

75

Celebrating

Years

A JOURNEY OF
**GROWTH &
TRANSFORMATION**

**Condensed Interim
Financial Statements**
for the six months period ended June 30, 2023

Corporate Information

Board of Directors

Zafar Mahmood
Chairman & Independent Director

Syed Ali Akbar
MD / CEO & Executive Director

Kelly Burtenshaw
Director Finance/IT

Syed Asad Ali Shah
Legal & External Affairs Director

Wael Sabra
Non-Executive Director

Usman Zahur
Non-Executive Director

Asif Jooma
Independent Director

Mohammad Riaz
Independent Director

Faisal Saif
Non-Executive Director

Gary Tarrant
Non-Executive Director

Lt. Gen. (R) Najib Ullah Khan
Independent Director

Belinda Ross
Non-Executive Director

Audit Committee

Mohammad Riaz (Chairman)

Lt. Gen. (R) Najib Ullah Khan

Belinda Ross

Wael Sabra

Asif Jooma

Sughra Sadaf (Secretary)

Company Secretary

Madeeha Arshad Chaudhry

Registered Office

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

Factories

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

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

Bankers

MCB Bank Limited
MCB Islamic Bank Limited
Habib Bank Limited
National Bank of Pakistan
Citibank N.A.
Standard Chartered Bank (Pakistan) Limited
Deutsche Bank AG
Bank Alfalah Limited
Habib Metropolitan Bank Limited
Soneri Bank Limited
United Bank Limited

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 performance of the Company for H1, 2023.

In February 2023, the Finance (Supplementary) Bill 2023 introduced the highest-ever excise increase for the tobacco industry. The excise duty on tier-1 brands was increased from Rs 6,500 to Rs 16,500 per thousand cigarettes (increase of 154%), whilst excise duty on tier-2 brands was increased from Rs 2,050 to Rs 5,050 per thousand cigarettes (increase of 146%). This unprecedented increase in excise led to a further widening of the price gap between the duty-paid (DP) cigarette brands and duty-not-paid (DNP) brands. This resulted in growth of DNP market share from 36.6% in January 2023 to 48.9% in June 2023. The recent Federal Budget 2023-24 announced in June 2023 has maintained these exorbitant excise rates offering no respite to the DP industry. In the absence of effective enforcement by Authorities against the DNP sector, the excessively high excise rates have caused a decline of 56% in the Company's domestic volume in June 2023 vs January 2023 and yielded significant losses to the National Exchequer and eroding investor confidence. Current imperative is for the Government to intervene by rationalizing excise rates for the tobacco industry and focus on enforcement measures through dedicated financial and human resources to ensure sustainability of large-scale manufacturing in general and DP industry in particular.

Pressure on Pakistan's foreign currency reserves during H1 2023 coupled with the highest-ever inflation in the Country's history, restricted imports of critical raw material and machinery. Following Government of Pakistan's recent breakthrough with IMF on a 9-month Stand-By-Agreement, and assurances from bilateral lenders to deposit foreign currency with State Bank of Pakistan (SBP), the Company is looking forward towards a more conducive regulatory environment wherein commercial banks can accommodate the industry's critical import requests on standard payment terms in a timely manner to avoid disruption of normal business activity.

As a responsible corporate citizen, the Company is fully committed to reduce the health impact of its business. In H1 2023, the company focused on accelerating its portfolio of tobacco-free modern oral nicotine pouches, posting a volume growth of 44% vs same period last year (SPLY). The Company will continue tapping into new opportunities to enhance its reduced risk product portfolio and provide its consumers with potentially reduced risk alternatives.

Key financial indicators of the Company for the period ended June 30, 2023, are summarized below:

	Rs (million)	
	Jan - Jun, 2023	Jan - Jun, 2022
Gross Turnover	133,465	113,447
Excise Duties & Sales Tax	(87,367)	(68,442)
Net turnover	46,098	45,005
Cost of Sales	(19,464)	(23,825)
Gross Profit	26,634	21,180
Operating Profit	18,205	15,086
Profit Before Tax – PBT	21,008	15,710
Profit After Tax – PAT	11,042	8,512
Earnings per share – EPS (Rs)	43.22	33.32

Domestic volume decreased by 40% vs SPLY due to the excise-led price increase in February 2023. In line with the Company's export agenda, goods worth \$9 million were exported during the period under review. Due to pressure on foreign currency reserves, local currency devaluation and highest-ever inflation in the country's history, cost of sales decreased 18% vs SPLY despite a 40% decline in volume. Despite the cost pressures, operating profit increased by 21% through process optimization and productivity initiatives. Higher income from T-Bills yielded PBT increase of 34% vs SPLY. However, imposition of super tax has limited the PAT growth to 30% vs SPLY. EPS increased by 30% for the period under review due to effective overall commercial execution.

The Company continues to maintain focus on risk management and is committed to ensure business continuity through volatile macro-economic conditions without compromising the health and safety of its employees and that of its business partners. Further, PTC will continue driving value for its shareholders by leveraging its strong brand portfolio and providing exciting choices to its consumers. The Company continues to drive performance through its people focused programs to further strengthen its capability bandwidth to seamlessly deliver on business objectives through 2023 and beyond.



Syed Ali Akbar
MD & Chief Executive Officer



Kelly Burtenshaw
Chief Financial Officer & Director

ڈائریکٹرز کی جائزہ رپورٹ

ڈائریکٹرز سال 2023ء کی پہلی ششماہی کے دوران کمپنی کی کارکردگی کے بارے میں رپورٹ پیش کرتے ہیں

فروری 2023ء میں پیش کیے جانے والے مالیاتی (ضمنی) بل میں تمباکو کی صنعت کے لئے ایکسائز ڈیوٹی میں اب تک کا بلند ترین اضافہ متعارف کرایا گیا۔ Tier-1 برانڈز پر ایکسائز ڈیوٹی 6,500 روپے سے بڑھا کر 16,500 روپے (154 فیصد اضافہ) فی ہزار سگریٹ کر دی گئی جبکہ tier-2 برانڈز پر ایکسائز ڈیوٹی 2,050 روپے سے بڑھا کر 5,050 روپے (146 فیصد اضافہ) فی ہزار سگریٹ کر دی گئی۔ اس غیر معمولی اضافہ کی وجہ سے سگریٹ کے ڈیوٹی پیڈ (DP - duty paid) برانڈز اور ڈیوٹی نان پیڈ (DNP - duty non paid) برانڈز کی قیمتوں میں پہلے سے موجود تفاوت میں مزید اضافہ ہوا جس کے نتیجے میں DNP مارکیٹ شنیر جو جنوری 2023 میں 36.6 فیصد تھا، جون 2023 میں بڑھ کر 48.9 فیصد تک جا پہنچا۔ موجودہ حکومت کے لئے لازمی ہے کہ وہ بڑے پیمانے پر مینوفیکچرنگ بالعموم اور DP کی پائیداری کو بالخصوص یقینی بنانے کے لئے مداخلت کرے اور تمباکو کی صنعت کے لئے ایکسائز ڈیوٹی کی شرح کو معقول بنائے اور مخصوص مالی اور انسانی وسائل کے ذریعے اقدامات کے نفاذ پر اپنی توجہ مرکوز کرے۔

