		19,652,927	25,153,254	101,861,449	96,033,887
Excise duties		(9,964,861)	(12,908,900)	(50,959,358)	(48,529,115)
Sales tax		(2,942,362)	(3,785,155)	(15,308,555)	(14,454,396)
<b>Net turnover</b>		6,745,704	8,459,199	35,593,536	33,050,376
Cost of sales	5	(3,445,962)	(4,509,796)	(17,596,079)	(18,866,281)
<b>Gross profit</b>		3,299,742	3,949,403	17,997,457	14,184,095
Selling and distribution expenses		(1,122,755)	(822,462)	(3,509,674)	(2,521,820)
Administrative expenses		(397,103)	(632,625)	(1,512,437)	(1,487,598)
Other operating expenses	6	(124,384)	(204,561)	(954,947)	(957,765)
Other operating income	7	2,699	21,692	40,832	98,672
		(1,641,543)	(1,637,956)	(5,936,226)	(4,868,511)
<b>Operating profit</b>		1,658,199	2,311,447	12,061,231	9,315,584
Finance income	8	69,359	38,012	346,161	268,864
Finance cost		(10,117)	(14,808)	(36,773)	(51,193)
Net finance income		59,242	23,204	309,388	217,671
<b>Profit before income tax</b>		1,717,441	2,334,651	12,370,619	9,533,255
Income tax expense - current		(455,872)	(757,841)	(4,146,024)	(3,322,226)
- deferred		(63,656)	18,848	44,618	121,441
	9	(519,528)	(738,993)	(4,101,406)	(3,200,785)
<b>Profit for the period</b>		1,197,913	1,595,658	8,269,213	6,332,470
Earnings per share - basic and diluted (Rupees)		4.69	6.24	32.36	24.78

The annexed notes 1 to 23 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)

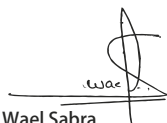
for the Nine months ended September 30, 2016

	Three months ended		Nine months ended	
	Sep 30, 2016	Sep 30, 2015	Sep 30, 2016	Sep 30, 2015
<b>Profit for the period</b>	1,197,913	1,595,658	8,269,213	6,332,470
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive income for the period</b>	1,197,913	1,595,658	8,269,213	6,332,470

The annexed notes 1 to 23 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)

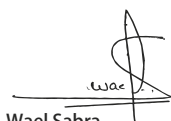
as at September 30, 2016

	Note	September 30, 2016 (Unaudited)	Rs '000 December 31, 2015 (Audited)
<b>Non current assets</b>			
Property, plant and equipment	10	8,612,278	9,184,971
Long term investment in subsidiary company	11	5,000	5,000
Long term deposits and prepayments	12	35,075	29,072
		8,652,353	9,219,043
<b>Current assets</b>			
Stock-in-trade		14,431,135	14,007,537
Stores and spares		561,570	675,564
Trade debts		3,395	906
Loans and advances	13	143,152	181,594
Short term prepayments		112,927	170,298
Other receivables	14	500,773	446,622
Short term investment - term deposits with conventional banks		5,284,365	-
Cash and bank balances	15	466,839	53,089
		21,504,156	15,535,610
<b>Current liabilities</b>			
Trade and other payables	16	14,115,239	10,417,040
Short term running finance	17	37,569	1,219,501
Finance lease obligation	18	156,777	154,365
Accrued interest / mark-up		4,078	11,807
Current income tax liability		1,997,397	1,131,661
		16,311,060	12,934,374
<b>Net current assets</b>		5,193,096	2,601,236
<b>Non current liabilities</b>			
Deferred income tax liability		(994,379)	(1,038,997)
Finance lease obligation	18	(347,549)	(415,123)
		(1,341,928)	(1,454,120)
<b>Net assets</b>		12,503,521	10,366,159
<b>Share capital and reserves</b>			
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
<b>Retained earnings</b>		9,948,583	7,811,221
<b>Shareholders' equity</b>		12,503,521	10,366,159
<b>Contingencies and commitments</b>	19		

The annexed notes 1 to 23 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)

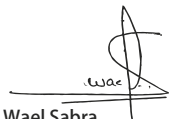
for the Nine months ended September 30, 2016

	Sep 30, 2016	Rs '000 Sep 30, 2015
<b>Cash flows from operating activities</b>		
Cash receipts from customers	101,858,960	96,036,110
Cash paid to Government for federal excise duty, sales tax and other levies	(64,152,227)	(62,749,044)
Cash paid to suppliers, employees and others	(20,980,926)	(22,157,250)
Finance cost paid	(44,502)	(69,342)
Cash paid as royalty	(460,048)	(422,995)
Income tax paid	(3,280,288)	(2,150,512)
Finance income received	339,431	261,137
	<b>13,280,400</b>	<b>8,748,104</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(312,176)	(817,934)
Proceeds from disposal of property, plant and equipment	188,927	140,523
	<b>(123,249)</b>	<b>(677,411)</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(6,113,801)	(3,091,739)
Finance lease payments	(163,303)	(126,047)
	<b>(6,277,104)</b>	<b>(3,217,786)</b>
Net increase in cash and cash equivalents	6,880,047	4,852,907
Cash and cash equivalents at January 1	(1,166,412)	(413,297)
<b>Cash and cash equivalents at September 30</b>	<b>5,713,635</b>	<b>4,439,610</b>
<b>Cash and cash equivalents comprise:</b>		
Short term investment	5,284,365	3,699,666
Cash and bank balances	466,839	765,300
Short term running finance	(37,569)	(25,356)
	<b>5,713,635</b>	<b>4,439,610</b>

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.



