

THE SPIRIT OF **EXCELLENCE**

CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE HALF YEAR ENDED JUNE 30, 2016

Corporate Information

Board of Directors

Mueen Afzal
Chairman and Non-Executive Director

Syed Javed Iqbal
Managing Director and CEO

Wael Sabra
Director Finance & IT

Tajamal Shah
Legal Director

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

Imran Maqbool
Non-Executive Director

Zafar Mahmood
Non-Executive Director

Hae In KIM
Non-Executive Director

Michael Koest
Non-Executive Director

Audit Committee

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

Imran Maqbool

Zafar Mahmood

Hae In Kim

Michael Koest

Ahmad Iqbal (Secretary)

Company Secretary

Ayesha Rafique

Registered Office

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

Factories

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

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

Bankers

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

Auditors

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

Share Registrar

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

Directors' Review

The Directors present the performance of Pakistan Tobacco Company Limited (PTC) for the first half ended June 30, 2016.

Despite multiple challenges including consumer down trading to cheap duty evaded cigarettes, power shortages and socio political instability, the Company continues to be resilient by improving results in all operational areas. This can mainly be attributed to strengthening brand portfolio and effective marketing investments. Key Brand initiatives in H1 2016 included innovations in premium segment brands to enhance value for the consumers and improvement in product quality of our largest Value For Money (VFM) brand, Capstan by Pall Mall Original (CbPMO). This has enabled the Company to deliver a higher legitimate market share during H1 2016 vs. SPLY.

Key financial indicators of PTC for H1 2016 are:

	Rs (million)	
	Jan - Jun, 2016	Jan - Jun, 2015
Gross Turnover	82,209	70,881
Net Turnover	28,848	24,591
Cost of Sales	14,150	14,356
Gross Profit	14,698	10,235
Operating Profit	10,403	7,004
Profit Before Tax – PBT	10,653	7,199
Profit After Tax – PAT	7,071	4,737
Earnings Per Share – EPS (Rs)	27.68	18.53

Despite signs of economic recovery, the consumer wallet remained under pressure. Amidst this economic environment, driven by excise rate increase, PTC took a portfolio wide price increase in Jun'16 in line with inflation. Excise led price increase has further stretched the consumer and widened the price gap between legitimate and local duty evaded cigarettes, accelerating down trading.

The Company posted growth in Gross Turnover vs. SPLY despite the volume decline which was mainly driven by excise led price increases taken during last year.

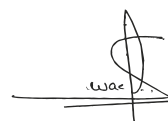
Cost of sales are 1% lower vs. SPLY mainly due to lower volumes, partially offset by inflationary impact on raw material costs. Continuous focus on process efficiencies across Company's operations and productivity savings have resulted in better flow-through of turnover growth to profit, resulting in gross profit and operating profit growth vs. SPLY.

PTC continues to be a significant contributor to the National Exchequer, contributing up to Rs.57.34 bn during H1'16 (up 17% vs. SPLY) in the form of excise duty, sales tax, customs duties and income tax. However, increasing price differential and lower disposable incomes continue to encourage down trading to low value brands of local duty evaded and smuggling sector. Hence reinforcement by law enforcement authorities to curtail illicit volume would be critical for sustainable growth in Government revenues in the long run.

Multiple regulatory and socio political challenges in PTC's operating environment can impact sustainable growth of our business. However, we remain committed to operate as a responsible business and deliver shareholder value through continuous investments behind our brands and people.



Syed Javed Iqbal
Managing Director & CEO



Wael Sabra
Director Finance & IT

ڈائریکٹرز کی جائزہ رپورٹ

پاکستان ٹوباکو کمپنی کے ڈائریکٹرز ۳۰ جون ۲۰۱۶ کو ختم ہونے والے نصف سال کی کارکردگی پیش کر رہے ہیں۔

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

کمپنی کے اہم مالیاتی نتائج درج ذیل ہیں:-

روپے (لمین)			
جنوری سے جون، ۲۰۱۵	جنوری سے جون، ۲۰۱۶		
۷۰,۸۸۱	۸۲,۲۰۹	(Gross Turnover)	کل وصولیات
۲۴,۵۹۱	۲۸,۸۲۸	(Net Turnover)	اصل وصولیات
۱۴,۳۵۶	۱۴,۱۵۰	(Cost of Sales)	لاگت فروخت
۱۰,۲۳۵	۱۴,۶۹۸	(Gross Profit)	کل منافع
۷,۰۰۴	۱۰,۴۰۳	(Operating Profit)	کاروباری منافع
۷,۱۹۹	۱۰,۶۵۳	(Profit Before Tax – PBT)	منافع قبل از محصول
۴,۷۳۷	۷,۰۷۱	(Profit After Tax – PAT)	منافع بعد از محصول
۱۸.۵۳	۲۷.۶۸	(Earnings Per Share – EPS (Rs)	آمدن فی حصص (روپے)


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


کم سگریٹ فروخت کے باوجود کمپنی کی کل وصولیات بڑھیں۔ جو پچھلے سال میں قیمتوں میں اضافے کی وجہ سے ممکن ہوا جسکی بنیاد ایکسائز ڈیوٹی میں اضافہ تھا۔

لاگت فروخت پچھلی مرتبہ کی نسبت کم رہی جسکی بنیادی وجہ سگریٹ کی کم فروخت تھی۔ اگر خام مال کی قیمتوں میں اضافہ نہ ہوتا تو یہ کمی اور زیادہ ہوتی مزید برآں کمپنی اپنے کل منافع اور کاروباری منافع کو بہتر کرنے کے لیے اپنے آپریٹرز کو مزید موثر بنانے اور اپنے اخراجات کو مسلسل کم سے کم کرنے کی کوشش کرتی رہی۔

