

# AN INSTITUTION OF RESILIENCE

*Condensed Interim Financial Information*

FOR THE 1ST QUARTER ENDED MARCH 31, 2017



# Corporate Information

## Board of Directors

Mueen Afzal  
Chairman and Non-Executive Director

Syed Javed Iqbal  
Managing Director and CEO

Wael Sabra  
Director Finance & IT

Tajamal Shah  
Director Legal & External Affairs

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

Imran Maqbool  
Non-Executive Director

Zafar Mahmood  
Non-Executive Director

Hae In KIM  
Non-Executive Director

Michael Koest  
Non-Executive Director

## Audit Committee

Zafar Mahmood

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

Imran Maqbool

Michael Koest

Hae In KIM

Ahmad Iqbal (Secretary)

## Company Secretary

M Idries Ahmed

## Registered Office

Pakistan Tobacco Company Limited  
Serena Business Complex, Khayaban-e-  
Suhrawardy. P.O. Box 2549, Islamabad-44000  
Telephone: +92 (051) 2083200, 2083201  
Fax: +92 (051) 2604516  
Web: [www.ptc.com.pk](http://www.ptc.com.pk)

## Factories

Akora Khattak Factory  
P.O. Akora Khattak  
Tehsil and District Nowshera,  
Khyber Pakhtunkhwa  
Telephone: +92 (0923) 561561-72  
Fax: +92 (0923) 561502

Jhelum Factory  
G.T. Road, Kala Gujran  
Jhelum  
Telephone: +92 (0544) 646500-7  
Fax: +92 (0544) 646524

## Bankers

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

## Auditors

KPMG Taseer Hadi & Co.  
Chartered Accountants  
Sixth Floor, State Life Building No. 5  
Jinnah Avenue, Blue Area, Islamabad. 44000  
Telephone: +92 (051) 2823558  
Fax: +92 (051) 2822671

## Share Registrar

FAMCO Associates (Pvt.) Ltd.  
8-F, Near Hotel Faran, Nursery, Block 6,  
P.E.C.H.S, Shahrah-e-Faisal,  
Karachi  
Ph: +92 (021) 34380101-2

## Directors' Review

The Directors present the performance of Pakistan Tobacco Company Limited (PTC) for the first quarter ended March 31, 2017.

The Company is severely impacted by the accelerated consumer down trading to cheap duty evaded cigarettes. This is reflected in the business results of the 1st quarter in comparison to same period last year (SPLY). Despite recent efforts by the law enforcement agencies, the illicit sector grew to an unprecedented market share of 41% as at March 31st 2017 (33.2% as at March 31st 2016). PTC however has managed to retain its market leadership in the legitimate sector through the resilience of its brands and the agility of its people

Key financial indicators of PTC for YTD Q1 2017 are:

	Rs. (million)	
	Jan - Mar, 2017	Jan - Mar, 2016
Gross Turnover	22,026	33,125
Net Turnover	7,356	11,547
Cost of Sales	3,542	5,647
Gross Profit	3,815	5,901
Operating Profit	1,856	4,084
Profit Before Tax – PBT	1,865	4,107
Profit After Tax – PAT	1,515	2,813
Earnings Per Share – EPS (Rs)	5.93	11.01

The Gross Turnover has declined vs. SPLY owing to the decline in sales volume primarily driven by the rise in market share of illicit trade. This decline was slightly netted off by the positive impact of Excise led price increase taken during last year.

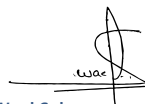
Cost of sales is lower by 37.3% primarily due to lower volume vs SPLY. PTC remains focused on bringing productivity enhancements throughout the value chain through effective cost managements, delivering lean operations and fit for future organization.

PTC contributed PKR 15 Bn in Q1'17 (down by PKR 8 Bn vs. SPLY) to the National Exchequer in the form of excise duty, sales tax, customs duties and income tax. The Company continuously stresses upon the detrimental impacts of growing sales of duty-evaded cigarettes on the sustainability of government revenues. Therefore, the relevant authorities are strongly urged to expand the recent efforts of strict and decisive enforcement to create a level playing field and ensure that the duty-evaded segments of the industry comply with the Law. This is critical for the sustainability of Government revenues and legitimate tobacco industry in the short as well as long run.