Syed Javed Iqbal  
Managing Director & CEO



Wael Sabra  
Director Finance & IT



# Condensed Interim Statement of Changes in Equity (Unaudited)

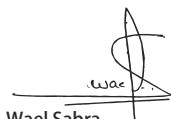
for the Nine months ended September 30, 2016

	Share capital	Revenue reserves	Rs '000 Total
<b>Balance at January 1, 2015</b>	2,554,938	5,456,425	8,011,363
Total comprehensive income for the nine months	-	6,332,470	6,332,470
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)
<b>Balance at September 30, 2015</b>	2,554,938	8,722,969	11,277,907
<b>Balance at October 1, 2015</b>	2,554,938	8,722,969	11,277,907
Total comprehensive income for the three months	-	621,215	621,215
Transactions with owners: 1st Interim dividend of Rs 6.00 per share relating to the year ended December 31, 2015	-	(1,532,963)	(1,532,963)
<b>Balance at December 31, 2015</b>	2,554,938	7,811,221	10,366,159
<b>Balance at January 1, 2016</b>	2,554,938	7,811,221	10,366,159
Total comprehensive income for the nine months	-	8,269,213	8,269,213
Transactions with owners: Final dividend of Rs 18.00 per share relating to the year ended December 31, 2015	-	(4,598,888)	(4,598,888)
1st Interim dividend of Rs 6.00 per share relating to the year ending December 31, 2016	-	(1,532,963)	(1,532,963)
<b>Balance at September 30, 2016</b>	2,554,938	9,948,583	12,503,521

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.



Syed Javed Iqbal  
Managing Director & CEO



Wael Sabra  
Director Finance & IT

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

for the Nine months ended September 30, 2016

## 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 Pakistan Stock Exchange. 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

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

The condensed interim financial information should to be read in conjunction with the financial statements for the year ended December 31, 2015, which have been prepared in accordance with approved accounting standards as applicable in Pakistan. Comparative condensed interim balance sheet is extracted from annual financial statements as of December 31, 2015 whereas comparative condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity are extracted from unaudited condensed interim financial information of the Company for the nine months ended Sep 30, 2015.

This condensed interim financial information is unaudited and is being submitted to the members as required under Section 245 of the Companies Ordinance, and listing regulations of the Pakistan Stock Exchanges.

## 3. Accounting policies, critical accounting estimates and judgments

The accounting policies, significant judgments 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, 2015 except for the following: Securities and Exchange Commission of Pakistan during the period through its circular No 14 of 2016 dated 21 April 2016, has mandated the implementation of mandatory disclosure requirement for listed companies. The circular prescribes certain disclosures including bifurcation of certain balance sheet and profit and loss items between conventional and Islamic mode. Accordingly the Company has presented the required disclosures in this condensed interim financial information. However there was no change in the reported figures of profit and loss or balance sheet.

Amendments and interpretations to published accounting standards effective for the financial year ending December 31, 2016 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 that disclosed in the financial statements for the year ended December 31, 2015.

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

for the Nine months ended September 30, 2016

Rs '000

	Three months ended		Nine months ended	
	Sep 30, 2016	Sep 30, 2015	Sep 30, 2016	Sep 30, 2015
<b>5. Cost of sales</b>				
Raw materials consumed				
Opening stock of raw materials and work in process	7,303,246	5,876,063	11,233,495	9,802,963
Raw material purchases and expenses	8,912,417	10,728,771	14,416,017	16,791,972
Excise duty, customs duty and tobacco development cess	125,093	160,699	415,912	493,601
Closing stock of raw materials and work in process	(13,325,320)	(11,746,949)	(13,325,320)	(11,746,949)
	3,015,436	5,018,584	12,740,104	15,341,587
Royalty	109,452	142,340	433,290	441,768
Production overheads	774,186	801,718	2,754,459	2,733,968
Cost of goods manufactured	3,899,074	5,962,642	15,927,853	18,517,323
Cost of finished goods:				
Opening stock	652,704	359,741	2,774,042	2,161,545
Closing stock	(1,105,816)	(1,812,587)	(1,105,816)	(1,812,587)
	(453,112)	(1,452,846)	1,668,226	348,958
	3,445,962	4,509,796	17,596,079	18,866,281
<b>6. Other operating expenses</b>				
Workers' P. Participation Fund	92,006	125,427	664,373	512,226
Workers' Welfare Fund	30,478	48,314	252,462	198,876
Bank charges and fees	4,752	9,573	33,592	36,377
Interest paid to WPPF	-	-	4,520	892
Foreign exchange loss	(2,852)	21,247	-	209,394
	124,384	204,561	954,947	957,765
<b>7. Other operating income</b>				
Income - associated companies				
- BAT SAA for services rendered	-	-	18,198	18,688
- Services to BAT Myanmar/ BAT Bangladesh	-	-	1,746	-
- Services to BAT (Holdings) Ltd	-	-	-	4,740
Gain on disposal of assets	(1,216)	18,731	10,167	68,699
Foreign exchange gain	3,330	-	3,330	-
Miscellaneous scrap sale / rental income etc	585	2,961	7,391	6,545
	2,699	21,692	40,832	98,672
<b>8. FINANCE INCOME</b>				
"This includes profit from placement with banks in saving accounts, term deposit and treasury bills earned under interest arrangement. The interest rate ranges between 4.0% and 7.10% (Jan 01, 2015 and Sep 30, 2015 : 6.25% and 8.77%) per annum and is received on maturity."				
<b>9. TAXATION</b>				
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 32% to 31% during the period on account of the changes made to Income tax Ordinance, 2001 in 2016. Further, tax charge also included prior year charge of Rs 317,372 thousand in respect of super tax levied for the tax year 2016 as per Finance Act 2016.				