کمپنی نے ایکسائز ڈیوٹی، ہیلر ٹیکس، کسٹم ڈیوٹی اور ایکسائز کے مد میں حکومتی خزانے میں ۳۳.۵۷ ارب روپے جمع کرائے، اسی وجہ سے کمپنی حکومتی آمدنی کا ایک اہم حصہ دار رہی۔ غیر ٹیکس ادا شدہ غیر قانونی سٹیٹ سگریٹوں کی فروخت میں تیزی سے ہوتے ہوئے اضافے کی وجہ سے حکومتی آمدنی میں بتدریج اضافہ ایک بہت اہم چیلنجر ہے۔ حکومتی آمدنی کی پائیداری اور ترقی کے لئے ضروری ہے کہ سرکاری ادارے غیر ٹیکس ادا شدہ غیر قانونی سگریٹوں کی فروخت کے خلاف مناسب قانونی کارروائی کریں۔

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


واکس صابرہ
فنانس اور آئی ٹی ڈائریکٹر


سید جاوید اقبال
چیئنگ ڈائریکٹر اور سی ای او

Auditors' Report To The Members

On Review Of Condensed Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Pakistan Tobacco Company Limited** ("the Company") as at 30 June 2016 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the six month period then ended (here-in-after referred as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information 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

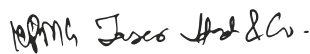
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Other matters

The figures for the three months periods ended 30 June 2016 and 30 June 2015, in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

The condensed interim financial information and financial statements of the Company for the six months' period ended 30 June 2015 and year ended 31 December 2015 were reviewed and audited by another auditor whose reports dated 22 July 2015 and 19 February 2016 respectively, expressed an unqualified conclusion and opinion thereon.

Date: 27th July 2016
Islamabad



KPMG Taseer Hadi & Co
Chartered Accountants
Syed Bakhtiyar Kazmi

Condensed Interim Profit and Loss Account (Unaudited)

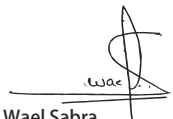
for the half year ended June 30, 2016

	Note	Quarter ended		Half year ended	
		June 30,	June 30,	June 30,	June 30,
		2016	2015	2016	2015
Rs '000					
Gross turnover		49,083,373	38,019,853	82,208,521	70,880,632
Excise duties		(24,400,353)	(19,051,453)	(40,994,496)	(35,620,215)
Sales tax		(7,382,670)	(5,723,176)	(12,366,193)	(10,669,241)
Net turnover		17,300,350	13,245,224	28,847,832	24,591,176
Cost of sales	5	(8,503,379)	(7,880,657)	(14,150,118)	(14,356,484)
Gross profit		8,796,971	5,364,567	14,697,714	10,234,692
Selling and distribution expenses		(1,485,651)	(780,046)	(2,386,918)	(1,699,358)
Administrative expenses		(516,655)	(370,316)	(1,115,334)	(854,973)
Other operating expenses	6	(506,623)	(360,702)	(830,562)	(753,204)
Other operating income	7	31,265	50,680	38,133	76,980
		(2,477,664)	(1,460,384)	(4,294,681)	(3,230,555)
Operating profit		6,319,307	3,904,183	10,403,033	7,004,137
Finance income	8	238,628	183,186	276,801	230,852
Finance cost		(11,265)	(15,086)	(26,655)	(36,385)
Net finance income		227,363	168,100	250,146	194,467
Profit before income tax		6,546,670	4,072,283	10,653,179	7,198,604
Income tax expense- current		(2,343,459)	(1,468,173)	(3,690,152)	(2,517,985)
- deferred		54,811	49,490	108,273	56,193
	9	(2,288,648)	(1,418,683)	(3,581,879)	(2,461,792)
Profit for the period		4,258,022	2,653,600	7,071,300	4,736,812
Earnings per share - basic and diluted (Rupees)		16.67	10.38	27.68	18.53

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



Syed Javed Iqbal
Managing Director & CEO



Wael Sabra
Director Finance & IT


Condensed Interim Statement of Comprehensive Income (Unaudited)

for the half year ended June 30, 2016

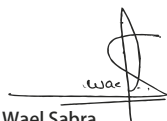
Rs '000

	Quarter ended		Half year ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Profit for the period	4,258,022	2,653,600	7,071,300	4,736,812
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	4,258,022	2,653,600	7,071,300	4,736,812

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



Syed Javed Iqbal
Managing Director & CEO



Wael Sabra
Director Finance & IT

Condensed Interim Balance Sheet (Unaudited)