سال 2023 کی پہلی ششماہی کے دوران پاکستان کے غیر ملکی کرنسی کے ذخائر پر دباؤ اور اس کے ساتھ ساتھ ملکی تاریخ میں اب تک کے سب سے زیادہ افراط زر کی وجہ سے اہم خام مال اور مشینری کی درآمدات محدود ہو کر رہ گئیں۔ حکومت پاکستان کی آئی ایم ایف کے ساتھ 9 مہینے کے سٹینڈ بائی معاہدے پر ہونے والی حالیہ پیش رفت اور دونوں طرف کے رہنماؤں کی طرف سے سٹیٹ بینک آف پاکستان (SBP) میں غیر ملکی کرنسی جمع کرانے کی یقین دہانیوں کے بعد کمپنی مزید سازگار ریگولیٹری ماحول کی منتظر ہے تاکہ کمرشل بینک انڈسٹری کی اہم درآمدات کو معیاری ادائیگی کی شرط پر بروقت ایڈجسٹ کر سکیں تاکہ عمومی کاروباری سرگرمیوں میں خلل نہ آنے پائے۔

ایک ذمہ دار کارپوریٹ شہری کی حیثیت سے کمپنی اپنے بزنس کے حجم پر پڑنے والے اثرات کو کم کرنے کے لئے پر عزم ہے۔ سال 2023 کی پہلی ششماہی کے دوران کمپنی نے تمباکو سے پاک جدید اورل نکوٹین پاؤچز (oral nicotine pouches) کے پورٹ فولیو کو تیز تر کرنے پر توجہ مرکوز کیے رکھی جس سے پچھلے سال اسی عرصے کے مقابلے میں اس کے حجم میں 44 فیصد اضافہ ہوا۔ کمپنی اپنے کم خطرے والی مصنوعات کے پورٹ فولیو (reduced risk product portfolio) کو بڑھانے اور اپنے صارفین کو ممکنہ طور پر کم خطرے کا متبادل (reduced risk alternatives) فراہم کرنے کے لئے نئے مواقع سے استفادہ کرتی رہے گی۔

30 جون 2023ء کو ختم ہونے والی مدت کے لئے کمپنی کے اہم مالی اعشاریوں کا خلاصہ ذیل میں دیا گیا ہے:

جنوری۔ جون 2022	جنوری۔ جون 2023	
ملین روپے	ملین روپے	
113,447	133,465	مجموعی کاروبار
(68,442)	(87,367)	ایکسائز ڈیوٹی اور سیلز ٹیکس
45,005	46,098	خالص کاروبار
(23,825)	(19,464)	لاگت فروختگی
21,180	26,634	مجموعی منافع
15,086	18,205	خالص منافع
15,710	21,008	قبل از ٹیکس منافع (Profit before tax - PBT)
8,512	11,042	بعد از ٹیکس منافع (Profit after tax - PAT)
33.32	43.22	آمدن فی حصص (Earning per share - EPS) (روپے)

فروری 2023 میں ایکسائز ڈیوٹی کے نتیجے میں قیمتوں میں ہونے والے اضافہ کی وجہ سے گزشتہ سال اسی مدت کے مقابلے میں اس سال مقامی حجم میں 40 فیصد کمی ہوئی۔ کمپنی کے برآمدی ایجنڈے کے مطابق مذکورہ جائزہ مدت کے دوران 9 ملین ڈالر مالیت کا سامان برآمد کیا گیا۔ غیر ملکی کرنسی کے ذخائر پر دباؤ، مقامی کرنسی کی قدر میں کمی اور تاریخ کے بلند ترین افراط زر کی وجہ سے حجم میں 40 فیصد کمی کے باوجود گزشتہ سال اسی مدت کے

مقابلے میں فروخت پر آنے والی لاگت میں 18 فیصد کمی ہوئی۔ لاگت کے دباؤ کے باوجود پروسس کی اصلاح اور پیداواری اقدامات کے ذریعے خالص منافع میں 21 فیصد اضافہ ہوا۔ T-Bills سے ہونے والی آمدنی میں اضافے سے گزشتہ سال اسی مدت کے مقابلے میں PBT میں 34 فیصد اضافہ ہوا۔ تاہم سپر ٹیکس کے نفاذ سے PAT کی نمو گزشتہ سال اسی مدت کے مقابلے میں 30 فیصد تک محدود ہو کر رہ گئی۔ مجموعی طور پر موثر کمرشل اقدامات کی وجہ سے جائزہ مدت کے دوران EPS میں 30 فیصد اضافہ ہوا۔

کمپنی اپنی توجہ رسک مینجمنٹ پر مرکوز رکھے ہوئے ہے اور اپنے ملازمین اور اپنے کاروباری شراکت داروں کی صحت اور تحفظ پر کوئی سمجھوتہ کیے بغیر تغیر پذیر میکرو اقتصادی حالات کے ذریعے کاروبار کے تسلسل کو یقینی بنانے کے لئے پرعزم ہے۔ مزید برآں PTC اپنے مضبوط برانڈ پورٹ فولیو کا فائدہ اٹھاتے ہوئے اور اپنے صارفین کو ولولہ انگیز انتخاب کے مواقع فراہم کرتے ہوئے اپنے حصص یافتگان کے حصص کی قدر میں اضافہ جاری رکھے گی۔ 2023 بلکہ اس سے بھی آگے اپنے کاروباری مقاصد کے بلا رکاوٹ حصول کے لئے کمپنی اپنے ذہانت پر مبنی اقدامات کو مزید مستحکم کرنے کے لئے عوام پر مرکوز اپنے پروگراموں کے ذریعے کمپنی کارکردگی میں بہتری لارہی ہے۔



سیلی برٹنشاہ
سی ایف او اور ڈائریکٹر



سیڈ علی اکبر
مینیجنگ ڈائریکٹر / سی ای او

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, 2023 and the related condensed interim statement of profit or loss and other 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 Auditor 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 for the quarter ended 30 June 2023 and 30 June 2022 of the condensed interim statement of profit or loss and other condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

The engagement partner on the review resulting in this independent auditors' review report is Muhammad Ubbaid Ullah.



KPMG Taseer Hadi & Co.

