Pursuit of Excellence

Pakistan Tobacco Company

Pursuit of Excellence

Excellence at Pakistan Tobacco Company Limited transcends the role of merely being a sought after objective to a holistic everyday way of work. There is constant focus not only on achieving results but also equal attention is paid constantly out on how best the results are to be achieved. Excellence is an evolving frontier that the company is always striving to propel further, across all facets of business.

2013 saw remarkable performance and unprecedented levels of excellence being displayed in all aspects of the business. The company created new benchmarks and set new records across the value chain. Be it the competitive brand portfolio, the robust talent development strategy, an agile distribution network, a credible portfolio of corporate social investments, or unprecedented Environmental Health & Safety standards, PTC continued to deliver par excellence.

At the heart of all our efforts is the organizational ambition to ensure sustainable business practices throughout the supply chain. The realm of sustainability at Pakistan Tobacco Company Limited is founded on highest ethical standards and our commitment to society. These are manifested in our strict adherence to responsible marketing standards, business principles and Standards of Business Conduct as well as our interaction with the communities we work in.

All in all, at the onset of 2014 we are poised to continue our legacy of excellence and sustainability resulting in maximum shareholder value today and tomorrow.

Excellence In All Aspects

"2013 was a strong year where we not only focused on long-term strategic view but also equal attention was given to re-engineering our business processes to ensure that we are a future-fit organization. From crop to manufacturing to distribution, all areas showed stellar performance in a challenging economic and security environment. All this was the outcome of the passion and commitment of our people who gave their best to their work."

Graeme Amey
(Managing Director and CEO)

Pakistan Tobacco Company

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Corporate Information

Registered Office

Pakistan Tobacco Company Limited
Pakistan Tobacco Company Limited
Silver Square, Plot No. 15,
F-11 Markaz,
P.O. Box 2549
Islamabad - 44000
Telephone: +92 (51) 2083200 - 1
Fax: +92 (51) 2224216
Web: www.ptc.com.pk

Company Secretary

Ayesha Rafique
Company Secretary
E-mail: ayesha_rafique@bat.com

Factories

Akora Khattak Factory
P.O. Akora Khattak
Tehsil and District Nowshera, Khyber Pakhtunkhwa
Telephone: +92 (923) 561561 - 72
Fax: +92 (923) 561502

Jhelum Factory
G.T. Road, Kala Gujran, Jhelum
Telephone: +92 (544) 646500 - 6
Fax: +92 (544) 646524

Regional Sales Offices

North Punjab & Khyber Pakhtunkhwa
House # 57-A/6, Satellite Town
Rawalpindi
Telephone: +92 (51) 4582390 - 1
Fax: +92 (51) 4582392

Central Punjab
128/129-G, Commercial Area
Phase-1, Defence Housing Authority
Lahore
Telephone: +92 (42) 35899351 - 4
Fax: +92 (42) 35899356

Southern Punjab
House No. 93, Street No. 3
Meharban Colony, MDA Chowk
Multan
Telephone: +92 (61) 4512553, 4572286
Fax: +92 (61) 4542921

Sind & Baluchistan
8th Floor, N.I.C. Building
Abbasi Shaheed Road, Karachi
Telephone: +92 (21) 35635490 - 5
Fax: +92 (21) 35635500

Bankers

Citibank N.A
Deutsche Bank
Habib Bank Limited
HSBC Bank Middle East Limited
MCB Bank Limited
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Limited
United Bank Limited

Auditors

A.F. Ferguson & Co.
Chartered Accountants
3rd Floor, PIA Building
49 Blue Area, P.O. Box 3021
Islamabad - 44000
Telephone: +92 (51) 2273457 - 60
Fax: +92 (51) 2277924

Share Registrar

FAMCO Associates (Pvt) Limited
8-F, Next to Hotel Faran, Nursery,
Block-6, P.E.C.H.S., Shahrah-E-Faisal
Karachi, Pakistan
Telephone: +92 (21) 34380101 - 2

Corporate Objectives

Our Vision

World's best at satisfying consumer moments in tobacco and beyond.

Our Mission

Champion informed consumer choice and deliver our commitments to society.

Strategic Objectives

Our strategy reflects our vision of being the champions of Growth, Productivity, Sustainability and Winning Organization.

Business Principles

Our Company follows three fundamental Business Principles:

- Mutual Benefit
- Responsible Product Stewardship
- Good Corporate Conduct

Mutual Benefit

The principle of Mutual Benefit is the basis on which we build our relationships with our stakeholders. We are primarily in business to build long term shareholder value and we believe the best way to do this is to understand and take account of the needs and desires of all our stakeholders.

Core Beliefs

- Creating long term shareholder value
- Engaging constructively with our stakeholders
- Creating inspiring working environments for our people
- Adding value to the communities in which we operate
- Ensuring that suppliers and other business partners have the opportunity to benefit from their relationship with us

Responsible Product Stewardship

The principle of Responsible Product Stewardship is the basis on which we meet consumer demand for a legal product that, put simply, is a cause of serious diseases. Therefore, our products and brands should be developed, manufactured and marketed in a responsible manner.

Core Beliefs

- Provision of accurate, clear health messages about the risks of tobacco consumption
- Reduction of the health impact of tobacco consumption whilst respecting the right of informed adults to choose the products they prefer
- Continued availability of

relevant and meaningful information about our products

- Underage people should not consume tobacco products
- Responsible marketing of our brands and products directed at adult consumers
- Appropriate taxation of tobacco products and elimination of illicit trade
- Regulation that balances the interests of all sections of society, including tobacco consumers and the tobacco industry
- Approach public smoking in a way that balances the interests of smokers and nonsmokers

Good Corporate Conduct

The principle of Good Corporate Conduct is the basis on which all our business should be managed. Business success brings with it an obligation for high standards of behaviour and integrity in everything we do and wherever we operate. These standards should not be compromised for the sake of results.

Core Beliefs

- Our businesses uphold high standards of behaviour and integrity
- High standards of corporate social responsibility should be promoted within the tobacco industry
- Universally recognised fundamental human rights to be respected
- Tobacco industry to have a voice in the formation of government policies affecting it
- Achieving world class standards of environmental performance

The Board of Directors

Mueen Afzal
(Chairman and Non-Executive Director)

Mueen Afzal graduated with Honours from the Punjab University before going to Oxford for pursuing his M.A. in Philosophy, Political Science and Economics. He joined the Civil Service of Pakistan in 1964 and held various appointments in the federal as well as provincial governments of Punjab, Balochistan and East Pakistan. He retired from Civil Service as Secretary General, Finance and Economic Affairs (2002). He was awarded the Hilal-i-Imtiaz (H.I) for distinguished public service. Since retirement he has held a number of corporate and other appointments, including Chairman, Union Bank. In addition to PTC he also chairs the Boards of Akzo Nobel Pakistan and Sanjan Nagar Education Trust. He is also a director for Pakistan Centre for Philanthropy, Murree Brewery Ltd., Beaconhouse National University and the Karachi Education Initiative.

Graeme Amey
(Managing Director and CEO)

Graeme started his journey with British American Tobacco Group 34 years ago in the GLT/Leaf department in BAT Australia. Over the years Graeme has worked in different BAT markets in positions such as the Marketing Manager, South Pacific, General Manager, Papua New Guinea and Manufacturing Manager for Australia. Graeme led New Zealand and South Pacific as General Manager before being appointed as the Managing Director and Chief Executive Officer of Pakistan Tobacco Company Limited in 2012.

Mobasher Raza
(Deputy Managing Director and Finance Director)

Mobasher Raza has been with the Company for the last 35 years. He joined the company as a Management Trainee and has held various key positions in BAT's finance function since. Mobashaer was appointed as Deputy Managing Director of the Company in 2006 in addition to his role as Finance Director, PTC.

Tajamal Shah
(Legal Director)

Tajamal qualified as a UK Barrister in 1989 and started his professional career as an in-house lawyer in the private sector. He work on to join the British Civil Service as part of the Department of Trade and Industry. In 1999, he moved to Pakistan as Head of Legal and Company Secretary Pakistan Tobacoo Company Ltd. During his career with BAT, he has occupied various key roles including Global Regulatory Counsel based in Globe House, UK. Tajamal is currently appointed as Director Legal, PTC and Area General Counsel SAA.

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

General (Retd.) Ali was commissioned in the Pakistan Army in 1964 and retired as its Chief of General Staff in 1998. Some of his key assignments include serving as Commander 10 Corps, Director General Military Intelligence and Commandant Staff College, Quetta. He belongs to a prominent industrial family of KPK and sits on the Board of Directors of various family owned businesses in sectors like textiles, automobile assembly and tyre manufacturing.

Abid Niaz Hasan
(Non-Executive Director)

Abid has over 31 years of global experience in economic development, having worked for the World Bank from 1975-2006. He has extensive work exposure in various countries in South and West Asia. During his career, he has advised a number of governments on economic and structural reforms and managed various World Bank programmes. He also represented International Finance Corporation (IFC) on the Boards of several companies that were financed by it. He also sits on the Board of Wateen Telecom and two NGOs, Chal Foundation and The Hunar Foundation. Recently he has been appointed as Economic Advisory Council to Government of Pakistan.

Syed Asif Shah
(Non-Executive Director)

Asif Shah graduated from the London School of Economics in 1971with a B.Sc. Honors degree in Economics. He joined the Pakistan Civil Services in 1973 as an officer of the District Management Group. During his career as a civil servant he has served on numerous key provincial and federal positions including his role as Federal Secretary Commerce. After retiring from the Civil Services of Pakistan in 2008, he was appointed as Member of the Federal Public Service Commission, Pakistan. He joined PTC Board in 2009. Mr. Shah as a non executive member is also a Director on the Board of Bestway Cement Ltd., a subsidiary of Bestway Group, UK. He sits on the Board of Governors of Al Shifa Eye Trust Hospital, as well as on the Advisory Board of Leyton RehmatUllah Benevolent Trust (LRBT).

Brendan Brady
(Non-Executive Director)

Brendan has a BA in Business Economics and a MBA. From 1991 to 1995, Brendan served as Regional CORA manager for Europe, Africa and Latin America, eventually relocating to Hong Kong in 1995 as Regional CORA Manager, Asia Pacific. In 1999, Brendan was appointed as CORA Director, BAT Australasia. In 2003 he moved into General Management, first as Regional Manager, Asia Pacific and then as Area Director, China. He was appointed as Non-Executive Director at Pakistan Tobacco Company Limited.

Felicio Ferraz
(Non-Executive Director)

Felicio holds a Bachelor degree in Mechanical & Industrial Engineering from the PUC-RJ, a Business Administration degree from the Estate University of Rio de Janeiro and a post-graduate degree in Strategic Marketing from Darden University, Virginia, USA. Currently he is the Chief Executive Officer of Ceylon Tobacco Company as well as a Non Executive Director on the Board of Directors at PTC. Felicio started his career in Souza Cruz, BAT subsidiary in Brazil as a Marketing Trainee. Felicio worked as Marketing Director in BAT Cuba. He has also worked in several countries such as in BAT Caribbean & Central America as the Country Manager of the Caribbean Islands and Country Manager of Costa Rica, Guatemala & Dominican Republic.

Chairman's Message

Business Performance

For Pakistan Tobacco Company Limited, 2013 was a year of endeavoring to achieve excellence in all aspects of business operations. A stellar business performance was delivered by the management in 2013 while giving equal attention to long-term sustainability of the business by re-engineering business operations and processes.

Remarkable performance and unprecedented levels of excellence were displayed in all aspects of the business. This extended to crop procurement, brands developments, robust sales, increasing market share, improving manufacturing footprint, ensuring environment health and safety, governance and processes adherence, regulatory compliance, corporate social responsibility as well as talent development.

Governance

Pakistan Tobacco Company Limited (PTC) is committed to good corporate governance and to achieving its business objectives in a manner which is responsible and consistent with its belief of honesty, transparency and accountability. Corporate governance for PTC is not simply an exercise in compliance but is a key element underpinning the sustainability of our business.

Accordingly, in 2013, the Company continued to endeavor to conduct its operations with integrity and responsibility. PTC's meticulous compliance credentials, be they in the field of taxes, laws, regulations or industrial relations, are considered to be of the highest level by all, including regulators.

The transparency of PTC's operations, systems and its processes has been a consistent objective over the years. All efforts were put in place to ensure adherence to internal standards of conduct and to full compliance to prescribed regulations. That is why PTC has continued to be certified as one of the best managed companies in Pakistan by different entities.

Corporate Social Responsibility

For PTC Corporate Social Responsibility (CSR) means caring for and working with communities where it operates, going beyond commercial relations and legal requirements. The Company has been one of the pioneers of CSR Programs in Pakistan. In 2013 its CSR Programs of Mobile Doctor Units and afforestation continued to deliver value for local communities. Moreover, a new CSR initiative of skill development was launched in partnership with the National Vocational & Technical Training Commission (NAVTTC) in KPK Province.

The Challenge

A good business performance in 2013 came despite numerous external challenges, which included increasing inflation, currency devaluation, unstable law and order situation, energy shortages, and above all the increasing illicit cigarette trade in the country. The menace of this illicit activity is growing every year and is causing harm not only to Government revenues but also to the tax compliant industry by creating an uneven playing field in the market place. Illicit cigarette trade has other far-reaching economic consequences such as creating fiscal constraints resulting in higher dependence on foreign aid. It also has a negative effect on foreign investment. Government and tax-compliant industry players have a common interest to reduce the high incidence of illicit cigarette trade in the country.

Sustainability

Going forward PTC remains committed to the pursuit of excellence and to being a responsible and sustainable business that will continue to create value for its shareholders. The key strengths of PTCs business remain its people, its brands, its standards, and its processes. The management and I have full confidence in the Company's long term sustainability.

Mueen Afzal
Chairman

Managing Director's Review

2013 was a strong year with positive business results which enhanced shareholder value despite numerous external challenges. Some of the key challenges included complex law and order situation, severe energy shortages, and down-trading of consumers to cheaper tax-evaded cigarettes. Simultaneously with delivering strong business performance our people did outstanding work in 2013 through business process and operations re-engineering. As a result, our entire business operations aim to become more efficient, integrated, and fit for the future.

This resilient performance in 2013 was driven by clear and aligned strategy that was underpinned by passionate commitment of our people to excellence in execution and delivery. Throughout the year, we kept a consistent focus on critical areas of business, such as, strengthening our brand portfolio, modernizing technology footprint, enhancing manufacturing capacity, managing our cost base by launching multiple productivity enhancement initiatives, and making distribution network more agile and robust.

During 2013, our total tax contribution to Government revenue more than Rs. 62 billion (Excise Duty, Sales Tax, Income Tax and Custom duties). It is, however, unfortunate that cigarette sector is suffering immensely from lack of a level playing field, owing to wide scale tax evasion. In 2013 this caused a staggering annual loss of Rs. 20+ billion to Government revenues.

Brands

PTC's success is built on the foundation of its strong portfolio which was further fortified in 2013 through various initiatives. These initiatives included special pack launches for John Players Gold Leaf, side opening pack launch for Capstan by Pall Mall Original, and the introduction of Gold Flake Style.

People

Investing in our people as we do our brands is a value shared and lived by the leadership teams at all levels in Pakistan Tobacco Company Limited (PTC). In 2013 we invested in our people in order to equip them with dynamic abilities and skills to meet future challenges. The growth and learning opportunities provided by the Company for its people included Growth Academy, International Assignments, Leadership Programs.

Governance

Pakistan Tobacco Company Limited (PTC) is committed to good corporate governance and to achieving its business objectives in a manner which is responsible and consistent with its belief in honesty, transparency and accountability. Corporate governance for PTC is not simply an exercise in compliance, but is considered as a key element underpinning the sustainable, long-term growth of its business.

Environment, Health and Safety

PTC has always been committed to conducting its operations in a manner that sustain the environment and protect the welfare and safety of those involved in production processes. In 2013 the Company, strengthened the EHS structure by inducting experienced EHS Managers in Factories and Trade / Commercial side of the business. Investments to upgrade fire detection and fighting capabilities at factories were made. Our EHS conscious culture was re-enforced through EHS moments and Safety Walks throughout the year.

Illicit Cigarette Sector: Challenge Remains

Almost 1 out of every 5 cigarettes sold in Pakistan has either been manufactured in Pakistan without paying appropriate taxes or smuggled into Pakistan. Illicit cigarette trade and the illegal activities it promotes, such as, domestic tax evasion, counterfeiting and cross-border smuggling, create complex problems for Government, legitimate industry players, and society at large. It deprives Government of its due

Managing Director's Review (Contd.)

revenue and also creates an unfair playing field for legitimate industry players. Both regulators and tax-compliant responsible industry players have a common interest to reduce high incidence of illicit cigarette trade in the country.

Corporate Social Responsibility

For PTC, CSR is aimed at caring for and working with the communities where it operates. Over the last many decades, PTC has focused on Corporate Social Responsibility projects that aim to support sustainable agriculture and enhance rural livelihoods. In 2013, PTC distributed more than 3+ million saplings free of cost across the country; 85,000 people were provided free of cost medical services through the Mobile Doctors Units and under the new CSR project, Vocational Skills Training of more than 200 people in KPK was initiated in partnership with the National Vocational & Technical Training Commission imparting to the rural youth the skills necessary to build a better, self-employed future. Our CSR efforts during the year were recognized at various platforms, winning us the Annual CSR National Excellence Award, Best Practicing Company Award, and the CSR Business Excellence Award.

Business Outlook

The key challenge to the cigarette industry in future will remain rising levels of illicit trade. Without the combination of skilled manpower and requisite capacity, enforcement of regulatory framework will continue to remain difficult. Given systemic issues surrounding illicit trade in cigarettes, Government will need to execute a comprehensive and holistic strategy to tackle the problem and bring those evading tax within the ambit of laws. Moreover, macroeconomic conditions, including exchange rate pressure, domestic inflation, energy shortages, and consumer confidence, will also remain key issues to be managed and may create adverse impact on business.

We are, however, hopeful that because of our people, processes, and standards, we will sustain our performance and continue to deliver shareholder value. Our outstanding people are passionately committed to excellence in whatever they undertake: whether it is supporting farmers, manufacturing, transportation, portfolio standards, trade and distribution, or regulatory compliance. Our processes and operations are future-fit. We remain committed to raising the bar of performance on each of these counts and thus ensure sustainable business performance in years to come.

Graeme Amey
Managing Director & CEO

Director's Review

The Directors present the 67th Annual Report along with the audited financial statements of the Company for the year ended December 31, 2013.

The Company has made steady progress in terms of market share, volumes and profitability during the preceding year. This performance has been delivered through our focus on brand portfolio, distribution coverage and spend efficacy.

During 2013, the tobacco industry continued to face a difficult business environment and challenges such as worsening law and order situation, energy shortages and depreciation in foreign exchange rates. Within the cigarette industry, illicit sector continued its growth in the absence of a level playing field, putting pressure on legitimate sector's prices and making a dent in its market share. Despite these challenges, PTC was able to grow its market share of the legitimate sector at the expense of competition.

Business Performance

Provided below are the key financial indicators for the year 2013:

(Rs in million)	2013	2012
Gross Turnover	89,929	75,531
Levies (Excise Duty & Sales Tax)	59,306	49,651
Net Turnover	30,623	25,880
Gross Profit	10,610	8,446
Operating Profit	4,602	2,729
Profit before Tax	4,667	2,655
Profit after Tax	3,124	1,728
Earnings per Share - EPS (Rs)	12.23	6.77

The legitimate cigarette market marginally declined during 2013 as compared to 2012. In 2013 industry faced issues like persistent down-trading to cheap illicit cigarettes owing to rising illicit trade, intense competition and increased regulations. However, despite the adverse operating landscape, our brands and people have shown resilience. The Company has registered net turnover growth during 2013 as compared to 2012, attributed to above inflation price increase and sales volume growth. The price increase was taken to cover inflationary pressures on our cost base and excise rate increase.

Our brand performance was also commendable in 2013. Our flagship brand, John Player Gold Leaf (JPGL) continued to grow through equity building campaigns, which also enhanced market coverage and distribution. Other premium offers i.e. Dunhill and B&H continued to grow from strength to strength while delivering value to consumers.

In the Value for Money ('VFM') segment, Capstan by Pall Mall Original (CbPMO) has solidified its position as the number one cigarette brand of Pakistan by delivering notable volume growth versus last year. Marketing initiatives to strengthen CbPMO included a brand building campaign and an innovative limited edition side opening pack. We must acknowledge that while some growth of CbPMO has come at the cost of competition, partially it was also a result of cannibalization of our own brands i.e. Gold Flake and Embassy.

Contribution to the National Exchequer

PTC continues to be one of the largest contributor to the Government revenues. Despite an extraordinarily challenging macroeconomic environment, our contributions to the Federal Board of Revenue have been on the rise. PTC's contribution to national exchequer (Excise Duty, Sales Tax, Income Tax and Custom duties) was over Rs.62bn in 2013 vs. Rs.51bn in 2012. This however, is under threat as excise driven price increases accelerate consumers' down trading to the ultra-low price segment in the tax-evaded sector. Sustainability of Government revenue growth remains a key area of concern given the recent surge in illicit sector volumes and stretched consumer affordability.

Cost of Sales

High inflation along with currency devaluation continued to burden our cost of sales. In addition to inflationary increase, expenses related to utilities and security for safeguarding our people and assets further eroded our margins. We are committed to achieving spend efficacy through regular review of our cost base and constructive challenge on every additional cost incurred. Overall our productivity and cost saving initiatives have enabled us to restrict inflationary increase in cost of sales to an acceptable level resulting in gross profit growth.

Appropriation of Profits

Profit for the year, along with distributable profits at year end, has been appropriated as follows:

(Rs in million)	2013	2012
Operating Profit	4,602	2,729
Profit After Tax	3,124	1,728
Accumulated Profit brought forward	1,552	779
Actuarial (Losses) / Gains taken to Equity (net of tax)	33	80
Profit available for appropriation	4,709	2,587
Appropriations:		
Final dividend of Rs 3.25 per share (Year ended December 31, 2012)	830	256
1st interim dividend of Rs 2.00 per share (Q1 2013)	511	319
2nd interim dividend of Rs 2.00 per share (Q2 2013)	511	460
Unappropriated Profit carried forward	2,857	1,552

Operating and Other Costs

Selling and distribution expenses were focused on improved market coverage through distribution enhancement. Overall selling and distribution expenditure increased in 2013 vs. 2012 resulting in sales and market share growth of our brands.

Talent development and retention is a core pillar for the business. We aim to attract and retain the best talent through higher-than-market remuneration packages, fast paced career growth and international training and development opportunities. Our people remain committed and passionate about work and take pride in being associated with PTC.

In summary, top line growth, efficient spend on our brands, investments behind our people and strict cost controls on overheads have resulted in profitability growth for 2013. While in comparison, our 2012 profitability was significantly lower due to voluntary separation scheme to our factory workforce, resulting from regulatory ban on below 20s pack manufacturing.

Cash Flows

Despite increase in gross turnover driven by higher sales volume and price increases, there is an overall decrease of Rs. 1,278mn in the cash flows. This adverse impact is primarily due to higher capital investments in machinery vs. 2012. Furthermore, total dividend payout in 2013 is higher on account of improved profitability (cash impact of Rs. 1,850mn in 2013 vs. Rs. 1,031mn in 2012).

Manufacturing Excellence

Machinery footprint enhancement, productivity initiatives and quality improvement has been the key focus for PTC's supply chain during 2013. We developed improved and differentiated blends catering to consumer preferences while our factories produced over 40 billion superior quality sticks. In 2013, we invested significantly in plant and machinery to support sales growth and on further realignment of production facilities post below 20s packs ban.

Dividend

In light of the company financials and ground realities we have decided to declare a dividend of Rs. 6.00 per share for the year ended December 31, 2013 (2012: Rs. 3.25 per share).

This shall be subject to the approval of shareholders in their meeting scheduled for April 22, 2014.