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

for the Nine months ended September 30, 2016

	NOTE	September 30,2016	Rs '000 December 31, 2015
<b>10. Property, plant and equipment</b>			
Operating fixed assets	10.1	8,241,121	8,066,023
Capital work in progress		371,157	1,118,948
		<b>8,612,278</b>	<b>9,184,971</b>
<b>10.1 Operating fixed assets</b>			
Opening net book amount		8,066,023	7,648,611
Additions during the nine months / year at cost			
<b>Owned assets</b>			
Building		7,307	74,919
Plant and machinery		859,757	602,250
Vehicles		-	1,388
Office and household equipment		165,553	383,884
Furniture and fittings		12,033	13,251
		<b>1,044,650</b>	<b>1,075,692</b>
<b>Leased assets</b>			
Vehicles		114,373	420,049
		<b>1,159,023</b>	<b>1,495,741</b>
Disposals during the nine months / year-at net book amount			
<b>Owned assets</b>			
Building		-	(794)
Plant and machinery		(124,536)	(409)
Vehicles		(54,223)	(86,771)
Office and household equipment		-	(468)
Furniture and fittings		-	(1,258)
		<b>(178,759)</b>	<b>(89,700)</b>
Depreciation charge for the nine months / year		(805,166)	(988,629)
<b>Net book amount</b>		<b>8,241,121</b>	<b>8,066,023</b>

Total capital expenditure for the nine months amounted to Rs 312,176 thousand. Further depreciation and capital expenditure during the nine months ended September 30, 2015 amounted to Rs 724,313 thousand and Rs 817,934 thousand respectively.

## 11. Long term investment in subsidiary

This represents 500,001 (December 31, 2015: 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, 2015. This is a wholly owned subsidiary of the Company which has not yet commenced commercial production.

## 12. Long term deposits and prepayments

These include non interest bearing deposits of Rs. 19,485 thousand (31 December 2015: Rs. 20,199 thousand).

## 13. Loans and advances

These include non interest bearing advances to employees of Rs. 1 thousand (31 December 2015: Rs. 15 thousand).

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

for the Nine months ended September 30, 2016

## 14. Other receivables

These include following balances due from related parties:

	Note	September 30, 2016	Rs '000 December 31, 2015
Associated companies		33,841	49,477
Subsidiary company		20,021	20,021
Employees retirement benefit plans		345,033	346,701

## 15. Cash and bank balances

At banks			
Conventional banking			
Local currency			
Current Account		390,449	9,180
Deposit Account	15.1	19,414	15,142
		409,863	24,322
Foreign currency			
Current Account		52,769	24,806
		52,769	24,806
Islamic banking			
Local currency			
Current Account		2,853	3,635
		2,853	3,635
		465,485	52,763
<hr/>			
Cash in hand		1,354	326
		466,839	53,089

15.1 Balances with conventional banks carry mark-up ranging from 4 % to 7.10 % (December 31, 2015: 6.25 % to 8.77 %).

15.2 Bank balances with associated company amount to Rs. 25,351 thousand (2015:Rs.16,507 thousand).

## 16. Trade and other payables

These include following balances due to related parties:

	September 30, 2016	Rs '000 December 31, 2015
Holding company	195,455	216,404
Associated companies	1,722,339	1,060,062
Employees retirement benefit plans	175,367	415,745

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

for the Nine months ended September 30, 2016

## 17. Short term running finance

Short term running finance facilities available under mark-up arrangements with banks amount to Rs 6,500 million (December 31, 2015: Rs 6,500 million), out of which the amount unavailed at the September end was Rs 6,462 million (December 31, 2015: Rs 5,280 million). These facilities are secured by hypothecation of stock-in-trade and plant & machinery amounting to Rs 7,222 million (December 31, 2015: Rs 7,222 million). The mark-up ranges between 6.42% and 6.77% (December 31, 2015: 6.71% and 10.34%) per annum and is payable quarterly. The facilities are renewable on annual basis.