Chartered Accountants

Islamabad

Date: 24 August 2023

UDIN: RR20231024067xprDBb5

Condensed Interim Profit or Loss Account (Un-audited)

for the six months period ended June 30, 2023

	Note	Quarter ended		Half year ended	
		June 30, 2023 Rs '000	June 30, 2022 Rs '000	June 30, 2023 Rs '000	June 30, 2022 Rs '000
Domestic turnover		73,623,262	59,132,239	131,113,598	110,819,991
Export turnover		1,120,658	1,482,932	2,351,506	2,627,093
Gross turnover		74,743,920	60,615,171	133,465,104	113,447,084
Excise duties		(39,654,485)	(26,342,014)	(66,938,560)	(51,660,079)
Sales tax		(11,575,245)	(8,960,784)	(20,428,461)	(16,781,965)
Net turnover		23,514,190	25,312,373	46,098,083	45,005,040
Cost of sales	7	(9,831,884)	(13,335,440)	(19,464,353)	(23,825,217)
Gross profit		13,682,306	11,976,933	26,633,730	21,179,823
Selling and distribution costs		(1,913,279)	(1,600,665)	(3,300,339)	(2,503,180)
Administrative expenses		(1,173,412)	(1,231,518)	(2,475,504)	(2,390,423)
Other expenses	8	(1,071,057)	(931,774)	(2,754,734)	(1,550,924)
Other income	9	239	310,759	102,197	350,426
		(4,157,509)	(3,453,198)	(8,428,380)	(6,094,101)
Operating profit		9,524,797	8,523,735	18,205,350	15,085,722
Finance income	10	1,850,603	543,709	3,105,006	756,999
Finance cost		(179,567)	(66,261)	(302,194)	(132,301)
Net finance income		1,671,036	477,448	2,802,812	624,698
Profit before income tax		11,195,833	9,001,183	21,008,162	15,710,420
Income tax expense		(6,897,973)	(5,375,480)	(9,966,378)	(7,198,471)
Profit for the period		4,297,860	3,625,703	11,041,784	8,511,949
Earnings per share - basic and diluted (Rupees)		16.82	14.20	43.22	33.32

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



Syed Ali Akbar
MD & Chief Executive Officer



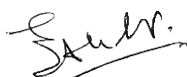
Kelly Burtenshaw
Chief Financial Officer & Director

Condensed Interim Statement of Comprehensive Income (Un-audited)

for the six months period ended June 30, 2023

	Quarter ended		Half year ended	
	June 30, 2023 Rs '000	June 30, 2022 Rs '000	June 30, 2023 Rs '000	June 30, 2022 Rs '000
Profit for the period	4,297,860	3,625,703	11,041,784	8,511,949
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	4,297,860	3,625,703	11,041,784	8,511,949

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



Syed Ali Akbar
MD & Chief Executive Officer



Kelly Burtenshaw
Chief Financial Officer & Director

Condensed Interim Statement of Financial Position (Un-audited)

as at June 30, 2023

	Note	June 30, 2023 (Un-audited) Rs '000	December 31, 2022 (Audited) Rs '000
Non current assets			
Property, plant and equipment	11	18,597,630	16,801,940
Advances for capital expenditure		506,211	532,106
Long term investment in subsidiary company	12	5,000	5,000
Long term deposits and prepayments		23,604	23,604
		19,132,445	17,362,650
Current assets			
Stock-in-trade		26,919,573	24,905,320
Stores and spares		584,263	561,046
Trade debts		2,031	2,876
Loans and advances	13	1,598,098	832,795
Short term prepayments		107,353	139,961
Other receivables	14	2,664,346	3,852,686
Short term investments		3,580	21,522,111
Cash and bank balances	15	35,448,941	1,878,796
		67,328,185	53,695,591
Current liabilities			
Trade and other payables	16	27,237,595	27,197,561
Other liabilities		3,923,542	4,092,981
Short term running finance/export refinance	17	1,705,992	2,354,312
Lease liability	18	525,304	802,531
Unpaid dividend		5,388,721	5,391,129
Unclaimed dividend		105,843	106,330
Current income tax liabilities		6,505,215	2,683,837
		(45,392,212)	(42,628,681)
Net current assets		21,935,973	11,066,910
Non current liabilities			
Lease liability	18	(2,238,855)	(935,335)
Deferred tax liabilities		(1,163,452)	(869,898)
		(3,402,307)	(1,805,233)
Net assets		37,666,111	26,624,327
Share capital and reserves			
Share capital	19	2,554,938	2,554,938
Revenue reserve - unappropriated profit		35,111,173	24,069,389
		37,666,111	26,624,327
Contingencies and commitments	20		

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



Syed Ali Akbar
MD & Chief Executive Officer



Kelly Burtenshaw
Chief Financial Officer & Director

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

for the six months period ended June 30, 2023

	Share capital Rs '000	Revenue reserves Rs '000	Total Rs '000
Balance at January 1, 2022	2,554,938	15,418,374	17,973,312
Total comprehensive income for the period:			
Profit for the period	-	8,511,949	8,511,949
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	8,511,949	8,511,949
Transactions with owners of the Company:			
Final dividend for the year ended December 31, 2021 @ Rs. 28 per share	-	(7,153,826)	(7,153,826)
Balance at June 30, 2022	2,554,938	16,776,497	19,331,435
Balance at January 1, 2023	2,554,938	24,069,389	26,624,327
Total comprehensive income for the period:			
Profit for the period	-	11,041,784	11,041,784
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	11,041,784	11,041,784
Balance at June 30, 2023	2,554,938	35,111,173	37,666,111

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



Syed Ali Akbar
MD & Chief Executive Officer



Kelly Burtenshaw
Chief Financial Officer & Director

Condensed Interim Statement of Cash Flows (Un-audited)

for the six months period ended June 30, 2023

	Note	June 30, 2023 Rs '000	June 30, 2022 Rs '000
Cash flows from operating activities			
Cash generated from operations	21	17,757,133	20,901,640
Finance cost paid		(177,260)	(132,353)
Income tax paid		(5,851,446)	(3,570,701)
Contribution to retirement benefit funds		(329,274)	12,323
Net cash from operating activities		11,399,153	17,210,909
Cash flows from investing activities			
Purchases of property, plant and equipment		(1,219,420)	(1,429,046)
Advances for capital expenditure		25,895	841,372
Proceeds from sale of property, plant and equipment		185,705	273,947
Interest received		3,105,006	756,999
Net cash from investing activities		2,097,186	443,272
Cash flows from financing activities			
Dividends paid		(2,895)	(10,494,098)
Lease payments		(785,028)	(513,755)
Repayment of export refinance facility		(1,000,000)	-
Net cash used in financing activities		(1,787,923)	(11,007,853)
Net increase in cash and cash equivalents		11,708,416	6,646,328
Cash and cash equivalents at January 1		23,400,907	10,647,666
Cash and cash equivalents at June 30		35,109,323	17,293,994
Cash and cash equivalents comprise:			
Short-term investments		3,580	15,955,648
Cash and bank balances	15	35,448,941	1,338,346
Short term running finance	17	(343,198)	-
		35,109,323	17,293,994

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



Syed Ali Akbar
MD & Chief Executive Officer



Kelly Burtenshaw
Chief Financial Officer & Director

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

for the six months period ended June 30, 2023

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 plc., United Kingdom. The Company is engaged in the manufacture and sale of cigarettes, tobacco and velo.

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, 2022 ('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 accounting and reporting 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, 2022 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, 2022.

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, 2023 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.

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).

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

for the six months period ended June 30, 2023

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, 2022.

6. Standards issued but not effective

A number of new standards and amendments to standards are effective for annual periods beginning after July 01, 2023, and earlier application is permitted; however, the Company has not early adopted the new or amended standards.

