

COMMITMENT TO  
**value**  
**creation**



**Condensed Interim Financial Information**  
for nine months ended September 30, 2015

# Corporate Information

## Board of Directors

Mueen Afzal  
Chairman and Non-Executive Director

Graeme Amey  
Managing Director and CEO

Syed Javed Iqbal  
Director Finance & IT

Tajamal Shah  
Legal Director

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

Syed Asif Shah  
Non-Executive Director

Abid Niaz Hasan  
Non-Executive Director

Hae In KIM  
Non-Executive Director

Felicio Ferraz  
Non-Executive Director

## Audit Committee

Abid Niaz Hasan

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

Syed Asif Shah

Umar Mansoor (Secretary)

## Company Secretary

Ayesha Rafique

## Registered Office

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

## Factories

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

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

## Bankers

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

## Auditors

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

## Share Registrar

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

## Directors' Review

The Directors present the performance of Pakistan Tobacco Company Limited (PTC) for the third quarter ended September 30, 2015.

The company continues to show notable performance despite multiple external challenges including volatile security, energy crisis and consumer down trading to cheap duty evaded sector. PTC has improved its market share in the legitimate sector vs. SPLY, which is mainly attributed to strong brand portfolio and effective marketing investments.

Key financial indicators of PTC for YTD Q3 2015 are:

	Rs (million)	
	Jan - Sep, 2015	Jan - Sep, 2014
Gross Turnover	96,034	80,902
Net Turnover	33,050	27,663
Cost Of Sales	18,866	17,397
Gross Profit	14,184	10,266
Operating Profit	9,316	5,965
Profit Before Tax – PBT	9,533	6,065
Profit After Tax – PAT	6,332	4,096
Earnings Per Share – EPS (Rs)	24.78	16.03

The legitimate industry continues to be under pressure due to the increase of cheap duty evaded cigarettes. To ensure sustainability, PTC remains focused on innovative and brand building marketing initiatives. In this quarter, the company invested in the House of Pall Mall campaign.

During the year, PTC has taken a portfolio wide price increase in June'15, driven primarily by an above inflation increase in the excise rates. Gross Turnover increased as the volume decline was more than offset by the price increase.

Cost of sales are 8% higher vs. SPLY mainly due to inflationary impact on raw material costs. PTC also continues to focus on productivity enhancements through the implementation of cost savings initiatives. This has ensured improvement in Gross & Operating profits vs. SPLY. Strict & prudent cost control, across the business areas especially overheads and other expenses, also helped PTC in delivering higher Profit vs. SPLY.

PTC continues to be a significant contributor to the National Exchequer with our contributions amounting to Rs.66.80 bn till September 30, 2015 (up 20% vs. SPLY) in the form of excise duty, sales tax, customs duties and income tax. Due to the exponential rise in illicit and tax evaded sector, sustainable growth in Government revenues is a challenge. Therefore, reinforcement by authorities to curtail illicit volume would be critical for the Government revenues in the long run.