PTC's operating environment poses numerous challenges that can impact sustainable growth of its business. Despite these challenges, we remain committed to deliver shareholder value through investments in our brands and people.



**Syed Javed Iqbal**  
Managing Director and CEO



**Wael Sabra**  
Director Finance & IT

## جائزہ ڈائریکٹر

ڈائریکٹرز کی جانب سے 31 مارچ 2017 کو ختم ہونے والی پہلی سہ ماہی میں پاکستان ٹیلی کمیونیکیشنز لمیٹڈ (پی ٹی سی) کی کارکردگی کی رپورٹ۔ صارفین کی طرف سے سستے غیر ڈیوٹی شدہ سگریٹ پر منتقلی میں تیزی سے کمپنی شدید منفی اثرات کی زد میں ہے۔ گزشتہ برس کی پہلی سہ ماہی کے مقابلے میں رواں سال کی پہلی سہ ماہی کے کاروباری اعداد و شمار اس کی عکاسی کر رہے ہیں۔ قانون نافذ کرنے والے اداروں کی طرف سے حالیہ کوششوں کے باوجود غیر قانونی سیکٹر 31 مارچ 2017 تک 41.4 فیصد مارکیٹ شیئر حاصل کر چکا ہے (31 مارچ 2016 کو یہ شرح 33.2 فیصد تھی)۔ تاہم، پی ٹی سی اپنے مستحکم برانڈز اور فعال افرادی قوت کی بدولت مارکیٹ میں اپنی برتری قائم رکھنے میں کامیاب رہی۔

سال 2017 کی پہلی سہ ماہی میں پی ٹی سی کے کلیدی مالیاتی اشاریے یہ رہے:

روپے (ملین)		
جنوری سے مارچ، 2016	2017	جنوری سے مارچ،
33,125	22,026	کل وصولیات (Gross Turnover)
11,547	7,356	خالص وصولیات (Net Turnover)
5,647	3,542	لاگت برائے فروخت (Cost of Sales)
5,901	3,815	مجموعی منافع (Gross Profit)
4,084	1,856	کاروباری منافع (Operating Profit)
4,107	1,865	قبل از ٹیکس منافع (Profit Before Tax – PBT)
2,813	1,515	بعد از ٹیکس منافع (Profit After Tax – PAT)
11.01	5.93	آمدنی فی حصص (روپے) (Earnings Per Share – EPS (Rs))

گزشتہ برس اسی مدت کے مقابلے میں رواں برس کمپنی کی کل وصولیات میں کمی واقع ہوئی جس کی بڑی وجہ غیر قانونی کاروبار کے مارکیٹ شیئر میں اضافہ ہے۔ تاہم اسی کی میں جزوی ازالہ گزشتہ برس ایکسائز کی مد میں ہونے والے قیمتوں کی اثرات کی صورت میں ہوا۔

گزشتہ برس اسی مدت کے مقابلے میں فروخت پر لاگتیں بھی کم ہو کر 37.3 فیصد پر آئیں۔ پی ٹی سی اپنے پیداواری نظام کو بہتر سے بہتر کرنے پر توجہ مرکوز کئے ہوئے ہے اور لاگتوں کے مؤثر انتظام کے ذریعے ضیاع سے پاک آپریشنز اور مستقبل کے لیے تیار ادارہ بنا رہی ہے۔

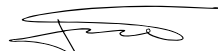
پی ٹی سی نے 2017 کی پہلی سہ ماہی میں ایکسائز ڈیوٹی، بیلر ٹیکس، کسٹم ڈیوٹی اور آکم ٹیکس کی صورت میں سرکاری خزانے 15 ارب روپے (گزشتہ برس کی اسی مدت کے مقابلے میں 8 ارب روپے کم) جمع کرائے۔ کمپنی غیر ڈیوٹی شدہ سگریٹوں کی فروخت میں اضافے کے حکومتی آمدنی پر منفی اثرات کو اجاگر کرتی آئی ہے۔ لہذا، متعلقہ اداروں اور حکام سے درخواست ہے کہ قانون پر عمل درآمد کی حالیہ کوششوں کو مزید سخت اور یقینی بناتے ہوئے (تمام سٹیٹک ہولڈرز کو) یکساں کاروباری مواقع فراہم کیے جائیں اور غیر ڈیوٹی شدہ سگمنٹ کو بھی قانون کے دائرے میں لایا جائے۔ حکومتی آمدن اور قانونی ٹوبیکو انڈسٹری کے قلیل اور طویل مدتی استحکام کے لیے یہ اقدامات نہایت اہم ہیں۔