Good Corporate Governance

The Directors confirm compliance with the Corporate and Financial Reporting Framework of the SECP's Code of Corporate Governance for the following:

a) The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

b) Proper books of accounts of the Company have been maintained.

c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of all financial statements.

e) The system of internal control, which is sound in design has been effectively implemented and is being continuously reviewed.

f) There are no doubts about the Company's ability to continue as a going concern.

g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

h) All major Government levies in the normal course of business, payable as at December 31, 2013 have been cleared subsequent to the year-end.

i) Key operating and financial data for last six years in summarized form is annexed.

j) Mustanser Ali Khan from the Board of the Directors participated in the directors training programme during 2013.

k) Values of investments in Company's employees retirement funds based on audited accounts for the year ended December 31, 2012 are as follows:

	(Rs in million)
Staff Pension Fund	3,358
Employees' Gratuity Fund	870
Management Provident Fund	661
Employees' Provident Fund	504
Staff Defined Contribution Pension Fund	55

The Board

The Board comprises 6 non-executive directors and 3 executive directors. The positions of Chairman and CEO are kept separate in line with good corporate governance practices.

Changes in the Board

The Directors wish to report the following changes in the Board of Directors:

Mustanser Ali Khan and Feroze Ahmed resigned from the Board of the Company effective October 23, 2013. The vacancies created by these resignations were filled in by Brendon Brady and Felicio Ferraz effective October 24, 2013.

Board of Directors Meetings

During the year 2013, five meetings of the Board of Directors were held on 20th February, 19th April, 15th August, 23rd October and 3rd December. Attendances are detailed below:

	Name of Director	No. of meetings attended
1.	Mueen Afzal Chairman and Non-Executive Director	05
2.	Graeme Amey Managing Director and Chief Executive	04
3.	Mobasher Raza Deputy Managing Director and Finance Director	05
4.	Mustanser Muhammad Ali Khan Supply Chain Director	04
5.	Feroze Ahmed Strategy and Planning Director	03
6.	Tajamal Shah Legal Director	01
7.	Lt. Gen. (Retd.) Ali Kuli Khan Khattak (Non-Executive Director)	04
8.	Abid Niaz Hasan (Non-Executive Director)	04
9.	Syed Asif Shah (Non-Executive Director)	05
10.	Brendon Brady (Non-Executive Director)	01
11.	Felicio Ferraz (Non-Executive Director)	01

Board Committees

The Board has a number of committees, which assist the Board in the performance of its functions. A list of committees is given below.

Audit Committee

The Audit Committee assists the Board in carrying out their responsibilities relating to the management of business risks, internal controls and the conduct of business in accordance with Code of Corporate Governance. Our Audit Committee comprises of the following three Non-Executive Directors:

- Abid Niaz Hasan (Chairman)
- Lt. Gen. (Retd.) Ali Kuli Khan Khattak
- Syed Asif Shah

The Managing Director and the Finance Director attend meetings of the Committee on standing invitation. The Head of Internal Audit is the Secretary of the Committee and reports directly to the Chairman of the Audit Committee.

The Committee held four meetings during the year in which the External Auditors were present to assist the Committee on matters relating to financial accounts and reporting.

The Audit Committee functions within the scope of the terms of reference approved by the Board, which determine the roles and responsibilities of the Committee and reflect the requirements of the Code of Corporate Governance. The role and responsibilities of the Audit Committee include:

- Seeking assurance on the measures taken by the management in identification, evaluation and mitigation of relevant business risks;
- Reviewing quarterly, half-yearly and annual financial statements of the Company and preliminary announcements of results before approval by the Board and publication;
- Reviewing the Company's statement on internal control systems prior to their approval by the Board;
- Ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective;
- Monitoring compliance with the best practices of corporate governance and instituting special projects and investigations on any matter deemed appropriate by the Committee or desired by the Board;
- Review and approve the scope and extent of internal audit,

including the annual Internal Audit Plan and regularly monitors the progress.

While the External Auditors independently determine their plan of audit, the Committee is informed of their progress and especially in regard to issues stated in their letters to management and responses received. Without interfering with the independence of the external and internal auditors, the Committee encourages coordination between them in the discharge of their respective functions. The Committee recommends to the Board the appointment of the external auditors and their engagement terms based on the Committee's review of their performance and value provided to the Company.

Auditors

Statutory Audit for the Company for the financial year ended December 31, 2013 has been concluded and the Auditors have issued their Audit Reports on the Company financial statements, consolidated financial statements and the Statement of Compliance with the Code of Corporate Governance.

The Auditors Messrs A. F. Ferguson and Co. shall retire at the conclusion of annual general meeting, and they have indicated their willingness to continue as Auditors. They have confirmed achieving satisfactory rating by the Institute of Chartered Accountants of Pakistan (ICAP) and compliance with the Guidelines on the Code of Ethics of the International Federation of Accountants (IFAC) as adopted by ICAP. The Board proposes their reappointment as Auditors for the financial year ending December 31, 2014 on the recommendation of the Audit Committee.

Shareholding

The pattern of shareholding as at December 31, 2013 alongside the disclosure as required under Code of Corporate Governance is annexed within this report. The Directors, CEO, Chief Financial Officer, Company Secretary and their spouses and minors have reportedly not performed any trading in the shares of the Company.

Holding Company

British American Tobacco (Investments) Limited incorporated in the United Kingdom holds 94.34% of the shares of the Company.

Consolidated Financial Statements

Consolidated Financial Statements of the Company and its wholly owned subsidiary, Phoenix (Pvt.) Ltd., are submitted herewith.

Environment, Health and Safety

Pakistan Tobacco Company has always been committed to provide a safe and inspiring working environment for its employees and believe in achieving world class standards of environmental performance. As a socially responsible business, we at PTC ensure that our operations, activities and their impact on the environment are always abiding by applicable laws and regulations.

Our Environment, Health and Safety (EHS) performance plays a major role in demonstrating our commitment towards a sustainable business. Thus careful attention to EHS considerations remains at the forefront of all our business decisions.

Corporate Social Responsibility (CSR)

As a business that operates in a controversial industry, we are intrinsically driven to demonstrate a responsible behavior. Ethical business practices are at the heart of PTC's strategy, which is why the Company has always believed in extending support through its CSR activities to the communities at large. This also reflects our commitment to serve the community through responsible and sustainable business practices.

Having distributed over 61 million saplings across Pakistan since 1981, under our flagship afforestation programme, PTC endeavors to only strive for the best when it comes to the communities it operates in.

One of our major accomplishments this year was promoting adult vocational skill training in KPK Province. We have established a skill development program in partnership with National Vocational and Technical Training Commission (NAVTTC). This public-private partnership program aims to impart to the marginalized and vulnerable rural youth the necessary skills to build a better, self-employed future. Through this program, five (5) institutes in Nowshera district are training 220 youth in various subjects, including Civil Drafting, Mobile Repair, Tailoring and Dress Design. It is worth noting that approximately 20% of these youth being trained are women.

Business Challenges and Future Outlook

Our 2013 performance was achieved through continued passion and commitment from our employees and we take this opportunity to express our most sincere appreciation for their untiring efforts and passion to win.

Despite numerous challenges in the foreseeable future, PTC remains committed to driving the business forward. There is no doubt that 2014 will continue to be a tough year for the industry with increasing regulations, growing illicit trade, volatile security environment, pressure on government revenues and rising inflation. However, we are confident that with robust long term strategy, strong brand portfolio, innovative spirit and dedication of our employees, we will continue to mitigate the impact of these challenges and continue to deliver shareholders' value.

Mueen Afzal
Chairman

Graeme Amey
Managing Director & CEO

Business Process Re-engineering

A New and Modern Way

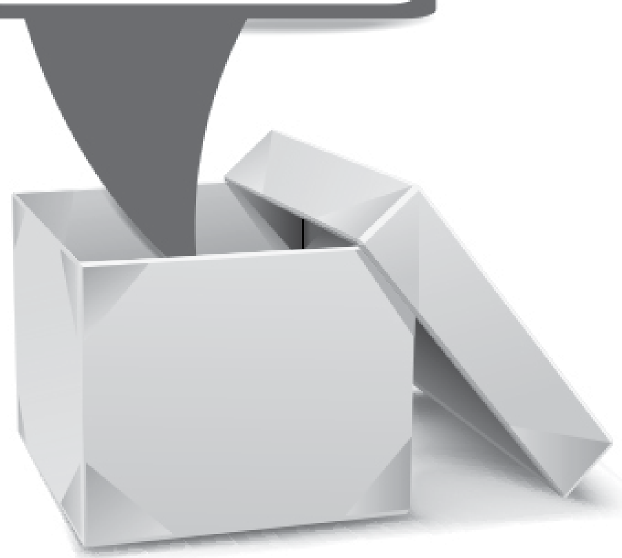
In such a fast paced world, companies demand simple processes, efficient supply chains in their operations. Bringing a new and modern way through business re-engineering will help PTC to do just that.

Stronger Integration

Not just that, but there will be a stronger integration with associated companies using an integrated system base information for better planning, reduction in duplication of work and improved delivery time and traceability of products.

Increased Efficiency

Re-engineering our processes will help us generate greater and faster business insights for effective decision-making achieved by real time information, higher transactional efficiency and a stronger IT infrastructure.



Illicit Trade in Cigarettes

22%
(est.)

Illicit Trade share of total market

The country's tax compliant industry faces a severe challenge from the illegal cigarette sector.

(Euromonitor International)

Local Duty Evaded share of total Illicit Trade

In Pakistan the illegal cigarette trade comprises of local duty-evaded, smuggled and counterfeit cigarettes. Of these three, local duty-evaded cigarettes claim the dominant share with approximately 85% of the total illegal market. Rise in illicit trade in Pakistan is primarily attributed to high tax incidence in cigarette sector and lax enforcement.

(Euromonitor International)

85%
(est.)

Rs. 20
billion
(est.)

Loss to Government in 2013

If the increasing trend in illicit trade goes unabated, tax evasion is expected to cause the national exchequer losses that will reach Rs. 100 billion over the next few years.

(Euromonitor International)

Duty-evaded illegal cigarettes are sold at extremely cheap prices, without the graphic health warning inducing customers to down trade to illicit brands. These cigarettes not only steal market share from legitimate industry but also result in unrealistic pricing pressure for the tax-paying industry players, creating an unfair playing field.

Over the years, Government of Pakistan has put in place various regulations intended to curtail the trade of illicit cigarettes but in the absence of effective enforcement, illicit trade continued to grow undeterred. The year 2013 however witnessed a renewed interest by Government to reduce illicit trade which was manifested through mass awareness campaigns by the government in print media.

Pricing
Pressures

Building a Sustainable Legacy

At Pakistan Tobacco Company Limited, the scope of Corporate Social Responsibility (CSR) activities ranges from supporting livelihood, establishing sustainable agriculture practices and empowering the rural communities.

In 2013, PTC's two flagship programs of Afforestation and Mobile Dispensary Units continued to deliver value for communities. Over 3 million saplings were distributed free of cost during the year 2013 and more than 85,000 people in far flung areas were provided free medical services.

During 2013, PTC's commitment to corporate social responsibility was recognized at numerous fora. The company won three prestigious CSR awards in 2013.

The CSR Association of Pakistan awarded CSR National Excellence Award to PTC for Environmental Excellence, recognizing our Afforestation program which is the largest private sector program in Pakistan. The Afforestation program was also awarded the CSR Business Excellence Award in Environment Category, by the National Forum For Environment & Health (NFEH). The NFEH is supported by the United Nations Environment Program (UNEP).

In addition to the Afforestation program, PTC's CSR program as a whole was also recognized by the Pakistan chapter of Global Compact Network, a UN supported initiative to encourage businesses to promote sustainable and responsible corporate practices. PTC was awarded the Best Practicing Company in Sustainability at the National Global Compact Conference 2013.

One of PTC's major CSR initiative in 2013 was promoting vocational skill training that is being run in partnership with National Vocational & Technical Training Commission (NAVTTC). Under this program, 5 institutes in Nowshera district are training 220 youth in various skills including Mobile Repair, Tailoring and Dress Design. Approximately 20% of the trainees are females.

The CSR portfolio at PTC is continuously evaluated and re-calibrated to be in sync with the evolving needs of local communities. PTC is proud of its award-winning CSR programs and hopes to continue its initiatives that support sustainable future.

Recognition

Tax Contribution

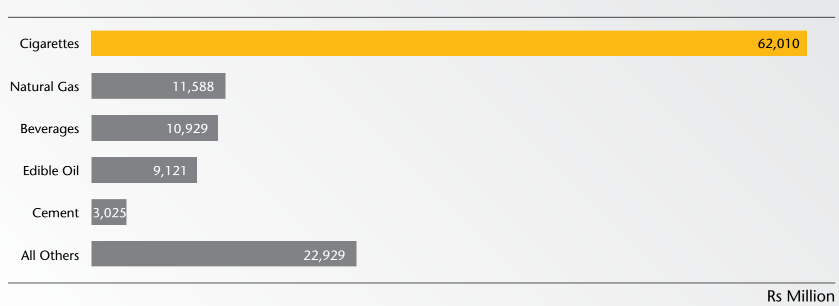
Rs. 62 Billion Tax contribution

The tobacco sector is subject to multiple taxes and duties including Federal Excise Duty, Sales Tax, Custom Duty, Income Tax and Tobacco Development Cess etc. levied by federal and provincial Governments.

In 2013 alone, PTC contributed more than Rs. 62 billion in the form of Excise Duty, Sales Tax, Income Tax and Custom duties to the Government of Pakistan, making the Company one of the leading tax payers and revenue generators in the private sector in the country.

Highest FED Contribution

According to the Federal Board of Revenue Year Book 2012-2013, in Pakistan, the amount of Federal Excise Duty received from the cigarettes industry is by far more than any other industry in the country.



Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN that the Sixty Seventh Annual General Meeting ("the Meeting") of Pakistan Tobacco Company Limited ("the Company") will be held at Silver Square, Plot No.15, F-11 Markaz, Islamabad on Tuesday 22nd April, 2014 at 11.00 a.m. to transact the following business: -

Ordinary Business:

1. To receive, consider and adopt the audited Accounts for the year ended 31st December, 2013, and the Report of the Directors and Auditors thereon.

2. To approve the Final Dividend as recommended by the Board.

3. To appoint Auditors and to fix their remuneration.

By order of the Board

Ayesha Rafique
Company Secretary
Islamabad
25th March, 2014

Notes:

1. The Share Transfer Books of the Company will be closed from 16th April, 2014 to 22nd April, 2014 both days inclusive. Transfers received in order at the office of the Company's Share Registrar, FAMCO Associates (Pvt.) Ltd, 8-F, Next To Hotel Faran, Nursery,Block-6, P.E.C.H.S., Shahrah-e-Faisal, Karachi at the close of business on 15th April, 2014, will be in time to be entitled to vote and for the entitlement of dividend.

2. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy and such proxy will have the right to attend, speak and vote in place of that member. Forms of proxy must be deposited at the office of the Company's Share Registrar not less than 48 hours before the time appointed for the Meeting and in default, forms of proxy will not be treated as valid.

3. Attendance of members who have deposited their shares into Central Depository Company of Pakistan Limited shall be in accordance with the following:-

   a) In Person:

   i) Individuals must bring their participant's ID number and account/sub-account number along with original Computerized National Identity Card (CNIC) or original Passport at the time of attending the Meeting

   ii) In the case of a corporate entity, presentation of a Board of Directors' Resolution/Power of Attorney with specimen signatures of the nominee at the time of the Meeting.

   b) By Proxy:

   i) In case of individuals, the submission of the proxy form as per the requirement notified in Note 2 above.

   ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be stated on the form.

   iii) Attested copies of CNIC or the passport of the beneficial owners and proxy shall be furnished with the proxy form.

   iv) The proxy shall produce his original CNIC or original passport at the time of the Meeting.

   v) In case of a corporate entity, the Board of Directors' Resolution/Power of Attorney with specimen signatures shall be submitted with the proxy form to the Company.

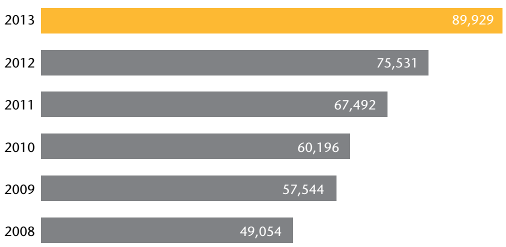
4. Members are requested to notify the Company's Share Registrar promptly of changes in their address, and the Members who have not yet submitted a photocopy of their valid computerized National Identity Cards to the Company are requested to send the same at the earliest directly to our Share Registrar.

Financial Highlights

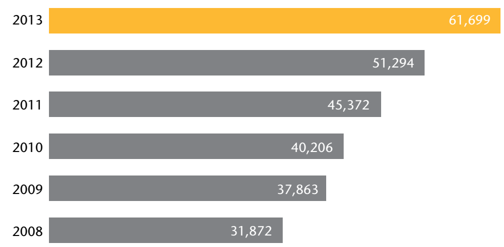
		2013	2012	2011	2010	2009	2008
PROFIT & LOSS							
Volume	Million Sticks	42,872	40,615	39,795	36,831	41,183	41,469
Gross Turnover	Rs million	89,929	75,531	67,492	60,196	57,544	49,054
Excise & Sales Tax	Rs million	59,306	49,651	44,542	39,243	35,878	30,181
Net Turnover	Rs million	30,623	25,880	22,950	20,953	21,667	18,872
Gross Profit	Rs million	10,610	8,446	6,241	6,205	8,224	7,277
Operating Profit	Rs million	4,602	2,729	661	1,531	4,589	3,860
Profit Before Tax	Rs million	4,667	2,655	559	1,418	4,648	3,894
Profit After Tax	Rs million	3,124	1,728	364	925	3,022	2,532
EBITDA	Rs million	5,415	3,514	1,435	2,276	5,246	4,455
Dividends	Rs million	1,852	1,035	537	1,533	2,440	2,466
BALANCE SHEET							
Paid up capital	Rs million	2,555	2,555	2,555	2,555	2,555	2,555
Shareholders' Funds	Rs million	5,412	4,107	3,334	3,602	4,260	3,608
Reserves	Rs million	2,857	1,552	779	1,047	1,705	1,053
Property, Plant & Equipment	Rs million	7,085	5,695	6,100	5,824	5,952	5,600
Net Current (Liabilities)	Rs million	(392)	(426)	(1,713)	(1,108)	(614)	(471)
Capital Employed	Rs million	6,719	5,294	4,416	4,740	5,370	5,184
Capital Expenditure during the year	Rs million	1,887	421	1,167	646	1,045	1,073
Long Term / Deferred Liabilities	Rs million	1,307	1,187	1,082	1,138	1,110	1,576
INVESTOR INFORMATION							
Return on Assets	%	19.95	12.74	2.84	7.52	26.72	25.05
Return on Equity	%	57.73	42.08	10.91	25.68	70.94	70.18
Return on Capital Employed	%	46.50	32.65	8.24	19.52	56.28	48.84
Earnings per share After Tax	Rs	12.23	6.77	1.42	3.62	11.83	9.91
Price-Earning Ratio	Rs	46.02	9.99	38.98	30.44	8.88	10.73
Dividend yield ratio	%	1.29	6.00	3.79	5.44	9.10	9.08
Dividend payout ratio	%	59.28	59.88	147.61	165.71	80.73	97.38
Break-up value per share	Rs	21.18	16.08	13.05	14.10	16.67	14.12
Market value per share at year end	Rs	562.7	67.6	55.5	110.23	105	106.30
Highest Market value per share during the year	Rs	562.7	72.6	116.0	119.9	117	161.00
Lowest Market value per share during the year	Rs	55.5	46.0	55.5	100.58	52.9	106.30
Gross profit ratio	%	34.65	32.63	27.19	29.61	37.96	38.56
EBITDA Margin	%	6.02	4.65	2.13	3.78	9.12	9.08
Net Profit Margin	%	10.20	6.68	1.59	4.42	13.95	13.42
Inventory Turnover Ratio		2.18	2.41	2.59	2.46	2.33	2.86
Creditor Turnover		7.14	6.97	4.65	8.42	8.03	7.83
Operating Cycle		116	99	63	105	111	81
Total Assets Turnover Ratio		5.16	5.44	5.10	4.87	4.71	4.72
Fixed Assets Turnover Ratio		12.69	13.26	11.06	10.34	9.67	8.76
Current Ratio		0.96	0.95	0.81	0.85	0.91	0.91
Quick / Acid Test Ratio		0.11	0.11	0.07	0.07	0.07	0.13
Dividend Per Share	Rs	7.25	4.05	2.10	6.00	9.55	9.65
Dividend Cover Ratio		1.69	1.67	0.68	0.60	1.24	1.03
Debt to Equity Ratio		0.45	0.30	0.53	0.63	0.31	0.16
Interest Cover Ratio		65.80	20.17	4.98	10.47	107.13	150.68
Govt levies as a percentage of turnover	%	68.61	67.91	67.23	66.79	65.80	64.97
GOVERNMENT LEVIES							
Customs, Excise Duties & Sales Tax	Rs million	59,930	50,167	45,036	39,652	36,367	30,525
Local Taxes and Other Duties	Rs million	175	143	137	116	105	101
Income Tax	Rs million	1,594	984	199	438	1,391	1,246

Graphs

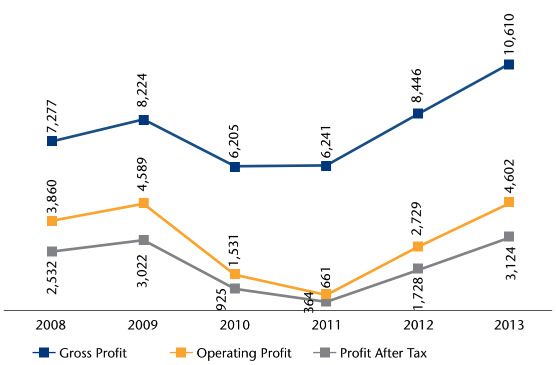
Gross Turnover
Rs (million)



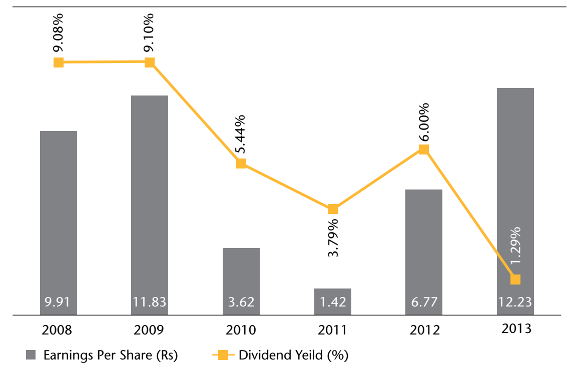
Government Levies
Rs (million)



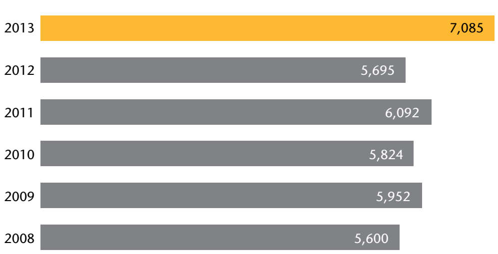
Gross, Operating and After Tax Profit
Rs (million)



Earnings per Share and Dividend Yield



Property, Plant and Equipment
Rs (million)



Volume
Sticks (million)

