



PAKISTAN TOBACCO  
COMPANY



## Condensed Interim Financial Statements

For the six months period ended June 30, 2019



# Corporate Information

## Board of Directors

Zafar Mahmood  
Chairman & Non-Executive Director

Syed Javed Iqbal  
MD / CEO & Executive Director

Usman Zahur  
Deputy Managing Director

Syed Asad Ali Shah  
Legal & External Affairs Director

Zafar Aslam  
Non-Executive Director

Tajamal Shah  
Non-Executive Director

Muhammad Riaz  
Non-Executive Director

Asif Jooma  
Non-Executive Director

Lt. Gen. (R) Masood Aslam  
Non-Executive Director

Belinda Ross  
Non-Executive Director

## Audit Committee

Muhammad Riaz

Lt. Gen. (R) Masood Aslam

Belinda Ross

Tajamal Shah

Asif Jooma

Amina Siraj (Secretary)

## Company Secretary

M Idries Ahmed

## Registered Office

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

## Factories

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

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

## Bankers

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

## Auditors

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

## Share Registrar

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

## Directors' Review

The Directors present their performance report of Pakistan Tobacco Company Limited (PTC) for the half year ended June 30, 2019.

The legitimate tobacco industry continues to face challenge from the large duty not paid sector which has grown share by 50 basis points in 2019, currently at 32.96% of the total tobacco market (May 2019 – Retail Audit). Apart from weak enforcement against duty not paid sector, the growth is fuelled by three excise led price increases in the last 12 months by the legitimate industry. During the last fiscal year, excise rate on lower tier has more than doubled (106.3% increase, from Rs. 800 to Rs. 1,650 per thousand sticks). With the recent excise increase announced in the Federal Budget 2019/20, the excise rate increased by 32% and the legitimate industry took an excise led price increase with PTC brands now selling at Rs. 78 per pack. This has significantly increased the margin for duty not paid brands which are still selling at an average of Rs. 26 per pack leading to consumers switching to illicit brands. As a result, the loss of Government Revenues from duty not paid sector which is currently estimated at Rs. 50bn is expected to further increase by the end of year.

Despite challenges from duty not paid sector, PTC remains the biggest revenue contributor to national exchequer and for the first time crossed Rs. 100bn mark with Rs. 103.5 bn paid during FY 18/19 (32% increase vs last year) standing at greater than 80% share of overall industry revenue. During the first six months of 2019, the Company contributed a total of Rs 55.4 billion (up by 35.6% vs H1'18) in tax revenues in the form of Federal Excise Duty, Sales Tax and Income Tax.

In order to maintain growth in revenues from Tobacco industry, Government needs to have a sharper focus on enforcement and curtailing the growth of duty not paid sector. The Inland Revenue Enforcement Network needs to be revived with a dedicated task force to counter the growth of duty not paid cigarette brands. Furthermore, adjustable advance excise duty of Rs. 300/kg on processed tobacco announced in Interim Supplementary Finance Bill in October 2018 was designed to document the purchase and processing of tobacco for cigarette manufacturers should have helped in reducing the duty not paid sector by increasing their cost of doing business. The recent decision to reduce this adjustable advance excise duty to Rs. 10/kg may therefore increase the share of duty not paid sector and reduce government revenues. In addition to this, the Board raised its concerns that if no strict enforcement is carried out against tax evasion in the tobacco industry, it will not only adversely impact the legitimate players but would also significantly increase the loss of revenues to the Government in the second half of 2019.

Key financial indicators of PTC for the period ended June 30, 2019 are given below:

	Rs (million)	
	Jan - Jun, 2019	Jan - Jun, 2018
Gross Turnover	80,270	63,778
Net Turnover	27,998	26,269
Cost of Sales	13,458	13,054
Gross Profit	14,539	13,216
Operating Profit	9,615	9,370
Profit Before Tax – PBT	10,153	9,685
Profit After Tax – PAT	7,053	6,345
Earnings Per Share – EPS (Rs)	27.61	24.83

Gross Turnover increased by 26% vs Same Period Last Year (SPLY) owing to the excise led price increase taken in September 2018. With the new government under continuous pressure to manage the soaring budget deficits and inflation, there has been a strong expectation from the start of the year of excise rate increases for tobacco sector in the federal budget. Due to this, the shipment volumes in H1 were higher by 7% vs SPLY on back of speculative buying, contributing to growth in Gross Turnover. Net Turnover however increased by only 6% due to increase in Federal Excise Duty Rates vs. Jan-Jun 2018.

The cost of sales increased in absolute terms vs SPLY primarily due to volume increase and cost pressures stemming from rapid devaluation of the Pakistani Rupee, higher local inflation along with increases in import and regulatory duties. Since the start of 2019, the economy has witnessed multiple rounds of currency devaluation with the Rupee having devalued by approximately 15% which adversely impacted the Company's cost base. We foresee a continuing pressure on the cost base with further Rupee devaluation and its corresponding effect on domestic inflation. Hence, PTC aims to remain committed to cost saving initiatives through smart ordering of materials, increasing operating efficiencies and by achieving world class standards of equipment efficiencies within BAT Operating Companies.

PTC continues to remain focused on strengthening its brand portfolio through marketing campaigns across its brand spectrum. In the premium segment, upgraded pack design was brought in for John Player Gold Leaf Special along with introduction of Reloc feature. In the Aspirational Premium segment, John Player is progressing well on establishing its mark with continued efforts by the Company on brand activation. In the Value for Money segment, Gold Flake is given a new refined look, upgrading its pack imagery to a more modern, international and dynamic brand with a seal of Rothmans by London.

The Company continued with its Corporate Social Investments agenda in 2019 by supporting several initiatives including its flagship afforestation program, mobile doctor units and water filtration plants. PTC's partnership with "Teach for Pakistan" (a non-profit company) entered its second year in 2019, working hand in hand to build future leaders of Pakistan. Furthermore, the Company and its employees made a contribution of Rs 5 Mn to Diamir-Bhasha Dam Fund in 2019. PTC also made a commitment of Rs. 20mn for Panah Gah, Prime Minister's Shelter Home Fund.

The Company remains committed to drive shareholder value by strengthening its business operations and delivering the best product to its consumers, with continued focus on enhancing operational efficiencies and effectiveness in the market.



**Syed Javed Iqbal**  
MD & Chief Executive Officer



**Syed Asad Ali Shah**  
Director



**Umair Luqman**  
Chief Financial Officer

## جائزہ ڈائریکٹرز

ڈائریکٹرز نے 30 جون 2019 کو نصف سال ختم ہونے والی مدت کے حوالے سے پاکستان ٹیلی کمیونیکیشن لمیٹڈ (PTC) کی کارکردگی رپورٹ پیش کی۔

باضابطہ و قانونی تمباکو صنعت کو ڈیوٹی ادا نہ کرنے والے بہترے شعبہ کی بنا پر مسلسل چیلنجوں کا سامنا ہے جو 2019 میں بنیادی امور کے لحاظ سے 50 فیصد تک بڑھ چکا ہے اور جوئی الوقت کل مارکیٹ کا 32.6 فیصد ہے۔ (مئی 2019، پر چون آڈٹ) ڈیوٹی ادا نہ کرنے والے سیکٹر (شعبہ) کے خلاف ناکافی کارروائی کے علاوہ گزشتہ 12 ماہ میں بضابطہ و قانونی صنعت کو تین بار ایکسائز ڈیوٹی بڑھنے کی وجہ سے اس کی جانب سے بڑھائی جانے والی قیمتوں کی وجہ سے بھی مشکلات کا سامنا ہے۔ پچھلے مالی سال کے دوران نچلے درجہ پر ایکسائز ڈیوٹی دگنے سے بھی زیادہ بڑھادی گئی ہے (106.3 فیصد اضافہ، ہزار روپے فی سبک پر ایکسائز ڈیوٹی 850 سے بڑھا کر 1650 روپے کر دی گئی ہے)۔ وفاقی بجٹ 20-2019 میں اعلان کیے گئے اضافہ سے، ایکسائز ڈیوٹی کی شرح میں 32 فیصد تک اضافہ ہو گیا ہے اور بضابطہ و قانونی صنعت نے ایکسائز کی وجہ سے قیمتوں میں اضافہ کر دیا۔ اپ پی ٹی سی کے نچلے درجے کے برانڈ 78 روپے فی بیک بیچے جا رہے ہیں۔ اس سے ڈیوٹی ادا نہ کرنے والے برانڈز کو موقع مل گیا ہے جو اب بھی 26 روپے فی بیک بیچے جا رہے ہیں جس کے نتیجے میں گاہکوں کا رجحان ان غیر قانونی برانڈز کی طرف ہو گیا ہے۔ اس کے نتیجے میں ڈیوٹی ادا نہ کرنے والے سیکٹر کی طرف سے سرکاری محصولات کو نقصان پہنچ رہا ہے جوئی الوقت تقریباً 150 ارب روپے ہے اور توقع ہے کہ سال کے اختتام پر اس میں مزید اضافہ ہو جائے گا۔