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



**Graeme Amey**  
Managing Director and CEO



**Syed Javed Iqbal**  
Director Finance & IT

# Condensed Interim Profit and Loss Account (Unaudited)

for the nine months ended September 30, 2015

	Note	Three months ended		Nine months ended	
		Sep 30,	Sep 30,	Sep 30,	Sep 30,
		2015	2014	2015	2014
		Rs '000			
Gross turnover		25,153,254	22,426,729	96,033,887	80,901,778
Excise duties		(12,908,900)	(11,331,299)	(48,529,115)	(41,057,148)
Sales tax		(3,785,155)	(3,372,449)	(14,454,396)	(12,181,461)
<b>Net turnover</b>		<b>8,459,199</b>	<b>7,722,981</b>	<b>33,050,376</b>	<b>27,663,169</b>
Cost of sales	5	(4,509,796)	(4,554,206)	(18,866,281)	(17,396,805)
<b>Gross profit</b>		<b>3,949,403</b>	<b>3,168,775</b>	<b>14,184,095</b>	<b>10,266,364</b>
Selling and distribution expenses		(822,462)	(698,871)	(2,521,820)	(2,186,544)
Administrative expenses		(632,625)	(459,166)	(1,487,598)	(1,617,574)
Other operating expenses	6	(204,561)	(144,453)	(957,765)	(601,263)
Other operating income		21,692	1,880	98,672	103,699
		(1,637,956)	(1,300,610)	(4,868,511)	(4,301,682)
<b>Operating profit</b>		<b>2,311,447</b>	<b>1,868,165</b>	<b>9,315,584</b>	<b>5,964,682</b>
Finance income		38,012	22,513	268,864	180,075
Finance cost		(14,808)	(35,294)	(51,193)	(79,892)
Net finance income		23,204	(12,781)	217,671	100,183
<b>Profit before income tax</b>		<b>2,334,651</b>	<b>1,855,384</b>	<b>9,533,255</b>	<b>6,064,865</b>
Income tax expense - current		(757,841)	(634,017)	(3,322,226)	(2,038,778)
- deferred		18,848	27,201	121,441	70,068
	7	(738,993)	(606,816)	(3,200,785)	(1,968,710)
<b>Profit for the period</b>		<b>1,595,658</b>	<b>1,248,568</b>	<b>6,332,470</b>	<b>4,096,155</b>
Earnings per share - basic and diluted (Rupees)		6.24	4.88	24.78	16.03

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



Graeme Amey  
Managing Director and CEO



Syed Javed Iqbal  
Director Finance & IT

# Condensed Interim Statement of Comprehensive Income (Unaudited)

for the nine months ended September 30, 2015

	Rs '000			
	Three months ended		Nine months ended	
	Sep 30, 2015	Sep 30, 2014	Sep 30, 2015	Sep 30, 2014
<b>Profit for the period</b>	1,595,658	1,248,568	6,332,470	4,096,155
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive income for the period</b>	1,595,658	1,248,568	6,332,470	4,096,155

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



Graeme Amey  
Managing Director and CEO



Syed Javed Iqbal  
Director Finance & IT

# Condensed Interim Balance Sheet (Unaudited)

as at September 30, 2015

	Note	September 30, 2015 (Unaudited)	Rs '000 December 31, 2014 (Audited)
<b>Non current assets</b>			
Property, plant and equipment	8	8,796,449	8,713,477
Long term investment in subsidiary company	9	5,000	5,000
Long term loans		-	19
Long term deposits and prepayments		26,000	32,453
		8,827,449	8,750,949
<b>Current assets</b>			
Stock-in-trade		13,559,536	11,894,508
Stores and spares		536,879	472,029
Trade debts		1,002	3,225
Loans and advances		79,377	66,692
Short term prepayments		103,667	183,145
Other receivables	10	550,160	425,467
Cash and bank balances		4,464,966	149,573
		19,295,587	13,194,639
<b>Current liabilities</b>			
Trade and other payables	11	13,577,138	11,266,499
Short term running finance	12	25,356	562,870
Finance lease obligation		116,282	119,375
Accrued interest / mark-up		6,017	24,166
Current income tax liability		1,632,446	460,732
		15,357,239	12,433,642
<b>Net current assets</b>		3,938,348	760,997
<b>Non current liabilities</b>			
Deferred income tax liability		(1,025,188)	(1,100,229)
Finance lease obligation		(462,702)	(400,354)
		(1,487,890)	(1,500,583)
<b>Net assets</b>		11,277,907	8,011,363
<b>Share capital and reserves</b>			
Authorised share capital 300,000,000 ordinary shares of Rs 10 each		3,000,000	3,000,000
Issued, subscribed and paid-up capital 255,493,792 ordinary shares of Rs 10 each		2,554,938	2,554,938
<b>Retained earnings</b>		8,722,969	5,456,425
<b>Shareholders' equity</b>		11,277,907	8,011,363
<b>Contingencies and commitments</b>	13		