- Amendments to IAS 1: Presentation of Financial Statements (effective 01 January 2024)
- Amendments to IAS 8: Accounting policies, Changes in Accounting estimates and errors (effective 01 January 2024)
- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities (effective 01 January 2024)
- Amendments to IFRS 16: Leases (effective 01 January 2024)
- Amendments to IFRS 10: Consolidated Financial Statements (effective 01 January 2024)
- Amendments to IAS 28: Investments in Associates and Joint Ventures (effective 01 January 2024)
- Amendments to IAS 7: Statement of Cash Flows (effective 01 January 2024)
- Amendments to IFRS 7: Financial Statements Disclosures (effective 01 January 2024)

The above amendments are not likely to have an impact on company's condensed interim financial statements.

	Quarter ended		Half year ended	
	June 30, 2023 Rs '000	June 30, 2022 Rs '000	June 30, 2023 Rs '000	June 30, 2022 Rs '000
7. Cost of sales				
Raw material consumed:				
Opening stock of raw materials and work in process	19,862,087	16,772,206	21,904,030	18,261,871
Raw material purchases and expenses	10,267,923	8,995,716	17,763,731	15,846,798
Excise duty, customs duty, regulatory duty and tobacco development cess etc.	538,704	630,746	1,264,162	1,271,668
Closing stock of raw materials and work in process	(21,163,335)	(14,743,081)	(21,163,335)	(14,743,081)
	9,505,379	11,655,587	19,768,588	20,637,256
Royalty	134,977	238,069	310,112	408,892
Production overheads	836,324	1,205,639	2,011,303	2,407,153
	10,476,680	13,099,295	22,090,003	23,453,301
Cost of finished goods				
Opening stock	5,111,442	3,827,973	3,130,588	3,963,744
Closing stock	(5,756,238)	(3,591,828)	(5,756,238)	(3,591,828)
	(644,796)	236,145	(2,625,650)	371,916
	9,831,884	13,335,440	19,464,353	23,825,217
8. Other expenses				
Workers' Profit Participation Fund (WPPF)	601,280	483,415	1,128,258	843,739
Workers' Welfare Fund (WWF)	228,486	183,698	428,738	320,621
Bank charges and fees	18,772	12,855	34,533	27,133
Interest to Workers' Profit Participation Fund (WPPF)	-	-	-	1,082
Foreign exchange loss	222,519	251,806	1,163,205	358,349
	1,071,057	931,774	2,754,734	1,550,924

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

for the six months period ended June 30, 2023

	Quarter ended		Half year ended	
	June 30, 2023 Rs '000	June 30, 2022 Rs '000	June 30, 2023 Rs '000	June 30, 2022 Rs '000
9. Other income				
Income from services to associated companies:				
- BAT M.E DMCC- UAE	-	286,041	-	286,041
	-	286,041	-	286,041
Gain /(loss) on disposal of property, plant and equipment	(1,079)	23,866	99,584	62,601
Others	1,318	852	2,613	1,784
	239	310,759	102,197	350,426

10. Finance income

This includes profit from placement with banks in saving accounts, term deposit and treasury bills earned under interest arrangement. The interest rates range between 14.50% and 21.35% (half year ended June 30, 2022 : 10% and 13.82%) per annum and is received on maturity.

	Note	June 30, 2023 (Un-audited) Rs '000	December 31, 2022 (Audited) Rs '000
11. Property, plant and equipment			
Operating assets	11.1	17,300,510	15,756,223
Capital work in progress	11.2	1,297,120	1,045,717
		18,597,630	16,801,940

11.1 Operating assets

Carrying amount at January 01	15,756,223	14,879,640
Additions during the half year/year:		
- Owned assets		
Building	-	65,307
Plant and machinery	949,958	1,991,593
Office and household equipment	14,340	204,875
Furniture and fittings	3,719	147,747
Vehicles	-	313
	968,017	2,409,835
- Right of use assets		
Land and building	1,310,862	322,031
Vehicles	384,008	591,181
	2,662,887	3,323,047

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

for the six months period ended June 30, 2023

	Note	June 30, 2023 (Un-audited) Rs '000	December 31, 2022 (Audited) Rs '000
Disposals during the half year/year (net book value):			
- Owned assets			
Building		-	(365)
Plant and machinery		(969)	(13,082)
Office and household equipment		-	(34,947)
Furniture and fittings		(4)	(626)
Vehicles		-	(138)
		(973)	(49,158)
- Right of use assets			
Land and building		-	(106,207)
Vehicles		(85,148)	(142,970)
		(86,121)	(298,335)
Depreciation/impairment charge for the half year/year:		(1,032,479)	(2,148,129)
Carrying amount as at June 30/December 31		17,300,510	15,756,223

- 11.1.1** During the half year ended 30 June 2023, the Company acquired assets, including transfers from capital work in progress, amounting to Rs. 2,662,887 thousand (half year ended 30 June 2022: Rs. 962,463 thousand). Operating fixed assets having net book value of Rs. 86,121 thousand were disposed off during half year ended 30 June 2023 (half year ended 30 June 2022: Rs. 211,346 thousand). Depreciation / impairment charge for half year ended 30 June 2023 was Rs. 1,032,479 thousand (half year ended 30 June 2022: Rs. 959,160 thousand).

	June 30, 2023 (Un-audited) Rs '000	December 31, 2022 (Audited) Rs '000
11.2 Capital work in progress		
Carrying value as at the beginning of the period	1,045,717	933,900
Additions during the half year/year	799,723	1,442,530
	1,845,440	2,376,430
Transferred to operating fixed assets	(548,320)	(1,330,713)
Carrying value as at end of the period	1,297,120	1,045,717

12. Long term investment in subsidiary company

This represents 500,001 (December 31, 2022: 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, 2023.

13. Loans and advances

These include non-interest bearing advances to employees of Rs. 33,167 thousand (December 31, 2022: Rs. 33,839 thousand).

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

for the six months period ended June 30, 2023

14. Other receivables

These include following balances due from related parties:

	June 30, 2023 (Un-audited) Rs '000	December 31,2022 (Audited) Rs '000
Holding company / associated companies	526,973	555,280
Subsidiary company	20,021	20,021
Employees retirement benefit plans	230,250	165,523

15. Cash and bank balances

Cash at banks		
- deposit accounts	8,064	7,513
- current accounts	35,440,877	1,871,283
	35,448,941	1,878,796

15.1 These include balances of Rs. 1,343,521 thousand (December 31, 2022: Rs. 1,444,033 thousand) held in foreign currency accounts.

16. Trade and other payables

16.1 These include following balances due to related parties:

	June 30, 2023 (Un-audited) Rs '000	December 31,2022 (Audited) Rs '000
Holding company / associated companies	8,152,441	4,859,598
Employees retirement benefit plans	364,441	394,381

16.2 These also include 'contract liabilities' representing advances from customers amounting to Rs.51,817 thousand (December 31, 2022: Rs. 715,884 thousand).

17. Short term running finance / export refinance - secured

Short term running finance facilities available under mark-up arrangements with banks amount to Rs. 6,500 million (December 31, 2022: Rs. 6,500 million), Unavailed amount at period end was Rs. 6,157 million (December 31, 2022: Rs. 6,500 million). These facilities are secured by hypothecation of stock in trade and plant & machinery amounting to Rs. 7,222 million (December 31, 2022: Rs.7,222 million). The mark-up ranges between 16.53% and 22.74% (December 31, 2022: 10.39% and 16.81%) per annum and is payable quarterly. The facilities are renewable on annual basis.