ڈیوٹی ادا نہ کرنے والے سیکٹر کی طرف سے چیلنجوں کے باوجود پی ٹی سی (PTC) سرکاری خزانہ کو سب سے زیادہ محصولات (Revenue) ادا کرنے کی خدمات سرانجام دے رہی ہے اور مالیاتی سال 19-2018 میں 103.5 ارب روپے ادا کر کے پہلی بار 100 ارب روپے کی حد عبور کر گئی ہے (اس میں پچھلے سال کے مقابلے میں 32 فیصد اضافہ ہوا ہے) جو صنعت کے مجموعی حصے سے 80 فیصد زیادہ ہے۔ 2019 کے پہلے 6 ماہ کے دوران کمپنی نے فیڈرل ایکسائز ڈیوٹی، سبزی ٹیکس اور انکم ٹیکس کی مد میں ٹیکس ریونیو (محصولات) میں کل 55.4 ملین روپے کا اپنا حصہ ڈالا ہے جو 18، HI کے مقابلے میں 35.6 فیصد زیادہ ہے۔

تمباکو کی صنعت سے ریونیو لینے میں اضافہ کو برقرار رکھنے کے لیے حکومت کو ڈیوٹی ادا نہ کرنے والے شعبے کے خلاف کارروائی تیز کرے اور اسے اس غیر قانونی عمل سے روکنے پر توجہ مرکوز رکھنی ہوگی۔ ڈیوٹی ادا نہ کرنے والے سگریٹ برانڈز میں ہونے والے اضافے کو روکنے کے لیے ایک محتق اور مخلص ٹاسک فورس کے ساتھ ان لینڈ ریونیو انفورسمنٹ نیٹ ورک کو بحال کرنے کی ضرورت ہے۔ مزید برآں سگریٹ تیار کرنے والوں کی جانب سے تمباکو خرید اور پراسیسنگ کی دستاویز کاری کرنے کے مقاصد کے لیے اکتوبر 2018 کے عبوری ضمنی فنانس بل میں پراسیس کردہ تمباکو کو اعلان کردہ 300 روپے / فی کلو گرام قابل تسویہ پیٹنگی ایکسائز ڈیوٹی کی بنا پر ان کے کاروبار کرنے کی لاگت میں اضافہ ہونے کی وجہ سے ڈیوٹی ادا نہ کرنے والے شعبہ میں کمی کرنے میں مدد ملنی چاہیے (یعنی اس سے یقیناً مدد ملتی)۔ اس پیٹنگی قابل تسویہ ڈیوٹی میں دس روپے فی کلو گرام کمی کرنے کے حالیہ فیصلے سے ڈیوٹی ادا نہ کرنے والے شعبہ کے حصہ میں اضافہ ہو گا اور حکومت کے ریونیو میں کمی ہوگی۔ علاوہ ازیں بورڈ نے اس پر اپنی توثیق کا اظہار کیا ہے کہ اگر تمباکو کی صنعت میں ٹیکس سے گریز کے خلاف سخت کارروائی نہ کی گئی تو اس سے نہ صرف بضابطہ و قانونی کردار ادا کرنے والوں پر بڑا اثر پڑے گا بلکہ 2019 کے دوسرے نصف حصہ میں حکومت کے ریونیو کو بھی بہت زیادہ نقصان پہنچے گا۔

30 جون 2019 کو ختم ہونے والی مدت کے لیے PTC کے بنیادی معاشی اشارات مندرجہ ذیل ہیں:-

روپے (ملین)		
جنوری سے جون، 2019	جنوری سے جون، 2018	
80,270	63,778	کل وصولیات (Gross Turnover)
27,998	26,269	خالص وصولیات (Net Turnover)
13,458	13,054	لاگت برائے فروخت (Cost of Sales)
14,539	13,216	مجموعی منافع (Gross Profit)
9,615	9,370	کاروباری منافع (Operating Profit)
10,153	9,685	قبل از ٹیکس منافع (Profit Before Tax – PBT)
7,053	6,345	بعد از ٹیکس منافع (Profit After Tax – PAT)
27.61	24.83	آمدنی فی شخص (روپے) Earnings Per Share – EPS (Rs)

ستمبر 2018 میں ایکسائز کی وجہ سے قیمتوں میں ہونے والے اضافے کے باعث گزشتہ سال (SPLY) کے مقابلے میں مجموعی منافع میں 26 فیصد اضافہ ہوا۔ نئی حکومت کے بجٹ خسارے اور افراط زر پر قابو پانے کے مسلسل دباؤ کے تحت اس بات کا قومی امکان ہے کہ وفاقی بجٹ میں تمباکو کے شعبے کے لیے سال کے آغاز پر ایکسائز کی شرح میں اضافہ ہو جائے گا۔ ان حالات کی وجہ سے گزشتہ سال کی نسبت اس سال سپلائر کے حجم میں 7 فیصد تک اضافہ ہو جائے گا جبکہ ممکنہ خریداری سے مجموعی منافع کے نمونے میں اضافہ ہو گا۔ تاہم خالص منافع میں اضافہ فیڈرل ایکسائز ڈیوٹی کی شرحوں میں ہونے والے اضافے کے باعث جنوری۔ جون 2018 کے مقابلے میں صرف 6 فیصد ہوا۔

بیلز کی لاگت میں گزشتہ سال کے مقابلے میں حجم میں اضافہ اور لاگت کے دباؤ کے ساتھ ساتھ پاکستانی روپے کی قدر میں تیزی میں ہونے والی کمی، افراط زر میں اضافہ اور درآمدات اور ریگولیٹری ڈیوٹیز میں اضافہ کے باعث بہت اضافہ ہو گیا۔ جب سے سال 2019 کا آغاز ہوا ہے، ملکی کرنسی کی قدر میں کمی کے کئی اتار چڑھاؤ آئے اور روپے کی قدر میں فیصد تک 15 کمی واقع ہو چکی ہے جس کا کمپنی کی قیمت فروخت پر منفی اثر مرتب ہوا ہے۔ ہم مستقبل میں بھی روپے کی قیمت میں کمزوری اور مقامی افراط زر پر اس کے اثرات کے باعث قیمت فروخت پر مسلسل دباؤ دیکھ رہے ہیں۔ چنانچہ، پنی ٹی سی مواد/مال منگوانے کے فائدہ مند / منظم طریقوں، کام کرنے کی استعداد کو بڑھانے اور برطانوی امریکی ٹو بیکی کمپنی کے دائرہ کار میں چلنے والی کمپنیوں میں ساز و سامان کی استعداد کے لیے اعلیٰ معیارات کے حصول کے ذریعے اخراجات میں کمی کے اقدامات کے لیے کوشاں رہنے کے مقصد پر کاربند ہے۔

پنی ٹی سی کی تمام تر توجہ اپنے مختلف الانواع برانڈز کی مارکیٹنگ کی مہموں کے ذریعے اپنے برانڈ کے پورٹ فولیو کو مضبوط و مستحکم بنانے پر مرکوز ہے۔ اعلیٰ درجے میں، جان پلئیر گولڈ لیف اسٹیشن کے لیے ری لاک کی خصوصیت کے ساتھ ایک جدید طرز کا پیکٹ ڈیزائن متعارف کروایا گیا۔ خواہش کیے گئے اعلیٰ درجے میں اپنے صارفین تک رسائی کے ذریعے برانڈ کی پہنچ میں اضافے کے لیے کمپنی کی ہمہ جہت کوششوں سے جان پلئیر بہت تیزی سے ترقی کر رہا

ہے۔ پیسے کی قدر کے ضمن میں، بیک کو مزید دیدہ زیب، جدید، بین الاقوامی اور کثیر الانواع تصویروں کے برانڈ کی سطح پر لاکر اور اس پر لندن کے رتھاس کی مہر کے ذریعے جان پلائیر کو ایک نئی اور جاذب نظر خوبصورتی عطا کی گئی ہے۔

2019 میں کمپنی نے اپنے اجتماعی معاشرتی سرمایہ کاری کے ایجنڈا کو متعدد سرکردہ اقدامات، مثلاً جنگلات کاری کے فروغ، موبائل ڈاکٹر یونٹس اور پانی کے فلٹریشن پلانٹس کے ذریعے جاری رکھا۔ 2019 میں پی ٹی سی کا ”ٹیچ فار پاکستان“ (غیر منافع بخش کمپنی) کے ساتھ اشتراک اپنے دوسرے سال میں داخل ہو گیا۔ اس اشتراک کے ذریعے پی ٹی سی اور ٹیچ فار پاکستان، دونوں، پاکستان کے مستقبل کے رہنما پیدا کرنے کے لیے ایک دوسرے کے ساتھ مل کر کام کر رہے ہیں۔ مزید برآں 2019 میں پی ٹی سی اور اس کے ملازمین نے دیامیر بھاشا ڈیم کے فنڈ میں 50 لاکھ روپے کا خطیر عطیہ دیدہ پی ٹی سی نے بے گھر اور بے آسرا افراد کے لیے وزیر اعظم کے پروگرام پناہ گاہ کے ٹیلر، ہوم فنڈ کے لیے 2 کروڑ روپے کا بھی عزم کر رکھا ہے۔

کمپنی اپنے کاروبار کی فعالیت کی مضبوطی، صارفین کو بہترین مصنوعات کی فراہمی کے ساتھ منڈی میں کام کرنے کی استعداد اور موثریت کو بڑھا کر اپنے کھاتے داروں کی توقعات کو پورا کرنے کے عزم پر گامزن ہے۔



**Syed Javed Iqbal**  
MD & Chief Executive Officer



**Syed Asad Ali Shah**  
Director



**Umair Luqman**  
Chief Financial Officer



# INDEPENDENT AUDITOR'S REVIEW REPORT

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

### Introduction

We have reviewed the accompanying condensed interim statement of financial position of Pakistan Tobacco Company Limited as at June 30, 2019 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

### Scope of Review

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


### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

### Other matter

The figures of the condensed interim statement of comprehensive income for the three months ended 30 June 2019, have not been reviewed and we do not express a conclusion on them.