## 18. Finance lease obligation

The Company has entered into Ijarah arrangements with a financial institution (associated company) in respect of vehicles. Islamic Financial Accounting Standard (IFAS) No.2 "Ijarah" was notified by SECP vide S.R.O 431 (I) /2007 on 22 May 2007. This said IFAS require Ijarah payments under such arrangements to be recognised as an expense over the Ijarah terms. The Company intends to acquire such assets at the end of the lease term and has consequently recorded such arrangement under International Accounting Standard – 17 "Leases".

	September 30, 2016	Rs '000 December 31, 2015
<b>19. Contingencies and commitments</b>		
<b>19.1 Contingencies</b>		
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	231,451	233,152
<b>19.2 Commitments</b>		
(i) Capital expenditure	358,124	-
(ii) Letters of credit outstanding	693,296	444,070

## 20. Post balance sheet event

The Board of Directors in their meeting held on October 19, 2016 has declared the second interim dividend of Rs. 8 per share (2015: Rs nil). This interim dividend of Rs 2,043,950 thousand (2015: Rs nil) will be recorded as liability in the financial statements for the next quarter as required by the International Accounting Standard 10<sup>th</sup> Events after the Balance Sheet Date".

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

for the Nine months ended September 30, 2016

## 21. Transactions with related parties

	Three months ended		Nine months ended	
	Sep 30, 2016	Sep 30, 2015	Sep 30, 2016	Sep 30, 2015
				Rs '000
Purchase of goods and services				
Holding company	151,403	171,918	472,874	511,376
Associated companies	311,212	420,807	1,009,316	937,443
Sale of goods and services				
Holding company	14,218	-	46,549	4,540
Associated companies	119,740	50,833	372,306	74,288
Royalty charge				
Holding company	109,452	142,340	433,290	441,768
Employees retirement benefit plans - Expense				
Staff pension fund	10,457	15,618	31,411	33,109
Staff defined contribution pension fund	17,660	14,434	51,241	42,561
Employees' gratuity fund	29,145	39,545	87,548	85,155
Management provident fund	16,259	16,054	50,267	47,963
Employees' provident fund	4,730	4,666	14,248	14,038
Remuneration of key management personnel	234,723	223,555	679,357	550,286

## Selected notes to and forming part of the Condensed Interim Financial Information (Unaudited) for the Nine months ended September 30, 2016

### 22. Fair value of financial instruments

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.

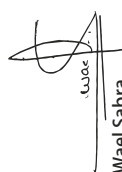
	Carrying amount				Fair value	Total
	Note	Held - for-maturity	Loans and receivables	Other financial liabilities		
<b>September 30, 2016</b>						
<b>Financial assets not measured at fair value</b>						
Non - current asset						
Long term deposit		-	25,485	-	25,485	25,485
Current assets						
Trade debts		-	3,395	-	3,395	3,395
Other receivables	14	-	500,773	-	500,773	500,773
Short term investments		5,284,365	-	-	5,284,365	5,284,365
Bank balances		-	466,839	-	466,839	466,839
		5,284,365	996,492	-	6,280,857	
<b>Financial liabilities not measured at fair value</b>						
Current liability						
Trade and other payables	16	-	-	14,115,239	14,115,239	14,115,239
Markup accrued		-	-	4,078	4,078	4,078
Short term borrowings		-	-	37,569	37,569	37,569
Finance lease obligation		-	-	504,326	504,326	504,326
		-	-	14,661,212	14,661,212	
<b>December 31, 2015</b>						
<b>Financial assets not measured at fair value</b>						
Non - current asset						
Long term deposit		-	26,199	-	26,199	26,199
Current assets						
Trade debts		-	906	-	906	906
Other receivables	14	-	446,622	-	446,622	446,622
Bank balances		-	53,089	-	53,089	53,089
		-	526,816	-	526,816	
<b>Financial liabilities not measured at fair value</b>						
Current liability						
Trade and other payables	16	-	-	10,417,040	10,417,040	10,417,040
Markup accrued		-	-	11,807	11,807	11,807
Short term borrowings		-	-	1,219,501	1,219,501	1,219,501
Finance lease obligation		-	-	569,488	569,488	569,488
		-	-	12,217,836	12,217,836	

### 23. Date of authorization for issue

This condensed interim financial information has been authorised for issue by the Board of Directors of the Company on 19th October, 2016.