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



**Graeme Amey**  
Managing Director and CEO



**Syed Javed Iqbal**  
Director Finance & IT

# Condensed Interim Cash Flow Statement (Unaudited)

for the nine months ended September 30, 2015

	Rs '000	
	Nine months ended	
	Sep 30, 2015	Sep 30, 2014
<b>Cash flows from operating activities</b>		
Cash receipts from customers	96,036,110	80,897,792
Cash paid to Government for federal excise duty, sales tax and other levies	(62,749,044)	(51,918,532)
Cash paid to suppliers, employees and others	(22,157,250)	(20,553,871)
Finance cost paid	(69,342)	(81,433)
Cash paid as royalty	(422,995)	(240,162)
Income tax paid	(2,150,512)	(1,313,623)
Finance income received	261,137	180,075
	<b>8,748,104</b>	<b>6,970,246</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(817,934)	(1,223,728)
Proceeds from disposal of property, plant and equipment	140,523	30,560
	<b>(677,411)</b>	<b>(1,193,168)</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(3,091,739)	(1,530,016)
Finance lease payments	(126,047)	(79,700)
	<b>(3,217,786)</b>	<b>(1,609,716)</b>
<b>Net increase in cash and cash equivalents</b>	<b>4,852,907</b>	<b>4,167,362</b>
Cash and cash equivalents at January 1	(413,297)	(2,376,317)
<b>Cash and cash equivalents at Sep 30</b>	<b>4,439,610</b>	<b>1,791,045</b>
<b>Cash and cash equivalents comprise:</b>		
Cash and bank balances	4,464,966	1,791,045
Short term running finance	(25,356)	-
	<b>4,439,610</b>	<b>1,791,045</b>

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



**Graeme Amey**  
Managing Director and CEO



**Syed Javed Iqbal**  
Director Finance & IT

# Condensed Interim Statement of Changes in Equity (Unaudited)

for the nine months ended September 30, 2015

	Share capital	Revenue reserves	Rs '000 Total
<b>Balance at January 1, 2014</b>	2,554,938	2,857,270	5,412,208
Total comprehensive income for the nine months	-	4,096,155	4,096,155
Transactions with owners:			
Final dividend of Rs 6.00 per share relating to the year ended December 31, 2013	-	(1,532,963)	(1,532,963)
<b>Balance at September 30, 2014</b>	2,554,938	5,420,462	7,975,400
<b>Balance at October 1, 2014</b>	2,554,938	5,420,462	7,975,400
Total comprehensive income for the quarter	-	802,444	802,444
Transactions with owners:			
1st Interim dividend of Rs 3.00 per share relating to the year ended December 31, 2014	-	(766,481)	(766,481)
<b>Balance at December 31, 2014</b>	2,554,938	5,456,425	8,011,363
<b>Balance at January 1, 2015</b>	2,554,938	5,456,425	8,011,363
Total comprehensive income for the nine months	-	6,332,470	6,332,470
Transactions with owners:			
Final dividend of Rs 12.00 per share relating to the year ended December 31, 2014	-	(3,065,926)	(3,065,926)
<b>Balance at September 30, 2015</b>	2,554,938	8,722,969	11,277,907

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



Graeme Amey  
Managing Director and CEO



Syed Javed Iqbal  
Director Finance & IT



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

for the nine months ended September 30, 2015

## 1. Legal status and operations

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

## 2. Basis of preparation

These condensed interim financial information of the Company for the nine months ended September 30, 2015 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. The condensed interim financial information should be read in conjunction with the financial statements for the year ended December 31, 2014, which have been prepared in accordance with approved accounting standards as applicable in Pakistan.

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

The accounting policies, significant judgements made in the application of accounting policies, key sources of estimations, the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements for the year ended December 31, 2014.

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

## 4. Financial risk management

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

## 5. Cost of sales

	Three months ended		Nine months ended	
	Sep 30, 2015	Sep 30, 2014	Sep 30, 2015	Sep 30, 2014
Raw materials consumed				
Opening stock of raw materials and work in process	5,876,063	4,442,460	9,802,963	7,558,214
Raw material purchases and expenses	10,728,771	9,891,211	16,791,972	16,387,319
Excise duty, customs duty and tobacco development cess	160,699	145,913	493,601	537,390
Closing stock of raw materials and work in process	(11,746,949)	(9,991,614)	(11,746,949)	(9,991,614)
	5,018,584	4,487,970	15,341,587	14,491,309
Royalty	142,340	97,079	441,768	375,714
Production overheads	801,718	841,766	2,733,968	2,572,543
Cost of goods manufactured	5,962,642	5,426,815	18,517,323	17,439,566
Cost of finished goods:				
Opening stock	359,741	778,305	2,161,545	1,608,153
Closing stock	(1,812,587)	(1,650,914)	(1,812,587)	(1,650,914)
	(1,452,846)	(872,609)	348,958	(42,761)
	4,509,796	4,554,206	18,866,281	17,396,805