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



**KPMG Taseer Hadi & Co**  
Chartered Accountants

Date: August 20, 2019  
Islamabad

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

for the six months period ended June 30, 2019

	Note	Quarter ended		Half year ended	
		June 30, 2019 Rs '000	June 30, 2018 Rs '000	June 30, 2019 Rs '000	June 30, 2018 Rs '000
<b>Gross turnover</b>		44,282,346	31,962,254	80,270,183	63,778,352
Excise duties		(22,039,460)	(14,162,339)	(40,164,422)	(27,756,811)
Sales tax		(6,679,998)	(4,896,402)	(12,108,195)	(9,752,135)
<b>Net turnover</b>		15,562,888	12,903,513	27,997,566	26,269,406
Cost of sales	7	(6,756,134)	(6,718,403)	(13,458,414)	(13,053,773)
<b>Gross profit</b>		8,806,754	6,185,110	14,539,152	13,215,633
Selling and distribution costs		(1,083,032)	(1,002,820)	(2,131,538)	(1,879,581)
Administrative expenses		(975,096)	(583,495)	(1,673,156)	(1,229,667)
Other expenses	8	(882,140)	(367,015)	(1,218,601)	(839,022)
Other income	9	68,698	78,334	98,845	102,710
		(2,871,570)	(1,874,996)	(4,924,450)	(3,845,560)
<b>Operating profit</b>		5,935,184	4,310,114	9,614,702	9,370,073
Finance income	10	406,739	173,877	617,020	330,027
Finance cost		(56,000)	(7,229)	(78,387)	(14,994)
Net finance income		350,739	166,648	538,633	315,033
<b>Profit before income tax</b>		6,285,923	4,476,762	10,153,335	9,685,106
Income tax expense	11	(2,024,851)	(1,782,378)	(3,100,032)	(3,340,595)
<b>Profit for the period</b>		4,261,072	2,694,384	7,053,303	6,344,511
Earnings per share - basic and diluted (Rupees)		16.68	10.55	27.61	24.83

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



Syed Javed Iqbal  
MD & Chief Executive Officer



Syed Asad Ali Shah  
Director



Umair Luqman  
Chief Financial Officer

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

for the six months period ended June 30, 2019

	Quarter ended		Half year ended	
	June 30, 2019 Rs '000	June 30, 2018 Rs '000	June 30, 2019 Rs '000	June 30, 2018 Rs '000
<b>Profit for the period</b>	4,261,072	2,694,384	7,053,303	6,344,511
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>4,261,072</b>	<b>2,694,384</b>	<b>7,053,303</b>	<b>6,344,511</b>

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



**Syed Javed Iqbal**  
MD & Chief Executive Officer



**Syed Asad Ali Shah**  
Director



**Umair Luqman**  
Chief Financial Officer

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

as at June 30, 2019

	Note	June 30, 2019 (Un-audited) Rs '000	December 31, 2018 (Audited) Rs '000
<b>ASSETS</b>			
Property, plant and equipment	12	11,350,127	9,130,827
Advances for capital expenditure		128,412	959,439
Long term investment in subsidiary company	13	5,000	5,000
Long term deposits and prepayments		30,061	32,112
<b>Non-current assets</b>		<b>11,513,600</b>	<b>10,127,378</b>
Stock-in-trade		13,256,075	18,489,390
Stores and spares		867,909	634,029
Trade debts		1,563	1,553
Loans and advances	14	539,986	97,960
Short term prepayments		23,246	249,935
Other receivables	15	2,075,553	1,859,684
Short term investments		4,604,129	8,699,508
Cash and bank balances	16	226,256	293,165
<b>Current assets</b>		<b>21,594,717</b>	<b>30,325,224</b>
<b>Total assets</b>		<b>33,108,317</b>	<b>40,452,602</b>
<b>EQUITY</b>			
Share capital	17	2,554,938	2,554,938
Revenue reserves		16,643,126	15,210,686
<b>Total equity</b>		<b>19,198,064</b>	<b>17,765,624</b>
<b>LIABILITIES</b>			
Lease liability	18	1,204,880	284,845
Deferred tax liabilities		847,431	589,076
<b>Non current liabilities</b>		<b>2,052,311</b>	<b>873,921</b>
Lease liability	18	397,481	148,245
Short term running finance	19	493,516	75,542
Accrued interest / mark-up		1,984	5,331
Unpaid dividend		49,184	200,188
Unclaimed dividend		80,490	81,268
Trade and other payables	20	8,256,012	18,621,368
Other liabilities		2,032,179	2,298,698
Current income tax liabilities		547,096	382,417
<b>Current liabilities</b>		<b>11,857,942</b>	<b>21,813,057</b>
<b>Total liabilities</b>		<b>13,910,253</b>	<b>22,686,978</b>
<b>Total equity and liabilities</b>		<b>33,108,317</b>	<b>40,452,602</b>

## Contingencies and commitments

21

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



Syed Javed Iqbal  
MD & Chief Executive Officer



Syed Asad Ali Shah  
Director



Umair Luqman  
Chief Financial Officer

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

for the six months period ended June 30, 2019

	Share capital Rs '000	Revenue reserves Rs '000	Total Rs '000
<b>Balance at January 1, 2018</b>	2,554,938	14,356,260	16,911,198
<b>Total comprehensive income for the period:</b>			
Profit for the period	-	6,344,511	6,344,511
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	6,344,511	6,344,511
<b>Transactions with owners of the Company:</b>			
Final dividend for the year ended December 31, 2017 @ Rs.20 per share	-	(5,109,876)	(5,109,876)
<b>Balance at June 30, 2018</b>	2,554,938	15,590,895	18,145,833
<b>Balance at January 1, 2019</b>	2,554,938	15,210,686	17,765,624
<b>Total comprehensive income for the period:</b>			
Profit for the period	-	7,053,303	7,053,303
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	7,053,303	7,053,303
<b>Transactions with owners of the Company:</b>			
Final dividend relating to year ended December 31, 2018 @ Rs. 22 per share	-	(5,620,863)	(5,620,863)
<b>Balance at June 30, 2019</b>	2,554,938	16,643,126	19,198,064

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



Syed Javed Iqbal  
MD & Chief Executive Officer



Syed Asad Ali Shah  
Director



Umair Luqman  
Chief Financial Officer

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

for the six months period ended June 30, 2019

	Note	June 30, 2019 Rs '000	June 30, 2018 Rs '000
<b>Cash flows from operating activities</b>			
Cash generated from operations	22	4,521,894	3,491,570
Finance cost paid		(81,734)	(15,302)
Income tax paid		(2,676,998)	(2,436,170)
Contribution to retirement benefit funds		(344,623)	(148,225)
<b>Net cash from operating activities</b>		<b>1,418,539</b>	<b>891,873</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(567,532)	(370,510)
Proceeds from sale of property, plant and equipment		94,658	101,087
Interest received		617,020	348,660
<b>Net cash from investing activities</b>		<b>144,146</b>	<b>79,237</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(5,772,645)	(4,769,072)
Lease payments		(370,302)	(128,817)
<b>Net cash used in financing activities</b>		<b>(6,142,947)</b>	<b>(4,897,889)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(4,580,262)</b>	<b>(3,926,779)</b>
Cash and cash equivalents at January 1		8,917,131	7,153,970
<b>Cash and cash equivalents at June 30</b>		<b>4,336,869</b>	<b>3,227,191</b>
<b>Cash and cash equivalents comprise:</b>			
Short-term investments		4,604,129	2,521,950
Cash and bank balances	16	226,256	705,241
Short term running finance	19	(493,516)	-
		<b>4,336,869</b>	<b>3,227,191</b>

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

  
Syed Javed Iqbal  
MD & Chief Executive Officer

  
Syed Asad Ali Shah  
Director

  
Umair Luqman  
Chief Financial Officer

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

for the six months period ended June 30, 2019

## 1. The Company and its operations

Pakistan Tobacco Company Limited (the Company) is a public listed company incorporated in Pakistan on 18 November 1947 under the Companies Act, 1913 (now the Companies Act, 2017) and its shares are quoted on the Pakistan Stock Exchange. The Company is a subsidiary of the British American Tobacco (Investments) Limited, United Kingdom, whereas its ultimate parent company is British American Tobacco p.l.c, United Kingdom. The Company is engaged in the manufacture and sale of cigarettes.