**Syed Javed Iqbal**  
Managing Director & CEO



**Wael Sabra**  
Director Finance & IT



# Consolidated Condensed Interim Profit and Loss Account (Unaudited)

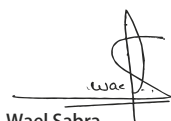
for the Nine months ended September 30, 2016

	Note	Rs '000			
		Three months ended		Nine months ended	
		Sep 30, 2016	Sep 30, 2015	Sep 30, 2016	Sep 30, 2015
<b>Gross turnover</b>		19,652,927	25,153,254	101,861,449	96,033,887
Excise duties		(9,964,861)	(12,908,900)	(50,959,358)	(48,529,115)
Sales tax		(2,942,362)	(3,785,155)	(15,308,555)	(14,454,396)
<b>Net turnover</b>		6,745,704	8,459,199	35,593,536	33,050,376
Cost of sales	5	(3,445,962)	(4,509,796)	(17,596,079)	(18,866,281)
<b>Gross profit</b>		3,299,742	3,949,403	17,997,457	14,184,095
Selling and distribution expenses		(1,122,755)	(822,462)	(3,509,674)	(2,521,820)
Administrative expenses		(397,103)	(632,625)	(1,512,437)	(1,487,598)
Other operating expenses	6	(124,384)	(204,561)	(954,947)	(957,765)
Other operating income	7	2,699	21,692	40,832	98,672
		(1,641,543)	(1,637,956)	(5,936,226)	(4,868,511)
<b>Operating profit</b>		1,658,199	2,311,447	12,061,231	9,315,584
Finance income	8	69,359	38,012	346,161	268,864
Finance cost		(10,117)	(14,808)	(36,773)	(51,193)
Net finance income		59,242	23,204	309,388	217,671
<b>Profit before income tax</b>		1,717,441	2,334,651	12,370,619	9,533,255
Income tax expense - current		(455,872)	(757,841)	(4,146,024)	(3,322,226)
- deferred		(63,656)	18,848	44,618	121,441
	9	(519,528)	(738,993)	(4,101,406)	(3,200,785)
<b>Profit for the period</b>		1,197,913	1,595,658	8,269,213	6,332,470
Earnings per share - basic and diluted (Rupees)		4.69	6.24	32.36	24.78

The annexed notes 1 to 22 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, 2016

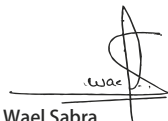
	Three months ended		Nine months ended	
	Sep 30, 2016	Sep 30, 2015	Sep 30, 2016	Sep 30, 2015
<b>Profit for the period</b>	1,197,913	1,595,658	8,269,213	6,332,470
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive income for the period</b>	1,197,913	1,595,658	8,269,213	6,332,470

Rs '000

The annexed notes 1 to 22 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)

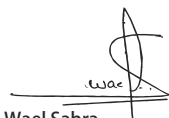
as at September 30, 2016

	Note	September 30, 2016 (Unaudited)	Rs '000 December 31, 2015 (Audited)
<b>Non current assets</b>			
Property, plant and equipment	10	8,637,326	9,210,019
Long term deposits and prepayments	11	35,075	29,072
		8,672,401	9,239,091
<b>Current assets</b>			
Stock-in-trade		14,431,135	14,007,537
Stores and spares		561,570	675,564
Trade debts		3,395	906
Loans and advances	12	143,152	181,594
Short term prepayments		112,927	170,298
Other receivables	13	480,752	426,601
Short term investment - term deposits with conventional banks		5,284,365	-
Cash and bank balances	14	466,839	53,089
		21,484,135	15,515,589
<b>Current liabilities</b>			
Trade and other payables	15	14,115,266	10,417,067
Short term running finance	16	37,569	1,219,501
Finance lease obligation	17	156,777	154,365
Accrued interest / mark-up		4,078	11,807
Current income tax liability		1,997,397	1,131,661
		16,311,087	12,934,401
<b>Net current assets</b>		5,173,048	2,581,188
<b>Non current liabilities</b>			
Deferred income tax liability		(994,379)	(1,038,997)
Finance lease obligation	17	(347,549)	(415,123)
		(1,341,928)	(1,454,120)
<b>Net assets</b>		12,503,521	10,366,159
<b>Share capital and reserves</b>			
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
<b>Retained earnings</b>		9,948,583	7,811,221
<b>Shareholders' equity</b>		12,503,521	10,366,159
<b>Contingencies and commitments</b>	18		

The annexed notes 1 to 22 form an integral part of this consolidated condensed interim financial information.



Syed Javed Iqbal  
Managing Director & CEO



Wael Sabra  
Director Finance & IT

# Consolidated Condensed Interim Cash Flow Statement (Unaudited)

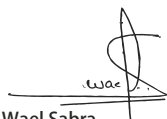
for the Nine months ended September 30, 2016

	Sep 30, 2016	Rs '000 Sep 30, 2015
<b>Cash flows from operating activities</b>		
Cash receipts from customers	101,858,960	96,036,110
Cash paid to Government for federal excise duty, sales tax and other levies	(64,152,227)	(62,749,044)
Cash paid to suppliers, employees and others	(20,980,926)	(22,157,250)
Finance cost paid	(44,502)	(69,342)
Cash paid as royalty	(460,048)	(422,995)
Income tax paid	(3,280,288)	(2,150,512)
Finance income received	339,431	261,137
	<b>13,280,400</b>	<b>8,748,104</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(312,176)	(817,934)
Proceeds from disposal of property, plant and equipment	188,927	140,523
	<b>(123,249)</b>	<b>(677,411)</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(6,113,801)	(3,091,739)
Finance lease payments	(163,303)	(126,047)
	<b>(6,277,104)</b>	<b>(3,217,786)</b>
Net increase in cash and cash equivalents	6,880,047	4,852,907
Cash and cash equivalents at January 1	(1,166,412)	(413,297)
<b>Cash and cash equivalents at September 30</b>	<b>5,713,635</b>	<b>4,439,610</b>
<b>Cash and cash equivalents comprise:</b>		
Short term investment	5,284,365	3,699,666
Cash and bank balances	466,839	765,300
Short term running finance	(37,569)	(25,356)
	<b>5,713,635</b>	<b>4,439,610</b>

The annexed notes 1 to 22 form an integral part of this consolidated condensed interim financial information.