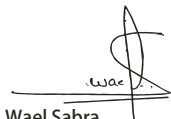
as at June 30, 2016

	Note	June 30, 2016 (Unaudited)	Rs '000 December 31, 2015 (Audited)
Non current assets			
Property, plant and equipment	10	8,704,170	9,184,971
Long term investment in subsidiary company	11	5,000	5,000
Long term deposits and prepayments	12	35,443	29,072
		8,744,613	9,219,043
Current assets			
Stock-in-trade		7,955,950	14,007,537
Stores and spares		631,697	675,564
Trade debts		1,170	906
Loans and advances	13	171,360	181,594
Short term prepayments		136,810	170,298
Due from Government agencies		2,316,165	-
Other receivables	14	685,781	446,622
Short term investment-term deposits with conventional banks		2,988,322	-
Cash and bank balances	15	189,018	53,089
		15,076,273	15,535,610
Current liabilities			
Trade and other payables	16	7,287,504	10,417,040
Short term running finance	17	1,344	1,219,501
Finance lease obligation	18	162,923	154,365
Accrued interest / mark-up		4,531	11,807
Current income tax liability		2,256,619	1,131,661
		9,712,921	12,934,374
Net current assets		5,363,352	2,601,236
Non current liabilities			
Deferred income tax liability		(930,723)	(1,038,997)
Finance lease obligation	18	(338,671)	(415,123)
		(1,269,394)	(1,454,120)
Net assets		12,838,571	10,366,159
Share capital and reserves			
Authorised share capital 300,000,000 ordinary shares of Rs 10 each		<u>3,000,000</u>	<u>3,000,000</u>
Issued, subscribed and paid-up capital 255,493,792 ordinary shares of Rs 10 each		2,554,938	2,554,938
Retained earnings		10,283,633	7,811,221
Shareholders' equity		12,838,571	10,366,159
Contingencies and commitments	19		

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



Syed Javed Iqbal
Managing Director & CEO



Wael Sabra
Director Finance & IT

Condensed Interim Cash Flow Statement (Unaudited)

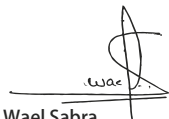
for the half year ended June 30, 2016

	June 30, 2016	Rs '000 June 30, 2015
Cash flows from operating activities		
Cash receipts from customers	82,208,257	71,061,606
Cash paid to Government for federal excise duty, sales tax and other levies	(58,690,270)	(53,026,980)
Cash paid to suppliers, employees and others	(11,980,086)	(11,829,491)
Finance cost paid	(33,931)	(52,740)
Cash paid as royalty	(143,440)	(273,196)
Income tax paid	(2,565,194)	(1,443,810)
Finance income received	286,080	230,852
	9,081,416	4,666,241
Cash flows from investing activities		
Purchase of property, plant and equipment	(221,022)	(451,389)
Proceeds from disposal of property, plant and equipment	174,922	85,790
	(46,100)	(365,599)
Cash flows from financing activities		
Dividends paid	(4,584,933)	(3,090,929)
Finance lease payments	(107,975)	(65,393)
	(4,692,908)	(3,156,322)
Net increase in cash and cash equivalents	4,342,408	1,144,321
Cash and cash equivalents at January 1	(1,166,412)	(413,297)
Cash and cash equivalents at June 30	3,175,996	731,024
Cash and cash equivalents comprise:		
Short term investment	2,988,322	585,947
Cash and bank balances	189,018	175,695
Short term running finance	(1,344)	(30,618)
	3,175,996	731,024

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



Syed Javed Iqbal
Managing Director & CEO



Wael Sabra
Director Finance & IT

Condensed Interim Statement of Changes in Equity (Unaudited)

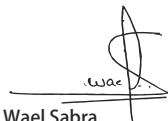
for the half year ended June 30, 2016

	Share capital	Revenue reserves	Rs '000 Total
Balance at January 1, 2015	2,554,938	5,456,425	8,011,363
Total comprehensive income for the half year	-	4,736,812	4,736,812
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)
Balance at June 30, 2015	2,554,938	7,127,311	9,682,249
Balance at July 1, 2015	2,554,938	7,127,311	9,682,249
Total comprehensive income for the half year	-	2,216,873	2,216,873
Transactions with owners: 1st Interim dividend of Rs 6.00 per share relating to the year ended December 31, 2015	-	(1,532,963)	(1,532,963)
Balance at December 31, 2015	2,554,938	7,811,221	10,366,159
Balance at January 1, 2016	2,554,938	7,811,221	10,366,159
Total comprehensive income for the half year	-	7,071,300	7,071,300
Transactions with owners: Final dividend of Rs 18.00 per share relating to the year ended December 31, 2015	-	(4,598,888)	(4,598,888)
Balance at June 30, 2016	2,554,938	10,283,633	12,838,571

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



Syed Javed Iqbal
Managing Director & CEO



Wael Sabra
Director Finance & IT

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

for the half year ended June 30, 2016

1. Legal status And operations

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

2. Basis of preparation

This condensed interim financial information of the Company for the half year ended June 30, 2016 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

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

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

This condensed interim financial information have been reviewed, not audited and also include the profit and loss account for the quarter ended June 30, 2016 which was not subject to review.

3. Accounting policies, critical accounting estimates and judgments

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

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

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

4. Financial risk management

The Company's financial risk management objective and policies are consistent with that disclosed in the financial statements for the year ended December 31, 2015.