The registered office of the Company is situated at Serena Business Complex, Khayaban-e-Suharwardy, Islamabad.

## 2. Statement of compliance

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

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

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

## 3. Basis of preparation

These interim financial statements should be read in conjunction with the Company's latest annual financial statements as at and for the year ended December 31, 2018 ('last annual financial statements'). This interim financial information does not include all of the information required for a complete set of financial statements prepared in accordance with the approved accounting standards as applicable in Pakistan. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

Comparative figures of condensed interim statement of financial position is extracted from annual financial statements as of December 31, 2018 whereas comparative figures of condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows are extracted from un-audited condensed interim financial statements of the Company for the half year ended June 30, 2018.

These condensed interim financial statements are un-audited and is being submitted to the members of the Company as required under Section 237 of the Companies Act 2017, and the listing regulations of the Pakistan Stock Exchange. These condensed interim financial statements have been reviewed, not audited and also include the statement of profit or loss for the quarter ended June 30, 2019 which was not subject to review.

## 4. Use of judgements and estimates

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

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty including measurement of fair values were the same as those described in the last annual financial statements.

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

for the six months period ended June 30, 2019

## Measurement of fair values

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## 5. Significant accounting policies

The accounting policies and the methods of computation adopted in the preparation of these interim financial statements are the same as those applied in the preparation of the financial statements as at and for the year ended December 31, 2018 except for the following.

- The Company has applied IFRIC 23 'Uncertainty over Income Tax Treatments' from 1 January 2019; however the adoption of this standard has no impact on the amounts reported in these interim financial statements.
- The Company has initially adopted IFRS 16 'Leases' from 1 January 2019. IFRS 16 introduced a single, on balance sheet accounting model for leases. As a result the Company, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated –i.e. it is presented as previously reported, under IAS 17 and related interpretations.

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 - "Determining Whether an Arrangement contains a Lease". The Company now assesses whether a contract is, or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Company used the following practical expedients when applying IFRS 16, to leases previously classified as operating leases under IAS 17:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.

The impact of adoption of IFRS 16 is disclosed in note 18.

## 6. Standards issued but not effective

A number of new standards and amendments to standards are effective for annual periods beginning after January 01, 2019 and earlier application is permitted; however, the Company has not early adopted the new or amended standards except for IFRS 16 and IFRIC 23 in preparing these condensed interim financial statements.



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

for the six months period ended June 30, 2019

	Quarter ended		Half year ended	
	June 30, 2019 Rs '000	June 30, 2018 Rs '000	June 30, 2019 Rs '000	June 30, 2018 Rs '000
<b>7. Cost of sales</b>				
Raw material consumed:				
Opening stock of raw materials and work in process	14,752,207	12,050,893	16,944,127	13,137,236
Raw material purchases and expenses	2,569,861	2,863,654	7,149,759	6,315,057
Excise duty, customs duty and tobacco development cess	311,301	213,978	713,421	954,184
Closing stock of raw materials and work in process	(12,430,303)	(9,770,739)	(12,430,303)	(9,770,739)
	5,203,066	5,357,786	12,377,004	10,635,738
Royalty	(1,602,731)	115,092	(1,497,543)	244,036
Production overheads	1,053,361	874,114	1,856,308	2,240,628
	4,653,696	6,346,992	12,735,769	13,120,402
Cost of finished goods				
Opening stock	2,928,210	1,774,358	1,548,417	1,336,318
Closing stock	(825,772)	(1,402,947)	(825,772)	(1,402,947)
	2,102,438	371,411	722,645	(66,629)
	6,756,134	6,718,403	13,458,414	13,053,773
<b>8. Other expenses</b>				
Workers' Profit Participation Fund (WPPF)	337,590	240,427	545,292	520,162
Workers' Welfare Fund (WWF)	128,284	91,360	207,211	197,979
Bank charges and fees	4,760	8,386	16,147	16,231
Foreign exchange loss	411,506	26,842	449,951	104,650
	882,140	367,015	1,218,601	839,022
<b>9. Other income</b>				
Income from services to associated companies:				
- BAT SAA (Private) Limited	65,900	54,451	65,900	54,451
- BAT Bangladesh	3,837	-	3,837	3,928
	69,737	54,451	69,737	58,379
Gain/ (loss) on disposal of property, plant and equipment	(1,431)	12,479	28,392	21,104
Liabilities written back	-	11,052	-	22,530
Others	392	352	716	697
	68,698	78,334	98,845	102,710
<b>10. Finance income</b>				

This includes profit from placement with banks in saving accounts, term deposit and treasury bills earned under interest arrangement. The interest rates range between 4.65% and 12.43% (half year ended June 30, 2018 : 3.75% and 6.58%) per annum and is received on maturity.

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

for the six months period ended June 30, 2019

## 11. Income tax expense

Income tax expense includes Super tax amounting to Rs nil ( June 30, 2018 Rs 584,359 thousand).

	Note	June 30, 2019 (Un-audited) Rs '000	December 31, 2018 (Audited) Rs '000
<b>12. Property, plant and equipment</b>			
Operating fixed assets	12.1	10,519,691	8,170,276
Capital work in progress	12.2	830,436	960,551
		<b>11,350,127</b>	<b>9,130,827</b>

### 12.1 Operating fixed assets

Carrying amount at January 01		8,170,276	8,171,245
Additions during the half year/year:			
- <b>Owned assets</b>			
Building		936	-
Plant and machinery		1,364,335	708,020
Office and household equipment		106,732	71,361
Vehicles		16,649	-
Furniture and fittings		40,023	35,337
		1,528,675	814,718
- <b>Right to use assets IFRS 16</b>		1,448,717	-
- <b>Leased assets</b>			
Vehicles		90,855	259,320
		3,068,247	1,074,038
Disposals during the half year/year (net book value):			
- <b>Owned assets</b>			
Building		-	(4,285)
Plant and machinery		(27,254)	(29,735)
Office and household equipment		(71)	(440)
Furniture and fittings		-	(40)
		(27,325)	(34,500)
- <b>Leased assets</b>			
Vehicles		(38,941)	(98,783)
		(66,266)	(133,283)
Depreciation / impairment charge for the half year/year:		(652,566)	(941,724)
Carrying amount at June 30/ December 31		<b>10,519,691</b>	<b>8,170,276</b>

**12.1.1** During the half year ended 30 June 2019, the Company acquired assets, including transfers from capital work in progress, amounting to Rs. 3,068,247 thousand (half year ended 30 June 2018: Rs. 300,185 thousand). Operating fixed assets having net book value of Rs. 66,266 thousand were disposed off during half year ended 30 June 2019 (half year ended 30 June 2018: Rs. 79,983 thousand). Depreciation charge for half year ended 30 June 2019 was Rs. 652,566 thousand (half year ended 30 June 2018: Rs. 461,861 thousand).

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

for the six months period ended June 30, 2019

	June 30, 2019 (Un-audited) Rs '000	December 31,2018 (Audited) Rs '000
<b>12.2 Capital work in progress</b>		
Balance as at the beginning of the period	960,551	168,450
Additions during the half year/year	399,097	962,382
	1,359,648	1,130,832
Transferred to operating fixed assets	(529,212)	(170,281)
Carrying amount as at end of the period	830,436	960,551

## 13. Long term investment in subsidiary company

This represents 500,001 (December 31, 2018: 500,001) fully paid ordinary shares of Rs.10 each in Phoenix (Private) Limited, a wholly owned subsidiary of the Company which has not yet commenced commercial production. The break up value of shares calculated by reference to net assets worked out to be Rs.10 per share based on financial statements for the half year ended June 30, 2019.

## 14. Loans and advances

These include non-interest bearing advances to employees of Rs. 45,571 thousand (December 31, 2018: Rs. 37,228 thousand).

## 15. Other receivables

These include following balances due from related parties:

	Note	June 30, 2019 (Un-audited) Rs '000	December 31,2018 (Audited) Rs '000
Holding company / associated companies		156,423	169,006
Subsidiary company		20,021	20,021
Employees retirement benefit plans		1,003,673	790,782
<b>16. Cash and bank balances</b>			
Cash at banks			
- deposit accounts		9,075	8,863
- current accounts	16.1	215,242	279,297
		224,317	288,160
Cash in hand		1,939	5,005
		226,256	293,165

**16.1** These include balances of Rs. 146,777 thousand (December 31, 2018: Rs. 122,175 thousand) held in foreign currency accounts.