Horizontal & Vertical Analysis

Source Data

	2008	2009	2010	2011	2012	2013
			(Rs. '000)			
Balance Sheet						
Non Current Assets						
Property Plant And Equipment	5,599,758	5,952,108	5,823,688	6,099,879	5,694,961	7,084,521
Investment in Subsidiary Company at Cost	5,000	5,000	5,000	5,000	5,000	5,000
Long Term Loans	9,244	7,310	3,417	1,260	457	75
Long Term Deposits and Prepayments	41,172	19,915	15,375	22,640	20,286	21,478
	5,655,174	5,984,333	5,847,480	6,128,779	5,720,704	7,111,074
Current Assets						
Stocks in trade	4,059,063	5,765,367	6,002,824	6,462,330	7,225,301	9,166,367
Stores and spares	190,646	218,375	199,208	190,110	341,855	488,213
Trade debts	2,666	1,684	1,597	1,202	1,073	764
Loans and advances	65,917	48,598	48,267	64,310	68,632	89,579
Short term prepayments	105,728	72,483	118,329	94,052	99,509	78,889
Other receivables	246,675	88,147	93,546	196,249	287,696	435,055
Cash and bank balances	69,172	47,874	51,945	109,631	139,030	60,128
	4,739,867	6,242,528	6,515,716	7,117,884	8,163,096	10,318,995
	10,395,041	12,226,861	12,363,196	13,246,663	13,883,800	17,430,069
Share Capital & Reserves						
Share Capital	2,554,938	2,554,938	2,554,938	2,554,938	2,554,938	2,554,938
Revenue Reserves	1,053,393	1,705,296	1,047,151	778,997	1,552,462	2,857,270
	3,608,331	4,260,234	3,602,089	3,333,935	4,107,400	5,412,208
Non Current Liabilities						
Retirement Benefits	739,133	-	-	-	-	-
Deferred Taxation	836,939	1,109,847	1,137,581	1,082,038	1,090,892	1,014,118
Deferred liabilities	-	-	-	-	96,024	293,044
	1,576,072	1,109,847	1,137,581	1,082,038	1,186,916	1,307,162
Current Liabilities						
Trade and other payables	4,324,704	5,037,469	5,339,725	7,075,299	6,991,911	7,724,746
Accrued interest / mark-up accrued	10,354	27,659	46,789	51,187	40,880	27,048
Short term finances	572,397	1,300,837	2,252,218	1,783,623	1,237,772	2,436,445
Lease liability	-	-	-	-	50,009	92,559
Income tax payable	303,183	490,815	(15,206)	(79,419)	268,912	429,901
	5,210,638	6,856,780	7,623,526	8,830,690	8,589,484	10,710,699
	10,395,041	12,226,861	12,363,196	13,246,663	13,883,800	17,430,069
Profit & Loss Account						
Gross turnover	49,053,928	57,544,309	60,195,535	67,491,816	75,531,228	89,928,975
Excise duties	23,351,734	27,654,345	30,476,421	34,719,661	38,854,830	46,110,971
Sales tax	6,829,699	8,223,439	8,766,485	9,822,181	10,796,089	13,195,201
Net turnover	18,872,495	21,666,525	20,952,629	22,949,974	25,880,309	30,622,803
Cost of sales	11,595,736	13,442,066	14,747,717	16,709,273	17,434,790	20,012,587
Gross Profit	7,276,759	8,224,459	6,204,912	6,240,701	8,445,519	10,610,216
Selling and distribution expenses	1,933,364	2,246,014	3,279,390	3,129,938	3,516,601	4,022,635
Administration expenses	928,358	1,100,814	1,233,165	1,321,713	1,381,918	1,716,314
Other operating income	60,551	226,499	46,610	53,967	90,400	129,129
Other operating expenses	615,458	514,665	208,211	1,182,363	908,888	397,959
Operating profit	3,860,130	4,589,465	1,530,756	660,654	2,728,512	4,602,437
Finance income	59,600	102,826	36,933	39,160	65,057	136,487
Finance cost	26,013	43,802	149,680	140,539	138,533	72,019
Profit before taxation	3,893,717	4,648,489	1,418,009	559,275	2,655,036	4,666,905
Taxation	1,361,422	1,626,083	492,909	195,490	926,578	1,542,596
Profit for the year	2,532,295	3,022,406	925,100	363,785	1,728,458	3,124,309
Earnings per Share - basic and diluted (Rupees)	9.91	11.83	3.62	1.42	6.77	12.23

	Horizontal Analysis						Vertical Analysis				
2008	09 Vs 08	10 Vs 09	11 Vs 10	12 Vs 11	13 Vs 12	2008	2009	2010	2011	2012	2013
	Variance (%)						Percentage				
100.00	6.29	(2.16)	4.74	(6.64)	24.40	53.87	48.68	47.11	46.05	41.02	40.65
100.00	-	-	-	-	-	0.05	0.04	0.04	0.04	0.04	0.03
100.00	(20.92)	(53.26)	(63.13)	(63.73)	(83.59)	0.09	0.06	0.03	0.01	-	-
100.00	(51.63)	(22.80)	47.25	(10.40)	5.88	0.40	0.16	0.12	0.17	0.15	0.12
100.00	5.82	(2.29)	4.81	(6.66)	24.30	54.40	48.94	47.30	46.27	41.20	40.80
100.00	42.04	4.12	7.65	11.81	26.86	39.05	47.15	48.55	48.78	52.04	52.59
100.00	14.54	(8.78)	(4.57)	79.82	42.81	1.83	1.79	1.61	1.44	2.46	2.80
100.00	(36.83)	(5.17)	(24.73)	(10.73)	(28.80)	0.03	0.01	0.01	0.01	0.01	-
100.00	(26.27)	(0.68)	33.24	6.72	30.52	0.63	0.40	0.39	0.49	0.49	0.51
100.00	(31.44)	63.25	(20.52)	5.80	(20.72)	1.02	0.59	0.96	0.71	0.72	0.45
100.00	(64.27)	6.12	109.79	46.60	51.22	2.37	0.72	0.76	1.48	2.07	2.50
100.00	(30.79)	8.50	111.05	26.82	(56.75)	0.67	0.39	0.42	0.83	1.00	0.34
100.00	31.70	4.38	9.24	14.68	26.41	45.60	51.06	52.70	53.73	58.80	59.20
100.00	17.62	1.12	7.15	4.81	25.54	154.40	100.00	100.00	100.00	100.00	100.00
100.00	-	-	-	-	-	24.58	20.90	20.67	19.29	18.40	14.66
100.00	61.89	(38.59)	(25.61)	99.29	84.05	10.13	13.95	8.47	5.88	11.18	16.39
100.00	18.07	(15.45)	(7.44)	23.20	31.77	34.71	34.84	29.14	25.17	29.58	31.05
100.00	(100.00)	-	-	-	-	7.11	-	-	-	-	-
100.00	32.61	2.50	(4.88)	0.82	(7.04)	8.05	9.08	9.20	8.17	7.86	5.82
100.00	205.18	-	-	-	-	0.69	1.68				
100.00	(29.58)	2.50	(4.88)	9.69	10.13	15.16	9.08	9.20	8.17	8.55	7.50
100.00	16.48	6.00	32.50	(1.18)	10.48						
100.00	167.13	69.16	9.40	(20.14)	(33.84)	41.60	41.20	43.19	53.41	50.36	44.32
100.00	127.26	73.14	(20.81)	(30.60)	96.84	0.10	0.23	0.38	0.39	0.29	0.16
100.00						5.51	10.64	18.22	13.46	8.92	13.98
100.00	61.89	(103.10)	422.29	(438.60)	59.87	2.92	4.01	(0.12)	(0.60)	1.94	2.47
100.00	31.59	11.18	15.83	(2.73)	24.70	50.13	56.08	61.66	66.66	61.87	61.45
100.00	17.62	1.12	7.15	4.81	25.54	100.00	100.00	100.00	100.00	100.00	100.00
100.00	17.31	4.61	12.12	11.91	19.06						
100.00	18.43	10.20	13.92	11.91	18.68						
100.00	20.41	6.60	12.04	9.92	22.22						
100.00	14.80	(3.29)	9.53	12.77	18.32	100.00	100.00	100.00	100.00	100.00	100.00
100.00	15.92	9.71	13.30	4.34	14.79	61.44	62.04	70.39	72.81	67.37	65.35
100.00	13.02	(24.56)	0.58	35.33	25.63	38.56	37.96	29.61	27.19	32.63	34.65
100.00	16.17	46.01	(4.56)	12.35	14.39	10.24	10.37	15.65	13.64	13.59	13.14
100.00	18.58	12.02	7.18	4.56	24.20	4.92	5.08	5.89	5.76	5.34	5.60
100.00	274.06	(79.42)	15.78	67.51	42.84	0.32	1.05	0.22	0.24	0.35	0.42
100.00	(16.38)	(59.54)	467.87	(23.13)	(56.21)	3.26	2.38	0.99	5.15	3.51	1.30
100.00	18.89	(66.65)	(56.84)	313.00	68.68	20.45	21.18	7.31	2.88	10.54	14.99
100.00	72.53	(64.08)	6.03	66.13	109.80	0.32	0.47	0.18	0.17	0.25	0.45
100.00	68.39	241.72	(6.11)	(1.43)	(48.01)	0.14	0.20	0.71	0.61	0.54	0.24
100.00	19.38	(69.50)	(60.56)	374.73	75.78	20.63	21.45	6.77	2.44	10.26	15.24
100.00	19.44	(69.69)	(60.34)	373.98	66.48	7.21	7.51	2.35	0.85	3.58	5.04
100.00	19.35	(69.39)	(60.68)	375.13	80.76	13.42	13.95	4.42	1.59	6.68	10.20
100.00	19.37	(69.39)	(60.78)	376.76	80.65						

Summary of Cash Flows

(Rs in million)	2013	2012	2011	2010	2009	2008
Cash flow from Operating Activities	2,373	1,775	2,151	1,149	2,545	4,316
Cash flow from Investing Activities	(1,665)	(119)	(1,089)	(565)	(860)	(978)
Cash flow from Financing Activities	(1,985)	(1,081)	(536)	(1,531)	(2,435)	(2,969)
Net Change in Cash and Cash Equivalents	(1,278)	575	526	(947)	(750)	369
Beginning Cash and Cash Equivalents	(1,099)	(1,674)	(2,200)	(1,253)	(503)	(872)
Ending Cash and Cash Equivalents	(2,376)	(1,099)	(1,674)	(2,200)	(1,253)	(503)
Cash and Cash Equivalents comprise						
Cash and Bank Balances	60	139	110	52	48	69
Short Term Borrowings	(2,436)	(1,238)	(1,784)	(2,252)	(1,301)	(572)
	(2,376)	(1,099)	(1,674)	(2,200)	(1,253)	(503)

Financial Calendar

2013

1st Quarter Results issued on	April 19, 2013
2nd Quarter Results issued on	August 15, 2013
3rd Quarter Results issued on	October 23, 2013
Recommendation of Annual Results by the BOD	February 18, 2014
67th Annual General Meeting scheduled for	April 22, 2014

2012

1st Quarter Results issued on	April 23, 2012
2nd Quarter Results issued on	August 17, 2012
3rd Quarter Results issued on	October 22, 2012
Recommendation of Annual Results by the BOD	February 20, 2013
66th Annual General Meeting was held on	April 19, 2013

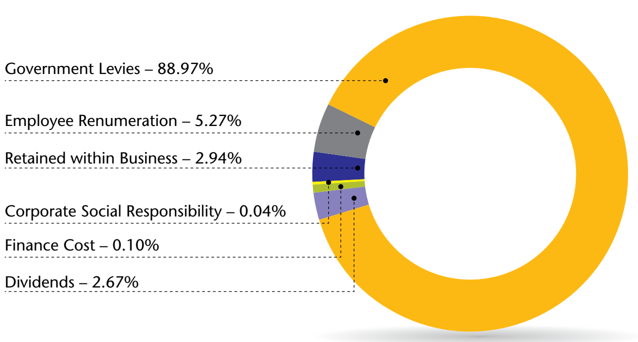
Analysis of Quarterly Results

	2013				2012			
(Rs in million)	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4Q**
Balance Sheet								
Non Current Assets								
Property Plant And Equipment	5,541	5,666	5,892	7,085	5,885	5,810	5,773	5,695
Investment in Subsidiary Company at Cost	5	5	5	5	5	5	5	5
Long Term Loans	-	-	-	-	1	1	1	-
Long Term Deposits and Prepayments	20	20	19	21	22	23	21	20
Current Assets								
Stocks in trade	6,183	4,240	9,989	9,166	5,684	3,778	8,032	7,225
Stores and spares	416	498	507	488	243	281	310	342
Trade debts	1	1	1	1	1	1	2	1
Loans,advances, short term prepayments and other receivables	493	444	416	604	265	500	272	456
Short Term Deposits	-	776	-	-	-	-	-	-
Cash and bank balances	1,229	152	144	60	405	145	324	139
	8,321	6,111	11,057	10,319	6,598	4,704	8,939	8,163
CURRENT LIABILITIES								
Trade and other payables	7,053	4,834	9,734	7,725	7,651	4,789	8,176	6,992
Accrued interest / mark-up	10	6	8	27	42	10	41	41
Liability against assets subject to finance lease	53	62	89	93	-	27	39	50
Short term finances	-	84	305	2,436	-	1,441	1,211	1,238
Income tax payable	414	791	625	430	86	(78)	219	269
	7,531	5,777	10,761	10,711	7,779	6,189	9,685	8,589
Net Current Assets / (Liabilites)	791	335	296	(392)	(1,181)	(1,485)	(746)	(426)
Non Current Liabilites								
Liability against assets subject to finance lease	100	150	241	293	-	66	96	96
Deferred Taxation	1,062	1,019	1,015	1,014	1,038	1,067	1,046	1,091
	1,162	1,169	1,256	1,307	1,038	1,134	1,142	1,187
Net Assets	5,195	4,857	4,957	5,412	3,694	3,220	3,912	4,107
Share Capital & Reserves								
Share Capital	2,555	2,555	2,555	2,555	2,555	2,555	2,555	2,555
Revenue Reserves	2,640	2,302	2,402	2,857	1,139	666	1,357	1,552
	5,195	4,857	4,957	5,412	3,694	3,220	3,912	4,107
Profit & Loss Account								
Gross Turnover	22,424	24,543	19,446	23,516	17,705	20,858	17,124	19,844
Excise Duties	11,471	12,556	9,991	12,093	9,119	10,714	8,797	10,225
Sales tax	3,206	3,508	2,931	3,550	2,529	2,981	2,449	2,838
Net Turnover	7,746	8,479	6,524	7,873	6,057	7,163	5,879	6,782
Cost of sales	5,027	5,695	4,155	5,136	4,197	5,070	3,803	4,365
Gross Profit	2,719	2,785	2,369	2,737	1,860	2,093	2,076	2,416
Selling and distribution expenses	597	977	890	1,558	897	823	675	1,121
Administration expenses	332	418	476	490	330	379	327	347
Other operating expenses	137	118	101	43	51	805	(5)	57
Other operating income	21	85	13	10	9	22	24	35
	1,045	1,429	1,453	2,081	1,269	1,986	973	1,489
Operating profit	1,675	1,356	916	655	591	108	1,102	927
Finance income	13	91	23	10	1	59	3	2
Finance cost	15	9	15	33	41	9	44	44
Finance (cost)/income - net	(2)	82	7	(24)	(40)	49	(41)	(42)
Profit before taxation	1,673	1,439	924	632	552	157	1,062	885
Taxation	585	435	313	209	192	55	370	309
Profit for the year	1,088	1,003	611	423	360	102	692	575

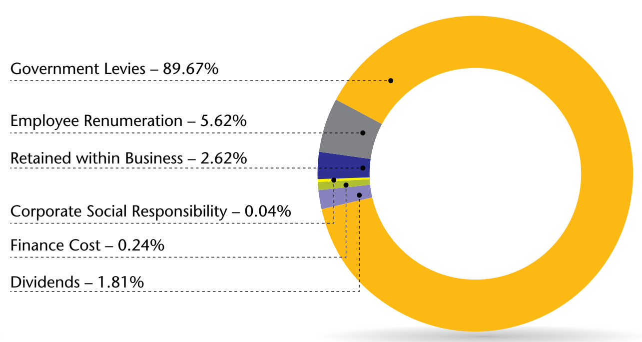
Statement of Value Generated and Distributed

	(Rs in million) 2013	%	(Rs in million) 2012	%
Value Addition (Rs. mn)				
Gross Revenues	90,195		75,687	
Material, Services and Other Costs	(20,847)		(18,486)	
Value added	69,348		57,201	
Value Distribution (Rs. mn)				
Employee Renumeration	3,656	5.27	3,212	5.62
Government Levies	61,699	88.97	51,294	89.67
Dividends	1,852	2.67	1,035	1.81
Finance Cost	72	0.10	139	0.24
Corporate Social Responsibility	28	0.04	23	0.04
Retained within Business	2,041	2.94	1,498	2.62
	69,348	100.00	57,201	100.00

Value Distribution
2013



Value Distribution
2012



Board Committees

The Board has a number of committees, which assist the Board in the performance of its functions. A list of committees is annexed.

Executive Committee of the Board (ExCo)

1. Graeme Amey
(Member & Chairman)
2. Mobasher Raza
(Member)
3. Mustanser Ali Khan
(Member)
4. Asim Imdad
(Member)
5. Tajamal Shah
(Member)
6. Feroze Ahmed
(Member)
7. Syed Imtiaz Faruque
(Member)
8. Sacha Cotting
(Member)
9. Ayesha Rafique
(Secretary)

Audit Committee

1. Abid Niaz Hasan
(Member & Chairman)
2. Lt. Gen.(Retd) Ali Kuli Khan Khattak
(Member)
3. Syed Asif Shah
(Member)
4. Imad Rahman
(Secretary)

Human Resources & Remuneration Committee

1. Lt. Gen.(Retd) Ali Kuli Khan Khattak
(Member & Chairman)
2. Graeme Amey
(Member)
3. Syed Asif Shah
(Member)
4. Syed Imtiaz Faruque
(Secretary)

Shares Transfer Committee

1. Graeme Amey
(Member & Chairman)
2. Mobasher Raza
(Member)
3. Tajamal Shah
(Member)
4. Ayesha Rafique
(Secretary)

Functions of Board Committees

	Committees	Function
1.	Executive Committee of the Board (ExCo)	The Committee is the central working nucleus of the organization. Comprising on Executive Directors and Head of the Departments of the Company, the EXCo drives to achieve the strategic targets set by the Board of Directors.
2.	Audit Committee	The Committee assists the Board of Directors in management of business risks, internal controls and the conduct of the business in economically sound and ethical manner in line with the code of Corporate Governance principles. Audit Committee also reviews the Company's Corporate Social Responsibility (CSR) initiatives and their alignment with Statement of Business Principles.
3.	Human Resources and Remuneration Committee	The Committee is responsible for : • Recommending human resources management policies to the board; • Recommending to the board the selection , evaluation, compensation (including retirement benefits) and succession planning of the Directors (including the CEO and CFO), Company Secretary and Head of Internal Audit; and • Consideration and approval on recommendations of CEO on such matters for key management positions who report directly to CEO
4.	Share Transfer Committee	The Committee is Responsible for dealing with the day to day shares transfers matters of the Company.

Pattern of Shareholding

As at December 31, 2013

No. of Shareholders			Categories		Total Shares
1,436	From	1	To	100	47,421
1,224	From	101	To	500	355,592
416	From	501	To	1,000	298,997
339	From	1,001	To	5,000	737,245
47	From	5,001	To	10,000	343,104
11	From	10,001	To	15,000	134,672
10	From	15,001	To	20,000	180,606
12	From	20,001	To	25,000	273,562
1	From	25,001	To	30,000	25,009
1	From	30,001	To	35,000	35,000
3	From	35,001	To	40,000	109,800
1	From	40,001	To	45,000	45,000
3	From	45,001	To	50,000	148,200
1	From	50,001	To	60,000	58,000
4	From	60,001	To	65,000	247,418
1	From	65,001	To	75,000	70,140
1	From	75,001	To	80,000	75,232
1	From	80,001	To	100,000	100,000
1	From	100,001	To	140,000	137,751
1	From	140,001	To	145,000	142,100
2	From	145,001	To	170,000	335,714
1	From	170,001	To	260,000	256,000
2	From	260,001	To	265,000	528,245
1	From	265,001	To	295,000	291,000
1	From	295,001	To	300,000	296,900
1	From	300,001	To	305,000	300,752
1	From	305,001	To	405,000	401,800
1	From	405,001	To	410,000	407,000
1	From	410,001	To	560,000	555,017
1	From	560,001	To	580,000	576,000
1	From	580,001	To	800,000	798,282
1	From	800,001	To	1,840,000	1,835,243
1	From	1,840,001	To	1,875,000	1,872,000
1	From	1,875,001	To	2,430,000	2,429,849
1	From	2,430,001	To	241,050,000	241,045,141
3,531					255,493,792

	No. of Shares
Associated Companies, Undertakings and Related Parties	241,843,423
NIT and ICP	1,835,758
Directors, CEO and their spouse and minor children	12,274
Executives	34
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance companies, Modaraba and Mutual Funds	1,061,761
Others	7,281,482
Individuals	3,459,060
	255,493,792

Categories of Shareholders	Number	Shares Held	%
Directors, CEO and their spouse and minor children	9	12,274	0.0
Executives	3	34	0.0
Associated Companies, Undertakings and Related Parties	2	241,843,423	94.7
Investment Companies	2	1,835,758	0.7
Modarabas & Mutual Funds	4	102,140	0.0
Insurance Companies	7	904,268	0.4
Banks, development and other Financial Institutions	12	55,353	0.0
Individuals	3,425	3,459,060	1.4
Others	67	7,281,482	2.8
Total	3,531	255,493,792	100.0

	No. of Shares
Associated Companies, Undertakings and Related Parties	
British American Tobacco (Investments) Limited	241,045,141
Rothmans International	798,282
Mutual Funds (name wise details)	
Trustee AKD Index Tracker Fund	2,840
Trustee PICIC Growth Fund	49,800
Trustee PICIC Investment Fund	49,400
First UDL Modaraba	100
Directors, CEO and their spouse and minor children (name wise details)	
Mueen Afzal	2,124
Graeme Douglas Amey	2,500
Mobasher Raza	2,500
Tajamal Shah	2,500
Brendan Brady	1,000
Felecio Ferraz Junior	1,000
Syed Asif Shah	500
Ali Kuli Khan Khattak	100
Abid Niaz Hasan	50
Shareholders holding 5% or more voting interest	
British American Tobacco (Investments) Limited	241,045,141

Statement of Compliance
with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in listing regulations of Karachi, Lahore and Islamabad Stock exchanges for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of directors. At present the Board includes;

Category	Names
Independent Non-Executive Directors	Syed Asif Shah Abid Niaz Hasan
Executive Directors	Graeme Amey Mobasher Raza Tajamal Shah
Non-Executive Directors	Mueen Afzal Lt Gen. (Retd.) Ali Kuli Khan Brendan Brady Felicio Ferraz Junior

   The independent directors meet the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company except Lt Gen. (Retd.) Ali Kuli Khan who is currently the director of eight listed companies and will step down from the board of one listed company on next election of directors of the said company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking Company, a DFI or an NBFI or, being a member of a Stock exchange, has been declared as a defaulter by that Stock exchange.

4. Following casual vacancies occurring in the Board during the year 2013 were filled up by the directors on the same day:

   - Brendan Brady appointed in place of Mustanser Muhamamd Ali Khan w.e.f October 24, 2013.
   - Felicio Ferraz Junior appointed in place of Feroze Ahmed w.e.f October 24, 2013.

5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and non-executive directors, have been taken by the Board / Shareholders.

8. All the meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. One of the directors has participated in directors training program during the year 2013. The remaining directors shall obtain certification under directors' training program upto 2016.

10. The Board has approved appointment of the Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms & conditions of employment.

11. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with the corporate and financial reporting requirements of the CCG.

15. The Board has formed an Audit Committee. It comprises of three non-executive directors, two of whom are independent non-executive directors including the Chairman.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

17. The Board has formed a Human Resources and Remuneration Committee. It comprises three members, of whom two are non-executive directors including one independent director and the Chairman of the Committee is a non-executive director.

18. The Board has set up an effective Internal Audit function which consists of suitably qualified and experienced personnel who are conversant with the policies and procedures of the Company and are involved in the internal audit function on a full time basis.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to the directors, employees and Stock exchanges.

22. Material / price sensitive information has been disseminated among all market participants at once through the Stock exchanges.

23. We confirm that all other material principles contained in the Code have been complied with.

Graeme Amey
Managing Director and CEO
Date: 18th Feb 2014

Review Report to the Members

on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended December 31, 2013 prepared by the Board of Directors (the Board) of Pakistan Tobacco Company Limited (the Company) , to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Listing Regulations of the respective Stock exchanges require the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

As discussed in point 2 of the Statement, a director is currently the director of eight listed companies and has confirmed that he will step down from the board of one listed company on next election of directors of the said Company.