The Company has obtained Rs. 1,300 million (December 31, 2022 : Rs. 2,300 million) from Standard Chartered Bank Ltd., under export refinancing scheme. The mark-up is 16.20% (December 31, 2022 : 9.20%) per annum.

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

for the six months period ended June 30, 2023

18. Lease liability

This represents lease agreements entered into with various lessors on account of vehicle and property leases. Total gross lease rentals due under various lease agreements aggregate to Rs. 2,764,159 thousand - short term Rs. 525,304 thousand and long term Rs. 2,238,855 thousand (December 31, 2022: Rs. 1,737,866 thousand - short term Rs. 802,531 thousand and long term Rs. 935,335 thousand).

Financing rates of 9% to 24% (December 31, 2022: 9% to 17%) per annum have been used as discounting factor.

19. Share capital

Authorised share capital of the Company is Rs. 3,000,000 thousand (December 31, 2022: 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, 2022: Rs. 2,554,938 thousand) divided into 255,493,792 ordinary shares of Rs. 10 each.

June 30, 2023 (Un-audited) Rs '000	December 31,2022 (Audited) Rs '000
---	---

20. Contingencies and commitments

20.1 Contingencies

Claims and guarantees

Claims against the Company not acknowledged as debt	3,024	3,024
Guarantees issued by banks on behalf of the Company	869,944	769,944

Litigation

There is no significant change to status of litigations disclosed in annual financial statements for the year ended 31 December 2022.

June 30, 2023 (Un-audited) Rs '000	December 31,2022 (Audited) Rs '000
---	---

20.2 Commitments

Capital expenditure	2,327,943	-
Letters of credit outstanding	5,601,554	1,511,561

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

for the six months period ended June 30, 2023

	June 30, 2023 (Un-audited) Rs '000	December 31,2022 (Audited) Rs '000
21. Cash generated from operations		
Profit before income tax	21,008,162	15,710,420
Adjustment for non-cash items:		
- Depreciation	1,032,479	959,160
- (Gain) on disposal of property, plant and equipment	(99,584)	(62,601)
- Finance cost	302,194	132,301
- Finance income	(3,105,006)	(756,999)
- Exchange loss	1,163,205	358,349
- Charge / (reversal) of provision for slow moving stores and spares	15,673	29,738
- (Reversal) / charge of provision for damaged stock	-	(180,962)
- Provision for staff retirement benefit plans	234,607	-
	(456,432)	478,986
Changes in working capital:		
- Stock-in-trade	(2,014,253)	3,890,706
- Stores and spares	38,890	(38,467)
- Trade debts	845	170
- Loans and advances	(765,303)	(988,045)
- Short term prepayments	32,608	(53,372)
- Other receivables	1,253,067	(1,565,120)
- Trade and other payables	(1,093,231)	3,132,335
- Other liabilities	(169,440)	338,234
	(2,716,817)	4,716,441
Changes in long term deposits and prepayments	-	(4,207)
	17,834,913	20,901,640

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

for the six months period ended June 30, 2023

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, 2023 (Un-audited)		December 31, 2022 (Audited)	
	Fair value through profit or loss	Amortized cost	Fair value through profit or loss	Amortized cost
	Rs '000		Rs '000	
Financial assets measured at fair value				
Short-term investment	3,580	-	21,522,111	-
Financial assets not measured at fair value				
Deposits	-	23,604	-	23,604
Trade debts	-	2,031	-	2,876
Other receivables	-	2,434,096	-	3,532,555
Cash and bank balances	-	35,448,941	-	1,878,796
	3,580	37,908,672	21,522,111	5,437,831
Financial liabilities not measured at fair value				
Trade and other payables	-	(23,385,954)	-	(18,158,538)
Other liabilities	-	(3,923,541)	-	(4,092,981)
Short term running finance/export refinance	-	(1,705,992)	-	(2,354,312)
Finance lease obligation	-	(2,764,159)	-	(1,737,866)
Unpaid dividend	-	(5,388,721)	-	(5,391,129)
Unclaimed dividend	-	(105,843)	-	(106,330)
	-	(37,274,210)	-	(31,841,156)

The short term investments are classified under Level 2 fair value hierarchy. 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 fair values.

22.2 Financial risk management

The Company's financial risk management objective and policies are consistent with that disclosed in the financial statements for the year ended December 31, 2022.

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

for the six months period ended June 30, 2023

23. Related parties

British American Tobacco (Investments) Limited (BAT-IL) holds 94.34% (December 31, 2022: 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, 2023 Rs '000	June 30, 2022 Rs '000	June 30, 2023 Rs '000	June 30, 2022 Rs '000
Purchase of goods and services from				
Holding company	1,618,102	586,802	1,649,075	1,161,403
Associated companies	970,166	818,909	1,298,345	2,018,502
Sale of goods and services to				
Associated companies	1,120,657	1,802,964	2,351,506	2,947,125
Dividend				
Holding company	-	6,771,896	-	6,771,896
Royalty charged by				
Associate companies	134,977	238,069	310,113	408,892
Expenses reimbursed to				
Holding company	-	-	-	-
Associated companies	-	-	400	6,433
Expenses reimbursed by				
Holding company	-	-	-	3,266
Associated companies	3,738	38,250	24,557	44,395
Employees retirement benefit plans - expense / (income)				
Staff pension fund	7,201	(11,977)	14,446	(11,977)
Staff defined contribution pension fund	47,800	36,856	90,150	70,057
Employees' gratuity fund	39,756	23,224	74,639	50,315
Management provident fund	22,976	30,719	43,845	44,923
Employees' provident fund	6,989	3,100	11,527	7,372

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

for the six months period ended June 30, 2023

24. Operating Segments

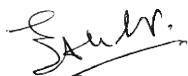
The Board of Directors of the Company, which is chief operating decision-maker, is responsible for allocating resources and assessing Company's performance and operations has identified one reportable segment. Accordingly, these condensed interim financials statements have been prepared on the basis of single reportable segment. Revenue from transaction with a single customer did not exceed 10% of Company's total revenue. All the assets of the company are based in Pakistan.

25. Events after the reporting date

The Board of Directors in its meeting held on 26th July 2023 has declared the first interim dividend of Rs. Nil (2022: Rs. 10.00) per share. This interim dividend of Rs. Nil (2022: Rs. 2,554,938 thousand) will be recorded as liability in the interim financial statements for the next quarter as required by the IAS 10 'Events after the Reporting Period'. 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 26th July, 2023.