پی ٹی سی کا آپریٹنگ ماحول کمپنی کے کاروباری مستحکم ترقی کو مکمل طور پر متاثر کرنے والے متعدد چیلنجز کا حامل ہے۔ تاہم، ان چیلنجز کے باوجود ہم اپنے برانڈز اور لوگوں میں سرمایہ کاری کے ذریعے اپنے حصہ داران کو زیادہ سے زیادہ ویلیو دینے کا عزم کیے ہوئے ہیں۔



واکل صابرا

ڈائریکٹر فنانس و آئی ٹی



سید جاوید اقبال

مینیجنگ ڈائریکٹر و چیف ایگزیکٹو

# Condensed Interim Profit and Loss Account (Unaudited)

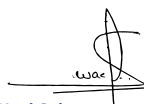
for the 1st quarter ended March 31, 2017

	Note	Jan - March 2017	Rs '000 Jan - March 2016
<b>Gross turnover</b>		22,025,693	33,125,148
Excise duties		(11,406,849)	(16,594,144)
Sales tax		(3,262,644)	(4,983,522)
<b>Net turnover</b>		7,356,200	11,547,482
Cost of sales	5	(3,541,570)	(5,646,739)
<b>Gross profit</b>		3,814,630	5,900,743
Selling and distribution expenses		(718,586)	(901,268)
Administrative expenses		(427,809)	(598,678)
Other operating expenses	6	(815,046)	(323,940)
Other operating income		2,689	6,868
		(1,958,752)	(1,817,018)
<b>Operating profit</b>		1,855,878	4,083,725
Finance income	7	20,562	38,173
Finance cost		(11,396)	(15,390)
Net finance income		9,166	22,783
<b>Profit before income tax</b>		1,865,044	4,106,508
Income tax expens - current		(447,610)	(1,346,693)
- deferred		97,972	53,463
	8	(349,638)	(1,293,230)
<b>Profit for the period</b>		1,515,406	2,813,278
Earnings per share - basic and diluted (Rupees)		5.93	11.01

The annexed notes 1 to 16 are an integral part of this condensed interim financial information.



Syed Javed Iqbal  
Managing Director and CEO



Wael Sabra  
Director Finance & IT

# Condensed Interim Statement of Comprehensive Income (Unaudited)

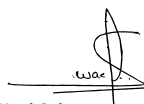
for the 1st quarter ended March 31, 2017

	Jan - March 2017	Rs '000 Jan - March 2016
<b>Profit for the 1st quarter</b>	1,515,406	2,813,278
Other comprehensive income for the 1st quarter	-	-
<b>Total comprehensive income for the 1st quarter</b>	1,515,406	2,813,278

The annexed notes 1 to 16 are an integral part of this condensed interim financial information.



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Managing Director and CEO



Wael Sabra  
Director Finance & IT

# Condensed Interim Balance Sheet (Unaudited)

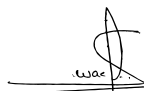
as at March 31, 2017

	Note	March 31, 2017 (Unaudited)	Rs '000 December 31, 2016 (Audited)
<b>Non current assets</b>			
Property, plant and equipment	9	8,250,261	8,629,435
Long term investment in subsidiary company	10	5,000	5,000
Long term deposits and prepayments		30,726	33,571
		<b>8,285,987</b>	<b>8,668,006</b>
<b>Current assets</b>			
Stock-in-trade		12,870,712	13,618,530
Stores and spares		574,467	570,224
Trade debts		4,716	1,839
Loans and advances		272,098	178,561
Short term prepayments		184,014	183,858
Other receivables	11	1,233,787	1,049,248
Short term investment		3,699,997	979,903
Cash and bank balances		366,848	147,324
		<b>19,206,639</b>	<b>16,729,487</b>
<b>Current liabilities</b>			
Trade and other payables	12	10,446,447	9,094,982
Short term running finance	13	16,274	95,339
Finance lease obligation		155,891	164,383
Accrued interest / mark-up		5,693	3,438
Current income tax liability		1,017,565	1,615,308
		<b>11,641,870</b>	<b>10,973,450</b>
<b>Net current assets</b>		<b>7,564,769</b>	<b>5,756,037</b>
<b>Non current liabilities</b>			
Finance lease obligation		(324,229)	(314,950)
Deferred income tax liability		(1,034,491)	(1,132,463)
		<b>(1,358,720)</b>	<b>(1,447,413)</b>
<b>Net assets</b>		<b>14,492,036</b>	<b>12,976,630</b>
<b>Share capital and reserves</b>			
Authorised share capital 300,000,000 ordinary shares of Rs 10 each		<u>3,000,000</u>	<u>3,000,000</u>
Issued, subscribed and paid-up capital 255,493,792 ordinary shares of Rs 10 each		2,554,938	2,554,938
Revenue reserves		11,937,098	10,421,692
<b>Shareholders' equity</b>		<b>14,492,036</b>	<b>12,976,630</b>
<b>Contingencies and commitments</b>	14		