Based on our review, with the exception of the matter described in the preceding paragraph, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended December 31, 2013.

A.F.Ferguson & Co.
Chartered Accountants
Islamabad
Date: 18th Feb 2014

Engagement partner: Sohail M Khan

Pakistan Tobacco Company Limited

Financial Statements

for the year ended December 31, 2013

Auditor's Report to the Members

We have audited the annexed balance sheet of Pakistan Tobacco Company Limited as at December 31, 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion

  (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

  (ii) the expenditure incurred during the year was for the purpose of the Company's business; and

  (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2013 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

A.F.Ferguson & Co.
Chartered Accountants
Islamabad
Date: 18th Feb 2014

Engagement partner: Sohail M Khan

Profit & Loss Account

for the year ended December 31, 2013

	Note	2013 Rs '000	2012 Rs '000
Gross turnover		89,928,975	75,531,228
Excise duties		(46,110,971)	(38,854,830)
Sales tax		(13,195,201)	(10,796,089)
Net turnover		30,622,803	25,880,309
Cost of sales	7	(20,012,587)	(17,434,790)
Gross profit		10,610,216	8,445,519
Selling and distribution expenses	8	(4,022,635)	(3,516,601)
Administrative expenses	9	(1,716,314)	(1,381,918)
Other operating expenses	10	(397,959)	(908,888)
Other income	11	129,129	90,400
		(6,007,779)	(5,717,007)
Operating profit		4,602,437	2,728,512
Finance income		136,487	65,057
Finance cost	12	(72,019)	(138,533)
Net finance income / (cost)		64,468	(73,476)
Profit before income tax		4,666,905	2,655,036
Income tax expense	13	(1,542,596)	(926,578)
Profit for the year		3,124,309	1,728,458
Earnings per share - (Rupees)	14	12.23	6.77

The annexed notes 1 to 36 form an integral part of these financial statements.

Graeme Amey
Managing Director & CEO

Mobasher Raza
Finance Director

Statement of Comprehensive Income

for the year ended December 31, 2013

	Note	2013 Rs '000	2012 Rs '000
Profit for the year		3,124,309	1,728,458
Other comprehensive income for the year:			
Items that will not be reclassified to Profit or Loss			
Remeasurement gain on defined benefit pension and gratuity plans	28	50,875	146,834
Tax charge related to remeasurement gain on defined benefit pension and gratuity plans	13	(18,046)	(67,077)
Other comprehensive income for the year - net of tax		32,829	79,757
Total comprehensive income for the year - net of tax		3,157,138	1,808,215

The annexed notes 1 to 36 form an integral part of these financial statements.

Graeme Amey
Managing Director & CEO

Mobasher Raza
Finance Director

Balance Sheet

as at December 31, 2013

	Note	2013 Rs '000	2012 Rs '000
Non current assets			
Property, plant and equipment	16	7,084,521	5,694,961
Long term investment in subsidiary company	17	5,000	5,000
Long term loans	18	75	457
Long term deposits and prepayments	19	21,478	20,286
Current assets			
Stock-in-trade	20	9,166,367	7,225,301
Stores and spares	21	488,213	341,855
Trade debts	22	764	1,073
Loans and advances	23	89,579	68,632
Short term prepayments		78,889	99,509
Other receivables	24	435,055	287,696
Cash and bank balances	25	60,128	139,030
		10,318,995	8,163,096
Current liabilities			
Trade and other payables	26	7,724,746	6,991,911
Short term running finance	27	2,436,445	1,237,772
Finance lease obligation	30	92,559	50,009
Accrued interest / mark-up		27,048	40,880
Current income tax liability		429,901	268,912
		10,710,699	8,589,484
Net current liabilities		(391,704)	(426,388)
Non current liabilities			
Deferred income tax liability	29	(1,014,118)	(1,090,892)
Finance lease obligation	30	(293,044)	(96,024)
		(1,307,162)	(1,186,916)
Net assets		5,412,208	4,107,400
Share capital and reserves			
Share capital	31	2,554,938	2,554,938
Revenue reserves		2,857,270	1,552,462
		5,412,208	4,107,400
Contingencies and commitments	32		

The annexed notes 1 to 36 form an integral part of these financial statements.

Graeme Amey
Managing Director & CEO

Mobasher Raza
Finance Director

Cash Flow Statement

for the year ended December 31, 2013

	2013 Rs '000	2012 Rs '000
Cash flows from operating activities		
Cash receipts from customers	89,929,017	75,532,896
Cash paid to Government for Federal excise duty, Sales tax and other levies	(59,953,970)	(49,340,561)
Cash paid to suppliers	(22,101,469)	(18,198,476)
Cash paid to employees and retirement funds	(3,469,931)	(4,901,928)
Finance cost paid	(85,851)	(148,840)
Cash paid as royalty	(432,851)	(374,057)
Income tax paid	(1,476,427)	(636,470)
Other cash payments	(35,560)	(157,072)
	2,372,958	1,775,492
Cash flows from investing activities		
Additions in property, plant and equipment	(1,886,514)	(420,835)
Proceeds from disposal of property, plant and equipment	84,541	236,469
Finance income received	136,487	65,057
	(1,665,486)	(119,309)
Cash flows from financing activities		
Dividends paid	(1,850,235)	(1,030,562)
Finance lease payments	(134,812)	(50,371)
	(1,985,047)	(1,080,933)
(Decrease) / increase in cash and cash equivalents	(1,277,575)	575,250
Cash and cash equivalents at beginning of year	(1,098,742)	(1,673,992)
Cash and cash equivalents at end of year	(2,376,317)	(1,098,742)
Cash and cash equivalents comprise:		
Cash and bank balances	60,128	139,030
Short term running finance	(2,436,445)	(1,237,772)
	(2,376,317)	(1,098,742)

The annexed notes 1 to 36 form an integral part of these financial statements.

Graeme Amey
Managing Director & CEO

Mobasher Raza
Finance Director

Statement of Changes in Equity

for the year ended December 31, 2013

	Share capital Rs '000	Revenue reserves Rs '000	Total Rs '000
Balance at January 1, 2012	2,554,938	778,997	3,333,935
Comprehensive income:			
Profit for the year	-	1,728,458	1,728,458
Other comprehensive income for the year	-	79,757	79,757
Total Comprehensive income for the year	-	1,808,215	1,808,215
Transactions with owners:			
Final dividend of Rs 1.00 per share relating to the year ended December 31, 2011	-	(255,494)	(255,494)
1st interim dividend of Rs 1.25 per share relating to the year ended December 31, 2012	-	(319,367)	(319,367)
2nd interim dividend of Rs 1.80 per share relating to the year ended December 31, 2012	-	(459,889)	(459,889)
Total transactions with owners	-	(1,034,750)	(1,034,750)
Balance at December 31, 2012	2,554,938	1,552,462	4,107,400
Balance at January 1, 2013	2,554,938	1,552,462	4,107,400
Comprehensive income:			
Profit for the year	-	3,124,309	3,124,309
Other comprehensive income for the year	-	32,829	32,829
Total Comprehensive income for the year	-	3,157,138	3,157,138
Transactions with owners:			
Final dividend of Rs 3.25 per share relating to the year ended December 31, 2012	-	(830,354)	(830,354)
1st interim dividend of Rs 2.00 per share relating to the year ended December 31, 2013	-	(510,988)	(510,988)
2nd interim dividend of Rs 2.00 per share relating to the year ended December 31, 2013	-	(510,988)	(510,988)
Total transactions with owners	-	(1,852,330)	(1,852,330)
Balance at December 31, 2013	2,554,938	2,857,270	5,412,208

The annexed notes 1 to 36 form an integral part of these financial statements.

Graeme Amey
Managing Director & CEO

Mobasher Raza
Finance Director

1. The Company and its operations

Pakistan Tobacco Company Limited (the Company) is a public listed company incorporated in Pakistan on November 18,1947 under the Companies Act, 1913 (now the Companies Ordinance, 1984) and its shares are quoted on 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 Silver Square, Plot No.15, F-11 Markaz, Islamabad. The Company is engaged in the manufacture and sale of cigarettes.

2. Statement of compliance

These are separate financial statements of the Company. These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board as are notified under the Companies Ordinance, 1984 (the Ordinance), and provisions of and directives issued under the Ordinance. In case requirements differ, the provisions or directives of the Ordinance shall prevail.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are described in note 6.

3. New and amended standards and interpretations

New standards, amendments and interpretations issued that are not yet effective and have not been early adopted by the company:

Amendment to IAS 32, 'Financial instruments: Presentation', on offsetting financial assets and financial liabilities. This amendment updates the application guidance in IAS 32, 'Financial instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. Effective date: Annual periods beginning on or after January 1, 2014.

Amendments to IAS 36, 'Impairment of assets'. These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. Effective date: Annual periods beginning on or after January 1, 2014.

Amendment to IAS 39, 'Financial instruments'. These narrow-scope amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one). This relief has been introduced in response to legislative changes across many jurisdictions that would lead to the widespread novation of over-the-counter derivatives. These legislative changes were prompted by a G20 commitment to improve transparency and regulatory oversight of over-the-counter derivatives in an internationally consistent and non-discriminatory way. Similar relief will be included in IFRS 9, 'Financial instruments'. Effective date: Annual periods beginning on or after January 1, 2014.

Amendments to IFRS 10, 'Consolidated financial statements', IFRS 12, 'Disclosure on interest in other entities' and IAS 27, 'Separate financial statements' for investment entities, These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made in IFRS 12 to introduce disclosures that an investment entity needs to make. Effective date: Annual periods beginning on or after January 1, 2014.

The management anticipate that the adoption of the above amendments in future periods will have no material impact on the financial statements other than in presentation / disclosures.

Further, the following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purpose of their applicability in Pakistan:

IFRS 1	First-time adoption of International Financial Reporting standards	July 1, 2009
IFRS 9	Financial instruments	January 1, 2015
IFRS 10	Consolidated financial statements	January 1, 2013
IFRS 11	Joint arrangements	January 1, 2013
IFRS 12	Disclosure of interests in other entities	January 1, 2013
IFRS 13	Fair value measurement	January 1, 2013
IFRIC 21	Levies	January 1, 2014

The following interpretations issued by the IASB have been waived off by SECP effective January 16, 2012:

IFRIC 4	Determining whether an arrangement contains lease
IFRIC 12	Service concession arrangements

4. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Basis of measurement

These financial statements have been prepared under the historical cost convention except as otherwise stated in the respective accounting policies notes.

4.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee of the board of directors that makes strategic decisions.

4.3 Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency), which is the Pakistan rupee (Rs).

4.4 Foreign currency transactions and translation

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into functional currency using the exchange rate prevailing at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates are recognized in the profit and loss account.

4.5 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company's activities.

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue, and the associated cost incurred or to be incurred, can be measured reliably and when specific criteria have been met for each of the Company's activities as described below.

(a) Sale of goods

The Company manufactures and sells cigarettes to its appointed distributors. Sales of goods are recognized when the Company has delivered products to the distributor and there is no unfulfilled obligation that could affect the distributor's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the distributor, and either the distributor has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied. Where goods are sold together with a customer loyalty incentive, the arrangement is a multiple element arrangement and the consideration from the customer is allocated between the components of the arrangement and related revenue is deferred until such time as the award credits are redeemed.

(b) Income on bank deposits

Income on bank deposits is accounted for on the time proportion basis using the applicable rate of return.

(c) Others

Scrap sales and miscellaneous receipts are recognized on realized amounts. All other income is recognized on accrual basis.

4.6 Current and deferred income tax

The tax expense for the year comprises current and deferred income tax, and is recognized in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in the equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred

Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred income tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantially enacted by the balance sheet date.

4.7 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount could be reliably estimated. Provisions are not recognized for future operating losses.

All provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

4.8 Contingent assets

Contingent assets are disclosed when the Company has a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are not recognized until their realization becomes virtually certain.

4.9 Contingent liabilities

Contingent liability is disclosed when the Company has a possible obligation as a result of past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of obligation cannot be measured with sufficient reliability.

4.10 Employee benefits

(a) Retirement benefit plans

The Company operates various retirement benefit schemes. The schemes are generally funded through payments to trustee-administered funds, determined by periodic actuarial calculations or upto the limit allowed in terms of the Income Tax Ordinance, 2001. The Company has both defined contribution and defined benefit plans.

A defined contribution plan is a plan under which the Company pays fixed contributions into a separate fund. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan is a plan that is not a defined contribution plan. Typically defined benefit plans define an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The Company operates:

(i) Defined benefit, approved funded pension scheme for management and certain grades of business support officers and approved gratuity scheme for all employees. Employees also contribute to the approved pension scheme. The liability recognized in the balance sheet in respect of pension and gratuity plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in Pakistan rupee and have terms to maturity approximating to the terms of the related liability.

Remeasurement gains and losses are recognized in Other Comprehensive Income in the period in which they arise.

(ii) Approved contributory provident fund for all employees administered by trustees and approved contributory pension fund for the new joiners. The contributions of the Company are recognized as employee benefit expense when they are due. Prepaid contributions, if any, are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is demonstrably committed to either; terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(c) Medical benefits

The Company maintains a health insurance policy for its entitled employees and pensioners and their respective spouses. The Company contributes premium to the policy annually. Such premium is recognised as an expense in the profit and loss account.

(d) Bonus plans

(i) The Company recognizes a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments and performance targets. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(ii) The Company also operates a deferred bonus plan for certain eligible management staff members. These benefits are usually paid after 3 years from the date of grant of such an award unless otherwise authorized by the Human Resources and Remuneration Committee of the Board of Directors. The obligation for these payments is recognised in the profit and loss account on a straight line basis to allocate the expected award amount over the term of the award.

4.11 Leases

(a) Finance Leases

Leases that transfer substantially all the risks and rewards incidental to ownership of an asset are classified as finance leases. Assets on finance lease are capitalized at the commencement of the lease term at the lower of fair value of leased assets and the present value of minimum lease payments, each determined at the inception of the lease. Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the finance balance outstanding. The finance cost is charged to profit and loss account and is included under finance costs. The assets acquired under finance lease are depreciated over the shorter of the useful life of the asset or the lease term.

(b) Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit and loss account on a straight-line basis over the period of the lease.

4.12 Property, plant and equipment

These are stated at cost less accumulated depreciation and impairment, if any, except freehold land and capital work in progress which are stated at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are recognized in profit and loss account during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost over their estimated useful lives at the following annual rates:

	2013	2012
Buildings on free-hold land, buildings on leasehold land and private railway sidings	3%	3%
Plant and machinery	7%	7%
Air conditioners included in plant and machinery	20%	25%
Office and household equipment	20% to 33.33%	20% to 25%
Furniture and fittings	10% to 20%	10% to 20%
Vehicles - Owned and leased	20%	25%

During the year, the Company revised the rates of depreciation and residual value estimate on certain fixed assets. The management believes that this change reflects a more systematic allocation of the depreciable amount of such assets over their useful lives. This change has been accounted for prospectively as a change in accounting estimate in accordance with the requirement of IAS - 8 "Accounting policies, Change in accounting estimate and errors".

Had the estimate not been revised the depreciation charge for the year would have been lower and carrying value of fixed assets would have been higher by Rs 16 million.

Depreciation on additions and deletions during the year is charged on a pro rata basis from the month when asset is put into use or up to the month when asset is disposed/written off.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An assets carrying amount is written down immediately to its recoverable amount if the assets' carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals of operating fixed assets are recognized in profit and loss account.

4.13 Impairment of non-financial assets

Assets that have an indefinite useful life, for example land, are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment at each balance sheet date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount for which assets carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date. Reversals of the impairment losses are restricted to the extent that asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no new impairment losses had been recognised. An impairment loss or reversal of impairment loss is recognised in the profit and loss account.

4.14 Long term investment in subsidiary company

The investment in subsidiary company is carried at cost less impairment losses. The profit and loss of the subsidiary company is carried in the financial statements of the subsidiary company and is not dealt with for the purpose of the separate financial statements of the Company except to the extent of dividend declared (if any) by the subsidiary company.

4.15 Stock-in-trade

Stock-in-trade is stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in process comprises design costs, raw materials, direct labour, other direct costs and related production overheads. Net realizable value is the estimated selling price in the ordinary course of business, less cost of completion and costs necessary to be incurred to make the sale.

4.16 Stores and spares

Stores and spares are stated at cost less allowance for obsolete and slow moving items. Cost is determined using weighted average method. Items in transit are valued at cost comprising invoice value and other related charges incurred upto the balance sheet date.

4.17 Financial assets

4.17.1 Classification

The Company classifies its financial assets in four categories: held to maturity, loans and receivables, at fair value through profit or loss and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

i) Held to maturity

A financial asset is classified in this category if acquired by the Company with the intention and ability to hold them upto maturity.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. The Company's loans and receivables comprise trade debts, loans and advances, other receivables, security deposits and cash and bank balances.

(iii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose off the investment within 12 months of the balance sheet date.

4.17.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity financial assets are carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are recognized in the profit and loss account in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss account as part of other income when the Company's right to receive payment is established.

4.17.3 Impairment

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

4.18 Trade debts

Trade debts are recognised initially at fair value and subsequently measured at cost less provision for doubtful debts. A provision for doubtful debts is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the trade debts. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade debt is doubtful. The provision is recognised in the profit and loss account. When a trade debt is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the profit and loss account.

4.19 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

4.20 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. All other borrowing costs are charged to profit and loss account.

4.21 Dividend distribution

Final dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividend is approved by the Company's shareholders at the Annual General Meeting, while interim dividend distributions are recognised in the period in which the dividends are declared by the Board of Directors.

4.22 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

4.23 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

5. Financial risk management

5.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Treasury Sub Committee (the Committee) under policies approved by the board of directors (the Board). The Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. All treasury related transactions are carried out within the parameters of these policies.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollar, Great Britain Pound Sterling, Australian Dollar and the Euro. Currently, the Company's foreign exchange risk exposure is restricted to bank balances, the amounts receivable/payable from/to the foreign entities and outstanding letters of credit. The company enters into forward exchange contracts with banks to hedge the currency risk on letters of credit related to import of goods and equipment.

Financial assets include Rs 64,844 thousand (2012: 130,668 thousand) and financial liabilities include Rs 517,592 thousand (2012: 606,860 thousand) which were subject to foreign exchange risk.

At December 31 2013, if the functional currency had weakened/strengthened by 10% against foreign currencies, with all other variables held constant, the profit after taxation for the year would have been lower/higher by Rs 30 million (2012: Rs 31 million).

(ii) Price risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company is not exposed to equity price risk since there are no investments in equity securities. The Company is also not exposed to commodity price risk.

(iii) Cash flow and fair value interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to fair value interest rate risk as it does not hold any fixed rate instruments.

The Company has no significant long-term interest-bearing assets or liabilities whose fair value or future cash flows will fluctuate because of changes in market interest rates.

Financial liabilities include balances of Rs 2,822,048 thousand (2012: Rs 1,382,310 thousand) which are subject to interest rate risk. Applicable interest rates for financial liabilities have been indicated in respective notes.

At balance sheet date, if interest rates had been 1% higher/lower, with all other variables held constant, profit after taxation for the year would have been Rs 19 million (2012: Rs 9 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from trade debts, loans and advances, other receivables and deposits with banks. The table below shows bank balances held with counterparties at the balance sheet date.

	Rating		Rating	Rs (million)	
Counterparty	Short term	Long term	Agency	2013	2012
MCB Bank Limited	A1+	AAA	PACRA	25	24
Citibank N.A.	P-2	A3	Moody's	-	2
Deutsche Bank AG	P-1	A2	Moody's	32	112
				57	138

Trade debts, loans and advances and other receivables amounting to Rs 544 million (2012: Rs 375 million) do not include any amounts which are past due or impaired.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At December 31, 2013, the Company had Rs 2,914 million (2012: Rs 4,112 million) unutilised borrowing facilities from financial institutions and Rs 60 million (2012: Rs 139 million) cash and bank balances. Further, the Company also has strong financial support from its holding company. Based on the above, in spite the fact that the Company is in a negative working capital position at the year end, management believes the liquidity risk to be low.

The table below summarizes the maturity profile of the Company's financial liabilities as at reporting date. The amounts disclosed are undiscounted cashflows.

	December 31, 2013		
	Amount Rs '000	Within one year Rs '000	Upto five years Rs '000
Finance lease obligation	479,785	129,337	350,448
Trade and other payables	7,731,118	7,731,118	-
Short term running finance	2,436,445	2,436,445	-
Accrued interest / mark-up	27,048	27,048	-
	10,674,396	10,323,948	350,448

	December 31, 2012		
	Amount Rs '000	Within one year Rs '000	Upto five years Rs '000
Finance lease obligation	179,828	67,075	112,753
Trade and other payables	6,974,274	6,974,274	-
Short term running finance	1,237,772	1,237,772	-
Accrued interest / mark-up	40,880	40,880	-
	8,432,754	8,320,001	112,753

5.2 Capital management

The Company's objectives when managing capital risks are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

5.3 Fair value estimation

The carrying values of financial instruments approximate their fair values.

6. Critical accounting estimates and judgements

(a) Income taxes

The Company recognizes tax liabilities for pending tax assessments using estimates based on expert opinion obtained from tax/legal advisors. Differences, if any, between the income tax provision and the tax liability finally determined is recorded when such liability is so determined. Deferred income tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantially enacted by the balance sheet date.

(b) Employee benefits

Retirement benefit plans (note 4.10a)
Employees' termination benefits (note 4.10b)
Bonus plans (note 4.10d)

(c) Property, plant and equipment

The Company reviews useful life and residual value of property, plant and equipment (note 4.12) on regular basis. Any change in estimates may affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge.