Syed Ali Akbar
MD & Chief Executive Officer



Kelly Burtenshaw
Chief Financial Officer & Director

**Consolidated Condensed
Interim Financial Statements**
for the six months period ended June 30, 2023

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

for the six months period ended June 30, 2023

	Note	Quarter ended		Half year ended	
		June 30, 2023 Rs '000	June 30, 2022 Rs '000	June 30, 2023 Rs '000	June 30, 2022 Rs '000
Domestic turnover		73,623,262	59,132,239	131,113,598	110,819,991
Export turnover		1,120,658	1,482,932	2,351,506	2,627,093
Gross turnover		74,743,920	60,615,171	133,465,104	113,447,084
Excise duties		(39,654,485)	(26,342,014)	(66,938,560)	(51,660,079)
Sales tax		(11,575,245)	(8,960,784)	(20,428,461)	(16,781,965)
Net turnover		23,514,190	25,312,373	46,098,083	45,005,040
Cost of sales	7	(9,831,884)	(13,335,440)	(19,464,353)	(23,825,217)
Gross profit		13,682,306	11,976,933	26,633,730	21,179,823
Selling and distribution costs		(1,913,279)	(1,600,665)	(3,300,339)	(2,503,180)
Administrative expenses		(1,173,412)	(1,231,518)	(2,475,504)	(2,390,423)
Other expenses	8	(1,071,057)	(931,774)	(2,754,734)	(1,550,924)
Other income	9	239	310,759	102,197	350,426
		(4,157,509)	(3,453,198)	(8,428,380)	(6,094,101)
Operating profit		9,524,797	8,523,735	18,205,350	15,085,722
Finance income	10	1,850,603	543,709	3,105,006	756,999
Finance cost		(179,567)	(66,261)	(302,194)	(132,301)
Net finance income		1,671,036	477,448	2,802,812	624,698
Profit before income tax		11,195,833	9,001,183	21,008,162	15,710,420
Income tax expense		(6,897,973)	(5,375,480)	(9,966,378)	(7,198,471)
Profit for the period		4,297,860	3,625,703	11,041,784	8,511,949
Earnings per share - basic and diluted (Rupees)		16.82	14.20	43.22	33.32

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



Syed Ali Akbar
MD & Chief Executive Officer



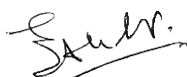
Kelly Burtenshaw
Chief Financial Officer & Director

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

for the six months period ended June 30, 2023

	Quarter ended		Half year ended	
	June 30, 2023 Rs '000	June 30, 2022 Rs '000	June 30, 2023 Rs '000	June 30, 2022 Rs '000
Profit for the period	4,297,860	3,625,703	11,041,784	8,511,949
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	4,297,860	3,625,703	11,041,784	8,511,949

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



Syed Ali Akbar
MD & Chief Executive Officer



Kelly Burtenshaw
Chief Financial Officer & Director

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

as at June 30, 2023

	Note	June 30, 2023 (Un-audited) Rs '000	December 31, 2022 (Audited) Rs '000
Non current assets			
Property, plant and equipment	11	18,622,678	16,826,988
Advances for capital expenditure		506,211	532,106
Long term deposits and prepayments		23,604	23,604
		19,152,493	17,382,698
Current assets			
Stock-in-trade		26,919,573	24,905,320
Stores and spares		584,263	561,046
Trade debts		2,031	2,876
Loans and advances	12	1,598,098	832,795
Short term prepayments		107,353	139,961
Other receivables	13	2,644,325	3,832,665
Short term investments		3,580	21,522,111
Cash and bank balances	14	35,448,941	1,878,796
		67,308,164	53,675,570
Current liabilities			
Trade and other payables	15	27,237,622	27,197,588
Other liabilities		3,923,542	4,092,981
Short term running finance/export refinance	16	1,705,992	2,354,312
Lease liability	17	525,304	802,531
Unpaid dividend		5,388,721	5,391,129
Unclaimed dividend		105,843	106,330
Current income tax liabilities		6,505,215	2,683,837
		(45,392,239)	(42,628,708)
Net current assets		21,915,925	11,046,862
Non current liabilities			
Lease liability	17	(2,238,855)	(935,335)
Deferred tax liabilities		(1,163,452)	(869,898)
		(3,402,307)	(1,805,233)
Net assets		37,666,111	26,624,327
Share capital and reserves			
Share capital	18	2,554,938	2,554,938
Revenue reserve - unappropriated profit		35,111,173	24,069,389
		37,666,111	26,624,327
Contingencies and commitments	19		

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



Syed Ali Akbar
MD & Chief Executive Officer



Kelly Burtenshaw
Chief Financial Officer & Director

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

for the six months period ended June 30, 2023

	Share capital Rs '000	Revenue reserves Rs '000	Total Rs '000
Balance at January 1, 2022	2,554,938	15,418,374	17,973,312
Total comprehensive income for the period:			
Profit for the period	-	8,511,949	8,511,949
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	8,511,949	8,511,949
Transactions with owners of the Company:			
Final dividend for the year ended December 31, 2021 @ Rs. 28 per share	-	(7,153,826)	(7,153,826)
Balance at June 30, 2022	2,554,938	16,776,497	19,331,435
Balance at January 1, 2023	2,554,938	24,069,389	26,624,327
Total comprehensive income for the period:			
Profit for the period	-	11,041,784	11,041,784
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	11,041,784	11,041,784
Balance at June 30, 2023	2,554,938	35,111,173	37,666,111

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



Syed Ali Akbar
MD & Chief Executive Officer



Kelly Burtenshaw
Chief Financial Officer & Director

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

for the six months period ended June 30, 2023

	Note	June 30, 2023 Rs '000	June 30, 2022 Rs '000
Cash flows from operating activities			
Cash generated from operations	20	17,757,133	20,901,640
Finance cost paid		(177,260)	(132,353)
Income tax paid		(5,851,446)	(3,570,701)
Contribution to retirement benefit funds		(329,274)	12,323
Net cash from operating activities		11,399,153	17,210,909
Cash flows from investing activities			
Purchases of property, plant and equipment		(1,219,420)	(1,429,046)
Advances for capital expenditure		25,895	841,372
Proceeds from sale of property, plant and equipment		185,705	273,947
Interest received		3,105,006	756,999
Net cash from investing activities		2,097,186	443,272
Cash flows from financing activities			
Dividends paid		(2,895)	(10,494,098)
Lease payments		(785,028)	(513,755)
Repayment of export refinance facility		(1,000,000)	-
Net cash used in financing activities		(1,787,923)	(11,007,853)
Net increase in cash and cash equivalents		11,708,416	6,646,328
Cash and cash equivalents at January 1		23,400,907	10,647,666
Cash and cash equivalents at June 30		35,109,323	17,293,994
Cash and cash equivalents comprise:			
Short-term investments		3,580	15,955,648
Cash and bank balances	14	35,448,941	1,338,346
Short term running finance	16	(343,198)	-
		35,109,323	17,293,994

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



Syed Ali Akbar
MD & Chief Executive Officer



Kelly Burtenshaw
Chief Financial Officer & Director

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

for the six months period ended June 30, 2023

1. The Group 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/tobacco.

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 Jammu 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, 2022 ('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 accounting and reporting standards as applicable in Pakistan. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

Comparative figures of condensed interim statement of financial position is extracted from annual financial statements as of December 31, 2022 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, 2022.

These consolidated condensed interim financial statements are un-audited and is being submitted to the members of the Group 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, 2023 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.

Measurement of fair values

When measuring the fair value of an asset or a liability, the Group 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).