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

for the half year ended June 30, 2016

	Rs '000			
	Quarter ended		Half year ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
5. Cost of sales				
Raw materials consumed				
Opening stock of raw materials and work in process	8,902,720	6,911,695	11,233,495	9,802,963
Raw material purchases and expenses	2,182,985	3,067,245	5,503,500	5,736,609
Excise duty, customs duty and tobacco development cess	100,249	171,437	290,820	332,902
Closing stock of raw materials and work in process	(7,303,246)	(5,876,063)	(7,303,246)	(5,876,063)
	3,882,708	4,274,314	9,724,569	9,996,411
Royalty	180,857	152,732	323,838	299,428
Production overheads	1,128,904	1,093,031	1,980,373	2,258,841
Cost of goods manufactured	5,192,469	5,520,077	12,028,780	12,554,680
Cost of finished goods:				
Opening stock	3,963,614	2,720,321	2,774,042	2,161,545
Closing stock	(652,704)	(359,741)	(652,704)	(359,741)
	3,310,910	2,360,580	2,121,338	1,801,804
	8,503,379	7,880,657	14,150,118	14,356,484
6. Other operating expenses				
Workers' Profit Participation Fund	351,716	218,838	572,367	386,798
Workers' Welfare Fund	136,116	85,640	221,983	150,562
Bank charges and fees	15,939	14,560	28,840	26,805
Interest paid to WPPF	-	-	4,520	892
Foreign exchange loss	2,852	41,664	2,852	188,147
	506,623	360,702	830,562	753,204
7. Other operating income				
Income - associated companies				
- BAT SAA for services rendered	18,198	18,688	18,198	18,688
- Services to BAT Myanmar/ BAT Bangladesh	1,746	-	1,746	-
- Services to BAT (Holdings) Ltd	-	-	-	4,740
Gain on disposal of assets	10,877	28,986	11,383	49,968
Miscellaneous scrap sale / rental income	444	3,006	6,806	3,584
	31,265	50,680	38,133	76,980

8. FINANCE INCOME

"This includes profit from placement with banks in saving accounts, term deposit and treasury bills earned under interest arrangement. The interest rate ranges between 4.0% and 7.10% (Jan 01, 2015 and Jun 30, 2015 : 6.25% and 8.77%) per annum and is received on maturity."

9. 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 32% to 31% during the period on account of the changes made to Income tax Ordinance, 2001 in 2016. Further, tax charge also included prior year charge of Rs 317,372 thousand in respect of super tax levied for the tax year 2016 as per Finance Act 2016.

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

for the half year ended June 30, 2016

	NOTE	June 30, 2016	Rs '000 December 31, 2015
10. Property, plant and equipment			
Operating fixed assets	10.1	7,625,455	8,066,023
Capital work in progress		1,078,715	1,118,948
		8,704,170	9,184,971
10.1 Operating fixed assets			
Opening net book amount		8,066,023	7,648,611
Additions during the half year / year at cost			
Owned assets			
Building		6,301	74,919
Plant and machinery		158,314	602,250
Vehicles		-	1,388
Office and household equipment		7,930	383,884
Furniture and fittings		9,247	13,251
		181,792	1,075,692
Leased assets			
Vehicles		72,489	420,049
		254,281	1,495,741
Disposals during the half year / year - at net book amount			
Owned assets			
Building		-	(794)
Plant and machinery		(124,536)	(409)
Vehicles		(39,002)	(86,771)
Office and household equipment		-	(468)
Furniture and fittings		-	(1,258)
		(163,538)	(89,700)
Depreciation charge for the half year / year		(531,311)	(988,629)
Net book amount		7,625,455	8,066,023

Total capital expenditure for the half year amounted to Rs 221,022 thousand. Further depreciation and disposals of property plant and equipment during the half year ended June 30, 2015 amounted to Rs 485,111 thousand and Rs 451,389 thousand respectively.

11. Long term investment in subsidiary

This represents 500,001 (December 31, 2015: 500,001) fully paid ordinary shares of Rs 10 each in Phoenix (Private) Limited. The break up value of shares calculated by reference to net assets worked out to be Rs 10 per share based on audited financial statements for the year ended December 31, 2015. This is a wholly owned subsidiary of the Company which has not yet commenced commercial production.

12. Long term deposits and prepayments

These include non interest bearing deposits of Rs. 27,586 thousand (31 December 2015: Rs. 26,199 thousand).

13. Loans and advances

These include non interest bearing advances to employees of Rs. 3 thousand (31 December 2015: Rs. 15 thousand).

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

for the half year ended June 30, 2016

14. Other receivables

These include following balances due from related parties:

	Note	June 30, 30, 2016	Rs '000 December 31, 2015
Associated companies		27,699	49,477
Subsidiary company		20,021	20,021
Employees retirement benefit plans		344,047	346,701

15. Cash and bank balances

	Note	June 30, 30, 2016	Rs '000 December 31, 2015
At banks			
Conventional banking			
Local currency			
Current Account		101,209	9,180
Deposit Account	15.1	19,872	15,142
		121,081	24,322
Foreign currency			
Current Account		41,689	24,806
		41,689	24,806
Islamic banking			
Local currency			
Current Account		20,118	3,635
		20,118	3,635
		182,888	52,763
Cash in hand/transit		6,130	326
		189,018	53,089

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

15.2 These include balances with associated company amounting to Rs. 24,774 thousand (2015:Rs.16,507 thousand).

16. Trade and other payables

These include following balances due to related parties:

	June 30, 30, 2016	Rs '000 December 31, 2015
Holding company	741,053	216,404
Associated companies	1,215,856	1,060,062
Employees retirement benefit plans	169,796	415,745

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

for the half year ended June 30, 2016

17. Short term running finance

Short term running finance facilities available under mark-up arrangements with banks amount to Rs 6,500 million (December 31, 2015: Rs 6,500 million), out of which the amount unavailed at the half year end was Rs 6,499 million (December 31, 2015: Rs 5,280 million). These facilities are secured by hypothecation of stock-in-trade and plant & machinery amounting to Rs 7,222 million (December 31, 2015: Rs 7,222 million). The mark-up ranges between 6.44% and 6.77% (December 31, 2015: 6.71% and 10.34%) per annum and is payable quarterly. The facilities are renewable on annual basis.