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

for the nine months ended September 30, 2015

	Three months ended		Nine months ended	
	Sep 30,	Sep 30,	Sep 30,	Sep 30,
	2015	2014	2015	2014
	Rs '000			
<b>6. Other operating expenses</b>				
Workers' Profit Participation Fund	125,427	102,116	512,226	325,839
Workers' Welfare Fund	48,314	40,113	198,876	126,068
Bank charges and fees	9,573	8,757	36,377	30,664
Interest paid to WPPF	-	-	892	517
Foreign exchange loss	21,247	(6,533)	209,394	118,175
	204,561	144,453	957,765	601,263

## 7. Taxation

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

	Rs '000	
	September 30, 2015	December 31, 2014
<b>8. Property, plant and equipment</b>		
Operating fixed assets - note 8.1	7,369,003	7,648,611
Capital work in progress	1,427,446	1,064,866
	8,796,449	8,713,477
<b>8.1 Operating fixed assets</b>		
Opening net book amount	7,648,611	6,070,353
Additions during the period / year at cost		
Owned assets:		
Building	21,894	49,420
Plant and machinery	142,389	1,869,112
Vehicles	-	20,907
Office and household equipment	18,827	165,289
Furniture and fittings	4,484	262,987
	187,594	2,367,715
Leased assets:		
Vehicles	328,935	129,955
	516,529	2,497,670
Disposals during the period / year - at net book amount		
Owned assets:		
Building	-	(1,032)
Plant and machinery	-	(28,089)
Vehicles	(70,061)	(54,791)
Office and household equipment	(438)	(601)
Furniture and fittings	(1,325)	(1,102)
	(71,824)	(85,615)
Depreciation charge for the period / year	(724,313)	(833,797)
Net book amount	7,369,003	7,648,611

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

for the nine months ended September 30, 2015

## 9. Long term investment in subsidiary

This represents 500,001 (December 31, 2014: 500,001) fully paid ordinary shares of Rs 10 each in Phoenix (Private) Limited. The break up value of shares calculated by reference to net assets worked out to be Rs 10 per share based on audited financial statements for the year ended December 31, 2014. This is a wholly owned subsidiary of the Company which has not yet commenced commercial production.

## 10. Other receivables

These include following balances due from related parties:

	September 30, 2015	Rs '000 December 31, 2014
Associated companies	57,514	45,979
Subsidiary company	20,021	20,021
Employees retirement benefit plans	388,970	319,535

## 11. Trade and other payables

These include following balances due to related parties:

Holding company	140,049	185,610
Associated companies	1,216,945	821,884
Employees retirement benefit plans	280,348	327,900

## 12. Short term running finance

Short term running finance facilities available under mark-up arrangements with banks amount to Rs 6,500 million (December 31, 2014: Rs 6,500 million), out of which the amount unavailed at the September end was Rs 6,475 million (December 31, 2014: Rs 5,937 million). These facilities are secured by hypothecation of stock-in-trade and plant & machinery amounting to Rs 7,222 million (December 31, 2014: Rs 7,222 million). The mark-up ranges between 7.01% and 10.34% (December 31, 2014: 10.03% and 10.69%) per annum and is payable quarterly. The facilities are renewable on annual basis.

	September 30, 2015	Rs '000 December 31, 2014
<b>13. Contingencies and commitments</b>		
<b>13.1 Contingencies</b>		
Claims and guarantees		
(i) Claims against the Company not acknowledged as debt	131,800	131,800
(ii) Guarantees issued by banks on behalf of the Company	241,697	212,455
<b>13.2 Commitments</b>		
(i) Capital expenditure	549,081	-
(ii) Letters of credit outstanding	692,699	584,891

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

for the nine months ended September 30, 2015

## 14. Post balance sheet event

The Board of Directors in their meeting held on October 19, 2015 has declared the first interim dividend of Rs 6.00 per share (2014: Rs 3.00 per share). This interim dividend of Rs.1,532,963 thousand (2014: Rs 766,481 thousand) will be recorded as liability in the financial statements for the next quarter as required by the International Accounting Standard 10" Events after the Balance Sheet Date".