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

for the six months period ended June 30, 2023

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, 2022.

6. Standards issued but not effective

A number of new standards and amendments to standards are effective for annual periods beginning after July 01, 2023, and earlier application is permitted; however, the Company has not early adopted the new or amended standards.

- Amendments to IAS 1: Presentation of Financial Statements (effective 01 January 2024)
- Amendments to IAS 8: Accounting policies, Changes in Accounting estimates and errors (effective 01 January 2024)
- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities (effective 01 January 2024)
- Amendments to IFRS 16: Leases (effective 01 January 2024)
- Amendments to IFRS 10: Consolidated Financial Statements (effective 01 January 2024)
- Amendments to IAS 28: Investments in Associates and Joint Ventures (effective 01 January 2024)
- Amendments to IAS 7: Statement of Cash Flows (effective 01 January 2024)
- Amendments to IFRS 7: Financial Statements Disclosures (effective 01 January 2024)

The above amendments are not likely to have an impact on company's condensed interim financial statements.

	Quarter ended		Half year ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
	Rs '000	Rs '000	Rs '000	Rs '000
7. Cost of sales				
Raw material consumed:				
Opening stock of raw materials and work in process	19,862,087	16,772,206	21,904,030	18,261,871
Raw material purchases and expenses	10,267,923	8,995,716	17,763,731	15,846,798
Excise duty, customs duty, regulatory duty and tobacco development cess etc.	538,704	630,746	1,264,162	1,271,668
Closing stock of raw materials and work in process	(21,163,335)	(14,743,081)	(21,163,335)	(14,743,081)
	9,505,379	11,655,587	19,768,588	20,637,256
Royalty	134,977	238,069	310,112	408,892
Production overheads	836,324	1,205,639	2,011,303	2,407,153
	10,476,680	13,099,295	22,090,003	23,453,301
Cost of finished goods				
Opening stock	5,111,442	3,827,973	3,130,588	3,963,744
Closing stock	(5,756,238)	(3,591,828)	(5,756,238)	(3,591,828)
	(644,796)	236,145	(2,625,650)	371,916
	9,831,884	13,335,440	19,464,353	23,825,217
8. Other expenses				
Workers' Profit Participation Fund (WPPF)	601,280	483,415	1,128,258	843,739
Workers' Welfare Fund (WWF)	228,486	183,698	428,738	320,621
Bank charges and fees	18,772	12,855	34,533	27,133
Interest to Workers' Profit Participation Fund (WPPF)	-	-	-	1,082
Foreign exchange loss	222,519	251,806	1,163,205	358,349
	1,071,057	931,774	2,754,734	1,550,924

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

for the six months period ended June 30, 2023

	Quarter ended		Half year ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
	Rs '000	Rs '000	Rs '000	Rs '000
9. Other income				
Income from services to associated companies:				
- BAT M.E DMCC- UAE	-	286,041	-	286,041
	-	286,041	-	286,041
Gain /(loss) on disposal of property, plant and equipment	(1,079)	23,866	99,584	62,601
Others	1,318	852	2,613	1,784
	239	310,759	102,197	350,426

10. Finance income

This includes profit from placement with banks in saving accounts, term deposit and treasury bills earned under interest arrangement. The interest rates range between 14.50% and 21.35% (half year ended June 30, 2022 : 10% and 13.82%) per annum and is received on maturity.

	Note	June 30, 2023 (Un-audited) Rs '000	December 31, 2022 (Audited) Rs '000
11. Property, plant and equipment			
Operating assets	11.1	17,303,874	15,759,587
Capital work in progress	11.2	1,318,804	1,067,401
		18,622,678	16,826,988

11.1 Operating assets

Carrying amount at January 01	15,759,587	14,883,004
Additions during the half year/year:		
- Owned assets		
Building	-	65,307
Plant and machinery	949,958	1,991,593
Office and household equipment	14,340	204,875
Furniture and fittings	3,719	147,747
Vehicles	-	313
	968,017	2,409,835
- Right of use assets		
Land and building	1,310,862	322,031
Vehicles	384,008	591,181
	2,662,887	3,323,047

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

for the six months period ended June 30, 2023

Note	June 30, 2023 (Un-audited) Rs '000	December 31, 2022 (Audited) Rs '000
Disposals during the half year/year (net book value):		
- Owned assets		
Building	-	(365)
Plant and machinery	(969)	(13,082)
Office and household equipment	-	(34,947)
Furniture and fittings	(4)	(626)
Vehicles	-	(138)
	(973)	(49,158)
- Right of use assets		
Land and building	-	(106,207)
Vehicles	(85,148)	(142,970)
	(86,121)	(298,335)
Depreciation/impairment charge for the half year/year:	(1,032,479)	(2,148,129)
Carrying amount as at June 30/December 31	17,303,874	15,759,587

- 11.1.1** During the half year ended 30 June 2023, the Company acquired assets, including transfers from capital work in progress, amounting to Rs. 2,662,887 thousand (half year ended 30 June 2022: Rs. 962,463 thousand). Operating fixed assets having net book value of Rs. 86,121 thousand were disposed off during half year ended 30 June 2023 (half year ended 30 June 2022: Rs. 211,346 thousand). Depreciation / impairment charge for half year ended 30 June 2023 was Rs. 1,032,479 thousand (half year ended 30 June 2022: Rs. 959,160 thousand).

	June 30, 2023 (Un-audited) Rs '000	December 31, 2022 (Audited) Rs '000
11.2 Capital work in progress		
Carrying value as at the beginning of the period	1,067,401	955,584
Additions during the half year/year	799,723	1,442,530
	1,867,124	2,398,114
Transferred to operating fixed assets	(548,320)	(1,330,713)
Carrying value as at end of the period	1,318,804	1,067,401

12. Loans and advances

These include non-interest bearing advances to employees of Rs. 33,167 thousand (December 31, 2022: Rs. 33,839 thousand).

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) for the six months period ended June 30, 2023

13. Other receivables

These include following balances due from related parties:

	June 30, 2023 (Un-audited) Rs '000	December 31,2022 (Audited) Rs '000
Holding company / associated companies	526,973	555,280
Employees retirement benefit plans	230,250	165,523

14. Cash and bank balances

Cash at banks		
- deposit accounts	8,064	7,513
- current accounts	35,440,877	1,871,283
	35,448,941	1,878,796

14.1 These include balances of Rs. 1,343,521 thousand (December 31, 2022: Rs. 1,444,033 thousand) held in foreign currency accounts.

15. Trade and other payables

15.1 These include following balances due to related parties:

	June 30, 2023 (Un-audited) Rs '000	December 31,2022 (Audited) Rs '000
Holding company / associated companies	8,152,441	4,859,598
Employees retirement benefit plans	364,441	394,381

15.2 These also include 'contract liabilities' representing advances from customers amounting to Rs. 51,817 thousand (December 31, 2022: Rs. 715,884 thousand).