The annexed notes 1 to 16 are an integral part of this condensed interim financial information.



**Syed Javed Iqbal**  
Managing Director and CEO



**Wael Sabra**  
Director Finance & IT

# Condensed Interim Statement of Changes in Equity (Unaudited)

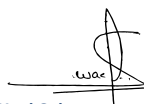
as at March 31, 2017

	Share capital	Revenue reserves	Rs '000 Total
<b>Balance at January 1, 2016</b>	2,554,938	7,811,221	10,366,159
Total comprehensive income for the 1st quarter	-	2,813,278	2,813,278
<b>Balance at March 31, 2016</b>	2,554,938	10,624,499	13,179,437
<b>Balance at April 1, 2016</b>	2,554,938	10,624,499	13,179,437
Total comprehensive income for the nine months	-	7,972,994	7,972,994
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 ended December 31, 2016	-	(1,532,963)	(1,532,963)
2nd interim dividend of Rs 8.00 per share relating to the year ended December 31, 2016	-	(2,043,950)	(2,043,950)
<b>Balance at December 31, 2016</b>	2,554,938	10,421,692	12,976,630
<b>Balance at January 1, 2017</b>	2,554,938	10,421,692	12,976,630
Total comprehensive income for the 1st quarter	-	1,515,406	1,515,406
<b>Balance at March 31, 2017</b>	2,554,938	11,937,098	14,492,036

The annexed notes 1 to 16 are an integral part of this condensed interim financial information.



**Syed Javed Iqbal**  
Managing Director and CEO



**Wael Sabra**  
Director Finance & IT



# Condensed Interim Cash Flow Statement (Unaudited)

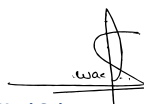
for the 1st quarter ended March 31, 2017

	March 31, 2017	Rs '000 March 31, 2016
<b>Cash flows from operating activities</b>		
Cash receipts from customers	22,022,816	33,122,516
Cash paid to Government for Federal excise duty, Sales tax and other levies	(11,140,853)	(18,480,556)
Cash paid to suppliers, employees and others	(6,899,015)	(6,789,831)
Finance cost paid	(9,141)	(19,069)
Income tax paid	(1,045,353)	(647,245)
Other cash receipts	8,787	34,872
	2,937,241	7,220,687
<b>Cash flows from investing activities</b>		
Additions in property, plant and equipment	(74,628)	(166,447)
Proceeds from disposal of property, plant and equipment	190,067	4,206
Finance income received	19,962	23,173
	135,401	(139,068)
<b>Cash flows from financing activities</b>		
Dividends paid	(6,785)	(1,310)
Finance lease payments	(47,174)	(39,717)
	(53,959)	(41,027)
<b>Increase in cash and cash equivalents</b>	3,018,683	7,040,592
Cash and cash equivalents at January 1	1,031,888	(1,166,412)
<b>Cash and cash equivalents at March 31</b>	4,050,571	5,874,180
<b>Cash and cash equivalents comprise:</b>		
Cash and bank balances	366,848	70,310
Short term investment	3,699,997	5,999,790
Short term running finance	(16,274)	(195,920)
	4,050,571	5,874,180

The annexed notes 1 to 16 are an integral part of this condensed interim financial information.