Syed Javed Iqbal  
Managing Director & CEO



Wael Sabra  
Director Finance & IT

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

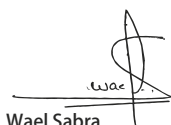
for the Nine months ended September 30, 2016

	Share capital	Revenue reserves	Rs '000 Total
<b>Balance at January 1, 2015</b>	2,554,938	5,456,425	8,011,363
Total comprehensive income for the nine months	-	6,332,470	6,332,470
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)
<b>Balance at September 30, 2015</b>	2,554,938	8,722,969	11,277,907
<b>Balance at October 1, 2015</b>	2,554,938	8,722,969	11,277,907
Total comprehensive income for the three months	-	621,215	621,215
Transactions with owners:			
1st Interim dividend of Rs 6.00 per share relating to the year ended December 31, 2015	-	(1,532,963)	(1,532,963)
<b>Balance at December 31, 2015</b>	2,554,938	7,811,221	10,366,159
<b>Balance at January 1, 2016</b>	2,554,938	7,811,221	10,366,159
Total comprehensive income for the nine months	-	8,269,213	8,269,213
Transactions with owners:			
Final dividend of Rs 18.00 per share relating to the year ended December 31, 2015	-	(4,598,888)	(4,598,888)
1st Interim dividend of Rs 6.00 per share relating to the year ending December 31, 2016	-	(1,532,963)	(1,532,963)
<b>Balance at September 30, 2016</b>	2,554,938	9,948,583	12,503,521

The annexed notes 1 to 22 form an integral part of this consolidated condensed interim financial information.



Syed Javed Iqbal  
Managing Director & CEO



Wael Sabra  
Director Finance & IT

# Selected notes to and forming part of the Consolidated Condensed Interim Financial Information (Unaudited) for the Nine months ended September 30, 2016

## 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 Pakistan Stock Exchange. 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

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

The consolidated condensed interim financial information should be read in conjunction with the financial statements for the year ended December 31, 2015, which have been prepared in accordance with approved accounting standards as applicable in Pakistan. Comparative consolidated condensed interim balance sheet is extracted from annual financial statements as of December 31, 2015 whereas comparative consolidated condensed interim profit and loss account, consolidated condensed interim statement of comprehensive income, consolidated condensed interim cash flow statement and consolidated condensed interim statement of changes in equity are extracted from unaudited condensed interim financial information of the Company for the half year ended September 30, 2015.

## 3. Accounting policies, critical accounting estimates and judgments

The accounting policies, significant judgments made in the application of accounting policies, key sources of estimations, the methods of computation adopted in the preparation of this consolidated condensed interim financial information are the same as those applied in the preparation of the financial statements for the year ended December 31, 2015 except for the following:

Securities and Exchange Commission of Pakistan during the period through its circular No 14 of 2016 dated 21 April 2016, has mandated the implementation of mandatory disclosure requirement for listed companies. The circular prescribes certain disclosures including bifurcation of certain balance sheet and profit and loss items between conventional and Islamic mode. Accordingly the Group has presented the required disclosures in this consolidated condensed interim financial information. However there was no change in the reported figures of profit and loss or balance sheet.

Amendments and interpretations to published accounting standards effective for the financial year ending December 31, 2016 are not expected to have material impact on the Group's consolidated condensed interim financial information.