16. Short term running finance / export refinance - secured

Short term running finance facilities available under mark-up arrangements with banks amount to Rs. 6,500 million (December 31, 2022: Rs. 6,500 million), Unavailed amount at period end was Rs. 6,157 million (December 31, 2022: Rs. 6,500 million). These facilities are secured by hypothecation of stock in trade and plant & machinery amounting to Rs. 7,222 million (December 31, 2022: Rs.7,222 million). The mark-up ranges between 16.53% and 22.74% (December 31, 2022: 10.39% and 16.81%) per annum and is payable quarterly. The facilities are renewable on annual basis.

The Company has obtained Rs. 1,300 million (December 31, 2022 : Rs. 2,300 million) from Standard Chartered Bank Ltd., under export refinancing scheme. The mark-up is 16.20% (December 31, 2022 : 9.20%) per annum.

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

for the six months period ended June 30, 2023

17. Lease liability

This represents lease agreements entered into with various lessors on account of vehicle and property leases. Total gross lease rentals due under various lease agreements aggregate to Rs. 2,764,159 thousand - short term Rs. 525,304 thousand and long term Rs. 2,238,855 thousand (December 31, 2022: Rs. 1,737,866 thousand - short term Rs. 802,531 thousand and long term Rs. 935,335 thousand).

Financing rates of 9% to 24% (December 31, 2022: 9% to 17%) per annum have been used as discounting factor.

18. Share capital

Authorised share capital of the Company is Rs. 3,000,000 thousand (December 31, 2022: 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, 2022: Rs. 2,554,938 thousand) divided into 255,493,792 ordinary shares of Rs. 10 each.

June 30, 2023 (Un-audited) Rs '000	December 31,2022 (Audited) Rs '000
---	---

19. Contingencies and commitments

19.1 Contingencies

Claims and guarantees

Claims against the Company not acknowledged as debt	3,024	3,024
Guarantees issued by banks on behalf of the Company	869,944	769,944

Litigation

There is no significant change to status of litigations disclosed in annual financial statements for the year ended 31 December 2022.

June 30, 2023 (Un-audited) Rs '000	December 31,2022 (Audited) Rs '000
---	---

19.2 Commitments

Capital expenditure	2,327,943	-
Letters of credit outstanding	5,601,554	1,511,561

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

for the six months period ended June 30, 2023

	June 30, 2023 (Un-audited) Rs '000	December 31, 2022 (Audited) Rs '000
20. Cash generated from operations		
Profit before income tax	21,008,162	15,710,420
Adjustment for non-cash items:		
- Depreciation	1,032,479	959,160
- (Gain) on disposal of property, plant and equipment	(99,584)	(62,601)
- Finance cost	302,194	132,301
- Finance income	(3,105,006)	(756,999)
- Exchange loss	1,163,205	358,349
- Charge / (reversal) of provision for slow moving stores and spares	15,673	29,738
- (Reversal) / charge of provision for damaged stock	-	(180,962)
- Provision for staff retirement benefit plans	234,607	-
	(456,432)	478,986
Changes in working capital:		
- Stock-in-trade	(2,014,253)	3,890,706
- Stores and spares	38,890	(38,467)
- Trade debts	845	170
- Loans and advances	(765,303)	(988,045)
- Short term prepayments	32,608	(53,372)
- Other receivables	1,253,067	(1,565,120)
- Trade and other payables	(1,093,231)	3,132,335
- Other liabilities	(169,440)	338,234
	(2,716,817)	4,716,441
Changes in long term deposits and prepayments	-	(4,207)
	17,834,913	20,901,640

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

for the six months period ended June 30, 2023

21. Financial instruments

21.1 Carrying amounts and fair values

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

	June 30, 2023 (Un-audited)		December 31, 2022 (Audited)	
	Fair value through profit or loss	Amortized cost	Fair value through profit or loss	Amortized cost
	Rs '000		Rs '000	
Financial assets measured at fair value				
Short-term investment	3,580	-	21,522,111	-
Financial assets not measured at fair value				
Deposits	-	23,604	-	23,604
Trade debts	-	2,031	-	2,876
Other receivables	-	2,414,075	-	3,512,534
Cash and bank balances	-	35,448,941	-	1,878,796
	3,580	37,888,651	21,522,111	5,417,810
		37,892,231		26,939,921
Financial liabilities not measured at fair value				
Trade and other payables	-	(23,385,981)	-	(18,158,565)
Other liabilities	-	(3,923,541)	-	(4,092,981)
Short term running finance/export refinance	-	(1,705,992)	-	(2,354,312)
Finance lease obligation	-	(2,764,159)	-	(1,737,866)
Unpaid dividend	-	(5,388,721)	-	(5,391,129)
Unclaimed dividend	-	(105,843)	-	(106,330)
	-	(37,274,238)	-	(31,841,183)

The short term investments are classified under Level 2 fair value hierarchy.

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 fair values.

21.2 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, 2022.

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

for the six months period ended June 30, 2023

22. Related parties

British American Tobacco (Investments) Limited (BAT-IL) holds 94.34% (December 31, 2022: 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, 2023 Rs '000	June 30, 2022 Rs '000	June 30, 2023 Rs '000	June 30, 2022 Rs '000
Purchase of goods and services from				
Holding company	1,618,102	586,802	1,649,075	1,161,403
Associated companies	970,166	818,909	1,298,345	2,018,502
Sale of goods and services to				
Associated companies	1,120,657	1,802,964	2,351,506	2,947,125
Dividend				
Holding company	-	6,771,896	-	6,771,896
Royalty charged by				
Associate companies	134,977	238,069	310,113	408,892
Expenses reimbursed to				
Holding company	-	-	-	-
Associated companies	-	-	400	6,433
Expenses reimbursed by				
Holding company	-	-	-	3,266
Associated companies	3,738	38,250	24,557	44,395
Employees retirement benefit plans - expense / (income)				
Staff pension fund	7,201	(11,977)	14,446	(11,977)
Staff defined contribution pension fund	47,800	36,856	90,150	70,057
Employees' gratuity fund	39,756	23,224	74,639	50,315
Management provident fund	22,976	30,719	43,845	44,923
Employees' provident fund	6,989	3,100	11,527	7,372

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

for the six months period ended June 30, 2023

23. Operating Segments

The Board of Directors of the Company, which is chief operating decision-maker, is responsible for allocating resources and assessing Company's performance and operations has identified one reportable segment. Accordingly, these condensed interim financials statements have been prepared on the basis of single reportable segment. Revenue from transaction with a single customer did not exceed 10% of Company's total revenue. All the assets of the company are based in Pakistan.

24. Events after the reporting date

The Board of Directors in its meeting held on 26th July 2023 has declared the first interim dividend of Rs. Nil (2022: Rs. 10.00) per share. This interim dividend of Rs. Nil (2022: Rs. 2,554,938 thousand) will be recorded as liability in the interim financial statements for the next quarter as required by the IAS 10 'Events after the Reporting Period'. 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 26th July, 2023.



Syed Ali Akbar
MD & Chief Executive Officer



Kelly Burtenshaw
Chief Financial Officer & Director



Pakistan Tobacco Company Limited, Serena
Business Complex, Khayaban-e-Suhrwardy,
Islamabad, Pakistan



Tel: +92 (51) 2083200-1



Fax: +92 (51) 2604516



Web: www.ptc.com.pk

GO ONLINE