	2013 Rs '000	2012 Rs '000
7. Cost of sales		
Raw material consumed		
Opening stock of raw materials and work in process	6,177,047	5,376,669
Raw material purchases and expenses - note 7.1	16,912,811	13,821,617
Closing stock of raw materials and work in process	(7,558,214)	(6,177,047)
	15,531,644	13,021,239
Government taxes and levies		
Customs duty and surcharges	577,245	476,101
Provincial and municipal taxes and other duties	175,459	143,354
Excise duty on royalty	46,370	39,660
	799,074	659,115
	16,330,718	13,680,354
Royalty	463,704	396,582
Production overheads		
Salaries, wages and benefits	1,476,556	1,426,585
Stores, spares and machine repairs	710,117	444,425
Fuel and power	495,546	439,175
Insurance	45,733	43,727
Repairs and maintenance	216,901	165,750
Postage, telephone and stationery	7,679	8,375
Information technology	103,931	75,409
Depreciation	559,432	546,180
Stocks written off	15,152	50,359
Stores and spares written off	21,726	20,599
Sundries	125,291	99,863
	3,778,064	3,320,447
Cost of goods manufactured	20,572,486	17,397,383
Cost of finished goods		
Opening stock	1,048,254	1,085,661
Closing stock	(1,608,153)	(1,048,254)
	(559,899)	37,407
Cost of sales	20,012,587	17,434,790

7.1 Raw material purchases and expenses

	2013 Rs '000	2012 Rs '000
Materials	15,454,647	12,617,381
Salaries, wages and benefits	689,322	573,459
Stores, spares and machine repairs	289,623	206,366
Fuel and power	223,840	157,561
Property rentals	54,555	61,612
Insurance	3,642	2,906
Repairs and maintenance	22,174	22,904
Postage, telephone and stationery	7,909	12,468
Depreciation	123,173	105,337
Sundries	43,926	61,623
	16,912,811	13,821,617

	2013 Rs '000	2012 Rs '000
8. Selling and distribution expenses		
Salaries, wages and benefits	603,447	506,384
Selling expenses	2,780,674	2,523,848
Freight	323,584	310,821
Repairs and maintenance	85,531	65,773
Postage, telephone and stationery	5,542	6,130
Travelling	45,382	38,882
Property rentals	11,299	9,631
Insurance	11,312	8,577
Finished goods stock written off	111,585	-
Depreciation	44,279	46,555
	4,022,635	3,516,601
9. Administrative expenses		
Salaries, wages and benefits	886,509	705,733
Fuel and power	37,678	31,470
Property rentals	53,854	52,231
Insurance	5,149	6,041
Repairs and maintenance	48,538	46,085
Postage, telephone and stationery	14,432	17,603
Legal and professional charges	37,044	39,439
Donations - note 9.1	1,100	500
Information technology	377,242	280,519
Travelling	116,517	77,856
Depreciation	85,263	87,196
Auditor's remuneration and expenses - note 9.2	15,830	8,046
Sundries	37,158	29,199
	1,716,314	1,381,918

9.1 There were no donations in which the directors, or their spouses, had any interest.

	2013 Rs '000	2012 Rs '000
9.2 Auditor's remuneration and expenses include:		
- Statutory audit fee	1,507	1,425
- Group reporting, review of half yearly accounts, audit of consolidated accounts, audit of staff retirement benefit funds and special certifications	3,129	3,038
- Tax services	10,634	3,195
- Out-of-pocket expenses	560	388
	15,830	8,046

		2013 Rs '000	2012 Rs '000
10.	**Other operating expenses**		
	Employees' termination benefits	-	637,397
	Workers' Profit Participation Fund	250,639	142,533
	Workers' Welfare Fund - Current	95,243	53,101
	- prior year	(18,518)	-
	Bank charges and fees	38,662	40,131
	Other receivables and advances written off	-	2,343
	Loss on disposal of property, plant and equipment	-	14,713
	Interest paid to Workers' profit participation fund	25	-
	Foreign exchange loss	31,908	18,670
		397,959	908,888
11.	**Other income**		
	Income from an associated company		
	- BAT SAA Services (Private) Limited, for services rendered	31,595	29,719
	Insurance claim received	29,469	28,000
	Sale of retail data	23,500	-
	Vehicle rental from marketing agencies	-	16,803
	Income recognised on sale and leaseback of vehicles - note 26.5	9,215	5,830
	Gain on disposal of property, plant and equipment	25,353	-
	Miscellaneous	9,997	10,048
		129,129	90,400
12.	**Finance cost**		
	Interest expense on:		
	Bank borrowings	44,310	129,479
	Finance lease	27,709	9,054
		72,019	138,533
13.	**Income tax expense**		
	Current	1,575,639	917,466
	Deferred	(33,043)	9,112
		1,542,596	926,578

13.1 Effective tax rate reconciliation:

Numerical reconciliation between the average effective income tax rate and applicable income tax rate is as follows:

	2013 (%)	2012 (%)
Applicable tax rate	34.00	35.00
Tax effect of:		
Inadmissible expenses	0.44	0.24
Income taxed at different rate	(0.02)	(0.12)
Change in applicable tax rate	(0.69)	-
Others	(0.68)	(0.22)
Average effective tax rate	33.05	34.90

	2013 Rs '000	2012 Rs '000
13.2 Tax on items directly credited to statement of comprehensive income		
Current tax charge on defined benefit plans	61,777	67,335
Deferred tax credit on defined benefit plans	(43,731)	(258)
	18,046	67,077

	2013	2012
14. Earnings per share		
Profit after tax (Rs '000)	3,124,309	1,728,458
Number of fully paid weighted average ordinary shares ('000)	255,494	255,494
Earnings per share - Basic (Rs)	12.23	6.77

There is no dilutive effect on the basic earnings per share of the Company.

15. Remuneration of Chief Executive, Directors and Executives

The aggregate amounts charged in the financial statements of the year for remuneration including all benefits to Chief Executive, Executive Directors and executives are as follows:-

	Chief Executive		Executive Directors		Executives				Total	
					Key management personnel		Other executives			
	2013 Rs '000	2012 Rs '000	2013 Rs '000	2012 Rs '000	2013 Rs '000	2012 Rs '000	2013 Rs '000	2012 Rs '000	2013 Rs '000	2012 Rs '000
Managerial remuneration	72,447	72,955	47,940	49,601	211,522	191,427	681,622	576,130	1,013,531	890,113
Corporate bonus	30,988	14,655	122,793	86,151	163,755	124,424	245,476	204,951	563,012	430,181
Leave fare assistance	5,568	5,750	3,848	2,569	10,295	7,642	4,669	5,430	24,380	21,391
Housing and utilities	11,601	10,770	21,010	18,653	54,020	44,617	276,287	233,897	362,918	307,937
Medical expenses	1,103	-	2,527	2,418	12,075	5,503	48,194	39,998	63,899	47,919
Post employment benefits	11,544	11,416	12,027	10,915	27,156	20,712	148,086	130,349	198,813	173,392
	133,251	115,546	210,145	170,307	478,823	394,325	1,404,334	1,190,755	2,226,553	1,870,933
Number of persons	1	1	*4	4	36	30	485	387	526	422

*Number of executive directors decreased from four to two in last quarter of the year.

15.1 The Company, in certain cases, also provides individuals with the use of company accommodation, cars and household items, in accordance with their entitlements.

15.2 The aggregate amounts charged in the financial statements of the year for remuneration including all benefits to six (2012: four) non-executive directors of the Company amounted to Rs 4,653 thousand (2012: Rs 4,428 thousand). Number of non-executive directors increased from four to six in last quarter of the year.

Notes to and forming part of the Financial Statements

for the year ended December 31, 2013

	2013 Rs '000	2012 Rs '000
16. Property, plant and equipment		
Operating assets - note 16.1	6,070,353	5,518,995
Capital work in progress - note 16.2	1,014,168	175,966
	7,084,521	5,694,961

16.1 Operating assets

	Free-hold land Rs '000	Buildings on free-hold land Rs '000	Buildings on leasehold land Rs '000	Private railway sidings Rs '000	Plant and machinery Rs '000	Office and household equipment Rs '000	Furniture and fittings Rs '000	Vehicles - Owned Rs '000	Vehicles - under finance lease Rs '000	Total Rs '000
At January 1, 2012										
Cost	6,834	578,105	25,712	349	8,643,056	568,501	99,661	738,128	-	10,660,346
Accumulated depreciation	-	(175,633)	(15,341)	(323)	(4,241,976)	(306,438)	(34,992)	(462,520)	-	(5,237,223)
Net book amount at January 1, 2012	6,834	402,472	10,371	26	4,401,080	262,063	64,669	275,608	-	5,423,123
Year ended December 31, 2012										
Net book amount at January 1, 2012	6,834	402,472	10,371	26	4,401,080	262,063	64,669	275,608	-	5,423,123
Additions	23,736	176,412	-	-	617,365	70,232	2,473	40,999	179,216	1,110,433
Disposals	-	(469)	-	-	(102,320)	(3,433)	(573)	(117,435)	(5,063)	(229,293)
Depreciation charge	-	(17,657)	(427)	(1)	(566,131)	(79,299)	(14,627)	(89,334)	(17,792)	(785,268)
Net book amount at December 31, 2012	30,570	560,758	9,944	25	4,349,994	249,563	51,942	109,838	156,361	5,518,995
At January 1, 2013										
Cost	30,570	753,653	25,712	349	8,755,842	609,223	99,350	534,297	173,838	10,982,834
Accumulated Depreciation	-	(192,895)	(15,768)	(324)	(4,405,848)	(359,660)	(47,408)	(424,459)	(17,477)	(5,463,839)
Net book amount January 1, 2013	30,570	560,758	9,944	25	4,349,994	249,563	51,942	109,838	156,361	5,518,995
Year ended December 31, 2013										
Net book amount at January 1, 2013	30,570	560,758	9,944	25	4,349,994	249,563	51,942	109,838	156,361	5,518,995
Additions	-	85,505	-	-	812,968	155,167	4,697	3,079	361,278	1,422,694
Disposals	-	(17,535)	(550)	(25)	(8,169)	(2,780)	(528)	(13,242)	(16,359)	(59,188)
Depreciation charge	-	(22,038)	(568)	-	(561,459)	(134,126)	(15,159)	(12,787)	(66,011)	(812,148)
Net book amount at December 31, 2013	30,570	606,690	8,826	-	4,593,334	267,824	40,952	86,888	435,269	6,070,353
At December 31, 2013	-									
Cost	30,570	802,628	22,149	-	9,314,801	742,444	100,760	425,229	514,442	11,953,023
Accumulated depreciation	-	(195,938)	(13,323)	-	(4,721,467)	(474,620)	(59,808)	(338,341)	(79,173)	(5,882,670)
Net book amount at December 31, 2013	30,570	606,690	8,826	-	4,593,334	267,824	40,952	86,888	435,269	6,070,353

		2013 Rs '000	2012 Rs '000
16.2	**Capital work in progress**		
	Plant and machinery	992,914	144,968
	Advances to suppliers	21,254	30,998
		1,014,168	175,966
16.3	**Depreciation charge has been allocated as follows:**		
	Cost of sales	559,432	546,180
	Raw material purchases and expenses	123,174	105,337
	Selling and distribution expenses	44,279	46,555
	Administrative expenses	85,263	87,196
		812,148	785,268

16.4 Details of property, plant and equipment disposed off during the year , having book value of Rs 50,000 or more are as follows:

	Original Cost Rs '000	Book Value Rs '000	Sale Proceeds less selling expenses Rs '000	Particulars of Buyers
Computer Equipment				
- by insurance claim	543	466	541	EFU General Insurance Co.
House Hold Furniture				
- as per Company's policy	736	350	350	Shehzad Munim - Ex Employee
	252	235	239	Zull Ainain - Ex Employee
	90	59	59	Suchira - Ex Employee
Building Scrap				
- by Negotiation	1,610	919	1,136	Zakirullah Jan
Vehicles				
- as per Company's policy	981	98	101	Farhan Rafique - Employee
	981	98	908	Umar Arshad - Employee
	981	98	879	Abdul Basit Ijaz - Employee
	981	98	97	Zarullah Khan - Employee
	999	100	154	Shahzad Zaheer - Ex Employee
	1,014	101	819	Munim Wali - Employee
	1,305	979	1,028	Nauman Saeed - Ex Employee
	1,328	138	514	Jawad Adeeb - Employee
	1,354	135	337	Muhammad Ayaz - Employee
	1,357	136	136	Arif Bilal - Employee
	1,384	144	975	Shaharyar Qureshi - Employee
	1,389	139	192	Sami Zaman - Employee
	1,389	139	288	Hassan Moonis - Employee
	1,389	139	139	Syed Aamir Iqbal - Employee
	1,389	139	132	Muhammad Gulzar - Employee
	1,389	139	296	Ahmad Iqbal - Employee
	1,395	1,192	1,190	Jamshaid Inam - Ex Employee
	1,626	1,423	1,494	Mian Burhan - Ex Employee
	1,691	1,466	1,550	Munim Wali - Employee
	2,041	1,446	1,620	Kamran Abbasi - Employee

Notes to and forming part of the Financial Statements

for the year ended December 31, 2013

	Original Cost Rs '000	Book Value Rs '000	Sale Proceeds less selling expenses Rs '000	Particulars of Buyers
	2,750	275	799	Khalil Ahmed - Employee
	3,599	360	1,249	Irfan Aziz - Employee
	3,949	395	1,921	Khurram Shahzad - Employee
	3,949	395	2,073	Faisal Saif - Employee
	3,949	395	2,159	Mujeeb Adnan - Employee
	3,999	400	2,312	Atif Hasan - Employee
- by auction	604	60	430	S.Raza Ali - Rawalpindi
	635	64	315	Masood A. Orakzai - Islamabad
	844	84	750	Khurram Mehboob - Rawalpindi
	845	84	950	M.Huzaifa Khan - Islamabad
	845	84	905	Habib ur Rehman - Rawalpindi
	845	84	790	Raja Manzoor - Rawalpindi
	879	88	810	Sujawal Khan - Islamabad
	981	98	1,080	Bilal Bakht - Islamabad
	996	100	1,306	Muhammad Aslam - Rawalpindi
	1,039	104	885	Tahir Mehmood - Islamabad
	1,041	104	900	M.Iftikhar Alam - Islamabad
	1,219	122	970	Raja M.Zahoor - Rawalpindi
	1,279	128	840	Tariq Mehmood - Rawalpindi
	1,286	129	903	M.Saad Butt - Rawalpindi
	1,305	888	1,435	Ayaz Shaukat - Islamabad
	1,309	131	940	Raja Manzoor - Rawalpindi
	1,309	131	1,145	Sujawal Khan - Islamabad
	1,309	131	1,120	Abdul Wajid - Peshawar
	1,313	131	910	M.Iftikhar Alam - Islamabad
	1,327	1,084	1,365	Falak Naz - Buner
	1,335	134	1,300	Farrukh Rauf - Rawalpindi
	1,345	134	780	Khurram Mehboob - Rawalpindi
	1,370	137	1,230	Farrukh Rauf - Rawalpindi
	1,370	137	1,250	Rizwan Majeed - Rawalpindi
	1,504	150	1,295	M.Yaqoob Khan - Islamabad
	1,564	156	425	Fehmina Orakzai - Islamabad
	1,885	660	1,430	Raja M.Zahoor - Rawalpindi
	2,290	229	930	Abdul Wajid - Peshawar
	2,363	236	920	Khurram Mehboob - Rawalpindi
	2,363	236	870	Fazal Khaliq - Rawalpindi
	2,530	253	915	Abdul Wajid - Peshawar
	2,530	253	915	Abdul Wajid - Peshawar
	2,750	275	2,150	Ammad Sohail - Lahore
	2,750	275	2,426	Habib ur Rehman - Rawalpindi
	3,949	395	2,155	Ammad Sohail - Lahore
	4,560	456	3,150	Sara Malik - Peshawar
	5,900	590	5,760	Ishtiaq Hussain - Islamabad
- by insurance claim	683	68	600	New Hampshire Insurance Company
	1,305	1,088	1,500	-do-
	1,485	1,021	1,800	-do-
	1,691	1,445	1,700	-do-
	1,939	1,777	1,939	-do-
	1,939	1,777	1,939	-do-
	1,939	1,818	1,939	-do-
	2,056	206	1,650	-do-
	2,344	234	1,200	-do-

17. Long term investment in subsidiary company - at cost

This represents 500,001 (2012: 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 (2012: Rs 10 per share) based on audited accounts for the year ended December 31, 2013.

This is a wholly owned subsidiary of Pakistan Tobacco Company Limited which has not yet commenced commercial production.

	2013 Rs '000	2012 Rs '000
18. Long term loans - unsecured, considered good		
Related parties		
Key management personnel	45	105
Others		
Other executives	279	1,270
	324	1,375
Less: Receivable within one year	249	918
	75	457

18.1 Reconciliation of loans:

	Executives				Total	
	Key management personnel		Other executives			
	2013 Rs'000	2012 Rs'000	2013 Rs'000	2012 Rs'000	2013 Rs'000	2012 Rs'000
Balance as at January 1	105	164	1,270	2,856	1,375	3,020
Repayments	(60)	(59)	(991)	(1,586)	(1,051)	(1,645)
Balance as at December 31	45	105	279	1,270	324	1,375

The above comprises interest free loans for purchase of household furniture, appliances, cars and motorcycles and are repayable over 5 to 10 years in equal monthly installments. The company has discontinued this facility in prior years and new loans were not disbursed to employees during the year.

18.2 The maximum amount due from the key management personnel and other executives at the end of any month during the year was:

	2013 Rs '000	2012 Rs '000
Key management personnel	98	186
Other executives	1,136	2,608
	1,234	2,794

		2013 Rs '000	2012 Rs '000
19.	**Long term deposits and prepayments**		
	Security deposits	18,351	17,540
	Prepayments	3,127	2,746
		21,478	20,286
20.	**Stock-in-trade**		
	Raw materials	7,331,209	5,925,625
	Raw materials in transit	157,213	222,510
	Work in process	69,792	28,912
	Finished goods	1,608,153	1,048,254
		9,166,367	7,225,301
21.	**Stores and spares**		
	Stores	6,336	2,832
	Machine spares	481,877	339,023
		488,213	341,855
22.	**Trade debts**		
	These are unsecured, considered good.		
23.	**Loans and advances - unsecured, considered good**		
	Related parties		
	Loans to key management personnel	22	45
	Advances to key management personnel for house rent and expenses	7,036	4,019
	Others		
	Loans to executives and other employees	227	873
	Advances to executives for house rent and expenses	46,867	36,557
	Advances due from others	35,427	27,138
		89,579	68,632
24.	**Other receivables**		
	Related parties - unsecured		
	Due from holding company / associated companies - note 24.1	48,209	34,692
	Due from subsidiary company	20,021	20,021
	Unbilled receivable from related parties	5,848	13,930
	Staff pension fund	345,253	182,804
	Employees' provident fund	-	5,920
	Management's provident fund	1,484	-
	Others		
	Claims against suppliers	11,086	27,858
	Others	3,154	2,471
		435,055	287,696

		2013 Rs '000	2012 Rs '000
24.1	The amount due from holding company / associated companies comprises:		
	Holding Company		
	British American Tobacco p.l.c. - UK	2,015	4,434
	Associated Companies		
	BAT SAA Services (Private) Limited - Pakistan	16,741	14,688
	BAT Marketing (Singapore) Pte Ltd	6,976	1,709
	BAT GLP Ltd - UK	3,769	-
	PT Bentoel Prima - Indonesia	3,744	5,970
	BAT Tutun Mamulleri - Turkey	3,471	-
	BAT Korea Manufacturing - South Korea	2,732	424
	BAT ASPAC Service Center Sdn Bhd - Malaysia	2,706	1,772
	BAT Asia-Pacific Region Ltd - Hong Kong	1,478	-
	BAT SCWE Ltd. - UK	1,475	684
	Commercial Marketers - Malaysia	-	1,121
	BAT Switzerland SA	1,202	1,040
	BAT Cambodia	1,109	480
	BAT (Singapore) Pte Ltd	791	770
	BAT Kazakhistan	-	1,340
	BAT PNG - Papua New Guinea	-	260
		48,209	34,692

25. Cash and bank balances

	2013 Rs '000	2012 Rs '000
Deposit accounts	24,105	21,240
Current accounts		
Local currency	1,394	6,179
Foreign currency	31,270	110,664
	56,769	138,083
Cash in hand	3,359	947
	60,128	139,030

	2013 Rs '000	2012 Rs '000
26. Trade and other payables		
Related parties - unsecured		
Due to holding company / associated companies - note 26.1	628,305	634,053
Others		
Creditors	906,408	921,876
Federal excise duty - note 26.2	3,518,345	3,542,618
Sales tax	969,662	814,765
Tobacco excise duty / Tobacco development cess - note 26.3	99,218	78,566
Other employee benefits - note 26.4	694,228	566,896
Employees' gratuity fund	265,349	91,720
Staff pension fund - defined contribution	347	933
Management provident fund	-	4,255
Employees' provident fund	595	-
Workers' Profit Participation Fund	250,639	2,534
Workers' Welfare Fund	95,243	53,101
Other accrued liabilities	226,560	206,214
Advances from customers	1,300	1,578
Security deposits	24,105	21,240
Dividend payable / Unclaimed dividend	37,598	35,503
Deferred income on sale and leaseback of vehicles - note 26.5	6,844	16,059
	7,724,746	6,991,911

26.1 The amount due to holding company / associated companies comprises:

	2013 Rs '000	2012 Rs '000
Holding Company		
British American Tobacco p.l.c. - UK	152,075	115,510
Associated Companies		
BAT ASPAC Service Center Sdn Bhd - Malaysia	194,958	132,576
BAT Marketing (Singapore) Pte Ltd	114,117	180,569
BAT Asia-Pacific Region Ltd - Hong Kong	56,349	30,627
BAT GLP Ltd - UK	54,364	86,210
BAT GSD Ltd. - UK	27,898	61,783
BAT Australia	21,283	10,464
Ceylon Tobacco Company Plc - Sri Lanka	5,968	3,205
BAT (Malaysia) Berhad	578	1,510
BAT Korea Manufacturing - South Korea	440	-
BAT Vinataba (JV) Ltd - Vietnam	275	-
BAT Bangladesh Co. Ltd	-	10,913
BAT SCWE Ltd. - UK	-	462
BAT New Zealand	-	224
	628,305	634,053

26.2 Federal excise duty

	2013 Rs '000	2012 Rs '000
Balance as at January 1	3,542,618	2,781,825
Charge for the year	46,110,971	38,854,830
Payment to the Government during the year	(46,135,244)	(38,094,037)
Balance as at December 31	3,518,345	3,542,618

		2013 Rs '000	2012 Rs '000
26.3	Tobacco excise duty / Tobacco development cess:		
	Balance as at January 1	78,566	70,770
	Charge for the year	116,299	92,625
	Payment to the Government during the year	(95,647)	(84,829)
	Balance as at December 31	99,218	78,566
26.4	**Other employee benefits**		
	Balance as at January 1	566,896	565,749
	Charge for the year	610,867	498,648
	Payment to employees during the year	(483,535)	(497,501)
	Balance as at December 31	694,228	566,896

Other employee benefits represent bonus to eligible employees.

		2013 Rs '000	2012 Rs '000
26.5	**Deferred income on sale and leaseback of vehicles**		
	Deferred income	16,059	21,889
	Income recognised during the year	(9,215)	(5,830)
		6,844	16,059

The Company entered in a transaction of sale and lease back of vehicles resulting in finance lease. Profit on this transaction has been deferred and is being recognised as income over the lease term of 2 to 4 years.

27. Short term running finance - secured

(a) Short term running finance

Short term running finance facilities available under mark-up arrangements with banks amount to Rs 5,350 million (2012: Rs 5,350 million), out of which the amount unavailed at the year end was Rs 2,914 million (2012: Rs 4,112 million). These facilities are secured by hypothecation of stock in trade and plant & machinery amounting to Rs 5,940 million (2012: Rs 5,940 million). The mark-up ranges between 9.22% and 10.46% (2012: 9.88% and 13.14%) per annum and is payable quarterly. The facilities are renewable on annual basis.

(b) Non-funded finance facilities

The Company also has non-funded financing facilities available with banks, which include facility to avail letter of credit and letter of guarantee. The aggregate facility of Rs 2,500 million (2012: Rs 2,500 million) and Rs 670 million (2012: Rs 355 million) is available for letter of credit and letter of guarantee respectively, out of which the facility availed at the year end is Rs 1,537 million (2012: Rs 687 million) and Rs 179 million (2012: Rs 149 million). The letter of guarantee facility is secured by second ranking hypothecation charge over stock-in-trade amounting to Rs 670 million (2012: Rs 355 million).