18. Finance lease obligation

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

	June 30, 30, 2016	Rs '000 December 31, 2015
19. Contingencies and commitments		
19.1 Contingencies		
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	226,152	233,152
19.2 Commitments		
(i) Capital expenditure	218,460	-
(ii) Letters of credit outstanding	600,718	444,070

20. Post balance sheet event

The Board of Directors in their meeting held on July 27, 2016 has declared the first interim dividend of Rs 6.00 per share (2015: Rs nil). This interim dividend of Rs 1,532,963 thousand (2015: Rs nil) will be recorded as liability in the financial statements for the next quarter as required by the International Accounting Standard 10" Events after the Balance Sheet Date".

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

for the half year ended June 30, 2016

21. Transactions with related parties

	Quarter ended		Half year ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
				Rs '000
Purchase of goods and services				
Holding company	156,102	173,629	321,471	339,458
Associated companies	213,604	161,783	697,913	511,819
Sale of goods and services				
Holding company	28,082	-	28,082	4,540
Associated companies	206,799	17,793	242,291	21,593
Royalty charge				
Holding company	180,857	152,732	323,838	299,428
Expenses reimbursed to				
Associated companies	191	4,817	191	4,817
Expenses reimbursed by				
Holding company	4,249	-	4,249	-
Associated companies	10,275	1,862	10,275	1,862
Other transactions				
Associated companies- payment against lease	40,800	33,567	80,850	65,393
Mark- up earned on deposit accounts	9,878	13,917	21,579	26,825
Employees retirement benefit plans - Expense				
Staff pension fund	12,087	10,126	20,954	17,491
Staff defined contribution pension fund	17,626	16,262	33,582	28,127
Employees' gratuity fund	24,305	25,677	58,402	45,609
Management provident fund	17,876	16,886	34,008	31,909
Employees' provident fund	4,737	4,709	9,518	9,372
Remuneration of key management personnel	283,433	186,155	444,634	333,792

Selected notes to and forming part of the Condensed Interim Financial Information (Unaudited) for the half year ended June 30, 2016

22. Fair value of financial instruments

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

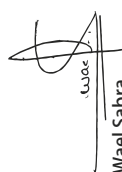
30 June 2016	Carrying amount				Fair value	
	Note	Held - for-maturity	Loans and receivables	Other financial liabilities	Level 1	Level 2
Financial assets not measured at fair value						
Non - current asset	-	-	27,586	-	-	27,586
Long term deposit	-	-	-	-	-	-
Current assets						
Trade debts	14	-	1,170	-	1,170	1,170
Other receivables	-	-	685,781	-	685,781	685,781
Short term investments	-	-	2,988,322	-	2,988,322	2,988,322
Bank balances	-	-	189,018	-	189,018	189,018
			3,891,877	-	3,891,877	
Financial liabilities not measured at fair value						
Current liability				7,287,504		7,287,504
Trade and other payables	-	-	-	4,531	4,531	4,531
Markup accrued	-	-	-	1,344	1,344	1,344
Short term borrowings	-	-	-	(175,748)	(175,748)	(175,748)
Finance lease obligation	-	-	-	7,117,631		7,117,631
31 December 2015						
Financial assets not measured at fair value						
Non - current asset	-	-	26,199	-	-	26,199
Long term deposit	-	-	-	-	-	-
Current assets						
Trade debts	14	-	906	-	906	906
Other receivables	-	-	446,622	-	446,622	446,622
Bank balances	-	-	53,089	-	53,089	53,089
			526,816	-	526,816	
Financial liabilities not measured at fair value						
Current liability				10,417,040		10,417,040
Trade and other payables	-	-	-	11,807	11,807	11,807
Markup accrued	-	-	-	1,219,501	1,219,501	1,219,501
Short term borrowings	-	-	-	(260,758)	(260,758)	(260,758)
Finance lease obligation	-	-	-	11,387,590		11,387,590

23. Date of authorization for issue

This condensed interim financial information has been authorised for issue by the Board of Directors of the Company on 27th July, 2016.



Syed Javed Iqbal
Managing Director & CEO



Wael Sabra
Director Finance & IT

Consolidated Condensed Interim Profit and Loss Account (Unaudited)

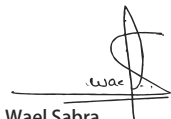
for the half year ended June 30, 2016

	Note	Quarter ended		Half year ended	
		June 30,	June 30,	June 30,	June 30,
		2016	2015	2016	2015
Rs '000					
Gross turnover		49,083,373	38,019,853	82,208,521	70,880,632
Excise duties		(24,400,353)	(19,051,453)	(40,994,496)	(35,620,215)
Sales tax		(7,382,670)	(5,723,176)	(12,366,193)	(10,669,241)
Net turnover		17,300,350	13,245,224	28,847,832	24,591,176
Cost of sales	5	(8,503,379)	(7,880,657)	(14,150,118)	(14,356,484)
Gross profit		8,796,971	5,364,567	14,697,714	10,234,692
Selling and distribution expenses		(1,485,651)	(780,046)	(2,386,918)	(1,699,358)
Administrative expenses		(516,655)	(370,316)	(1,115,334)	(854,973)
Other operating expenses	6	(506,623)	(360,702)	(830,562)	(753,204)
Other operating income	7	31,265	50,680	38,133	76,980
		(2,477,664)	(1,460,384)	(4,294,681)	(3,230,555)
Operating profit		6,319,307	3,904,183	10,403,033	7,004,137
Finance income	8	238,628	183,186	276,801	230,852
Finance cost		(11,265)	(15,086)	(26,655)	(36,385)
Net finance income		227,363	168,100	250,146	194,467
Profit before income tax		6,546,670	4,072,283	10,653,179	7,198,604
Income tax expense- current		(2,343,459)	(1,468,173)	(3,690,152)	(2,517,985)
- deferred		54,811	49,490	108,273	56,193
	9	(2,288,648)	(1,418,683)	(3,581,879)	(2,461,792)
Profit for the period		4,258,022	2,653,600	7,071,300	4,736,812
Earnings per share - basic and diluted (Rupees)		16.67	10.38	27.68	18.53