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

for the six months period ended June 30, 2019

## 17. Share capital

Authorised share capital of the Company is Rs. 3,000,000 thousand (December 31, 2018: Rs. 3,000,000 thousand) divided into 300,000,000 ordinary shares of Rs. 10 each. Issued, subscribed and paid up capital of the Company is Rs. 2,554,938 thousand (December 31, 2018: Rs. 2,554,938 thousand) divided into 255,493,792 ordinary shares of Rs. 10 each.

## 18. Lease liability

This represents finance lease agreements entered into with a leasing company for vehicles. Total lease rentals due under various lease agreements aggregate to Rs 411,110 - short term Rs 131,466 thousand and long term Rs 279,644 thousand (December 31, 2018: Rs 433,090 thousand - short term Rs 148,245 thousand and long term Rs 284,845 thousand) and are payable in equal monthly instalments latest by December 2023. Taxes, repairs, replacement and insurance costs are to be borne by the Company. Financing rates of 12.35% to 14.53% (December 31, 2018: 7.85% to 13.14%) per annum have been used as discounting factor.

As per IFRS 16 all rental facilities of the Company with lease terms greater than one year have been reclassified from operating leases to finance leased assets. When measuring the lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using an estimated incremental borrowing rate at January 01, 2019. The estimated incremental borrowing rate applied is 10%. At the date of initial application right of use of asset amounting to Rs. 1,448,717 thousand was recognised in property, plant and equipment (Note 12.1) and lease obligation of Rs. 1,243,268 thousand was recognised after adjustment of prepaid rent amounting to Rs. 205,449 thousand.

Closing balance includes lease obligation of Rs 1,191,251 thousand - short term Rs 266,015 thousand and long term Rs 925,236 thousand (December 31, 2018: Rs Nil) on account of change in accounting policy IFRS 16.

## 19. Short term running finance-secured

Short term running finance facilities available under mark-up arrangements with banks amount to Rs. 6,500 million (December 31, 2018: Rs.6,500 million), out of which the amount un-availed at the reporting date was Rs. 6,006 million (December 31, 2018: Rs.6,424 million). These facilities are secured by hypothecation of stock in trade and plant & machinery amounting to Rs.7,222 million (December 31, 2018: Rs.7,222 million). The mark-up ranges between 10.52% and 12.99% (2018: 6.40% and 10.50%) per annum and is payable quarterly. The facilities are renewable on annual basis.

## 20. Trade and other payables

### 20.1 These include following balances due to related parties:

	June 30, 2019 (Un-audited) Rs '000	December 31, 2018 (Audited) Rs '000
Holding company / associated companies	2,156,715	2,108,134
Employees retirement benefit plans	210,278	210,402

### 20.2 These also include 'contract liabilities' representing advances from customers amounting to Rs. 9,327 thousand (December 31, 2018: Rs. 2,013 thousand).

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

for the six months period ended June 30, 2019

	June 30, 2019 (Un-audited) Rs '000	December 31,2018 (Audited) Rs '000
<b>21. Contingencies and commitments</b>		
<b>21.1 Contingencies</b>		
<b><i>Claims and guarantees</i></b>		
Claims against the Company not acknowledged as debt	75,706	75,706
Guarantees issued by banks on behalf of the Company	345,612	323,587
<b><i>Litigation</i></b>		
There is no significant change to status of litigations disclosed in annual financial statements for the year ended 31 December 2018.		
	June 30, 2019 (Un-audited) Rs '000	December 31,2018 (Audited) Rs '000
<b>21.2 Commitments</b>		
Capital expenditure	437,401	-
Letters of credit outstanding	169,377	227,427
Lease rentals	-	760,875
	Half year ended	
	June 30, 2019 Rs '000	June 30, 2018 Rs '000
<b>22. Cash generated from operations</b>		
Profit before income tax	10,153,335	9,685,106
<b>Adjustment for non-cash items:</b>		
- Depreciation	652,566	461,861
- (Gain) on disposal of property, plant and equipment	(28,392)	(21,104)
- Finance cost	78,387	14,994
- Finance income	(617,020)	(330,027)
- Exchange loss	449,951	104,650
- Reversal of provision for stock-in-trade	(3,154)	(12,664)
- Provision for staff retirement benefit plans	131,732	133,033
	664,070	350,743
<b>Changes in working capital:</b>		
- Stock-in-trade	5,236,469	3,299,868
- Stores and spares	(233,880)	(124,894)
- Trade debts	(10)	295
- Loans and advances	(442,026)	(367,480)
- Short term prepayments	226,689	(5,565,390)
- Other receivables	(2,978)	92,426
- Trade and other payables	(10,815,307)	(3,551,870)
- Other liabilities	(266,519)	(325,547)
	(6,297,562)	(6,542,592)
Changes in long term deposits and prepayments	2,051	(1,687)
	4,521,894	3,491,570

## Notes to the Condensed Interim Financial Statements (Un-audited) for the six months period ended June 30, 2019

### 23. Financial instruments

#### 23.1 Carrying amounts and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	June 30, 2019 (Un-audited)		December 31, 2018 (Audited)	
	Fair value through profit or loss	Amortized cost	Total	Fair value through profit or loss
		Rs '000		Rs '000
<b>Financial assets measured at fair value</b>				
Short-term investment	4,604,129	-	4,604,129	8,699,508
<b>Financial assets not measured at fair value</b>				
Deposits	-	24,061	24,061	28,480
Trade debts	-	1,563	1,563	1,553
Other receivables	-	2,075,553	2,075,553	1,859,684
Cash and bank balances	-	226,256	226,256	293,165
	4,604,129	2,327,433	6,931,562	10,882,390
<b>Financial liabilities not measured at fair value</b>				
Finance lease obligation	-	(1,602,361)	(1,602,361)	-
Accrued interest / mark-up	-	(1,984)	(1,984)	-
Short term running finance	-	(493,516)	(493,516)	-
Trade and other payables	-	(7,354,959)	(7,354,959)	-
	-	(9,452,820)	(9,452,820)	-
				(433,090)
				(5,331)
				(75,542)
				(11,851,120)
				(12,365,083)

The Company has not disclosed the fair values of financial assets and financial liabilities as these are for short-term or repriced over short-term. Therefore, the carrying amounts are reasonable approximation of their values. There have been no change

#### 23.2 Financial risk management

The Company's financial risk management objective and policies are consistent with that disclosed in the financial statements for the year ended December 31, 2018.

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

for the six months period ended June 30, 2019

## 24. Related parties

British American Tobacco (Investments) Limited (BAT-IL) holds 94.34% (December 31, 2018: 94.34%) shares of the Company. Therefore, all the subsidiaries and associated undertakings of BAT-IL and the ultimate parent company British American Tobacco, p.l.c (BAT) are related parties of the Company. The related parties also include directors and their relatives, key management personnel and their relatives, entities in which directors have interest or common directorship, subsidiary and associated companies and subsidiaries of holding company, post-employment benefit plans and persons or entities having control or joint control or having significant influence over the Company.

The amounts due from and due to these parties are disclosed in the respective notes. All outstanding balances with related parties are to be settled in the normal course of business. None of the balances are secured. Transactions with related parties were as follows:

	Quarter ended		Half year ended	
	June 30, 2019 Rs '000	June 30, 2018 Rs '000	June 30, 2019 Rs '000	June 30, 2018 Rs '000
<b>Purchase of goods and services from</b>				
Holding company	288,804	221,802	486,892	453,982
Associated companies	861,506	126,773	1,008,548	486,478
<b>Sale of goods and services to</b>				
Associated companies	308,652	4,721	386,319	122,898
<b>Dividend paid to</b>				
Holding company	5,320,775	4,837,068	5,320,775	4,837,068
<b>Royalty charged by</b>				
Associated Companies	(1,602,731)	115,092	(1,497,543)	244,036
<b>Expenses reimbursed to</b>				
Holding company	-	8,368	-	11,415
Associated companies	-	8,145	-	8,200
<b>Expenses reimbursed by</b>				
Holding company	-	-	675	-
Associated companies	82,940	78,869	118,392	78,869
<b>Employees retirement benefit plans - expense</b>				
Staff pension fund	(25,281)	-	(25,281)	-
Staff defined contribution pension fund	28,488	23,879	54,740	44,888
Employees' gratuity fund	31,508	22,073	55,345	44,021
Management provident fund	19,610	18,939	38,129	36,143
Employees' provident fund	4,652	4,017	8,799	7,982
<b>Remuneration of key management personnel</b>	182,079	154,848	329,430	298,012

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

for the six months period ended June 30, 2019

## 25. Post balance sheet events

The Board of Directors in its meeting held on 23 July 2019 has declared the first interim dividend of Rs 13.00 (2018: Rs 7.00) per share. This interim dividend of Rs 3,321,419 thousand (2018: Rs 1,788,456 ) will be recorded as liability in the interim financial statements for the next quarter as required by the IAS 10 'Events after the Balance Sheet Date'. These condensed interim financial statements do not reflect this dividend.