## 4. 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, 2015.

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

for the Nine months ended September 30, 2016

	Rs '000			
	Three months ended		Nine months ended	
	Sep 30, 2016	Sep 30, 2015	Sep 30, 2016	Sep 30, 2015
<b>5. Cost of sales</b>				
Raw materials consumed				
Opening stock of raw materials and work in process	7,303,246	5,876,063	11,233,495	9,802,963
Raw material purchases and expenses	8,912,417	10,728,771	14,416,017	16,791,972
Excise duty, customs duty and tobacco development cess	125,093	160,699	415,912	493,601
Closing stock of raw materials and work in process	(13,325,320)	(11,746,949)	(13,325,320)	(11,746,949)
	3,015,436	5,018,584	12,740,104	15,341,587
Royalty	109,452	142,340	433,290	441,768
Production overheads	774,186	801,718	2,754,459	2,733,968
Cost of goods manufactured	3,899,074	5,962,642	15,927,853	18,517,323
Cost of finished goods:				
Opening stock	652,704	359,741	2,774,042	2,161,545
Closing stock	(1,105,816)	(1,812,587)	(1,105,816)	(1,812,587)
	(453,112)	(1,452,846)	1,668,226	348,958
	3,445,962	4,509,796	17,596,079	18,866,281
<b>6. Other operating expenses</b>				
Workers' P. Participation Fund	92,006	125,427	664,373	512,226
Workers' Welfare Fund	30,478	48,314	252,462	198,876
Bank charges and fees	4,752	9,573	33,592	36,377
Interest paid to WPPF	-	-	4,520	892
Foreign exchange loss	(2,852)	21,247	-	209,394
	124,384	204,561	954,947	957,765
<b>7. Other operating income</b>				
Income - associated companies				
- BAT SAA for services rendered	-	-	18,198	18,688
- Services to BAT Myanmar/ BAT Bangladesh	-	-	1,746	-
- Services to BAT (Holdings) Ltd	-	-	-	4,740
Gain on disposal of assets	(1,216)	18,731	10,167	68,699
Foreign exchange gain	3,330	-	3,330	-
Miscellaneous scrap sale / rental income etc	585	2,961	7,391	6,545
	2,699	21,692	40,832	98,672
<b>8. FINANCE INCOME</b>				
"This includes profit from placement with banks in saving accounts, term deposit and treasury bills earned under interest arrangement. The interest rate ranges between 4.0% and 7.10% (Jan 01, 2015 and Sep 30, 2015 : 6.25% and 8.77%) per annum and is received on maturity."				
<b>9. TAXATION</b>				
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 32% to 31% during the period on account of the changes made to Income tax Ordinance, 2001 in 2016. Further, tax charge also included prior year charge of Rs 317,372 thousand in respect of super tax levied for the tax year 2016 as per Finance Act 2016.				

# Selected notes to and forming part of the Consolidated Condensed Interim Financial Information (Unaudited) for the Nine months ended September 30, 2016

	NOTE	September 30,2016	Rs '000 December 31, 2015
<b>10. Property, plant and equipment</b>			
Operating fixed assets	10.1	8,244,485	8,069,387
Capital work in progress		392,841	1,140,632
		8,637,326	9,210,019
<b>10.1 Operating fixed assets</b>			
Opening net book amount		8,069,387	7,651,975
Additions during the nine months / year at cost			
<b>Owned assets</b>			
Building		7,307	74,919
Plant and machinery		859,757	602,250
Vehicles		-	1,388
Office and household equipment		165,553	383,884
Furniture and fittings		12,033	13,251
		1,044,650	1,075,692
<b>Leased assets</b>			
Vehicles		114,373	420,049
		1,159,023	1,495,741
Disposals during the nine months / year-at net book amount			
<b>Owned assets</b>			
Building		-	(794)
Plant and machinery		(124,536)	(409)
Vehicles		(54,223)	(86,771)
Office and household equipment		-	(468)
Furniture and fittings		-	(1,258)
		(178,759)	(89,700)
Depreciation charge for the nine months / year		(805,166)	(988,629)
<b>Net book amount</b>		<b>8,244,485</b>	<b>8,069,387</b>

Total capital expenditure for the nine months amounted to Rs 312,176 thousand. Further depreciation and capital expenditure during the nine months ended September 30, 2015 amounted to Rs 724,313 thousand and Rs 817,934 thousand respectively.

## 11. Long term deposits and prepayments

These include non interest bearing deposits of Rs. 19,485 thousand (31 December 2015: Rs. 20,199 thousand).

## 12. Loans and advances

These include non interest bearing advances to employees of Rs. 1 thousand (31 December 2015: Rs. 15 thousand).



# Selected notes to and forming part of the Consolidated Condensed Interim Financial Information (Unaudited) for the Nine months ended September 30, 2016

## 13. Other receivables

These include following balances due from related parties:

	Note	September 30, 2016	Rs '000 December 31, 2015
Associated companies		33,841	49,477
Employees retirement benefit plans		345,033	346,701
<b>14. Cash and bank balances</b>			
At banks			
Conventional banking			
Local currency			
Current Account		390,449	9,180
Deposit Account	14.1	19,414	15,142
		409,863	24,322
Foreign currency			
Current Account		52,769	24,806
		52,769	24,806
Islamic banking			
Local currency			
Current Account		2,853	3,635
		2,853	3,635
		465,485	52,763
Cash in hand		1,354	326
		466,839	53,089

14.1 Balances with conventional banks carry mark-up ranging from 4 % to 7.10 % (December 31, 2015: 6.25 % to 8.77 %).

14.2 Bank balances with associated company amount to Rs. 25,351 thousand (2015:Rs.16,507 thousand).

	September 30, 2016	Rs '000 December 31, 2015
<b>15. Trade and other payables</b>		
These include following balances due to related parties:		
Holding company	195,455	216,404
Associated companies	1,722,339	1,060,062
Employees retirement benefit plans	175,367	415,745

# Selected notes to and forming part of the Consolidated Condensed Interim Financial Information (Unaudited) for the Nine months ended September 30, 2016

## 16. Short term running finance

Short term running finance facilities available under mark-up arrangements with banks amount to Rs 6,500 million (December 31, 2015: Rs 6,500 million), out of which the amount unavailed at the September end was Rs 6,462 million (December 31, 2015: Rs 5,280 million). These facilities are secured by hypothecation of stock-in-trade and plant & machinery amounting to Rs 7,222 million (December 31, 2015: Rs 7,222 million). The mark-up ranges between 6.42% and 6.77% (December 31, 2015: 6.71% and 10.34%) per annum and is payable quarterly. The facilities are renewable on annual basis.