## 15. Transactions with related parties

	Rs '000			
	Three months ended		Nine months ended	
	Sep 30, 2015	Sep 30, 2014	Sep 30, 2015	Sep 30, 2014
Purchase of goods and services				
Holding company	171,918	365,873	511,376	576,262
Associated companies	420,807	457,627	937,443	1,063,317
Sale of goods and services				
Holding company	-	-	4,540	7,796
Associated companies	50,833	25,181	74,288	57,583
Royalty charge				
Holding company	142,340	97,079	441,768	375,714
Employees retirement benefit plans - Expense				
Staff pension fund	15,618	7,614	33,109	22,841
Staff defined contribution pension fund	14,434	12,939	42,561	36,256
Employees' gratuity fund	39,545	19,556	85,155	58,671
Management provident fund	16,054	15,220	47,963	44,893
Employees' provident fund	4,666	3,862	14,038	12,093
Remuneration of key management personnel	223,555	152,472	550,286	554,840

## 16. Date of authorisation

This condensed interim financial information has been authorised for issue by the Board of Directors of the Company on October 19, 2015.



Graeme Amey  
Managing Director and CEO



Syed Javed Iqbal  
Director Finance & IT

# Consolidated Condensed Interim Profit and Loss Account (Unaudited)

for the nine months ended September 30, 2015

				Rs '000	
		Three months ended		Nine months ended	
Note		Sep 30, 2015	Sep 30, 2014	Sep 30, 2015	Sep 30, 2014
	Gross turnover	25,153,254	22,426,729	96,033,887	80,901,778
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	Sales tax	(3,785,155)	(3,372,449)	(14,454,396)	(12,181,461)
	<b>Net turnover</b>	<b>8,459,199</b>	<b>7,722,981</b>	<b>33,050,376</b>	<b>27,663,169</b>
	Cost of sales	5 (4,509,796)	(4,554,206)	(18,866,281)	(17,396,805)
	<b>Gross profit</b>	<b>3,949,403</b>	<b>3,168,775</b>	<b>14,184,095</b>	<b>10,266,364</b>
	Selling and distribution expenses	(822,462)	(698,871)	(2,521,820)	(2,186,544)
	Administrative expenses	(632,625)	(459,166)	(1,487,598)	(1,617,574)
	Other operating expenses	6 (204,561)	(144,453)	(957,765)	(601,263)
	Other operating income	21,692	1,880	98,672	103,699
		(1,637,956)	(1,300,610)	(4,868,511)	(4,301,682)
	<b>Operating profit</b>	<b>2,311,447</b>	<b>1,868,165</b>	<b>9,315,584</b>	<b>5,964,682</b>
	Finance income	38,012	22,513	268,864	180,075
	Finance cost	(14,808)	(35,294)	(51,193)	(79,892)
	Net finance income	23,204	(12,781)	217,671	100,183
	<b>Profit before income tax</b>	<b>2,334,651</b>	<b>1,855,384</b>	<b>9,533,255</b>	<b>6,064,865</b>
	Income tax expense - current	(757,841)	(634,017)	(3,322,226)	(2,038,778)
	- deferred	18,848	27,201	121,441	70,068
	7 (738,993)	(606,816)	(3,200,785)	(1,968,710)	
	<b>Profit for the period</b>	<b>1,595,658</b>	<b>1,248,568</b>	<b>6,332,470</b>	<b>4,096,155</b>
	Earnings per share - basic and diluted (Rupees)	6.24	4.88	24.78	16.03