## 26. Date of authorisation for issue

These condensed interim financial statements have been authorised for issue by the Board of Directors of the Company on July 23, 2019.



Syed Javed Iqbal  
MD & Chief Executive Officer



Syed Asad Ali Shah  
Director



Umair Luqman  
Chief Financial Officer



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

for the six months period ended June 30, 2019

	Note	Quarter ended		Half year ended	
		June 30, 2019 Rs '000	June 30, 2018 Rs '000	June 30, 2019 Rs '000	June 30, 2018 Rs '000
<b>Gross turnover</b>		44,282,346	31,962,254	80,270,183	63,778,352
Excise duties		(22,039,460)	(14,162,339)	(40,164,422)	(27,756,811)
Sales tax		(6,679,998)	(4,896,402)	(12,108,195)	(9,752,135)
<b>Net turnover</b>		15,562,888	12,903,513	27,997,566	26,269,406
Cost of sales	7	(6,756,134)	(6,718,403)	(13,458,414)	(13,053,773)
<b>Gross profit</b>		8,806,754	6,185,110	14,539,152	13,215,633
Selling and distribution costs		(1,083,032)	(1,002,820)	(2,131,538)	(1,879,581)
Administrative expenses		(975,096)	(583,495)	(1,673,156)	(1,229,667)
Other expenses	8	(882,140)	(367,015)	(1,218,601)	(839,022)
Other income	9	68,698	78,334	98,845	102,710
		(2,871,570)	(1,874,996)	(4,924,450)	(3,845,560)
<b>Operating profit</b>		5,935,184	4,310,114	9,614,702	9,370,073
Finance income	10	406,739	173,877	617,020	330,027
Finance cost		(56,000)	(7,229)	(78,387)	(14,994)
Net finance income		350,739	166,648	538,633	315,033
<b>Profit before income tax</b>		6,285,923	4,476,762	10,153,335	9,685,106
Income tax expense	11	(2,024,851)	(1,782,378)	(3,100,032)	(3,340,595)
<b>Profit for the period</b>		4,261,072	2,694,384	7,053,303	6,344,511
Earnings per share - basic and diluted (Rupees)		16.68	10.55	27.61	24.83

The annexed notes 1 to 25 form an integral part of these consolidated condensed interim financial statements.



Syed Javed Iqbal  
MD & Chief Executive Officer



Syed Asad Ali Shah  
Director



Umair Luqman  
Chief Financial Officer

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

for the six months period ended June 30, 2019

	Quarter ended		Half year ended	
	June 30, 2019 Rs '000	June 30, 2018 Rs '000	June 30, 2019 Rs '000	June 30, 2018 Rs '000
<b>Profit for the period</b>	4,261,072	2,694,384	7,053,303	6,344,511
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>4,261,072</b>	<b>2,694,384</b>	<b>7,053,303</b>	<b>6,344,511</b>

The annexed notes 1 to 25 form an integral part of these consolidated condensed interim financial statements.



**Syed Javed Iqbal**  
MD & Chief Executive Officer



**Syed Asad Ali Shah**  
Director



**Umair Luqman**  
Chief Financial Officer

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

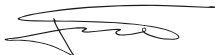
as at June 30, 2019

	Note	June 30, 2019 (Un-audited) Rs '000	December 31, 2018 (Audited) Rs '000
<b>ASSETS</b>			
Property, plant and equipment	12	11,375,175	9,155,875
Advances for capital expenditure		128,412	959,439
Long term deposits and prepayments		30,061	32,112
<b>Non-current assets</b>		<b>11,533,648</b>	<b>10,147,426</b>
Stock-in-trade		13,256,075	18,489,390
Stores and spares		867,909	634,029
Trade debts		1,563	1,553
Loans and advances	13	539,986	97,960
Short term prepayments		23,246	249,935
Other receivables	14	2,055,532	1,839,663
Short term investments		4,604,129	8,699,508
Cash and bank balances	15	226,256	293,165
<b>Current assets</b>		<b>21,574,696</b>	<b>30,305,203</b>
<b>Total assets</b>		<b>33,108,344</b>	<b>40,452,629</b>
<b>EQUITY</b>			
Share capital	16	2,554,938	2,554,938
Revenue reserves		16,643,126	15,210,686
<b>Total equity</b>		<b>19,198,064</b>	<b>17,765,624</b>
<b>LIABILITIES</b>			
Lease liability	17	1,204,880	284,845
Deferred tax liabilities		847,431	589,076
<b>Non current liabilities</b>		<b>2,052,311</b>	<b>873,921</b>
Lease liability	17	397,481	148,245
Short term running finance	18	493,516	75,542
Accrued interest / mark-up		1,984	5,331
Unpaid dividend		49,184	200,188
Unclaimed dividend		80,490	81,268
Trade and other payables	19	8,256,039	18,621,395
Other liabilities		2,032,179	2,298,698
Current income tax liabilities		547,096	382,417
<b>Current liabilities</b>		<b>11,857,969</b>	<b>21,813,084</b>
<b>Total liabilities</b>		<b>13,910,280</b>	<b>22,687,005</b>
<b>Total equity and liabilities</b>		<b>33,108,344</b>	<b>40,452,629</b>

## Contingencies and commitments

20

The annexed notes 1 to 25 form an integral part of these consolidated condensed interim financial statements.



Syed Javed Iqbal  
MD & Chief Executive Officer



Syed Asad Ali Shah  
Director



Umair Luqman  
Chief Financial Officer

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

for the six months period ended June 30, 2019

	Share capital Rs '000	Revenue reserves Rs '000	Total Rs '000
<b>Balance at January 1, 2018</b>	2,554,938	14,356,260	16,911,198
<b>Total comprehensive income for the period:</b>			
Profit for the period	-	6,344,511	6,344,511
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	6,344,511	6,344,511
<b>Transactions with owners of the Company:</b>			
Final dividend for the year ended December 31, 2017 @ Rs.20 per share	-	(5,109,876)	(5,109,876)
<b>Balance at June 30, 2018</b>	2,554,938	15,590,895	18,145,833
<b>Balance at January 1, 2019</b>	2,554,938	15,210,686	17,765,624
<b>Total comprehensive income for the period:</b>			
Profit for the period	-	7,053,303	7,053,303
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	7,053,303	7,053,303
<b>Transactions with owners of the Company:</b>			
Final dividend relating to year ended December 31, 2018 @ Rs. 22 per share	-	(5,620,863)	(5,620,863)
<b>Balance at June 30, 2019</b>	2,554,938	16,643,126	19,198,064

The annexed notes 1 to 25 form an integral part of these consolidated condensed interim financial statements.



Syed Javed Iqbal  
MD & Chief Executive Officer



Syed Asad Ali Shah  
Director



Umair Luqman  
Chief Financial Officer

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

for the six months period ended June 30, 2019

	Note	June 30, 2019 Rs '000	June 30, 2018 Rs '000
<b>Cash flows from operating activities</b>			
Cash generated from operations	21	4,521,894	3,491,570
Finance cost paid		(81,734)	(15,302)
Income tax paid		(2,676,998)	(2,436,170)
Contribution to retirement benefit funds		(344,623)	(148,225)
<b>Net cash from operating activities</b>		<b>1,418,539</b>	<b>891,873</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(567,532)	(370,510)
Proceeds from sale of property, plant and equipment		94,658	101,087
Interest received		617,020	348,660
<b>Net cash from investing activities</b>		<b>144,146</b>	<b>79,237</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(5,772,645)	(4,769,072)
Lease payments		(370,302)	(128,817)
<b>Net cash used in financing activities</b>		<b>(6,142,947)</b>	<b>(4,897,889)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(4,580,262)</b>	<b>(3,926,779)</b>
Cash and cash equivalents at January 1		8,917,131	7,153,970
<b>Cash and cash equivalents at June 30</b>		<b>4,336,869</b>	<b>3,227,191</b>
<b>Cash and cash equivalents comprise:</b>			
Short-term investments		4,604,129	2,521,950
Cash and bank balances	15	226,256	705,241
Short term running finance	18	(493,516)	-
		<b>4,336,869</b>	<b>3,227,191</b>

The annexed notes 1 to 25 form an integral part of these consolidated condensed interim financial statements.