Syed Javed Iqbal  
Managing Director and CEO



Wael Sabra  
Director Finance & IT

# Selected notes to the Condensed Interim Financial Information (Unaudited)

for the 1st quarter ended March 31, 2017

## 1. The Company and its 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 1st quarter ended March 31, 2017 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

The condensed interim financial information should to be read in conjunction with the financial statements for the year ended December 31, 2016, 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, 2016 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 1st quarter ended March 31, 2017.

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, 2016 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, 2017 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, 2016.

# Selected notes to the Condensed Interim Financial Information (Unaudited)

for the 1st quarter ended March 31, 2017

	Jan - March 2017	Rs 000 Jan - March 2016
<b>5. Cost of sales</b>		
Raw materials consumed		
Opening stock of raw materials and work in process	12,449,905	11,233,495
Raw material purchases and expenses	1,812,899	3,320,515
Excise duty, Customs duty and tobacco development cess	101,813	190,571
Closing stock of raw materials and work in process	(11,076,691)	(8,902,720)
	3,287,926	5,841,861
Royalty	134,595	142,981
Production overheads	723,869	851,469
Cost of goods manufactured	4,146,390	6,836,311
Cost of finished goods:		
Opening stock	1,189,201	2,774,042
Closing stock	(1,794,021)	(3,963,614)
	(604,820)	(1,189,572)
	3,541,570	5,646,739
<b>6. Other operating expenses</b>		
Severance cost	618,639	-
Workers' Profit Participation Fund	100,271	220,651
Workers' Welfare Fund	40,108	85,867
Bank charges and fees	7,577	12,902
Foreign exchange loss	36,719	-
Interest paid to Workers' Profit Participation Fund	11,732	4,520
	815,046	323,940

## 7. Finance Income

"This includes profit from placement with banks in saving accounts, term deposit and treasury bills earned under interest arrangement. The interest rate ranges between 3.75% and 5.90% (Jan 01, 2016 and March 31, 2016 : 4.00% and 6.06%) per annum and is received on maturity."

## 8. 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 31% to 30% during the period on account of the changes made to Income tax Ordinance, 2001 in 2016.

# Selected notes to the Condensed Interim Financial Information (Unaudited)

for the 1st quarter ended March 31, 2017

	March 31, 2017	Rs '000 December 31, 2016
<b>9. Property, plant and equipment</b>		
Operating fixed assets - note 9.1	7,984,950	8,282,901
Capital work in progress	265,311	346,534
	<b>8,250,261</b>	<b>8,629,435</b>
<b>9.1 Movement in operating fixed assets</b>		
Net book amount	8,282,901	8,066,023
Additions to the operating fixed assets		
<b>Owned Assets</b>		
Building	8,601	10,593
Plant and machinery	11,613	1,157,844
Vehicles	-	60
Office and household equipment	12,421	267,380
Furniture and fittings	-	12,385
<b>Leased Assets</b>		
Vehicles	133,969	129,704
	<b>166,604</b>	<b>1,577,966</b>
<b>Book value of disposals of operating fixed assets</b>		
Building	-	-
Plant and machinery	(156,193)	(175,681)
Vehicles	(31,563)	(97,813)
Office and household equipment	-	(107)
Furniture and fittings	-	(253)
	<b>(187,756)</b>	<b>(273,854)</b>
Depreciation charge for three months / year	(276,799)	(1,087,234)
<b>Net book amount</b>	<b>7,984,950</b>	<b>8,282,901</b>
<b>10. Long term investment in subsidiary company</b>		
<p>This represents 500,001 (2016: 500,001) fully paid ordinary shares of Rs 10 each in Phoenix (Private) Limited. The break up value of shares calculated by reference to net assets worked out to be Rs 10 per share based on audited financial statements for the year ended December 31, 2016. This is a wholly owned subsidiary of the Company which is dormant and has not yet commenced commercial production.</p>		
	March 31, 2017	December 31, 2016
<b>11. Other receivables</b>		
These include following balances due from related parties:		
Due from holding company / associated companies	26,969	76,349
Due from subsidiary company	20,021	20,021
Due from employees retirement benefit plans	1,163,115	908,280
<b>12. Trade and other payables</b>		
These include following balances due to related parties:		
Due to holding company / associated companies	1,798,361	1,744,070

# Selected notes to the Condensed Interim Financial Information (Unaudited)

for the 1st quarter ended March 31, 2017

## 13. Short term running finance

Short term finance facilities available under mark-up arrangements with banks amount to Rs 6,500 million (2016: Rs 6,500 million), out of which the amount unavailed at the period end was Rs 6,484 million (2016: Rs 6,405 million). These facilities are secured by hypothecation of stock-in-trade. The mark-up ranges between 6.41% and 6.51% (2016: 6.39% and 6.77%) per annum and is payable quarterly. The facilities are renewable on annual basis.