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



Syed Javed Iqbal
Managing Director & CEO



Wael Sabra
Director Finance & IT


Consolidated Condensed Interim Statement of Comprehensive Income (Unaudited)

for the half year ended June 30, 2016

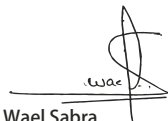
Rs '000

	Quarter ended		Half year ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Profit for the period	4,258,022	2,653,600	7,071,300	4,736,812
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	4,258,022	2,653,600	7,071,300	4,736,812

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



Syed Javed Iqbal
Managing Director & CEO



Wael Sabra
Director Finance & IT

Consolidated Condensed Interim Balance Sheet (Unaudited)

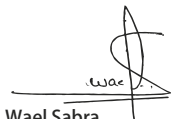
as at June 30, 2016

	Note	June 30, 2016 (Unaudited)	Rs '000 December 31, 2015 (Audited)
Non current assets			
Property, plant and equipment	10	8,729,218	9,210,019
Long term deposits and prepayments	11	35,443	29,072
		8,764,661	9,239,091
Current assets			
Stock-in-trade		7,955,950	14,007,537
Stores and spares		631,697	675,564
Trade debts		1,170	906
Loans and advances	12	171,360	181,594
Short term prepayments		136,810	170,298
Due from Government agencies		2,316,165	-
Other receivables	13	665,760	426,601
Short term investment-term deposits with conventional banks		2,988,322	-
Cash and bank balances	14	189,018	53,089
		15,056,252	15,515,589
Current liabilities			
Trade and other payables	15	7,287,531	10,417,067
Short term running finance	16	1,344	1,219,501
Finance lease obligation	17	162,923	154,365
Accrued interest / mark-up		4,531	11,807
Current income tax liability		2,256,619	1,131,661
		9,712,948	12,934,401
Net current assets		5,343,304	2,581,188
Non current liabilities			
Deferred income tax liability		(930,723)	(1,038,997)
Finance lease obligation	17	(338,671)	(415,123)
		(1,269,394)	(1,454,120)
Net assets		12,838,571	10,366,159
Share capital and reserves			
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
Retained earnings		10,283,633	7,811,221
Shareholders' equity		12,838,571	10,366,159
Contingencies and commitments	18		

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



Syed Javed Iqbal
Managing Director & CEO



Wael Sabra
Director Finance & IT

Consolidated Condensed Interim Cash Flow Statement (Unaudited)

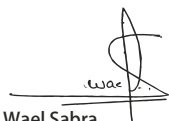
for the half year ended June 30, 2016

	June 30, 2016	Rs '000 June 30, 2015
Cash flows from operating activities		
Cash receipts from customers	82,208,257	71,061,606
Cash paid to Government for federal excise duty, sales tax and other levies	(58,690,270)	(53,026,980)
Cash paid to suppliers, employees and others	(11,980,086)	(11,829,491)
Finance cost paid	(33,931)	(52,740)
Cash paid as royalty	(143,440)	(273,196)
Income tax paid	(2,565,194)	(1,443,810)
Finance income received	286,080	230,852
	9,081,416	4,666,241
Cash flows from investing activities		
Purchase of property, plant and equipment	(221,022)	(451,389)
Proceeds from disposal of property, plant and equipment	174,922	85,790
	(46,100)	(365,599)
Cash flows from financing activities		
Dividends paid	(4,584,933)	(3,090,929)
Finance lease payments	(107,975)	(65,393)
	(4,692,908)	(3,156,322)
Net increase in cash and cash equivalents	4,342,408	1,144,321
Cash and cash equivalents at January 1	(1,166,412)	(413,297)
Cash and cash equivalents at June 30	3,175,996	731,024
Cash and cash equivalents comprise:		
Short term investment	2,988,322	585,947
Cash and bank balances	189,018	175,695
Short term running finance	(1,344)	(30,618)
	3,175,996	731,024

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



Syed Javed Iqbal
Managing Director & CEO



Wael Sabra
Director Finance & IT

Consolidated Condensed Interim Statement of Changes in Equity (Unaudited)

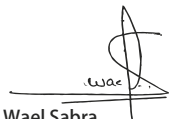
for the half year ended June 30, 2016

	Share capital	Revenue reserves	Rs '000 Total
Balance at January 1, 2015	2,554,938	5,456,425	8,011,363
Total comprehensive income for the half year	-	4,736,812	4,736,812
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)
Balance at June 30, 2015	2,554,938	7,127,311	9,682,249
Balance at July 1, 2015	2,554,938	7,127,311	9,682,249
Total comprehensive income for the half year	-	2,216,873	2,216,873
Transactions with owners: 1st Interim dividend of Rs 6.00 per share relating to the year ended December 31, 2015	-	(1,532,963)	(1,532,963)
Balance at December 31, 2015	2,554,938	7,811,221	10,366,159
Balance at January 1, 2016	2,554,938	7,811,221	10,366,159
Total comprehensive income for the half year	-	7,071,300	7,071,300
Transactions with owners: Final dividend of Rs 18.00 per share relating to the year ended December 31, 2015	-	(4,598,888)	(4,598,888)
Balance at June 30, 2016	2,554,938	10,283,633	12,838,571

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



Syed Javed Iqbal
Managing Director & CEO



Wael Sabra
Director Finance & IT

Selected notes to and forming part of the Consolidated Condensed Interim Financial Information (Unaudited) for the half year ended June 30, 2016

1. Legal status And operations

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

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

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

2. Basis of preparation

This consolidated condensed interim financial information of the Group for the half year ended June 30, 2016 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

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

3. Accounting policies, critical accounting estimates and judgments

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

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

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

4. Financial risk management

The Group's financial risk management objective and policies are consistent with that disclosed in the financial statements for the year ended December 31, 2015.