Syed Javed Iqbal  
MD & Chief Executive Officer



Syed Asad Ali Shah  
Director



Umair Luqman  
Chief Financial Officer

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

for the six months period ended June 30, 2019

## 1. The Company and its operations

Pakistan Tobacco Company Limited (the Company) is a public listed company incorporated in Pakistan on 18 November 1947 under the Companies Act, 1913 (now the Companies Act, 2017) and its shares are quoted on the Pakistan Stock Exchange. The Company is a subsidiary of the British American Tobacco (Investments) Limited, United Kingdom, whereas its ultimate parent company is British American Tobacco p.l.c, United Kingdom. The Company is engaged in the manufacture and sale of cigarettes.

The registered office of the Company is situated at Serena Business Complex, Khayaban-e-Suharwardy, Islamabad.

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

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

## 2. Statement of compliance

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

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

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

## 3. Basis of preparation

These interim financial statements should be read in conjunction with the Group's latest annual financial statements as at and for the year ended December 31, 2018 ('last annual financial statements'). This interim financial information does not include all of the information required for a complete set of financial statements prepared in accordance with the approved accounting standards as applicable in Pakistan. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

Comparative figures of consolidated condensed interim statement of financial position is extracted from annual financial statements as of December 31, 2018 whereas comparative figures of consolidated condensed interim statement of profit or loss, consolidated condensed interim statement of comprehensive income, consolidated condensed interim statement of changes in equity and consolidated condensed interim statement of cash flows are extracted from un-audited consolidated condensed interim financial statements of the Group for the half year ended June 30, 2018.

These consolidated condensed interim financial statements are un-audited and is being submitted to the members of the Company as required under Section 237 of the Companies Act 2017, and the listing regulations of the Pakistan Stock Exchange. These condensed interim financial statements have been reviewed, not audited and also include the statement of profit or loss for the quarter ended June 30, 2019 which was not subject to review.

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

for the six months period ended June 30, 2019

## 4. Use of judgements and estimates

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

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty including measurement of fair values were the same as those described in the last annual financial statements.

### Measurement of fair values

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## 5. Significant accounting policies

The accounting policies and the methods of computation adopted in the preparation of these interim financial statements are the same as those applied in the preparation of the financial statements as at and for the year ended December 31, 2018 except for the following.

- The Company has applied IFRIC 23 'Uncertainty over Income Tax Treatments' from 1 January 2019; however the adoption of this standard has no impact on the amounts reported in these interim financial statements.
- The Company has initially adopted IFRS 16 'Leases' from 1 January 2019. IFRS 16 introduced a single, on balance sheet accounting model for leases. As a result the Company, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated –i.e. it is presented as previously reported, under IAS 17 and related interpretations.

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 - "Determining Whether an Arrangement contains a Lease". The Company now assesses whether a contract is, or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Company used the following practical expedients when applying IFRS 16, to leases previously classified as operating leases under IAS 17:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.

The impact of adoption of IFRS 16 is disclosed in note 18.

## 6. Standards issued but not effective

A number of new standards and amendments to standards are effective for annual periods beginning after January 01, 2019 and earlier application is permitted; however, the Company has not early adopted the new or amended standards except for IFRS 16 and IFRIC 23 in preparing these condensed interim financial statements.

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

for the six months period ended June 30, 2019

	Quarter ended		Half year ended	
	June 30, 2019 Rs '000	June 30, 2018 Rs '000	June 30, 2019 Rs '000	June 30, 2018 Rs '000
<b>7. Cost of sales</b>				
Raw material consumed:				
Opening stock of raw materials and work in process	14,752,207	12,050,893	16,944,127	13,137,236
Raw material purchases and expenses	2,569,861	2,863,654	7,149,759	6,315,057
Excise duty, customs duty and tobacco development cess	311,301	213,978	713,421	954,184
Closing stock of raw materials and work in process	(12,430,303)	(9,770,739)	(12,430,303)	(9,770,739)
	5,203,066	5,357,786	12,377,004	10,635,738
Royalty	(1,602,731)	115,092	(1,497,543)	244,036
Production overheads	1,053,361	874,114	1,856,308	2,240,628
	4,653,696	6,346,992	12,735,769	13,120,402
Cost of finished goods				
Opening stock	2,928,210	1,774,358	1,548,417	1,336,318
Closing stock	(825,772)	(1,402,947)	(825,772)	(1,402,947)
	2,102,438	371,411	722,645	(66,629)
	6,756,134	6,718,403	13,458,414	13,053,773
<b>8. Other expenses</b>				
Workers' Profit Participation Fund (WPPF)	337,590	240,427	545,292	520,162
Workers' Welfare Fund (WWF)	128,284	91,360	207,211	197,979
Bank charges and fees	4,760	8,386	16,147	16,231
Foreign exchange loss	411,506	26,842	449,951	104,650
	882,140	367,015	1,218,601	839,022
<b>9. Other income</b>				
Income from services to associated companies:				
- BAT SAA (Private) Limited	65,900	54,451	65,900	54,451
- BAT Bangladesh	3,837	-	3,837	3,928
	69,737	54,451	69,737	58,379
Gain/ (loss) on disposal of property, plant and equipment	(1,431)	12,479	28,392	21,104
Liabilities written back	-	11,052	-	22,530
Others	392	352	716	697
	68,698	78,334	98,845	102,710
<b>10. Finance income</b>				

This includes profit from placement with banks in saving accounts, term deposit and treasury bills earned under interest arrangement. The interest rates range between 4.65% and 12.43% (half year ended June 30, 2018 : 3.75% and 6.58%) per annum and is received on maturity.



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

for the six months period ended June 30, 2019

## 11. Income tax expense

Income tax expense includes Super tax amounting to Rs nil ( June 30, 2018 Rs 584,359 thousand).

	Note	June 30, 2019 (Un-audited) Rs '000	December 31, 2018 (Audited) Rs '000
<b>12. Property, plant and equipment</b>			
Operating fixed assets	12.1	10,523,055	8,173,640
Capital work in progress	12.2	852,120	982,535
		<b>11,375,175</b>	<b>9,155,875</b>

### 12.1 Operating fixed assets

Carrying amount at January 01		8,173,640	8,174,609
Additions during the half year/year:			
- <b>Owned assets</b>			
Building		936	-
Plant and machinery		1,364,335	708,020
Office and household equipment		106,732	71,361
Vehicles		16,649	-
Furniture and fittings		40,023	35,337
		1,528,675	814,718
- <b>Right to use assets IFRS 16</b>		1,448,717	-
- <b>Leased assets</b>			
Vehicles		90,855	259,320
		3,068,247	1,074,038
Disposals during the half year/year (net book value):			
- <b>Owned assets</b>			
Building		-	(4,285)
Plant and machinery		(27,254)	(29,735)
Office and household equipment		(71)	(440)
Furniture and fittings		-	(40)
		(27,325)	(34,500)
- <b>Leased assets</b>			
Vehicles		(38,941)	(98,783)
		(66,266)	(133,283)
Depreciation / impairment charge for the half year/year:		(652,566)	(941,724)
Carrying amount at June 30/ December 31		<b>10,523,055</b>	<b>8,173,640</b>

**12.1.1** During the half year ended 30 June 2019, the Company acquired assets, including transfers from capital work in progress, amounting to Rs. 3,068,247 thousand (half year ended 30 June 2018: Rs. 300,185 thousand). Operating fixed assets having net book value of Rs. 66,266 thousand were disposed off during half year ended 30 June 2019 (half year ended 30 June 2018: Rs. 79,983 thousand). Depreciation charge for half year ended 30 June 2019 was Rs. 652,566 thousand (half year ended 30 June 2018: Rs. 461,861 thousand).

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

for the six months period ended June 30, 2019

	June 30, 2019 (Un-audited) Rs '000	December 31,2018 (Audited) Rs '000
<b>12.2 Capital work in progress</b>		
Balance as at the beginning of the period	982,235	190,134
Additions during the half year/year	399,097	962,382
	1,381,332	1,152,516
Transferred to operating fixed assets	(529,212)	(170,281)
Carrying amount as at end of the period	852,120	982,235

## 13. Loans and advances

These include non-interest bearing advances to employees of Rs. 45,571 thousand (December 31, 2018: Rs. 37,228 thousand).

## 14. Other receivables

These include following balances due from related parties:

	Note	June 30, 2019 (Un-audited) Rs '000	December 31,2018 (Audited) Rs '000
Holding company / associated companies		156,423	169,006
Employees retirement benefit plans		1,003,673	790,782
<b>15. Cash and bank balances</b>			
Cash at banks		9,075	8,863
- deposit accounts		215,242	279,297
- current accounts	15.1	224,317	288,160
Cash in hand		1,939	5,005
		226,256	293,165

**15.1** These include balances of Rs. 146,777 thousand (December 31, 2018: Rs. 122,175 thousand) held in foreign currency accounts.

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

for the six months period ended June 30, 2019

## 16. Share capital

Authorised share capital of the Company is Rs. 3,000,000 thousand (December 31, 2018: Rs. 3,000,000 thousand) divided into 300,000,000 ordinary shares of Rs. 10 each. Issued, subscribed and paid up capital of the Company is Rs. 2,554,938 thousand (December 31, 2018: Rs. 2,554,938 thousand) divided into 255,493,792 ordinary shares of Rs. 10 each.