	March 31, 2017	Rs '000 December 31, 2016
<b>14. Contingencies and commitments</b>		
<b>14.1 Contingencies</b>		
Claims and guarantees		
(i) Claims against the Company not acknowledged as debt	69,450	69,450
(ii) Guarantees issued by banks on behalf of the Company	244,451	241,451
<b>14.2 Commitments</b>		
(i) Capital expenditure commitments outstanding	133,949	-
(ii) Letters of credit outstanding	102,412	151,299

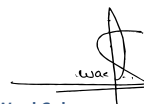
	March 31, 2017	Rs '000 March 31, 2016
<b>15. Transactions with related parties</b>		
Purchase of goods and services		
Holding company	150,104	165,369
Associated companies	306,510	484,309
Sale of goods and services		
Associated companies	556,086	35,492
Royalty charge		
Holding company	134,595	142,981
Contribution to retirement benefit plans by the Company		
Staff pension fund	-	8,868
Defined contribution pension fund	17,224	15,955
Employee gratuity fund	14,742	34,097
Management provident fund	15,355	16,132
Employee provident fund	3,134	4,781
Remuneration of key management personnel	140,691	161,201

## 16. Date of authorisation

This condensed interim financial information has been authorised for issue by the Board of Directors of the Company on April 20, 2017.



**Syed Javed Iqbal**  
Managing Director and CEO



**Wael Sabra**  
Director Finance & IT

# Consolidated Condensed Interim Profit and Loss Account (Unaudited)

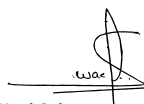
for the 1st quarter ended March 31, 2017

	Note	Jan - March 2017	Rs '000 Jan - March 2016
<b>Gross turnover</b>		22,025,693	33,125,148
Excise duties		(11,406,849)	(16,594,144)
Sales tax		(3,262,644)	(4,983,522)
<b>Net turnover</b>		7,356,200	11,547,482
Cost of sales	5	(3,541,570)	(5,646,739)
<b>Gross profit</b>		3,814,630	5,900,743
Selling and distribution expenses		(718,586)	(901,268)
Administrative expenses		(427,809)	(598,678)
Other operating expenses	6	(815,046)	(323,940)
Other operating income		2,689	6,868
		(1,958,752)	(1,817,018)
<b>Operating profit</b>		1,855,878	4,083,725
Finance income	7	20,562	38,173
Finance cost		(11,396)	(15,390)
Net finance income		9,166	22,783
<b>Profit before income tax</b>		1,865,044	4,106,508
Income tax expens - current		(447,610)	(1,346,693)
- deferred		97,972	53,463
	8	(349,638)	(1,293,230)
<b>Profit for the period</b>		1,515,406	2,813,278
Earnings per share - basic and diluted (Rupees)		5.93	11.01

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



Syed Javed Iqbal  
Managing Director and CEO



Wael Sabra  
Director Finance & IT

# Consolidated Condensed Interim Statement of Comprehensive Income (Unaudited)

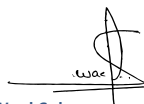
for the 1st quarter ended March 31, 2017

	Jan - March 2017	Rs '000 Jan - March 2016
<b>Profit for the 1st quarter</b>	1,515,406	2,813,278
Other comprehensive income for the 1st quarter	-	-
<b>Total comprehensive income for the 1st quarter</b>	1,515,406	2,813,278