	2013 Rs '000	2012 Rs '000
28. Retirement benefits		
Staff pension fund - Asset (note 24)	(345,253)	(182,804)
Employees' gratuity fund - Liability (note 26)	265,349	91,720

The latest actuarial valuation of the defined benefit plans was conducted at December 31, 2013 using the projected unit credit method. Details of the defined benefit plans are:

	Defined benefit pension plan		Defined benefit gratuity plan	
	2013 Rs '000	2012 Rs '000	2013 Rs '000	2012 Rs '000
(a) The amounts recognised in the balance sheet:				
Present value of defined benefit obligations	3,582,353	3,358,267	1,082,176	870,406
Fair value of plan assets	(3,927,606)	(3,541,071)	(816,827)	(778,686)
Net (Assets) / liability	(345,253)	(182,804)	265,349	91,720
(b) Movement in the liability recognized in the balance sheet is as follow:				
Balance as at January 1	(182,804)	158,626	91,720	47,078
Charge for the year - profit & loss	69,333	76,804	50,862	39,691
Employer's contribution during the year	(22,611)	(193,446)	(35,529)	(73,003)
Charge for the year - statement of comprehensive income	(209,171)	(224,788)	158,296	77,954
Balance as at December 31	(345,253)	(182,804)	265,349	91,720
(c) The amounts recognised in the profit and loss account:				
Current service cost	109,222	99,786	45,633	38,796
Interest cost	409,753	354,224	102,011	97,043
Expected return on plan assets	(405,129)	(332,959)	(91,318)	(91,273)
	4,624	21,265	10,693	5,770
Members' own contribution	(27,868)	(28,017)	-	-
Prior service cost - unionized staff	-	-	-	(936)
Secondees' own contribution	(5,948)	(5,902)	-	-
Contribution by employer in respect of secondees	(10,697)	(10,328)	(5,464)	(3,939)
	69,333	76,804	50,862	39,691
(d) Re-measurements recognised in Other Comprehensive Income (OCI) during the year:				
Actuarial (gain) / loss on obligation	(133,450)	188,278	169,163	168,890
Net return on plan assets over interest income	(75,721)	(413,066)	(10,867)	(90,936)
Total re-measurements recognised in OCI	(209,171)	(224,788)	158,296	77,954

		Defined benefit pension plan		Defined benefit gratuity plan	
		2013 Rs '000	2012 Rs '000	2013 Rs '000	2012 Rs '000
(e)	Movement in the present value of defined benefit obligation:				
	Present value of defined benefit obligation as at January 1	3,358,267	2,841,970	870,406	792,745
	Current service cost	109,222	99,786	45,633	38,796
	Interest cost	409,753	354,224	102,011	97,043
	Actual benefits paid during the year	(161,439)	(125,991)	(105,037)	(226,132)
	Prior service cost - unionized staff	-	-	-	(936)
	Remeasurements: Actuarial (gain)/loss on obligation	(133,450)	188,278	169,163	168,890
	Present value of defined benefit obligation as at December 31	3,582,353	3,358,267	1,082,176	870,406
(f)	Movement in the fair value of plan assets:				
	Fair value of plan assets as at January 1	3,541,071	2,683,344	778,686	745,667
	Expected return on plan assets	405,129	332,959	91,318	91,273
	Contribution by employer in respect of members	22,611	193,446	35,529	73,003
	Members' own contribution	27,868	28,017	-	-
	Secondees' own contribution	5,948	5,902	-	-
	Contribution by employer in respect of secondees	10,697	10,328	5,464	3,939
	Actual benefits paid during the year	(161,439)	(125,991)	(105,037)	(226,132)
	Total remeasurement on assets; Gain	75,721	413,066	10,867	90,936
	Fair value of plan assets as at December 31	3,927,606	3,541,071	816,827	778,686
	Actual return on plan assets	469,627	667,390	97,839	163,254

The Company expects to charge Rs 30 million for pension plan and Rs 78 million for gratuity plan for the year ending December 31, 2014.

		Defined benefit pension plan		Defined benefit gratuity plan	
		2013 Rs '000	2012 Rs '000	2013 Rs '000	2012 Rs '000
(g)	The major categories of plan assets:				
	Investment in equities	629,549	527,593	135,632	123,129
	Investment in bonds	3,287,427	3,000,742	679,634	653,500
	Cash and other assets	10,630	12,736	1,561	2,057
		3,927,606	3,541,071	816,827	778,686
(h)	Significant actuarial assumptions at the balance sheet date:				
	Discount rate	13.00%	12.00%	13.00%	12.00%
	Pension increase rate	9.00%	8.00%	-	-
	Expected rate of increase in salary				
	First year	14.00%	13.50%	14.00%	13.50%
	Second year onwards	12.00%	11.50%	12.00%	11.50%

The mortality table used for post retirement mortality is Standard Table Mortality The "80" Series PMA 80 (C=2015) and PFA 80(C=2015) for males and females respectively but rated up 2 years.

The discount rate is determined by considering underlying yield currently available on Pakistan Investment Bonds and high quality term finance certificates and expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

Salary increase assumption is based on the current general practice in the market.

(i) Sensitivity Analysis on significant actuarial assumptions

The calculation of the defined benefit obligation is sensitive to assumptions set out above. The following table summarizes how the impact on the defined benefit obligation at the year end of the reporting period would have increased / (decreased) as a result of a change in respective assumptions by one percent.

	Defined benefit pension plan		Defined benefit gratuity plan	
	1 percent increase	1 percent decrease	1 percent increase	1 percent decrease
Discount rate	3,088,364	(4,214,790)	986,123	(1,193,997)
Salary increase	3,760,101	(3,425,615)	1,186,064	(991,151)
Increase in post retirement pension	4,017,565	(3,225,571)	-	-

If life expectancy increases by 1 year, the obligation of the Pension Fund increases by Rs 158.871 million.

28.1 Salaries, wages and benefits as appearing in note 7, 8 and 9 include amounts in respect of the following:

	2013 Rs '000	2012 Rs '000
Defined Contribution Provident Fund	65,663	65,258
Defined Benefit Pension Fund	69,333	76,804
Defined Contribution Pension Fund	36,078	23,065
Defined Benefit Gratuity Fund	50,862	39,691
	221,936	204,818

28.2 Defined Contribution Plan

Details of the management and employees' provident funds are as follows:

		2013 Rs '000	2012 Rs '000
(a)	Net Assets	1,327,418	1,164,898
	Cost of investments made	1,119,354	960,571
	Percentage of investments made	84%	82%
	Fair value of investments made	1,196,239	1,055,709

	2013		2012	
	Rs '000	%age	Rs '000	%age
(b) Breakup of investments at cost				
Treasury bills	29,031	3%	43,316	4%
Pakistan Investment Bonds	401,713	30%	452,734	39%
Investment plus deposit certificates	472,144	35%	275,282	23%
Investment in saving account with bank	7,243	1%	7,825	1%
Investment in securities	109,258	8%	104,100	9%
Accrued Interest	99,965	7%	77,314	6%
	1,119,354	84%	960,571	82%

(c) Investments out of provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for the purpose.

29. Deferred income tax liability

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on the taxable entity where there is an intention to settle the balances on a net basis.

	2013 Rs '000	2012 Rs '000
The offset amounts are as follows:		
Deferred tax assets	(69,905)	(26,174)
Deferred tax liabilities	1,084,023	1,117,066
Deferred tax liability (net)	1,014,118	1,090,892
The gross movement on deferred income tax account is as follows:		
At January 1	1,090,892	1,082,038
(Credit) / Charge for the year - profit and loss account (note 13)	(33,043)	9,112
Credit for the year - statement of comprehensive income (note 13.2)	(43,731)	(258)
At December 31	1,014,118	1,090,892

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within same tax jurisdiction, is as follows:

The deferred income tax asset is related to the temporary differences between carrying amount of retirement benefit and the corresponding tax base.

	2013 Rs '000	2012 Rs '000
Balance as at January 1	(26,174)	(25,916)
Credit for the year - statement of comprehensive income (note 13.2)	(43,731)	(258)
Balance as at December 31	(69,905)	(26,174)

The deferred income tax liability is related to temporary differences between carrying amount of owned and leased operating fixed assets and the corresponding tax base.

	2013 Rs '000	2012 Rs '000
Balance as at January 1	1,117,066	1,107,954
(Credit) / Charge for the year - profit and loss account	(33,043)	9,112
Balance as at December 31	1,084,023	1,117,066
Operating fixed assets	1,058,402	1,109,875
Leased assets	25,621	7,191
Balance as at December 31	1,084,023	1,117,066

30. Liability against assets subject to finance lease

This represents finance lease agreements entered into with a leasing company for vehicles. Total lease rentals due under various lease agreements aggregate to Rs 479,785 thousand (2012: 179,828 thousand) and are payable in equal monthly installments latest by December 2018. Taxes, repairs, replacement and insurance costs are to be borne by the Company. Financing rates of 10.30% to 11.37% (2012: 10.99% to 13.63%) per annum have been used as discounting factor.

The amount of future minimum lease payments together with the present value of the minimum lease payments and the periods during which they fall due are as follows:

	2013 Rs '000	2012 Rs '000
Present value of minimum lease payments	385,603	146,033
Current maturity shown under current liabilities	(92,559)	(50,009)
	293,044	96,024
Minimum lease payments		
Not later than one year	129,337	67,075
Later than one year and not later than five years	350,448	112,753
	479,785	179,828
Future finance charges on finance leases	(94,182)	(33,795)
Present value of finance lease liabilities	385,603	146,033
Present value of finance lease liabilities		
Not later than one year	92,559	50,009
Later than one year and not later than five years	293,044	96,024
	385,603	146,033

31. Share capital

31.1 Authorized share capital

2013	2012		2013	2012
Numbers of Shares			Rs '000	Rs '000
300,000,000	300,000,000	Ordinary shares of Rs 10 each	3,000,000	3,000,000

31.2 Issued, subscribed and paid-up capital

2013	2012		2013	2012
Numbers of Shares			Rs '000	Rs '000
230,357,068	230,357,068	Cash	2,303,571	2,303,571
25,136,724	25,136,724	Bonus shares	251,367	251,367
255,493,792	255,493,792		2,554,938	2,554,938

British American Tobacco (Investments) Limited held 241,045,141 (2012: 241,045,141) ordinary shares at the year end.

	2013 Rs '000	2012 Rs '000
32. Contingencies and commitments		
32.1 Contingencies		
(a) 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	179,447	149,447

(b) Litigation

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have any material impact on the financial statements.

32.2 Commitments

(a) All property rentals are under cancellable operating lease arrangements and are due as follows:

	2013 Rs '000	2012 Rs '000
Not later than one year	135,229	35,879
Later than one year and not later than five years	559,700	235,180
Later than five years	18,403	19,415

(b) Letters of credit outstanding at December 31, 2013 were Rs 1,536,509 thousand (2012: Rs 686,815 thousand).

33. Financial instruments

33.1 Financial assets and liabilities

	Loans and receivables 2013 Rs '000	2012 Rs '000
Financial assets		
Maturity up to one year:		
Trade debts	764	1,073
Loans and advances	89,579	68,632
Other receivables		
Local Currency	403,587	267,692
Foreign Currency	31,468	20,004
	435,055	287,696
Cash and bank balances		
Local Currency	26,752	28,366
Foreign Currency	33,376	110,664
	60,128	139,030
Maturity after one year:		
Loans	75	457
Security deposits	18,351	17,540
	603,952	514,428

	Other financial liabilities 2013 Rs '000	2012 Rs '000
Financial liabilities		
Maturity up to one year:		
Trade and other payables		
Excise duty and sales tax payable	4,488,007	4,357,383
Others		
Local Currency	2,711,003	2,010,031
Foreign Currency	517,592	606,860
	7,716,602	6,974,274
Short term running finance	2,436,445	1,237,772
Finance lease obligation	92,559	50,009
Accrued interest / mark-up	27,048	40,880
Maturity after one year:		
Finance lease obligation	293,044	96,024
	10,565,698	8,398,959

33.2 Forward foreign exchange contracts

The principal amounts of the outstanding forward foreign exchange contracts for hedging of letters of credit amounted to Rs 1,480,922 thousand at December 31, 2013 (2012: Rs 622,547 thousand).

34. Transactions with related parties

British American Tobacco (Investments) Limited (BAT-IL) holds 94.34% (2012: 94.34%) shares of the Company at the year end. Therefore, all the subsidiaries and associated undertakings of BAT-IL and the ultimate parent company British American Tobacco, p.l.c (BAT) are related parties of the Company. The related parties also include directors, major shareholders, key management personnel, employee funds and the entities over which the directors are able to exercise the influence. The amounts due from and due to these undertakings are shown under receivables and payables. The remuneration of the chief executive, directors, key management personnel and executives is given in note 15 to the financial statements.

	2013 Rs '000	2012 Rs '000
Purchase of goods and services from		
Holding company	359,552	308,011
Associated companies	2,083,481	1,586,123
Sale of goods and services to		
Holding company	32,902	16,638
Associated companies	122,114	236,080
Royalty charge from		
Holding company	463,704	396,581
Expenses reimbursed to		
Holding company	-	3,166
Associated companies	579	307
Expenses reimbursed by		
Holding company	-	589
Associated companies	4,312	716

35. Post balance sheet event

Final dividend in respect of the year ended December 31, 2013 of Rs 6.00 (2012: Rs 3.25) per share amounting to a total dividend of Rs 1,532,963 thousand (2012: 830,355 thousand) has been proposed at the Board of Directors meeting held on February 18, 2014. These financial statements do not reflect this proposed dividend.

36. General

36.1 Capacity and production

Against an estimated manufacturing capacity of 46,000 million cigarettes (2012: 45,550 million cigarettes) actual production was 43,984 million cigarettes (2012: 40,514 million cigarettes). Actual production was sufficient to meet market demand. There was no production through any outside manufacturing source.

36.2 Number of employees

Total number of employees as at December 31, 2013 were 1,250 (2012: 1,136). Average number of employees during the year were 1,193 (2012 : 1,340)

36.3 Date of authorization for issue

These financial statements have been authorized for circulation to the shareholders by the Board of Directors of the Company on February 18, 2014.

Graeme Amey
Managing Director & CEO

Mobasher Raza
Finance Director

Pakistan Tobacco Company Limited

Consolidated Financial Statements

for the year ended December 31, 2013

Auditor's Report to the Members on Consolidated Financial Statements

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of Pakistan Tobacco Company Limited (the Company) and its subsidiary company, Phoenix (Private) Limited as at December 31, 2013 and the related consolidated Profit and Loss Account, consolidated Statement of Comprehensive Income, consolidated Cash Flow Statement and consolidated Statement of Changes in Equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of the Company and its subsidiary company. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of the Company and its subsidiary company as at December 31, 2013 and the results of their operations for the year then ended.

A.F.Ferguson & Co.
Chartered Accountants
Islamabad
Date: 18th Feb 2014

Engagement partner: Sohail M Khan

Consolidated Profit & Loss Account

for the year ended December 31, 2013

	Note	2013 Rs '000	2012 Rs '000
Gross turnover		89,928,975	75,531,228
Excise duties		(46,110,971)	(38,854,830)
Sales tax		(13,195,201)	(10,796,089)
Net turnover		30,622,803	25,880,309
Cost of sales	7	(20,012,587)	(17,434,790)
Gross profit		10,610,216	8,445,519
Selling and distribution expenses	8	(4,022,635)	(3,516,601)
Administrative expenses	9	(1,716,314)	(1,381,918)
Other operating expenses	10	(397,959)	(908,888)
Other income	11	129,129	90,400
		(6,007,779)	(5,717,007)
Operating profit		4,602,437	2,728,512
Finance income		136,487	65,057
Finance cost	12	(72,019)	(138,533)
Net finance income / (cost)		64,468	(73,476)
Profit before income tax		4,666,905	2,655,036
Income tax expense	13	(1,542,596)	(926,578)
Profit for the year		3,124,309	1,728,458
Earnings per share - (Rupees)	14	12.23	6.77

The annexed notes 1 to 35 form an integral part of these consolidated financial statements.

Graeme Amey
Managing Director & CEO

Mobasher Raza
Finance Director

Consolidated Statement of Comprehensive Income

for the year ended December 31, 2013

	Note	2013 Rs '000	2012 Rs '000
Profit for the year		3,124,309	1,728,458
Other comprehensive income for the year:			
Items that will not be reclassified to Profit or Loss			
Remeasurement gain on defined benefit pension and gratuity plans	27	50,875	146,834
Tax charge related to remeasurement gain on defined benefit pension and gratuity plans	13	(18,046)	(67,077)
Other comprehensive income for the year - net of tax		32,829	79,757
Total comprehensive income for the year - net of tax		3,157,138	1,808,215

The annexed notes 1 to 35 form an integral part of these consolidated financial statements.

Graeme Amey
Managing Director & CEO

Mobasher Raza
Finance Director

Consolidated Balance Sheet

as at December 31, 2013

	Note	2013 Rs '000	2012 Rs '000
Non current assets			
Property, plant and equipment	16	7,109,569	5,720,009
Long term loans	17	75	457
Long term deposits and prepayments	18	21,478	20,286
Current assets			
Stock-in-trade	19	9,166,367	7,225,301
Stores and spares	20	488,213	341,855
Trade debts	21	764	1,073
Loans and advances	22	89,579	68,632
Short term prepayments		78,889	99,509
Other receivables	23	415,034	267,675
Cash and bank balances	24	60,128	139,030
		10,298,974	8,143,075
Current liabilities			
Trade and other payables	25	7,724,773	6,991,938
Short term running finance	26	2,436,445	1,237,772
Finance lease obligation	29	92,559	50,009
Accrued interest / mark-up		27,048	40,880
Current income tax liability		429,901	268,912
		10,710,726	8,589,511
Net current liabilities		(411,752)	(446,436)
Non current liabilities			
Deferred income tax liability	28	(1,014,118)	(1,090,892)
Finance lease obligation	29	(293,044)	(96,024)
		(1,307,162)	(1,186,916)
Net assets		5,412,208	4,107,400
Share capital and reserves			
Share capital	30	2,554,938	2,554,938
Revenue reserves		2,857,270	1,552,462
		5,412,208	4,107,400
Contingencies and commitments	31		

The annexed notes 1 to 35 form an integral part of these consolidated financial statements.

Graeme Amey
Managing Director & CEO

Mobasher Raza
Finance Director

Consolidated Cash Flow Statement

for the year ended December 31, 2013

	2013 Rs '000	2012 Rs '000
Cash flows from operating activities		
Cash receipts from customers	89,929,017	75,532,896
Cash paid to Government for Federal excise duty, Sales tax and other levies	(59,953,970)	(49,340,561)
Cash paid to suppliers	(22,101,469)	(18,198,476)
Cash paid to employees and retirement funds	(3,469,931)	(4,901,928)
Finance cost paid	(85,851)	(148,840)
Cash paid as royalty	(432,851)	(374,057)
Income tax paid	(1,476,427)	(636,470)
Other cash payments	(35,560)	(157,072)
	2,372,958	1,775,492
Cash flows from investing activities		
Additions in property, plant and equipment	(1,886,514)	(420,835)
Proceeds from disposal of property, plant and equipment	84,541	236,469
Finance income received	136,487	65,057
	(1,665,486)	(119,309)
Cash flows from financing activities		
Dividends paid	(1,850,235)	(1,030,562)
Finance lease payments	(134,812)	(50,371)
	(1,985,047)	(1,080,933)
(Decrease) / increase in cash and cash equivalents	(1,277,575)	575,250
Cash and cash equivalents at beginning of year	(1,098,742)	(1,673,992)
Cash and cash equivalents at end of year	(2,376,317)	(1,098,742)
Cash and cash equivalents comprise:		
Cash and bank balances	60,128	139,030
Short term running finance	(2,436,445)	(1,237,772)
	(2,376,317)	(1,098,742)

The annexed notes 1 to 35 form an integral part of these consolidated financial statements.

Graeme Amey
Managing Director & CEO

Mobasher Raza
Finance Director

Consolidated Statement of Changes in Equity

for the year ended December 31, 2013

	Share capital Rs '000	Revenue reserves Rs '000	Total Rs '000
Balance at January 1, 2012	2,554,938	778,997	3,333,935
Comprehensive income:			
Profit for the year	-	1,728,458	1,728,458
Other comprehensive income for the year	-	79,757	79,757
Total Comprehensive income for the year	-	1,808,215	1,808,215
Transactions with owners:			
Final dividend of Rs 1.00 per share relating to the year ended December 31, 2011	-	(255,494)	(255,494)
1st interim dividend of Rs 1.25 per share relating to the year ended December 31, 2012	-	(319,367)	(319,367)
2nd interim dividend of Rs 1.80 per share relating to the year ended December 31, 2012	-	(459,889)	(459,889)
Total transactions with owners	-	(1,034,750)	(1,034,750)
Balance at December 31, 2012	2,554,938	1,552,462	4,107,400
Balance at January 1, 2013	2,554,938	1,552,462	4,107,400
Comprehensive income:			
Profit for the year	-	3,124,309	3,124,309
Other comprehensive income for the year	-	32,829	32,829
Total Comprehensive income for the year	-	3,157,138	3,157,138
Transactions with owners:			
Final dividend of Rs 3.25 per share relating to the year ended December 31, 2012	-	(830,354)	(830,354)
1st interim dividend of Rs 2.00 per share relating to the year ended December 31, 2013	-	(510,988)	(510,988)
2nd interim dividend of Rs 2.00 per share relating to the year ended December 31, 2013	-	(510,988)	(510,988)
Total transactions with owners	-	(1,852,330)	(1,852,330)
Balance at December 31, 2013	2,554,938	2,857,270	5,412,208

The annexed notes 1 to 35 form an integral part of these consolidated financial statements.

Graeme Amey
Managing Director & CEO

Mobasher Raza
Finance Director

1. The Group and its operations

Pakistan Tobacco Company Limited (the Company) is a public listed Company incorporated in Pakistan on November 18,1947 under the Companies Act, 1913 (now the Companies Ordinance, 1984) and its shares are quoted on 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 Group is British American Tobacco p.l.c, United Kingdom. The registered office of the Company is situated at Silver Square, Plot No.15, F-11 Markaz, 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 Jamu and Kashmir under the Companies Ordinance, 1984. The registered office of PPL is situated at Bun Khurma, Chichian Road, Mirpur, Azad Jammu and Kashmir. The object for which 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 these consolidated financial statements, the Company and its wholly owned subsidiary PPL is referred to as the Group.

2. Statement of compliance

These are consolidated financial statements of the Group. These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board as are notified under the Companies Ordinance, 1984 (the Ordinance), and provisions of and directives issued under the Ordinance. In case requirements differ, the provisions or directives of the Ordinance shall prevail.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are described in note 6.

3. New and amended standards and interpretations

New standards, amendments and interpretations issued that are not yet effective and have not been early adopted by the Group:

Amendment to IAS 32, 'Financial instruments: Presentation', on offsetting financial assets and financial liabilities. This amendment updates the application guidance in IAS 32, 'Financial instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. Effective date: Annual periods beginning on or after January 1, 2014.

Amendments to IAS 36, 'Impairment of assets'. These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. Effective date: Annual periods beginning on or after January 1, 2014.

Amendment to IAS 39, 'Financial instruments'. These narrow-scope amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one). This relief has been introduced in response to legislative changes across many jurisdictions that would lead to the widespread novation of over-the-counter derivatives. These legislative changes were prompted by a G20 commitment to improve transparency and regulatory oversight of over-the-counter derivatives in an internationally consistent and non-discriminatory way. Similar relief will be included in IFRS 9, 'Financial instruments'. Effective date: Annual periods beginning on or after January 1, 2014.

Amendments to IFRS 10, 'Consolidated financial statements', IFRS 12, 'Disclosure on interest in other entities' and IAS 27, 'Separate financial statements' for investment entities, These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made in IFRS 12 to introduce disclosures that an investment entity needs to make. Effective date: Annual periods beginning on or after January 1, 2014.

The management anticipate that the adoption of the above amendments in future periods will have no material impact on the consolidated financial statements other than in presentation / disclosures.

Further, the following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan, for the purpose of their applicability in Pakistan:

IFRS 1	First-time adoption of International Financial Reporting standards	July 1, 2009
IFRS 9	Financial instruments	January 1, 2015
IFRS 10	Consolidated financial statements	January 1, 2013
IFRS 11	Joint arrangements	January 1, 2013
IFRS 12	Disclosure of interests in other entities	January 1, 2013
IFRS 13	Fair value measurement	January 1, 2013
IFRIC 21	Levies	January 1, 2014

The following interpretations issued by the IASB have been waived off by SECP effective January 16, 2012:

IFRIC 4	Determining whether an arrangement contains lease
IFRIC 12	Service concession arrangements

4. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except as otherwise stated in the respective accounting policies notes.

4.2 Consolidation - Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated profit and loss account.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiary are consistent with the policies adopted by the Group.

4.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee of the board of directors that makes strategic decisions.

4.4 Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency), which is the Pakistan rupee (Rs).

4.5 Foreign currency transactions and translation

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into functional currency using the exchange rate prevailing at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates are recognized in the consolidated profit and loss account.

4.6 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities.

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue, and the associated cost incurred or to be incurred, can be measured reliably and when specific criteria have been met for each of the Group's activities as described below.

(a) Sale of goods

The Group manufactures and sells cigarettes to its appointed distributors. Sales of goods are recognized when the Group has delivered products to the distributor and there is no unfulfilled obligation that could affect the distributor's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the distributor, and either the distributor has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. Where goods are sold together with a customer loyalty incentive, the arrangement is a multiple element arrangement and the consideration from the customer is allocated between the components of the arrangement and related revenue is deferred until such time as the award credits are redeemed.