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



Graeme Amey  
Managing Director and CEO



Syed Javed Iqbal  
Director Finance & IT

# Consolidated Condensed Interim Statement of Comprehensive Income (Unaudited)

for the nine months ended September 30, 2015

Rs '000

	Three months ended		Nine months ended	
	Sep 30, 2015	Sep 30, 2014	Sep 30, 2015	Sep 30, 2014
<b>Profit for the period</b>	1,595,658	1,248,568	6,332,470	4,096,155
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>1,595,658</b>	<b>1,248,568</b>	<b>6,332,470</b>	<b>4,096,155</b>

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



**Graeme Amey**  
Managing Director and CEO



**Syed Javed Iqbal**  
Director Finance & IT

# Consolidated Condensed Interim Balance Sheet (Unaudited)

as at September 30, 2015

	Note	September 30, 2015 (Unaudited)	Rs '000 December 31, 2014 (Audited)
<b>Non current assets</b>			
Property, plant and equipment	8	8,821,497	8,738,525
Long term loans		-	19
Long term deposits and prepayments		26,000	32,453
		8,847,497	8,770,997
<b>Current assets</b>			
Stock-in-trade		13,559,536	11,894,508
Stores and spares		536,879	472,029
Trade debts		1,002	3,225
Loans and advances		79,377	66,692
Short term prepayments		103,667	183,145
Other receivables	9	530,139	405,446
Cash and bank balances		4,464,966	149,573
		19,275,566	13,174,618
<b>Current liabilities</b>			
Trade and other payables	10	13,577,165	11,266,526
Short term running finance	11	25,356	562,870
Finance lease obligation		116,282	119,375
Accrued interest / mark-up		6,017	24,166
Current income tax liability		1,632,446	460,732
		15,357,266	12,433,669
<b>Net current assets</b>		3,918,300	740,949
<b>Non current liabilities</b>			
Deferred income tax liability		(1,025,188)	(1,100,229)
Finance lease obligation		(462,702)	(400,354)
		(1,487,890)	(1,500,583)
<b>Net assets</b>		11,277,907	8,011,363
<b>Share capital and reserves</b>			
Authorised share capital			
300,000,000 ordinary shares of Rs 10 each		3,000,000	3,000,000
Issued, subscribed and paid-up capital			
255,493,792 ordinary shares of Rs 10 each		2,554,938	2,554,938
<b>Retained earnings</b>		8,722,969	5,456,425
<b>Shareholders' equity</b>		11,277,907	8,011,363
<b>Contingencies and commitments</b>	12		

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



**Graeme Amey**  
Managing Director and CEO



**Syed Javed Iqbal**  
Director Finance & IT

# Consolidated Condensed Interim Cash Flow Statement (Unaudited)

for the nine months ended September 30, 2015

	Rs '000	
	Nine months ended	
	Sep 30, 2015	Sep 30, 2014
<b>Cash flows from operating activities</b>		
Cash receipts from customers	96,036,110	80,897,792
Cash paid to Government for federal excise duty, sales tax and other levies	(62,749,044)	(51,918,532)
Cash paid to suppliers, employees and others	(22,157,250)	(20,553,871)
Finance cost paid	(69,342)	(81,433)
Cash paid as royalty	(422,995)	(240,162)
Income tax paid	(2,150,512)	(1,313,623)
Finance income received	261,137	180,075
	<b>8,748,104</b>	<b>6,970,246</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(817,934)	(1,223,728)
Proceeds from disposal of property, plant and equipment	140,523	30,560
	<b>(677,411)</b>	<b>(1,193,168)</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(3,091,739)	(1,530,016)
Finance lease payments	(126,047)	(79,700)
	<b>(3,217,786)</b>	<b>(1,609,716)</b>
<b>Net increase in cash and cash equivalents</b>	<b>4,852,907</b>	<b>4,167,362</b>
Cash and cash equivalents at January 1	(413,297)	(2,376,317)
<b>Cash and cash equivalents at Sep 30</b>	<b>4,439,610</b>	<b>1,791,045</b>
<b>Cash and cash equivalents comprise:</b>		
Cash and bank balances	4,464,966	1,791,045
Short term running finance	(25,356)	-
	<b>4,439,610</b>	<b>1,791,045</b>