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

for the half year ended June 30, 2016

	Rs '000			
	Quarter ended		Half year ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
5. Cost of sales				
Raw materials consumed				
Opening stock of raw materials and work in process	8,902,720	6,911,695	11,233,495	9,802,963
Raw material purchases and expenses	2,182,985	3,067,245	5,503,500	5,736,609
Excise duty, customs duty and tobacco development cess	100,249	171,437	290,820	332,902
Closing stock of raw materials and work in process	(7,303,246)	(5,876,063)	(7,303,246)	(5,876,063)
	3,882,708	4,274,314	9,724,569	9,996,411
Royalty	180,857	152,732	323,838	299,428
Production overheads	1,128,904	1,093,031	1,980,373	2,258,841
Cost of goods manufactured	5,192,469	5,520,077	12,028,780	12,554,680
Cost of finished goods:				
Opening stock	3,963,614	2,720,321	2,774,042	2,161,545
Closing stock	(652,704)	(359,741)	(652,704)	(359,741)
	3,310,910	2,360,580	2,121,338	1,801,804
	8,503,379	7,880,657	14,150,118	14,356,484
6. Other operating expenses				
Workers' Profit Participation Fund	351,716	218,838	572,367	386,798
Workers' Welfare Fund	136,116	85,640	221,983	150,562
Bank charges and fees	15,939	14,560	28,840	26,805
Interest paid to WPPF	-	-	4,520	892
Foreign exchange loss	2,852	41,664	2,852	188,147
	506,623	360,702	830,562	753,204
7. Other operating income				
Income - associated companies				
- BAT SAA for services rendered	18,198	18,688	18,198	18,688
- Services to BAT Myanmar/ BAT Bangladesh	1,746	-	1,746	-
- Services to BAT (Holdings) Ltd	-	-	-	4,740
Gain on disposal of assets	10,877	28,986	11,383	49,968
Miscellaneous scrap sale / rental income	444	3,006	6,806	3,584
	31,265	50,680	38,133	76,980

8. FINANCE INCOME

"This includes profit from placement with banks in saving accounts, term deposit and treasury bills earned under interest arrangement. The interest rate ranges between 4.0% and 7.10% (Jan 01, 2015 and Jun 30, 2015 : 6.25% and 8.77%) per annum and is received on maturity."

9. 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 32% to 31% during the period on account of the changes made to Income tax Ordinance, 2001 in 2016. Further, tax charge also included prior year charge of Rs 317,372 thousand in respect of super tax levied for the tax year 2016 as per Finance Act 2016.

Selected notes to and forming part of the Consolidated Condensed Interim Financial Information (Unaudited) for the half year ended June 30, 2016

	NOTE	June 30, 2016	Rs '000 December 31, 2015
10. Property, plant and equipment			
Operating fixed assets	10.1	7,628,819	8,069,387
Capital work in progress		1,100,399	1,140,632
		8,729,218	9,210,019
10.1 Operating fixed assets			
Opening net book amount		8,069,387	7,651,975
Additions during the half year / year at cost			
Owned assets			
Building		6,301	74,919
Plant and machinery		158,314	602,250
Vehicles		-	1,388
Office and household equipment		7,930	383,884
Furniture and fittings		9,247	13,251
		181,792	1,075,692
Leased assets			
Vehicles		72,489	420,049
		254,281	1,495,741
Disposals during the half year / year - at net book amount			
Owned assets			
Building		-	(794)
Plant and machinery		(124,536)	(409)
Vehicles		(39,002)	(86,771)
Office and household equipment		-	(468)
Furniture and fittings		-	(1,258)
		(163,538)	(89,700)
Depreciation charge for the half year / year		(531,311)	(988,629)
Net book amount		7,628,819	8,069,387

Total capital expenditure for the half year amounted to Rs 221,022 thousand. Further depreciation and disposals of property plant and equipment during the half year ended June 30, 2015 amounted to Rs 485,111 thousand and Rs 451,389 thousand respectively.

11. Long term deposits and prepayments

These include non interest bearing deposits of Rs. 27,586 thousand (31 December 2015: Rs. 26,199 thousand).

12. Loans and advances

These include non interest bearing advances to employees of Rs. 3 thousand (31 December 2015: Rs. 15 thousand).