(b) Income on bank deposits

Income on bank deposits is accounted for on the time proportion basis using the applicable rate of return.

(c) Others

Scrap sales and miscellaneous receipts are recognized on realized amounts. All other income is recognized on accrual basis.

4.7 Current and deferred income tax

The tax expense for the year comprises current and deferred income tax, and is recognized in the consolidated profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in the equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred

Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred income tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantially enacted by the balance sheet date.

4.8 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount could be reliably estimated. Provisions are not recognized for future operating losses.

All provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

4.9 Contingent assets

Contingent assets are disclosed when the Group has a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent assets are not recognized until their realization becomes virtually certain.

4.10 Contingent liabilities

Contingent liability is disclosed when the Group has a possible obligation as a result of past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or the Group has a present legal or constructive obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of obligation cannot be measured with sufficient reliability.

4.11 Employee benefits

(a) Retirement benefit plans

The Group operates various retirement benefit schemes. The schemes are generally funded through payments to trustee-administered funds, determined by periodic actuarial calculations or upto the limit allowed in terms of the Income Tax Ordinance, 2001. The Group has both defined contribution and defined benefit plans.

A defined contribution plan is a plan under which the Group pays fixed contributions into a separate fund. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan is a plan that is not a defined contribution plan. Typically defined benefit plans define an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The Group operates:

(i) Defined benefit, approved funded pension scheme for management and certain grades of business support officers and approved gratuity scheme for all employees. Employees also contribute to the approved pension scheme. The liability recognized in the balance sheet in respect of pension and gratuity plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in Pakistan rupee and have terms to maturity approximating to the terms of the related liability.

Remeasurement gains and losses are recognized in Other Comprehensive Income in the period in which they arise.

(ii) Approved contributory provident fund for all employees administered by trustees and approved contributory pension fund for the new joiners. The contributions of the Group are recognized as employee benefit expense when they are due. Prepaid contributions, if any, are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either; terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(c) Medical benefits

The Group maintains a health insurance policy for its entitled employees and pensioners and their respective spouses. The Group contributes premium to the policy annually. Such premium is recognised as an expense in the consolidated profit and loss account.

(d) Bonus plans

(i) The Group recognizes a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments and performance targets. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(ii) The Group also operates a deferred bonus plan for certain eligible management staff members. These benefits are usually paid after 3 years from the date of grant of such an award unless otherwise authorized by the Human Resources and Remuneration Committee of the Board of Directors. The obligation for these payments is recognised in the consolidated profit and loss account on a straight line basis to allocate the expected award amount over the term of the award.

4.12 Leases

(a) Finance Leases

Leases that transfer substantially all the risks and rewards incidental to ownership of an asset are classified as finance leases. Assets on finance lease are capitalized at the commencement of the lease term at the lower of fair value of leased assets and the present value of minimum lease payments, each determined at the inception of the lease. Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the finance balance outstanding. The finance cost is charged to profit and loss account and is included under finance costs. The assets acquired under finance lease are depreciated over the shorter of the useful life of the asset or the lease term.

(b) Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to consolidated profit and loss account on a straight-line basis over the period of the lease.

4.13 Property, plant and equipment

These are stated at cost less accumulated depreciation and impairment, if any, except freehold land and capital work in progress which are stated at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are recognized in consolidated profit and loss account during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost over their estimated useful lives at the following annual rates:

	2013	2012
Buildings on free-hold land, buildings on leasehold land and private railway sidings	3%	3%
Plant and machinery	7%	7%
Air conditioners included in plant and machinery	20%	25%
Office and household equipment	20% to 33.33%	20% to 25%
Furniture and fittings	10% to 20%	10% to 20%
Vehicles - Owned and leased	20%	25%

During the year, the Group revised the rates of depreciation and residual value estimate on certain fixed assets. The management believes that this change reflects a more systematic allocation of the depreciable amount of such assets over their useful lives. This change has been accounted for as a change in accounting estimate in accordance with the requirement of IAS - 8 "Accounting policies, Change in accounting estimate and errors".

Had the estimate not been revised the depreciation charge for the year would have been lower and carrying value of fixed assets would have been higher by Rs 16 million.

Depreciation on additions and deletions during the year is charged on a pro rata basis from the month when asset is put into use or up to the month when asset is disposed/written off.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An assets carrying amount is written down immediately to its recoverable amount if the assets' carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals of operating fixed assets are recognized in consolidated profit and loss account.

4.14 Impairment of non-financial assets

Assets that have an indefinite useful life, for example land, are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment at each balance sheet date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount for which assets carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date. Reversals of the impairment losses are restricted to the extent that asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no new impairment losses had been recognised. An impairment loss or reversal of impairment loss is recognised in the consolidated profit and loss account.

4.15 Stock-in-trade

Stock-in-trade is stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in process comprises design costs, raw materials, direct labour, other direct costs and related production overheads. Net realizable value is the estimated selling price in the ordinary course of business, less cost of completion and costs necessary to be incurred to make the sale.

4.16 Stores and spares

Stores and spares are stated at cost less allowance for obsolete and slow moving items. Cost is determined using weighted average method. Items in transit are valued at cost comprising invoice value and other related charges incurred upto the balance sheet date.

4.17 Financial assets

4.17.1 Classification

The Group classifies its financial assets in four categories: held to maturity, loans and receivables, at fair value through profit or loss and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

i) Held to maturity

A financial asset is classified in this category if acquired by the Group with the intention and ability to hold them upto maturity.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. The Group's loans and receivables comprise trade debts, loans and advances, other receivables, security deposits and cash and bank balances.

(iii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose off the investment within 12 months of the balance sheet date.

4.17.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated profit and loss account. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity financial assets are carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are recognized in the consolidated profit and loss account in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss account as part of other income when the Group's right to receive payment is established.

4.17.3 Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

4.18 Trade debts

Trade debts are recognised initially at fair value and subsequently measured at cost less provision for doubtful debts. A provision for doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the trade debts. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade debt is doubtful. The provision is recognised in the profit and loss account. When a trade debt is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the consolidated profit and loss account.

4.19 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

4.20 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated profit and loss account over the period of the borrowings using the effective interest method.

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. All other borrowing costs are charged to consolidated profit and loss account.

4.21 Dividend distribution

Final dividend distribution to the Group's shareholders is recognised as a liability in the financial statements in the period in which the dividend is approved by the Group's shareholders at the Annual General Meeting, while interim dividend distributions are recognised in the period in which the dividends are declared by the Board of Directors.

4.22 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

4.23 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

5. Financial risk management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Treasury Sub Committee (the Committee) under policies approved by the board of directors (the Board). The Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. All treasury related transactions are carried out within the parameters of these policies.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollar, Great Britain Pound Sterling, Australian Dollar and the Euro. Currently, the Group's foreign exchange risk exposure is restricted to bank balances, the amounts receivable/payable from/to the foreign entities and outstanding letters of credit. The Group enters into forward exchange contracts with banks to hedge the currency risk on letters of credit related to import of goods and equipment.

Financial assets include Rs 64,844 thousand (2012: 130,668 thousand) and financial liabilities include Rs 517,592 thousand (2012: 606,860 thousand) which were subject to foreign exchange risk.

At December 31 2013, if the functional currency had weakened/strengthened by 10% against foreign currencies, with all other variables held constant, the profit after taxation for the year would have been lower/higher by Rs 30 million (2012: Rs 31 million).

(ii) Price risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group is not exposed to equity price risk since there are no investments in equity securities. The Group is also not exposed to commodity price risk.

(iii) Cash flow and fair value interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is not exposed to fair value interest rate risk as it does not hold any fixed rate instruments.

The Group has no significant long-term interest-bearing assets or liabilities whose fair value or future cash flows will fluctuate because of changes in market interest rates.

Financial liabilities include balances of Rs 2,822,048 thousand (2012: Rs 1,382,310 thousand) which are subject to interest rate risk. Applicable interest rates for financial liabilities have been indicated in respective notes.

At balance sheet date, if interest rates had been 1% higher/lower, with all other variables held constant, profit after taxation for the year would have been Rs 19 million (2012: Rs 9 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from trade debts, loans and advances, other receivables and deposits with banks. The table below shows bank balances held with counterparties at the balance sheet date.

	Rating		Rating	Rs (million)	
Counterparty	**Short term**	**Long term**	**Agency**	**2013**	**2012**
MCB Bank Limited	A1+	AAA	PACRA	25	24
Citibank N.A.	P-2	A3	Moody's	-	2
Deutsche Bank AG	P-1	A2	Moody's	32	112
				57	138

Trade debts, loans and advances and other receivables amounting to Rs 544 million (2012: Rs 375 million) do not include any amounts which are past due or impaired.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Group manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At December 31, 2013, the Group had Rs 2,914 million (2012: Rs 4,112 million) unutilised borrowing facilities from financial institutions and Rs 60 million (2012: Rs 139 million) cash and bank balances. Further, the Group also has strong financial support from its holding Group. Based on the above, in spite the fact that the Group is in a negative working capital position at the year end, management believes the liquidity risk to be low.

The table below summarizes the maturity profile of the Group's financial liabilities as at reporting date. The amounts disclosed are undiscounted cashflows.

	December 31, 2013		
	Amount Rs '000	Within one year Rs '000	Upto five years Rs '000
Finance lease obligation	479,785	129,337	350,448
Trade and other payables	7,731,118	7,731,118	-
Short term running finance	2,436,445	2,436,445	-
Accrued interest / mark-up	27,048	27,048	-
	10,674,396	10,323,948	350,448

	December 31, 2012		
	Amount Rs '000	Within one year Rs '000	Upto five years Rs '000
Finance lease obligation	179,828	67,075	112,753
Trade and other payables	6,974,274	6,974,274	-
Short term running finance	1,237,772	1,237,772	-
Accrued interest / mark-up	40,880	40,880	-
	8,432,754	8,320,001	112,753

5.2 Capital management

The Group's objectives when managing capital risks are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

5.3 Fair value estimation

The carrying values of financial instruments approximate their fair values.

6. Critical accounting estimates and judgements

(a) Income taxes

The Group recognizes tax liabilities for pending tax assessments using estimates based on expert opinion obtained from tax/legal advisors. Differences, if any, between the income tax provision and the tax liability finally determined is recorded when such liability is so determined. Deferred income tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantially enacted by the balance sheet date.

(b) Employee benefits

Retirement benefit plans (note 4.11a)
Employees' termination benefits (note 4.11b)
Bonus plans (note 4.11d)

(c) Property, plant and equipment

The Group reviews useful life and residual value of property, plant and equipment (note 4.13) on regular basis. Any change in estimates may affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge.

	2013 Rs '000	2012 Rs '000
7. Cost of sales		
Raw material consumed		
Opening stock of raw materials and work in process	6,177,047	5,376,669
Raw material purchases and expenses - note 7.1	16,912,811	13,821,617
Closing stock of raw materials and work in process	(7,558,214)	(6,177,047)
	15,531,644	13,021,239
Government taxes and levies		
Customs duty and surcharges	577,245	476,101
Provincial and municipal taxes and other duties	175,459	143,354
Excise duty on royalty	46,370	39,660
	799,074	659,115
	16,330,718	13,680,354
Royalty	463,704	396,582
Production overheads		
Salaries, wages and benefits	1,476,556	1,426,585
Stores, spares and machine repairs	710,117	444,425
Fuel and power	495,546	439,175
Insurance	45,733	43,727
Repairs and maintenance	216,901	165,750
Postage, telephone and stationery	7,679	8,375
Information technology	103,931	75,409
Depreciation	559,432	546,180
Stocks written off	15,152	50,359
Stores and spares written off	21,726	20,599
Sundries	125,291	99,863
	3,778,064	3,320,447
Cost of goods manufactured	20,572,486	17,397,383
Cost of finished goods		
Opening stock	1,048,254	1,085,661
Closing stock	(1,608,153)	(1,048,254)
	(559,899)	37,407
Cost of sales	20,012,587	17,434,790

7.1 Raw material purchases and expenses

	2013 Rs '000	2012 Rs '000
Materials	15,454,647	12,617,381
Salaries, wages and benefits	689,322	573,459
Stores, spares and machine repairs	289,623	206,366
Fuel and power	223,840	157,561
Property rentals	54,555	61,612
Insurance	3,642	2,906
Repairs and maintenance	22,174	22,904
Postage, telephone and stationery	7,909	12,468
Depreciation	123,173	105,337
Sundries	43,926	61,623
	16,912,811	13,821,617

	2013 Rs '000	2012 Rs '000
8. Selling and distribution expenses		
Salaries, wages and benefits	603,447	506,384
Selling expenses	2,780,674	2,523,848
Freight	323,584	310,821
Repairs and maintenance	85,531	65,773
Postage, telephone and stationery	5,542	6,130
Travelling	45,382	38,882
Property rentals	11,299	9,631
Insurance	11,312	8,577
Finished goods stock written off	111,585	-
Depreciation	44,279	46,555
	4,022,635	3,516,601
9. Administrative expenses		
Salaries, wages and benefits	886,509	705,733
Fuel and power	37,678	31,470
Property rentals	53,854	52,231
Insurance	5,149	6,041
Repairs and maintenance	48,538	46,085
Postage, telephone and stationery	14,432	17,603
Legal and professional charges	37,044	39,439
Donations - note 9.1	1,100	500
Information technology	377,242	280,519
Travelling	116,517	77,856
Depreciation	85,263	87,196
Auditor's remuneration and expenses - note 9.2	15,830	8,046
Sundries	37,158	29,199
	1,716,314	1,381,918

9.1 There were no donations in which the directors, or their spouses, had any interest.

	2013 Rs '000	2012 Rs '000
9.2 Auditor's remuneration and expenses include:		
- Statutory audit fee	1,507	1,425
- Group reporting, review of half yearly accounts, audit of consolidated accounts, audit of staff retirement benefit funds and special certifications	3,129	3,038
- Tax services	10,634	3,195
- Out-of-pocket expenses	560	388
	15,830	8,046

	2013 Rs '000	2012 Rs '000
10. Other operating expenses		
Employees' termination benefits	-	637,397
Workers' Profit Participation Fund	250,639	142,533
Workers' Welfare Fund - Current	95,243	53,101
- prior year	(18,518)	-
Bank charges and fees	38,662	40,131
Other receivables and advances written off	-	2,343
Loss on disposal of property, plant and equipment	-	14,713
Interest paid to Workers' profit participation fund	25	-
Foreign exchange loss	31,908	18,670
	397,959	908,888
11. Other income		
Income from an associated company		
- BAT SAA Services (Private) Limited, for services rendered	31,595	29,719
Insurance claim received	29,469	28,000
Sale of retail data	23,500	-
Vehicle rental from marketing agencies	-	16,803
Income recognised on sale and leaseback of vehicles - note 25.5	9,215	5,830
Gain on disposal of property, plant and equipment	25,353	-
Miscellaneous	9,997	10,048
	129,129	90,400
12. Finance cost		
Interest expense on:		
Bank borrowings	44,310	129,479
Finance lease	27,709	9,054
	72,019	138,533
13. Income tax expense		
Current	1,575,639	917,466
Deferred	(33,043)	9,112
	1,542,596	926,578

13.1 Effective tax rate reconciliation:

Numerical reconciliation between the average effective income tax rate and applicable income tax rate is as follows:

	2013 (%)	2012 (%)
Applicable tax rate	34.00	35.00
Tax effect of:		
Inadmissible expenses	0.44	0.24
Income taxed at different rate	(0.02)	(0.12)
Change in applicable tax rate	(0.69)	-
Others	(0.68)	(0.22)
Average effective tax rate	33.05	34.90

	2013 Rs '000	2012 Rs '000
13.2 Tax on items directly credited to consolidated statement of comprehensive income		
Current tax charge on defined benefit plans	61,777	67,335
Deferred tax credit on defined benefit plans	(43,731)	(258)
	18,046	67,077

	2013	2012
14. Earnings per share		
Profit after tax (Rs '000)	3,124,309	1,728,458
Number of fully paid weighted average ordinary shares ('000)	255,494	255,494
Earnings per share - Basic (Rs)	12.23	6.77

There is no dilutive effect on the basic earnings per share of the Group.

15. Remuneration of Chief Executive, Directors and Executives

The aggregate amounts charged in the consolidated financial statements of the year for remuneration including all benefits to Chief Executive, Executive Directors and executives are as follows:-

	Chief Executive		Executive Directors		Executives				Total	
					Key management personnel		Other executives			
	2013 Rs '000	2012 Rs '000	2013 Rs '000	2012 Rs '000	2013 Rs '000	2012 Rs '000	2013 Rs '000	2012 Rs '000	2013 Rs '000	2012 Rs '000
Managerial remuneration	72,447	72,955	47,940	49,601	211,522	191,427	681,622	576,130	1,013,531	890,113
Corporate bonus	30,988	14,655	122,793	86,151	163,755	124,424	245,476	204,951	563,012	430,181
Leave fare assistance	5,568	5,750	3,848	2,569	10,295	7,642	4,669	5,430	24,380	21,391
Housing and utilities	11,601	10,770	21,010	18,653	54,020	44,617	276,287	233,897	362,918	307,937
Medical expenses	1,103	-	2,527	2,418	12,075	5,503	48,194	39,998	63,899	47,919
Post employment benefits	11,544	11,416	12,027	10,915	27,156	20,712	148,086	130,349	198,813	173,392
	133,251	115,546	210,145	170,307	478,823	394,325	1,404,334	1,190,755	2,226,553	1,870,933
Number of persons	1	1	*4	4	36	30	485	387	526	422

*Number of executive directors decreased from four to two in last quarter of the year.

15.1 The Group, in certain cases, also provides individuals with the use of Group accommodation, cars and household items, in accordance with their entitlements.

15.2 The aggregate amounts charged in the financial statements of the year for remuneration including all benefits to six (2012: four) non-executive directors of the Group amounted to Rs 4,653 thousand (2012: Rs 4,428 thousand). Number of non-executive directors increased from four to six in last quarter of the year.

	2013 Rs '000	2012 Rs '000
16. Property, plant and equipment		
Operating assets - note 16.1	6,073,717	5,522,359
Capital work in progress - note 16.2	1,035,852	197,650
	7,109,569	5,720,009

16.1 Operating assets

	Free-hold land Rs '000	Buildings on free-hold land Rs '000	Buildings on leasehold land Rs '000	Private railway sidings Rs '000	Plant and machinery Rs '000	Office and household equipment Rs '000	Furniture and fittings Rs '000	Vehicles - Owned Rs '000	Vehicles - under finance lease Rs '000	Total Rs '000
At January 1, 2012										
Cost	10,198	578,105	25,712	349	8,643,056	568,501	99,661	738,128	-	10,663,710
Accumulated depreciation	-	(175,633)	(15,341)	(323)	(4,241,976)	(306,438)	(34,992)	(462,520)	-	(5,237,223)
Net book amount at January 1, 2012	10,198	402,472	10,371	26	4,401,080	262,063	64,669	275,608	-	5,426,487
Year ended December 31, 2012										
Net book amount at January 1, 2012	10,198	402,472	10,371	26	4,401,080	262,063	64,669	275,608	-	5,426,487
Additions	23,736	176,412	-	-	617,365	70,232	2,473	40,999	179,216	1,110,433
Disposals	-	(469)	-	-	(102,320)	(3,433)	(573)	(117,435)	(5,063)	(229,293)
Depreciation charge	-	(17,657)	(427)	(1)	(566,131)	(79,299)	(14,627)	(89,334)	(17,792)	(785,268)
Net book amount at December 31, 2012	33,934	560,758	9,944	25	4,349,994	249,563	51,942	109,838	156,361	5,522,359
At January 1, 2013										
Cost	33,934	753,653	25,712	349	8,755,842	609,223	99,350	534,297	173,838	10,986,198
Accumulated Depreciation	-	(192,895)	(15,768)	(324)	(4,405,848)	(359,660)	(47,408)	(424,459)	(17,477)	(5,463,839)
Net book amount January 1, 2013	33,934	560,758	9,944	25	4,349,994	249,563	51,942	109,838	156,361	5,522,359
Year ended December 31, 2013										
Net book amount at January 1, 2013	33,934	560,758	9,944	25	4,349,994	249,563	51,942	109,838	156,361	5,522,359
Additions	-	85,505	-	-	812,968	155,167	4,697	3,079	361,278	1,422,694
Disposals	-	(17,535)	(550)	(25)	(8,169)	(2,780)	(528)	(13,242)	(16,359)	(59,188)
Depreciation charge	-	(22,038)	(568)	-	(561,459)	(134,126)	(15,159)	(12,787)	(66,011)	(812,148)
Net book amount at December 31, 2013	33,934	606,690	8,826	-	4,593,334	267,824	40,952	86,888	435,269	6,073,717
At December 31, 2013	-									
Cost	33,934	802,628	22,149	-	9,314,801	742,444	100,760	425,229	514,442	11,956,387
Accumulated depreciation	-	(195,938)	(13,323)	-	(4,721,467)	(474,620)	(59,808)	(338,341)	(79,173)	(5,882,670)
Net book amount at December 31, 2013	33,934	606,690	8,826	-	4,593,334	267,824	40,952	86,888	435,269	6,073,717

		2013 Rs '000	2012 Rs '000
16.2	**Capital work in progress**		
	Civil and electrical works	12,563	12,563
	Plant and machinery	1,002,035	154,089
	Advances to suppliers	21,254	30,998
		1,035,852	197,650
16.3	**Depreciation charge has been allocated as follows:**		
	Cost of sales	559,432	546,180
	Raw material purchases and expenses	123,174	105,337
	Selling and distribution expenses	44,279	46,555
	Administrative expenses	85,263	87,196
		812,148	785,268

16.4 Details of property, plant and equipment disposed off during the year , having book value of Rs 50,000 or more are as follows:

	Original Cost Rs '000	Book Value Rs '000	Sale Proceeds less selling expenses Rs '000	Particulars of Buyers
Computer Equipment				
- by insurance claim	543	466	541	EFU General Insurance Co.
House Hold Furniture				
- as per Company's policy	736	350	350	Shehzad Munim - Ex Employee
	252	235	239	Zull Ainain - Ex Employee
	90	59	59	Suchira - Ex Employee
Building Scrap				
- by Negotiation	1,610	919	1,136	Zakirullah Jan
Vehicles				
- as per Company's policy	981	98	101	Farhan Rafique - Employee
	981	98	908	Umar Arshad - Employee
	981	98	879	Abdul Basit Ijaz - Employee
	981	98	97	Zarullah Khan - Employee
	999	100	154	Shahzad Zaheer - Ex Employee
	1,014	101	819	Munim Wali - Employee
	1,305	979	1,028	Nauman Saeed - Ex Employee
	1,328	138	514	Jawad Adeeb - Employee
	1,354	135	337	Muhammad Ayaz - Employee
	1,357	136	136	Arif Bilal - Employee
	1,384	144	975	Shaharyar Qureshi - Employee
	1,389	139	192	Sami Zaman - Employee
	1,389	139	288	Hassan Moonis - Employee
	1,389	139	139	Syed Aamir Iqbal - Employee
	1,389	139	132	Muhammad Gulzar - Employee
	1,389	139	296	Ahmad Iqbal - Employee
	1,395	1,192	1,190	Jamshaid Inam - Ex Employee
	1,626	1,423	1,494	Mian Burhan - Ex Employee
	1,691	1,466	1,550	Munim Wali - Employee
	2,041	1,446	1,620	Kamran Abbasi - Employee