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



**Syed Javed Iqbal**  
Managing Director and CEO



**Wael Sabra**  
Director Finance & IT

# Consolidated Condensed Interim Balance Sheet (Unaudited)

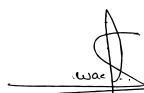
as at March 31, 2017

	Note	March 31, 2017 (Unaudited)	Rs '000 December 31, 2016 (Audited)
<b>Non current assets</b>			
Property, plant and equipment	9	8,275,309	8,654,483
Long term deposits and prepayments		30,726	33,571
		<b>8,306,035</b>	<b>8,688,054</b>
<b>Current assets</b>			
Stock-in-trade		12,870,712	13,618,530
Stores and spares		574,467	570,224
Trade debts		4,716	1,839
Loans and advances		272,098	178,561
Short term prepayments		184,014	183,858
Other receivables	10	1,213,766	1,029,227
Short term investment		3,699,997	979,903
Cash and bank balances		366,848	147,324
		<b>19,186,618</b>	<b>16,709,466</b>
<b>Current liabilities</b>			
Trade and other payables	11	10,446,474	9,095,009
Short term running finance	12	16,274	95,339
Finance lease obligation		155,891	164,383
Accrued interest / mark-up		5,693	3,438
Current income tax liability		1,017,565	1,615,308
		<b>11,641,897</b>	<b>10,973,477</b>
<b>Net current assets</b>		<b>7,544,721</b>	<b>5,735,989</b>
<b>Non current liabilities</b>			
Finance lease obligation		(324,229)	(314,950)
Deferred income tax liability		(1,034,491)	(1,132,463)
		<b>(1,358,720)</b>	<b>(1,447,413)</b>
<b>Net assets</b>		<b>14,492,036</b>	<b>12,976,630</b>
<b>Share capital and reserves</b>			
Authorised share capital 300,000,000 ordinary shares of Rs 10 each		<u>3,000,000</u>	<u>3,000,000</u>
Issued, subscribed and paid-up capital 255,493,792 ordinary shares of Rs 10 each		2,554,938	2,554,938
Revenue reserves		11,937,098	10,421,692
<b>Shareholders' equity</b>		<b>14,492,036</b>	<b>12,976,630</b>
<b>Contingencies and commitments</b>	13		

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



**Syed Javed Iqbal**  
Managing Director and CEO



**Wael Sabra**  
Director Finance & IT



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

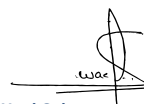
as at March 31, 2017

	Share capital	Revenue reserves	Rs '000 Total
<b>Balance at January 1, 2016</b>	2,554,938	7,811,221	10,366,159
Total comprehensive income for the 1st quarter	-	2,813,278	2,813,278
<b>Balance at March 31, 2016</b>	2,554,938	10,624,499	13,179,437
<b>Balance at April 1, 2016</b>	2,554,938	10,624,499	13,179,437
Total comprehensive income for the nine months	-	7,972,994	7,972,994
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 ended December 31, 2016	-	(1,532,963)	(1,532,963)
2nd interim dividend of Rs 8.00 per share relating to the year ended December 31, 2016	-	(2,043,950)	(2,043,950)
<b>Balance at December 31, 2016</b>	2,554,938	10,421,692	12,976,630
<b>Balance at January 1, 2017</b>	2,554,938	10,421,692	12,976,630
Total comprehensive income for the 1st quarter	-	1,515,406	1,515,406
<b>Balance at March 31, 2017</b>	2,554,938	11,937,098	14,492,036

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



Syed Javed Iqbal  
Managing Director and CEO



Wael Sabra  
Director Finance & IT

# Consolidated Condensed Interim Cash Flow Statement (Unaudited)

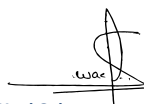
for the 1st quarter ended March 31, 2017

	March 31, 2017	Rs '000 March 31, 2016
<b>Cash flows from operating activities</b>		
Cash receipts from customers	22,022,816	33,122,516
Cash paid to Government for Federal excise duty, Sales tax and other levies	(11,140,853)	(18,480,556)
Cash paid to suppliers, employees and others	(6,899,015)	(6,789,831)
Finance cost paid	(9,141)	(19,069)
Income tax paid	(1,045,353)	(647,245)
Other cash receipts	8,787	34,872
	2,937,241	7,220,687
<b>Cash flows from investing activities</b>		
Additions in property, plant and equipment	(74,628)	(166,447)
Proceeds from disposal of property, plant and equipment	190,067	4,206
Finance income received	19,962	23,173
	135,401	(139,068)
<b>Cash flows from financing activities</b>		
Dividends paid	(6,785)	(1,310)
Finance lease payments	(47,174)	(39,717)
	(53,959)	(41,027)
<b>Increase in cash and cash equivalents</b>	<b>3,018,683</b>	<b>7,040,592</b>
Cash and cash equivalents at January 1	1,031,888	(1,166,412)
<b>Cash and cash equivalents at March 31</b>	<b>4,050,571</b>	<b>5,874,180</b>
<b>Cash and cash equivalents comprise:</b>		
Cash and bank balances	366,848	70,310
Short term investment	3,699,997	5,999,790
Short term running finance	(16,274)	(195,920)
	4,050,571	5,874,180