Selected notes to and forming part of the Consolidated Condensed Interim Financial Information (Unaudited) for the half year ended June 30, 2016

13. Other receivables

These include following balances due from related parties:

	Note	June 30, 30, 2016	Rs '000 December 31, 2015
Associated companies		27,699	49,477
Employees retirement benefit plans		344,047	346,701

14. Cash and bank balances

	Note	June 30, 30, 2016	Rs '000 December 31, 2015
At banks			
Conventional banking			
Local currency			
Current Account		101,209	9,180
Deposit Account	14.1	19,872	15,142
		121,081	24,322
Foreign currency			
Current Account		41,689	24,806
		41,689	24,806
Islamic banking			
Local currency			
Current Account		20,118	3,635
		20,118	3,635
		182,888	52,763
Cash in hand/transit		6,130	326
		189,018	53,089

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

14.2 These include balances with associated company amounting to Rs. 24,774 thousand (2015:Rs.16,507 thousand).

15. Trade and other payables

These include following balances due to related parties:

	June 30, 30, 2016	Rs '000 December 31, 2015
Holding company	741,053	216,404
Associated companies	1,215,856	1,060,062
Employees retirement benefit plans	169,796	415,745

Selected notes to and forming part of the Consolidated Condensed Interim Financial Information (Unaudited) for the half year ended June 30, 2016

16. Short term running finance

Short term running finance facilities available under mark-up arrangements with banks amount to Rs 6,500 million (December 31, 2015: Rs 6,500 million), out of which the amount unavailed at the half year end was Rs 6,499 million (December 31, 2015: Rs 5,280 million). These facilities are secured by hypothecation of stock-in-trade and plant & machinery amounting to Rs 7,222 million (December 31, 2015: Rs 7,222 million). The mark-up ranges between 6.44% and 6.77% (December 31, 2015: 6.71% and 10.34%) per annum and is payable quarterly. The facilities are renewable on annual basis.

17. Finance lease obligation

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

	June 30, 30, 2016	Rs '000 December 31, 2015
18. Contingencies and commitments		
18.1 Contingencies		
Claims and guarantees		
(i) Claims against the Group not acknowledged as debt	131,800	131,800
(ii) Guarantees issued by banks on behalf of the Group	226,152	233,152
18.2 Commitments		
(i) Capital expenditure	218,460	-
(ii) Letters of credit outstanding	600,718	444,070

19. Post balance sheet event

The Board of Directors in their meeting held on July 27, 2016 has declared the first interim dividend of Rs 6.00 per share (2015: Rs nil). This interim dividend of Rs 1,532,963 thousand (2015: Rs nil) will be recorded as liability in the financial statements for the next quarter as required by the International Accounting Standard 10" Events after the Balance Sheet Date".

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

for the half year ended June 30, 2016

20. Transactions with related parties

	Quarter ended		Half year ended	
	June 30,	June 30,	June 30,	June 30,
	2016	2015	2016	2015
				Rs '000
Purchase of goods and services				
Holding company	156,102	173,629	321,471	339,458
Associated companies	213,604	161,783	697,913	511,819
Sale of goods and services				
Holding company	28,082	-	28,082	4,540
Associated companies	206,799	17,793	242,291	21,593
Royalty charge				
Holding company	180,857	152,732	323,838	299,428
Expenses reimbursed to				
Associated companies	191	4,817	191	4,817
Expenses reimbursed by				
Holding company	4,249	-	4,249	-
Associated companies	10,275	1,862	10,275	1,862
Other transactions				
Associated companies- payment against lease	40,800	33,567	80,850	65,393
Mark- up earned on deposit accounts	9,878	13,917	21,579	26,825
Employees retirement benefit plans - Expense				
Staff pension fund	12,087	10,126	20,954	17,491
Staff defined contribution pension fund	17,626	16,262	33,582	28,127
Employees' gratuity fund	24,305	25,677	58,402	45,609
Management provident fund	17,876	16,886	34,008	31,909
Employees' provident fund	4,737	4,709	9,518	9,372
Remuneration of key management personnel	283,433	186,155	444,634	333,792

Selected notes to and forming part of the Consolidated Condensed Interim Financial Information (Unaudited) for the half year ended June 30, 2016

21. Fair value of financial instruments

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

	Carrying amount				Fair value	
	Note Held - for- maturity	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2
30 June 2016						
Financial assets not measured at fair value						
Non - current asset	-	-	-	-	-	-
Long term deposit	-	27,586	-	27,586	-	27,586
Current assets						
Trade debts	-	1,170	-	1,170	-	1,170
Other receivables	14	685,751	-	685,751	-	685,751
Short term investments	-	2,988,532	-	2,988,532	-	2,988,532
Bank balances	-	189,016	-	189,016	-	189,016
	-	3,891,877	-	3,891,877	-	-
Financial liabilities not measured at fair value						
Current liability						
Trade and other payables	-	-	7,287,504	7,287,504	-	7,287,504
Mark accrued	-	-	4,531	4,531	-	4,531
Short term borrowings	-	-	1,344	1,344	-	1,344
Finance lease obligation	-	-	(175,748)	(175,748)	-	(175,748)
	-	-	7,117,631	7,117,631	-	-
31 December 2015						
Financial assets not measured at fair value						
Non - current asset						
Long term deposit	-	26,199	-	26,199	-	26,199
Current assets						
Trade debts	-	906	-	906	-	906
Other receivables	14	446,622	-	446,622	-	446,622
Bank balances	-	53,089	-	53,089	-	53,089
	-	526,816	-	526,816	-	-
Financial liabilities not measured at fair value						
Current liability						
Trade and other payables	-	-	10,417,040	10,417,040	-	10,417,040
Mark accrued	-	-	11,807	11,807	-	11,807
Short term borrowings	-	-	1,219,501	1,219,501	-	1,219,501
Finance lease obligation	-	-	(260,758)	(260,758)	-	(260,758)
	-	-	11,387,590	11,387,590	-	-

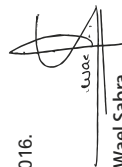
22. Date of authorisation for issue

This consolidated condensed interim financial information has been authorised for issue by the Board of Directors of the Group on 27th July, 2016.



Syed Javed Iqbal

Managing Director & CEO



Wael Sabra

Director Finance & IT



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