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



**Graeme Amey**  
Managing Director and CEO



**Syed Javed Iqbal**  
Director Finance & IT



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

for the nine months ended September 30, 2015

	Share capital	Revenue reserves	Rs '000 Total
<b>Balance at January 1, 2014</b>	2,554,938	2,857,270	5,412,208
Total comprehensive income for the nine months	-	4,096,155	4,096,155
Transactions with owners:			
Final dividend of Rs 6.00 per share relating to the year ended December 31, 2013	-	(1,532,963)	(1,532,963)
<b>Balance at September 30, 2014</b>	2,554,938	5,420,462	7,975,400
<b>Balance at October 1, 2014</b>	2,554,938	5,420,462	7,975,400
Total comprehensive income for the quarter	-	802,444	802,444
Transactions with owners:			
1st Interim dividend of Rs 3.00 per share relating to the year ended December 31, 2014	-	(766,481)	(766,481)
<b>Balance at December 31, 2014</b>	2,554,938	5,456,425	8,011,363
<b>Balance at January 1, 2015</b>	2,554,938	5,456,425	8,011,363
Total comprehensive income for the nine months	-	6,332,470	6,332,470
Transactions with owners:			
Final dividend of Rs 12.00 per share relating to the year ended December 31, 2014	-	(3,065,926)	(3,065,926)
<b>Balance at September 30, 2015</b>	2,554,938	8,722,969	11,277,907

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



Graeme Amey  
Managing Director and CEO



Syed Javed Iqbal  
Director Finance & IT

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

for the nine months ended September 30, 2015

## 1. Legal status and operations

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

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

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

## 2. Basis of preparation

These condensed interim financial informations of the Group for the nine months ended September 30, 2015 have been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. The condensed interim financial information should be read in conjunction with the financial statements for the year ended December 31, 2014, which have been prepared in accordance with approved accounting standards as applicable in Pakistan.

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

The accounting policies, significant judgements made in the application of accounting policies, key sources of estimations, the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements for the year ended December 31, 2014.

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

## 4. Financial risk management

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

## 5. Cost of sales

	Three months ended		Nine months ended	
	Sep 30, 2015	Sep 30, 2014	Sep 30, 2015	Sep 30, 2014
Raw materials consumed				
Opening stock of raw materials and work in process	5,876,063	4,442,460	9,802,963	7,558,214
Raw material purchases and expenses	10,728,771	9,891,211	16,791,972	16,387,319
Excise duty, customs duty and tobacco development cess	160,699	145,913	493,601	537,390
Closing stock of raw materials and work in process	(11,746,949)	(9,991,614)	(11,746,949)	(9,991,614)
	5,018,584	4,487,970	15,341,587	14,491,309

# Selected notes to and forming part of the Consolidated Condensed Interim Financial Information (Unaudited) for the nine months ended September 30, 2015

	Rs '000			
	Three months ended		Nine months ended	
	Sep 30, 2015	Sep 30, 2014	Sep 30, 2015	Sep 30, 2014
Royalty	142,340	97,079	441,768	375,714
Production overheads	801,718	841,766	2,733,968	2,572,543
Cost of goods manufactured	5,962,642	5,426,815	18,517,323	17,439,566
Cost of finished goods:				
Opening stock	359,741	778,305	2,161,545	1,608,153
Closing stock	(1,812,587)	(1,650,914)	(1,812,587)	(1,650,914)
	(1,452,846)	(872,609)	348,958	(42,761)
	4,509,796	4,554,206	18,866,281	17,396,805

## 6. Other operating expenses

Workers' Profit Participation Fund	125,427	102,116	512,226	325,839
Workers' Welfare Fund	48,314	40,113	198,876	126,068
Bank charges and fees	9,573	8,757	36,377	30,664
Interest paid to WPPF	-	-	892	517
Foreign exchange loss	21,247	(6,533)	209,394	118,175
	204,561	144,453	957,765	601,263

## 7. Taxation

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

	Rs '000	
	September 30, 2015	December 31, 2014
<b>8. Property, plant and equipment</b>		
Operating fixed assets - note 8.1	7,372,367	7,651,975
Capital work in progress	1,449,130	1,086,550
	8,821,497	8,738,525
<b>8.1 Operating fixed assets</b>		
Opening net book amount	7,651,975	6,073,717
Additions during the period / year at cost		
Owned assets:		
Building	21,894	49,420
Plant and machinery	142,389	1,869,112
Vehicles	-	20,907
Office and household equipment	18,827	165,289
Furniture and fittings	4,484	262,987
	187,594	2,367,715
Leased assets:		
Vehicles	328,935	129,955
	516,529	2,497,670