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



**Syed Javed Iqbal**  
Managing Director and CEO



**Wael Sabra**  
Director Finance & IT

# Selected notes to the Consolidated Condensed Interim Financial Information (Unaudited) for the 1st quarter ended March 31, 2017

## 1. The Group and its 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 1st quarter ended March 31, 2017 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

The consolidated condensed interim financial information should be read in conjunction with the financial statements for the year ended December 31, 2016, 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, 2016 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 1st quarter ended March 31, 2017.

## 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, 2016 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, 2017 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, 2016.

# Selected notes to the Consolidated Condensed Interim Financial Information (Unaudited)

for the 1st quarter ended March 31, 2017

	Jan - March 2017	Rs 000 Jan -March 2016
<b>5. Cost of sales</b>		
Raw materials consumed		
Opening stock of raw materials and work in process	12,449,905	11,233,495
Raw material purchases and expenses	1,812,899	3,320,515
Excise duty, Customs duty and tobacco development cess	101,813	190,571
Closing stock of raw materials and work in process	(11,076,691)	(8,902,720)
	3,287,926	5,841,861
Royalty	134,595	142,981
Production overheads	723,869	851,469
Cost of goods manufactured	4,146,390	6,836,311
Cost of finished goods:		
Opening stock	1,189,201	2,774,042
Closing stock	(1,794,021)	(3,963,614)
	(604,820)	(1,189,572)
	3,541,570	5,646,739
<b>6. Other operating expenses</b>		
Severance cost	618,639	-
Workers' Profit Participation Fund	100,271	220,651
Workers' Welfare Fund	40,108	85,867
Bank charges and fees	7,577	12,902
Foreign exchange loss	36,719	-
Interest paid to Workers' Profit Participation Fund	11,732	4,520
	815,046	323,940

## 7. Finance Income

"This includes profit from placement with banks in saving accounts, term deposit and treasury bills earned under interest arrangement. The interest rate ranges between 3.75% and 5.90% (Jan 01, 2016 and March 31, 2016 : 4.00% and 6.06%) per annum and is received on maturity."

## 8. 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 31% to 30% during the period on account of the changes made to Income tax Ordinance, 2001 in 2016.

# Selected notes to the Consolidated Condensed Interim Financial Information (Unaudited)

for the 1st quarter ended March 31, 2017

	March 31, 2017	Rs '000 December 31, 2016
<b>9. Property, plant and equipment</b>		
Operating fixed assets - note 9.1	7,988,314	8,286,265
Capital work in progress	286,995	368,218
	<b>8,275,309</b>	<b>8,654,483</b>
<b>9.1 Movement in operating fixed assets</b>		
Net book amount	8,286,265	8,069,387
Additions to the operating fixed assets		
<b>Owned Assets</b>		
Building	8,601	10,593
Plant and machinery	11,613	1,157,844
Vehicles	-	60
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<b>Leased Assets</b>		
Vehicles	133,969	129,704
	<b>166,604</b>	<b>1,577,966</b>
<b>Book value of disposals of operating fixed assets</b>		
Building	-	-
Plant and machinery	(156,193)	(175,681)
Vehicles	(31,563)	(97,813)
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	<b>(187,756)</b>	<b>(273,854)</b>
Depreciation charge for three months / year	(276,799)	(1,087,234)
<b>Net book amount</b>	<b>7,988,314</b>	<b>8,286,265</b>

	March 31, 2017	Rs '000 December 31, 2016
<b>10. Other receivables</b>		
These include following balances due from related parties:		
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for the 1st quarter ended March 31, 2017

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	March 31, 2017	Rs '000 December 31, 2016
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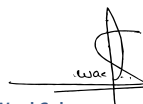
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## 15. Date of authorisation

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**Syed Javed Iqbal**  
Managing Director and CEO



**Wael Sabra**  
Director Finance & IT



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