## 17. Finance lease obligation

The Company has entered into Ijarah arrangements with a financial institution (associated company) in respect of vehicles. Islamic Financial Accounting Standard (IFAS) No.2 "Ijarah" was notified by SECP vide S.R.O 431 (I) /2007 on 22 May 2007. This said IFAS require Ijarah payments under such arrangements to be recognised as an expense over the Ijarah terms. The Company intends to acquire such assets at the end of the lease term and has consequently recorded such arrangement under International Accounting Standard – 17 "Leases".

	September 30, 2016	Rs '000 December 31, 2015
<b>18. Contingencies and commitments</b>		
<b>18.1 Contingencies</b>		
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	231,451	233,152
<b>18.2 Commitments</b>		
(i) Capital expenditure	358,124	-
(ii) Letters of credit outstanding	693,296	444,070

## 19. Post balance sheet event

The Board of Directors in their meeting held on October 19, 2016 has declared the second interim dividend of Rs. 8 per share (2015: Rs nil). This interim dividend of Rs 2,043,950 thousand (2015: Rs nil) will be recorded as liability in the financial statements for the next quarter as required by the International Accounting Standard 10" Events after the Balance Sheet Date".

Selected notes to and forming part of the Consolidated  
Condensed Interim Financial Information (Unaudited)  
for the Nine months ended September 30, 2016

20. Transactions with related parties

	Three months ended		Nine months ended	
	Sep 30, 2016	Sep 30, 2015	Sep 30, 2016	Sep 30, 2015
				Rs '000
Purchase of goods and services				
Holding company	151,403	171,918	472,874	511,376
Associated companies	311,212	420,807	1,009,316	937,443
Sale of goods and services				
Holding company	14,218	-	46,549	4,540
Associated companies	119,740	50,833	372,306	74,288
Royalty charge				
Holding company	109,452	142,340	433,290	441,768
Employees retirement benefit plans - Expense				
Staff pension fund	10,457	15,618	31,411	33,109
Staff defined contribution pension fund	17,660	14,434	51,241	42,561
Employees' gratuity fund	29,145	39,545	87,548	85,155
Management provident fund	16,259	16,054	50,267	47,963
Employees' provident fund	4,730	4,666	14,248	14,038
Remuneration of key management personnel	234,723	223,555	679,357	550,286

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

for the Nine months ended September 30, 2016

### 21. Fair value of financial instruments

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.

	Note	Carrying amount			Level 1	Level 2	Fair value	Total
		Loans and receivables	Other financial liabilities	Total				
<b>September 30, 2016</b>								
<b>Financial assets not measured at fair value</b>								
Non - current asset								
Long term deposit		25,485	-	25,485			25,485	25,485
Current assets								
Trade debts		3,395	-	3,395			3,395	3,395
Other receivables	13	480,752	-	480,752			480,752	480,752
Short term investments		5,284,365	-	5,284,365			5,284,365	5,284,365
Bank balances		466,839	-	466,839			466,839	466,839
		5,284,365	-	976,471			6,260,836	
<b>Financial liabilities not measured at fair value</b>								
Current liability								
Trade and other payables	15	-	14,115,266	14,115,266			14,115,266	14,115,266
Markup accrued		-	4,078	4,078			4,078	4,078
Short term borrowings		-	37,569	37,569			37,569	37,569
Finance lease obligation		-	504,326	504,326			504,326	504,326
		-	14,661,239	14,661,239			14,661,239	
<b>December 31, 2015</b>								
<b>Financial assets not measured at fair value</b>								
Non - current asset								
Long term deposit		26,199	-	26,199			26,199	26,199
Current assets								
Trade debts		906	-	906			906	906
Other receivables	13	426,601	-	426,601			426,601	426,601
Bank balances		53,089	-	53,089			53,089	53,089
		506,795	-	506,795			506,795	
<b>Financial liabilities not measured at fair value</b>								
Current liability								
Trade and other payables	15	-	10,417,067	10,417,067			10,417,067	10,417,067
Markup accrued		-	11,807	11,807			11,807	11,807
Short term borrowings		-	1,219,501	1,219,501			1,219,501	1,219,501
Finance lease obligation		-	569,488	569,488			569,488	569,488
		-	12,217,863	12,217,863			12,217,863	

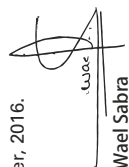
### 22. Date of authorization for issue

This consolidated condensed interim financial information has been authorised for issue by the Board of Directors of the Group on 19th October, 2016.



Syed Javed Iqbal

Managing Director & CEO



Wael Sabra

Director Finance & IT





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