# Selected notes to and forming part of the Consolidated Condensed Interim Financial Information (Unaudited) for the nine months ended September 30, 2015

	September 30, 2015	Rs '000 December 31, 2014
Disposals during the period / year - at net book amount		
Owened assets:		
Building	-	(1,032)
Plant and machinery	-	(28,089)
Vehicles	(70,061)	(54,791)
Office and household equipment	(438)	(601)
Furniture and fittings	(1,325)	(1,102)
	(71,824)	(85,615)
Depreciation charge for the period / year	(724,313)	(833,797)
<b>Net book amount</b>	<b>7,372,367</b>	<b>7,651,975</b>

## 9. Other receivables

These include following balances due from related parties:

	September 30, 2015	Rs '000 December 31, 2014
Associated companies	57,514	45,979
Employees retirement benefit plans	388,970	319,535

## 10. Trade and other payables

These include following balances due to related parties:

Holding company	140,049	185,610
Associated companies	1,216,945	821,884
Employees retirement benefit plans	280,348	327,900

## 11. Short term running finance

Short term running finance facilities available under mark-up arrangements with banks amount to Rs 6,500 million (December 31, 2014: Rs 6,500 million), out of which the amount unavailed at the September end was Rs 6,475 million (December 31, 2014: Rs 5,937 million). These facilities are secured by hypothecation of stock-in-trade and plant & machinery amounting to Rs 7,222 million (December 31, 2014: Rs 7,222 million). The mark-up ranges between 7.01% and 10.34% (December 31, 2014: 10.03% and 10.69%) per annum and is payable quarterly. The facilities are renewable on annual basis.

	September 30, 2015	Rs '000 December 31, 2014
<b>12. Contingencies and commitments</b>		
<b>12.1 Contingencies</b>		
Claims and guarantees		
(i) Claims against the Company not acknowledged as debt	131,800	131,800
(ii) Guarantees issued by banks on behalf of the Company	241,697	212,455

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

for the nine months ended September 30, 2015

	September 30, 2015	Rs '000 December 31, 2014
<b>12.2 Commitments</b>		
(i) Capital expenditure	549,081	-
(ii) Letters of credit outstanding	692,699	584,891

## 13. Post balance sheet event

The Board of Directors in their meeting held on October 19, 2015 has declared the first interim dividend of Rs 6.00 per share (2014: Rs 3.00 per share). This interim dividend of Rs.1,532,963 thousand (2014: Rs 766,481 thousand) will be recorded as liability in the financial statements for the next quarter as required by the International Accounting Standard 10 "Events after the Balance Sheet Date".

## 14. Transactions with related parties

	Rs '000			
	Three months ended		Nine months ended	
	Sep 30, 2015	Sep 30, 2014	Sep 30, 2015	Sep 30, 2014
Purchase of goods and services				
Holding company	171,918	365,873	511,376	576,262
Associated companies	420,807	457,627	937,443	1,063,317
Sale of goods and services				
Holding company	-	-	4,540	7,796
Associated companies	50,833	25,181	74,288	57,583
Royalty charge				
Holding company	142,340	97,079	441,768	375,714
Employees retirement benefit plans - Expense				
Staff pension fund	15,618	7,614	33,109	22,841
Staff defined contribution pension fund	14,434	12,939	42,561	36,256
Employees' gratuity fund	39,545	19,556	85,155	58,671
Management provident fund	16,054	15,220	47,963	44,893
Employees' provident fund	4,666	3,862	14,038	12,093
Remuneration of key management personnel	223,555	152,472	550,286	554,840

## 15. Date of authorisation

This consolidated condensed interim financial information has been authorised for issue by the Board of Directors of the Group on October 19, 2015.



**Graeme Amey**  
Managing Director and CEO



**Syed Javed Iqbal**  
Director Finance & IT

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