## 17. Lease liability

This represents finance lease agreements entered into with a leasing company for vehicles. Total lease rentals due under various lease agreements aggregate to Rs 411,110 - short term Rs 131,466 thousand and long term Rs 279,644 thousand (December 31, 2018: Rs 433,090 thousand - short term Rs 148,245 thousand and long term Rs 284,845 thousand) and are payable in equal monthly instalments latest by December 2023. Taxes, repairs, replacement and insurance costs are to be borne by the Company. Financing rates of 12.35% to 14.53% (December 31, 2018: 7.85% to 13.14%) per annum have been used as discounting factor.

As per IFRS 16 all rental facilities of the Company with lease terms greater than one year have been reclassified from operating leases to finance leased assets. When measuring the lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using an estimated incremental borrowing rate at January 01, 2019. The estimated incremental borrowing rate applied is 10%. At the date of initial application right of use of asset amounting to Rs. 1,448,717 thousand was recognised in property, plant and equipment (Note 12.1) and lease obligation of Rs. 1,243,268 thousand was recognised after adjustment of prepaid rent amounting to Rs. 205,449 thousand.

Closing balance includes lease obligation of Rs 1,191,251 thousand - short term Rs 266,015 thousand and long term Rs 925,236 thousand (December 31, 2018: Rs Nil) on account of change in accounting policy IFRS 16.

## 18. Short term running finance-secured

Short term running finance facilities available under mark-up arrangements with banks amount to Rs. 6,500 million (December 31, 2018: Rs.6,500 million), out of which the amount un-availed at the reporting date was Rs. 6,006 million (December 31, 2018: Rs.6,424 million). These facilities are secured by hypothecation of stock in trade and plant & machinery amounting to Rs.7,222 million (December 31, 2018: Rs.7,222 million). The mark-up ranges between 10.52% and 12.99% (2018: 6.40% and 10.50%) per annum and is payable quarterly. The facilities are renewable on annual basis.

## 19. Trade and other payables

### 19.1 These include following balances due to related parties:

	June 30, 2019 (Un-audited) Rs '000	December 31, 2018 (Audited) Rs '000
Holding company / associated companies	2,156,715	2,108,134
Employees retirement benefit plans	210,278	210,402

### 19.2 These also include 'contract liabilities' representing advances from customers amounting to Rs. 9,327 thousand (December 31, 2018: Rs. 2,013 thousand).

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

for the six months period ended June 30, 2019

	June 30, 2019 (Un-audited) Rs '000	December 31,2018 (Audited) Rs '000
<b>20. Contingencies and commitments</b>		
<b>20.1 Contingencies</b>		
<b><i>Claims and guarantees</i></b>		
Claims against the Company not acknowledged as debt	75,706	75,706
Guarantees issued by banks on behalf of the Company	345,612	323,587
<b><i>Litigation</i></b>		
There is no significant change to status of litigations disclosed in annual financial statements for the year ended 31 December 2018.		
	June 30, 2019 (Un-audited) Rs '000	December 31,2018 (Audited) Rs '000
<b>20.2 Commitments</b>		
Capital expenditure	437,401	-
Letters of credit outstanding	169,377	227,427
Lease rentals	-	760,875
	Half year ended	
	June 30, 2019 Rs '000	June 30, 2018 Rs '000
<b>21. Cash generated from operations</b>		
Profit before income tax	10,153,335	9,685,106
<b>Adjustment for non-cash items:</b>		
- Depreciation	652,566	461,861
- (Gain) on disposal of property, plant and equipment	(28,392)	(21,104)
- Finance cost	78,387	14,994
- Finance income	(617,020)	(330,027)
- Exchange loss	449,951	104,650
- Reversal of provision for stock-in-trade	(3,154)	(12,664)
- Provision for staff retirement benefit plans	131,732	133,033
	664,070	350,743
<b>Changes in working capital:</b>		
- Stock-in-trade	5,236,469	3,299,868
- Stores and spares	(233,880)	(124,894)
- Trade debts	(10)	295
- Loans and advances	(442,026)	(367,480)
- Short term prepayments	226,689	(5,565,390)
- Other receivables	(2,978)	92,426
- Trade and other payables	(10,815,307)	(3,551,870)
- Other liabilities	(266,519)	(325,547)
	(6,297,562)	(6,542,592)
Changes in long term deposits and prepayments	2,051	(1,687)
	4,521,894	3,491,570

## Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) for the six months period ended June 30, 2019

### 22. Financial instruments

#### 22.1 Carrying amounts and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	June 30, 2019 (Un-audited)		December 31, 2018 (Audited)	
	Fair value through profit or loss	Amortized cost	Total	Fair value through profit or loss
		Rs '000		Rs '000
<b>Financial assets measured at fair value</b>				
Short-term investment	4,604,129	-	4,604,129	8,699,508
<b>Financial assets not measured at fair value</b>				
Deposits	-	24,061	24,061	28,480
Trade debts	-	1,563	1,563	1,553
Other receivables	-	2,055,532	2,055,532	1,839,663
Cash and bank balances	-	226,256	226,256	293,165
	4,604,129	2,307,412	6,911,541	10,862,369
				-
<b>Financial liabilities not measured at fair value</b>				
Finance lease obligation	-	(1,602,361)	(1,602,361)	(433,090)
Accrued interest / mark-up	-	(1,984)	(1,984)	(5,331)
Short term running finance	-	(493,516)	(493,516)	(75,542)
Trade and other payables	-	(7,354,986)	(7,354,986)	(11,851,147)
	-	(9,452,847)	(9,452,847)	(12,365,110)

The Company has not disclosed the fair values of financial assets and financial liabilities as these are for short-term or reprice over short-term. Therefore, the carrying amounts are reasonable approximation of their values. There have been no change

#### 22.2 Financial risk management

The Company's financial risk management objective and policies are consistent with that disclosed in the financial statements for the year ended December 31, 2018.

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

for the six months period ended June 30, 2019

## 23. Related parties

British American Tobacco (Investments) Limited (BAT-IL) holds 94.34% (December 31, 2018: 94.34%) shares of the Company. Therefore, all the subsidiaries and associated undertakings of BAT-IL and the ultimate parent company British American Tobacco, p.l.c (BAT) are related parties of the Company. The related parties also include directors and their relatives, key management personnel and their relatives, entities in which directors have interest or common directorship, subsidiary and associated companies and subsidiaries of holding company, post-employment benefit plans and persons or entities having control or joint control or having significant influence over the Company.

The amounts due from and due to these parties are disclosed in the respective notes. All outstanding balances with related parties are to be settled in the normal course of business. None of the balances are secured. Transactions with related parties were as follows:

	Quarter ended		Half year ended	
	June 30, 2019 Rs '000	June 30, 2018 Rs '000	June 30, 2019 Rs '000	June 30, 2018 Rs '000
<b>Purchase of goods and services from</b>				
Holding company	288,804	221,802	486,892	453,982
Associated companies	861,506	126,773	1,008,548	486,478
<b>Sale of goods and services to</b>				
Associated companies	308,652	4,721	386,319	122,898
<b>Dividend paid to</b>				
Holding company	5,320,775	4,837,068	5,320,775	4,837,068
<b>Royalty charged by</b>				
Associated Companies	(1,602,731)	115,092	(1,497,543)	244,036
<b>Expenses reimbursed to</b>				
Holding company	-	8,368	-	11,415
Associated companies	-	8,145	-	8,200
<b>Expenses reimbursed by</b>				
Holding company	-	-	675	-
Associated companies	82,940	78,869	118,392	78,869
<b>Employees retirement benefit plans - expense</b>				
Staff pension fund	(25,281)	-	(25,281)	-
Staff defined contribution pension fund	28,488	23,879	54,740	44,888
Employees' gratuity fund	31,508	22,073	55,345	44,021
Management provident fund	19,610	18,939	38,129	36,143
Employees' provident fund	4,652	4,017	8,799	7,982
<b>Remuneration of key management personnel</b>	182,079	154,848	329,430	298,012

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

for the six months period ended June 30, 2019

## 24. Post balance sheet events

The Board of Directors in its meeting held on 23 July 2019 has declared the first interim dividend of Rs 13.00 (2018: Rs 7.00) per share. This interim dividend of Rs 3,321,419 thousand (2018: Rs 1,788,456 ) will be recorded as liability in the interim financial statements for the next quarter as required by the IAS 10 'Events after the Balance Sheet Date'. These condensed interim financial statements do not reflect this dividend.

## 25. Date of authorisation for issue

These consolidated condensed interim financial statements have been authorised for issue by the Board of Directors of the Group on July 23, 2019.



**Syed Javed Iqbal**  
MD & Chief Executive Officer



**Syed Asad Ali Shah**  
Director



**Umair Luqman**  
Chief Financial Officer







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