	Original Cost Rs '000	Book Value Rs '000	Sale Proceeds less selling expenses Rs '000	Particulars of Buyers
	2,750	275	799	Khalil Ahmed - Employee
	3,599	360	1,249	Irfan Aziz - Employee
	3,949	395	1,921	Khurram Shahzad - Employee
	3,949	395	2,073	Faisal Saif - Employee
	3,949	395	2,159	Mujeeb Adnan - Employee
	3,999	400	2,312	Atif Hasan - Employee
- by auction	604	60	430	S.Raza Ali - Rawalpindi
	635	64	315	Masood A. Orakzai - Islamabad
	844	84	750	Khurram Mehboob - Rawalpindi
	845	84	950	M.Huzaifa Khan - Islamabad
	845	84	905	Habib ur Rehman - Rawalpindi
	845	84	790	Raja Manzoor - Rawalpindi
	879	88	810	Sujawal Khan - Islamabad
	981	98	1,080	Bilal Bakht - Islamabad
	996	100	1,306	Muhammad Aslam - Rawalpindi
	1,039	104	885	Tahir Mehmood - Islamabad
	1,041	104	900	M.Iftikhar Alam - Islamabad
	1,219	122	970	Raja M.Zahoor - Rawalpindi
	1,279	128	840	Tariq Mehmood - Rawalpindi
	1,286	129	903	M.Saad Butt - Rawalpindi
	1,305	888	1,435	Ayaz Shaukat - Islamabad
	1,309	131	940	Raja Manzoor - Rawalpindi
	1,309	131	1,145	Sujawal Khan - Islamabad
	1,309	131	1,120	Abdul Wajid - Peshawar
	1,313	131	910	M.Iftikhar Alam - Islamabad
	1,327	1,084	1,365	Falak Naz - Buner
	1,335	134	1,300	Farrukh Rauf - Rawalpindi
	1,345	134	780	Khurram Mehboob - Rawalpindi
	1,370	137	1,230	Farrukh Rauf - Rawalpindi
	1,370	137	1,250	Rizwan Majeed - Rawalpindi
	1,504	150	1,295	M.Yaqoob Khan - Islamabad
	1,564	156	425	Fehmina Orakzai - Islamabad
	1,885	660	1,430	Raja M.Zahoor - Rawalpindi
	2,290	229	930	Abdul Wajid - Peshawar
	2,363	236	920	Khurram Mehboob - Rawalpindi
	2,363	236	870	Fazal Khaliq - Rawalpindi
	2,530	253	915	Abdul Wajid - Peshawar
	2,530	253	915	Abdul Wajid - Peshawar
	2,750	275	2,150	Ammad Sohail - Lahore
	2,750	275	2,426	Habib ur Rehman - Rawalpindi
	3,949	395	2,155	Ammad Sohail - Lahore
	4,560	456	3,150	Sara Malik - Peshawar
	5,900	590	5,760	Ishtiaq Hussain - Islamabad
- by insurance claim	683	68	600	New Hampshire Insurance Company
	1,305	1,088	1,500	-do-
	1,485	1,021	1,800	-do-
	1,691	1,445	1,700	-do-
	1,939	1,777	1,939	-do-
	1,939	1,777	1,939	-do-
	1,939	1,818	1,939	-do-
	2,056	206	1,650	-do-
	2,344	234	1,200	-do-

	2013 Rs '000	2012 Rs '000
17. Long term loans - unsecured, considered good		
Related parties		
Key management personnel	45	105
Others		
Other executives	279	1,270
	324	1,375
Less: Receivable within one year	249	918
	75	457

17.1 Reconciliation of loans:

	Executives				Total	
	Key management personnel		Other executives			
	2013 Rs'000	2012 Rs'000	2013 Rs'000	2012 Rs'000	2013 Rs'000	2012 Rs'000
Balance as at January 1	105	164	1,270	2,856	1,375	3,020
Repayments	(60)	(59)	(991)	(1,586)	(1,051)	(1,645)
Balance as at December 31	45	105	279	1,270	324	1,375

The above comprises interest free loans for purchase of household furniture, appliances, cars and motorcycles and are repayable over 5 to 10 years in equal monthly installments. The group has discontinued this facility in prior years and new loans were not disbursed to employees during the year.

17.2 The maximum amount due from the key management personnel and other executives at the end of any month during the year was:

	2013 Rs '000	2012 Rs '000
Key management personnel	98	186
Other executives	1,136	2,608
	1,234	2,794

		2013 Rs '000	2012 Rs '000
18.	**Long term deposits and prepayments**		
	Security deposits	18,351	17,540
	Prepayments	3,127	2,746
		21,478	20,286
19.	**Stock-in-trade**		
	Raw materials	7,331,209	5,925,625
	Raw materials in transit	157,213	222,510
	Work in process	69,792	28,912
	Finished goods	1,608,153	1,048,254
		9,166,367	7,225,301
20.	**Stores and spares**		
	Stores	6,336	2,832
	Machine spares	481,877	339,023
		488,213	341,855
21.	**Trade debts**		
	These are unsecured, considered good.		
22.	**Loans and advances - unsecured, considered good**		
	Related parties		
	Loans to key management personnel	22	45
	Advances to key management personnel for house rent and expenses	7,036	4,019
	Others		
	Loans to executives and other employees	227	873
	Advances to executives for house rent and expenses	46,867	36,557
	Advances due from others	35,427	27,138
		89,579	68,632
23.	**Other receivables**		
	Related parties - unsecured		
	Due from holding company / associated companies - note 23.1	48,209	34,692
	Unbilled receivable from related parties	5,848	13,930
	Staff pension fund	345,253	182,804
	Employees' provident fund	-	5,920
	Management's provident fund	1,484	-
	Others		
	Claims against suppliers	11,086	27,858
	Others	3,154	2,471
		415,034	267,675

	2013 Rs '000	2012 Rs '000
23.1 The amount due from holding company / associated companies comprises:		
Holding Company		
British American Tobacco p.l.c. - UK	2,015	4,434
Associated Companies		
BAT SAA Services (Private) Limited - Pakistan	16,741	14,688
BAT Marketing (Singapore) Pte Ltd	6,976	1,709
BAT GLP Ltd - UK	3,769	-
PT Bentoel Prima - Indonesia	3,744	5,970
BAT Tutun Mamulleri - Turkey	3,471	-
BAT Korea Manufacturing - South Korea	2,732	424
BAT ASPAC Service Center Sdn Bhd - Malaysia	2,706	1,772
BAT Asia-Pacific Region Ltd - Hong Kong	1,478	-
BAT SCWE Ltd. - UK	1,475	684
Commercial Marketers - Malaysia	-	1,121
BAT Switzerland SA	1,202	1,040
BAT Cambodia	1,109	480
BAT (Singapore) Pte Ltd	791	770
BAT Kazakhistan	-	1,340
BAT PNG - Papua New Guinea	-	260
	48,209	34,692

24. Cash and bank balances

	2013 Rs '000	2012 Rs '000
Deposit accounts	24,105	21,240
Current accounts		
Local currency	1,394	6,179
Foreign currency	31,270	110,664
	56,769	138,083
Cash in hand	3,359	947
	60,128	139,030

	2013 Rs '000	2012 Rs '000
25. Trade and other payables		
Related parties - unsecured		
Due to holding company / associated companies - note 25.1	628,305	634,053
Others		
Creditors	906,435	921,903
Federal excise duty - note 25.2	3,518,345	3,542,618
Sales tax	969,662	814,765
Tobacco excise duty / Tobacco development cess - note 25.3	99,218	78,566
Other employee benefits - note 25.4	694,228	566,896
Employees' gratuity fund	265,349	91,720
Staff pension fund - defined contribution	347	933
Management provident fund	-	4,255
Employees' provident fund	595	-
Workers' Profit Participation Fund	250,639	2,534
Workers' Welfare Fund	95,243	53,101
Other accrued liabilities	226,560	206,214
Advances from customers	1,300	1,578
Security deposits	24,105	21,240
Dividend payable / Unclaimed dividend	37,598	35,503
Deferred income on sale and leaseback of vehicles - note 25.5	6,844	16,059
	7,724,773	6,991,938

25.1 The amount due to holding company / associated companies comprises:

	2013 Rs '000	2012 Rs '000
Holding Company		
British American Tobacco p.l.c. - UK	152,075	115,510
Associated Companies		
BAT ASPAC Service Center Sdn Bhd - Malaysia	194,958	132,576
BAT Marketing (Singapore) Pte Ltd	114,117	180,569
BAT Asia-Pacific Region Ltd - Hong Kong	56,349	30,627
BAT GLP Ltd - UK	54,364	86,210
BAT GSD Ltd. - UK	27,898	61,783
BAT Australia	21,283	10,464
Ceylon Tobacco Company Plc - Sri Lanka	5,968	3,205
BAT (Malaysia) Berhad	578	1,510
BAT Korea Manufacturing - South Korea	440	-
BAT Vinataba (JV) Ltd - Vietnam	275	-
BAT Bangladesh Co. Ltd	-	10,913
BAT SCWE Ltd. - UK	-	462
BAT New Zealand	-	224
	628,305	634,053

25.2 Federal excise duty

	2013 Rs '000	2012 Rs '000
Balance as at January 1	3,542,618	2,781,825
Charge for the year	46,110,971	38,854,830
Payment to the Government during the year	(46,135,244)	(38,094,037)
Balance as at December 31	3,518,345	3,542,618

		2013 Rs '000	2012 Rs '000
25.3	Tobacco excise duty / Tobacco development cess:		
	Balance as at January 1	78,566	70,770
	Charge for the year	116,299	92,625
	Payment to the Government during the year	(95,647)	(84,829)
	Balance as at December 31	99,218	78,566
25.4	**Other employee benefits**		
	Balance as at January 1	566,896	565,749
	Charge for the year	610,867	498,648
	Payment to employees during the year	(483,535)	(497,501)
	Balance as at December 31	694,228	566,896

Other employee benefits represent bonus to eligible employees.

		2013 Rs '000	2012 Rs '000
25.5	**Deferred income on sale and leaseback of vehicles**		
	Deferred income	16,059	21,889
	Income recognised during the year	(9,215)	(5,830)
		6,844	16,059

The Group entered in a transaction of sale and lease back of vehicles resulting in finance lease. Profit on this transaction has been deferred and is being recognised as income over the lease term of 2 to 4 years.

26. Short term running finance - secured

(a) Short term running finance

Short term running finance facilities available under mark-up arrangements with banks amount to Rs 5,350 million (2012: Rs 5,350 million), out of which the amount unavailed at the year end was Rs 2,914 million (2012: Rs 4,112 million). These facilities are secured by hypothecation of stock in trade and plant & machinery amounting to Rs 5,940 million (2012: Rs 5,940 million). The mark-up ranges between 9.22% and 10.46% (2012: 9.88% and 13.14%) per annum and is payable quarterly. The facilities are renewable on annual basis.

(b) Non-funded finance facilities

The Group also has non-funded financing facilities available with banks, which include facility to avail letter of credit and letter of guarantee. The aggregate facility of Rs 2,500 million (2012: Rs 2,500 million) and Rs 670 million (2012: Rs 355 million) is available for letter of credit and letter of guarantee respectively, out of which the facility availed at the year end is Rs 1,537 million (2012: Rs 687 million) and Rs 179 million (2012: Rs 149 million). The letter of guarantee facility is secured by second ranking hypothecation charge over stock-in-trade amounting to Rs 670 million (2012: Rs 355 million).

		2013 Rs '000	2012 Rs '000
27.	Retirement benefits		
	Staff pension fund - Asset (note 23)	(345,253)	(182,804)
	Employees' gratuity fund - Liability (note 25)	265,349	91,720

The latest actuarial valuation of the defined benefit plans was conducted at December 31, 2013 using the projected unit credit method. Details of the defined benefit plans are:

		Defined benefit pension plan		Defined benefit gratuity plan	
		2013 Rs '000	2012 Rs '000	2013 Rs '000	2012 Rs '000
(a)	The amounts recognised in the consolidated balance sheet:				
	Present value of defined benefit obligations	3,582,353	3,358,267	1,082,176	870,406
	Fair value of plan assets	(3,927,606)	(3,541,071)	(816,827)	(778,686)
	Net (Assets) / liability	(345,253)	(182,804)	265,349	91,720
(b)	Movement in the liability recognized in the consolidated balance sheet is as follow:				
	Balance as at January 1	(182,804)	158,626	91,720	47,078
	Charge for the year - profit & loss	69,333	76,804	50,862	39,691
	Employer's contribution during the year	(22,611)	(193,446)	(35,529)	(73,003)
	Charge for the year - consolidated statement of comprehensive income	(209,171)	(224,788)	158,296	77,954
	Balance as at December 31	(345,253)	(182,804)	265,349	91,720
(c)	The amounts recognised in the consolidated profit and loss account:				
	Current service cost	109,222	99,786	45,633	38,796
	Interest cost	409,753	354,224	102,011	97,043
	Expected return on plan assets	(405,129)	(332,959)	(91,318)	(91,273)
		4,624	21,265	10,693	5,770
	Members' own contribution	(27,868)	(28,017)	-	-
	Prior service cost - unionized staff	-	-	-	(936)
	Secondees' own contribution	(5,948)	(5,902)	-	-
	Contribution by employer in respect of secondees	(10,697)	(10,328)	(5,464)	(3,939)
		69,333	76,804	50,862	39,691
(d)	Re-measurements recognised in Other Comprehensive Income (OCI) during the year:				
	Actuarial (gain) / loss on obligation	(133,450)	188,278	169,163	168,890
	Net return on plan assets over interest income	(75,721)	(413,066)	(10,867)	(90,936)
	Total re-measurements recognised in OCI	(209,171)	(224,788)	158,296	77,954

		Defined benefit pension plan		Defined benefit gratuity plan	
		2013 Rs '000	2012 Rs '000	2013 Rs '000	2012 Rs '000
(e)	Movement in the present value of defined benefit obligation:				
	Present value of defined benefit obligation as at January 1	3,358,267	2,841,970	870,406	792,745
	Current service cost	109,222	99,786	45,633	38,796
	Interest cost	409,753	354,224	102,011	97,043
	Actual benefits paid during the year	(161,439)	(125,991)	(105,037)	(226,132)
	Prior service cost - unionized staff	-	-	-	(936)
	Remeasurements: Actuarial (gain)/loss on obligation	(133,450)	188,278	169,163	168,890
	Present value of defined benefit obligation as at December 31	3,582,353	3,358,267	1,082,176	870,406
(f)	Movement in the fair value of plan assets:				
	Fair value of plan assets as at January 1	3,541,071	2,683,344	778,686	745,667
	Expected return on plan assets	405,129	332,959	91,318	91,273
	Contribution by employer in respect of members	22,611	193,446	35,529	73,003
	Members' own contribution	27,868	28,017	-	-
	Secondees' own contribution	5,948	5,902	-	-
	Contribution by employer in respect of secondees	10,697	10,328	5,464	3,939
	Actual benefits paid during the year	(161,439)	(125,991)	(105,037)	(226,132)
	Total remeasurement on assets; Gain	75,721	413,066	10,867	90,936
	Fair value of plan assets as at December 31	3,927,606	3,541,071	816,827	778,686
	Actual return on plan assets	469,627	667,390	97,839	163,254

The Group expects to charge Rs 30 million for pension plan and Rs 78 million for gratuity plan for the year ending December 31, 2014.

		Defined benefit pension plan		Defined benefit gratuity plan	
		2013 Rs '000	2012 Rs '000	2013 Rs '000	2012 Rs '000
(g)	The major categories of plan assets:				
	Investment in equities	629,549	527,593	135,632	123,129
	Investment in bonds	3,287,427	3,000,742	679,634	653,500
	Cash and other assets	10,630	12,736	1,561	2,057
		3,927,606	3,541,071	816,827	778,686
(h)	Significant actuarial assumptions at the balance sheet date:				
	Discount rate	13.00%	12.00%	13.00%	12.00%
	Pension increase rate	9.00%	8.00%	-	-
	Expected rate of increase in salary				
	First year	14.00%	13.50%	14.00%	13.50%
	Second year onwards	12.00%	11.50%	12.00%	11.50%

The mortality table used for post retirement mortality is Standard Table Mortality The "80" Series PMA 80 (C=2015) and PFA 80(C=2015) for males and females respectively but rated up 2 years.

The discount rate is determined by considering underlying yield currently available on Pakistan Investment Bonds and high quality term finance certificates and expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

Salary increase assumption is based on the current general practice in the market.

(i) Sensitivity Analysis on significant actuarial assumptions

The calculation of the defined benefit obligation is sensitive to assumptions set out above. The following table summarizes how the impact on the defined benefit obligation at the year end of the reporting period would have increased / (decreased) as a result of a change in respective assumptions by one percent.

	Defined benefit pension plan		Defined benefit gratuity plan	
	1 percent increase	1 percent decrease	1 percent increase	1 percent decrease
Discount rate	3,088,364	(4,214,790)	986,123	(1,193,997)
Salary increase	3,760,101	(3,425,615)	1,186,064	(991,151)
Increase in post retirement pension	4,017,565	(3,225,571)	-	-

If life expectancy increases by 1 year, the obligation of the Pension Fund increases by Rs 158.871 million.

27.1 Salaries, wages and benefits as appearing in note 7, 8 and 9 include amounts in respect of the following:

	2013 Rs '000	2012 Rs '000
Defined Contribution Provident Fund	65,663	65,258
Defined Benefit Pension Fund	69,333	76,804
Defined Contribution Pension Fund	36,078	23,065
Defined Benefit Gratuity Fund	50,862	39,691
	221,936	204,818

27.2 Defined Contribution Plan

Details of the management and employees' provident funds are as follows:

		2013 Rs '000	2012 Rs '000
(a)	Net Assets	1,327,418	1,164,898
	Cost of investments made	1,119,354	960,571
	Percentage of investments made	84%	82%
	Fair value of investments made	1,196,239	1,055,709

	2013		2012	
	Rs '000	%age	Rs '000	%age
(b) Breakup of investments at cost				
Treasury bills	29,031	3%	43,316	4%
Pakistan Investment Bonds	401,713	30%	452,734	39%
Investment plus deposit certificates	472,144	35%	275,282	23%
Investment in saving account with bank	7,243	1%	7,825	1%
Investment in securities	109,258	8%	104,100	9%
Accrued Interest	99,965	7%	77,314	6%
	1,119,354	84%	960,571	82%

(c) Investments out of provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for the purpose.

28. Deferred income tax liability

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on the taxable entity where there is an intention to settle the balances on a net basis.

	2013 Rs '000	2012 Rs '000
The offset amounts are as follows:		
Deferred tax assets	(69,905)	(26,174)
Deferred tax liabilities	1,084,023	1,117,066
Deferred tax liability (net)	1,014,118	1,090,892
The gross movement on deferred income tax account is as follows:		
At January 1	1,090,892	1,082,038
(Credit) / Charge for the year - consolidated profit and loss account (note 13)	(33,043)	9,112
Credit for the year - consolidated statement of comprehensive income (note 13.2)	(43,731)	(258)
At December 31	1,014,118	1,090,892

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within same tax jurisdiction, is as follows:

The deferred income tax asset is related to the temporary differences between carrying amount of retirement benefit and the corresponding tax base.

	2013 Rs '000	2012 Rs '000
Balance as at January 1	(26,174)	(25,916)
Credit for the year - consolidated statement of comprehensive income (note 13.2)	(43,731)	(258)
Balance as at December 31	(69,905)	(26,174)

The deferred income tax liability is related to temporary differences between carrying amount of owned and leased operating fixed assets and the corresponding tax base.

	2013 Rs '000	2012 Rs '000
Balance as at January 1	1,117,066	1,107,954
(Credit) / Charge for the year - consolidated profit and loss account	(33,043)	9,112
Balance as at December 31	1,084,023	1,117,066
Operating fixed assets	1,058,402	1,109,875
Leased assets	25,621	7,191
Balance as at December 31	1,084,023	1,117,066

29. Liability against assets subject to finance lease

This represents finance lease agreements entered into with a leasing company for vehicles. Total lease rentals due under various lease agreements aggregate to Rs 479,785 thousand (2012: 179,828 thousand) and are payable in equal monthly installments latest by December 2018. Taxes, repairs, replacement and insurance costs are to be borne by the Group. Financing rates of 10.30% to 11.37% (2012: 10.99% to 13.63%) per annum have been used as discounting factor.

The amount of future minimum lease payments together with the present value of the minimum lease payments and the periods during which they fall due are as follows:

	2013 Rs '000	2012 Rs '000
Present value of minimum lease payments	385,603	146,033
Current maturity shown under current liabilities	(92,559)	(50,009)
	293,044	96,024
Minimum lease payments		
Not later than one year	129,337	67,075
Later than one year and not later than five years	350,448	112,753
	479,785	179,828
Future finance charges on finance leases	(94,182)	(33,795)
Present value of finance lease liabilities	385,603	146,033
Present value of finance lease liabilities		
Not later than one year	92,559	50,009
Later than one year and not later than five years	293,044	96,024
	385,603	146,033

30. Share capital

30.1 Authorized share capital

2013 Numbers of Shares	2012 Numbers of Shares		2013 Rs '000	2012 Rs '000
300,000,000	300,000,000	Ordinary shares of Rs 10 each	3,000,000	3,000,000

30.2 Issued, subscribed and paid-up capital

2013 Numbers of Shares	2012 Numbers of Shares		2013 Rs '000	2012 Rs '000
230,357,068	230,357,068	Cash	2,303,571	2,303,571
25,136,724	25,136,724	Bonus shares	251,367	251,367
255,493,792	255,493,792		2,554,938	2,554,938

British American Tobacco (Investments) Limited held 241,045,141 (2012: 241,045,141) ordinary shares at the year end.

	2013 Rs '000	2012 Rs '000
31. Contingencies and commitments		
31.1 Contingencies		
(a) 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	179,447	149,447

(b) Litigation

The Group is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have any material impact on the consolidated financial statements.

31.2 Commitments

(a) All property rentals are under cancellable operating lease arrangements and are due as follows:

	2013 Rs '000	2012 Rs '000
Not later than one year	135,229	35,879
Later than one year and not later than five years	559,700	235,180
Later than five years	18,403	19,415

(b) Letters of credit outstanding at December 31, 2013 were Rs 1,536,509 thousand (2012: Rs 686,815 thousand).

32. Financial instruments

32.1 Financial assets and liabilities

	Loans and receivables 2013 Rs '000	Loans and receivables 2012 Rs '000
Financial assets		
Maturity up to one year:		
Trade debts	764	1,073
Loans and advances	89,579	68,632
Other receivables		
Local Currency	383,566	247,671
Foreign Currency	31,468	20,004
	415,034	267,675
Cash and bank balances		
Local Currency	26,752	28,366
Foreign Currency	33,376	110,664
	60,128	139,030
Maturity after one year:		
Loans	75	457
Security deposits	18,351	17,540
	583,931	494,407

	Other financial liabilities 2013 Rs '000	Other financial liabilities 2012 Rs '000
Financial liabilities		
Maturity up to one year:		
Trade and other payables		
Excise duty and sales tax payable	4,488,007	4,357,383
Others		
Local Currency	2,711,030	2,010,058
Foreign Currency	517,592	606,860
	7,716,629	6,974,301
Short term running finance	2,436,445	1,237,772
Finance lease obligation	92,559	50,009
Accrued interest / mark-up	27,048	40,880
Maturity after one year:		
Finance lease obligation	293,044	96,024
	10,565,725	8,398,986

32.2 Forward foreign exchange contracts

The principal amounts of the outstanding forward foreign exchange contracts for hedging of letters of credit amounted to Rs 1,480,922 thousand at December 31, 2013 (2012: Rs 622,547 thousand).

33. Transactions with related parties

British American Tobacco (Investments) Limited (BAT-IL) holds 94.34% (2012: 94.34%) shares of the Company at the year end. Therefore, all the subsidiaries and associated undertakings of BAT-IL and the ultimate parent company British American Tobacco, p.l.c (BAT) are related parties of the Group. The related parties also include directors, major shareholders, key management personnel, employee funds and the entities over which the directors are able to exercise the influence. The amounts due from and due to these undertakings are shown under receivables and payables. The remuneration of the chief executive, directors, key management personnel and executives is given in note 15 to the consolidated financial statements.

	2013 Rs '000	2012 Rs '000
Purchase of goods and services from		
Holding company	359,552	308,011
Associated companies	2,083,481	1,586,123
Sale of goods and services to		
Holding company	32,902	16,638
Associated companies	122,114	236,080
Royalty charge from		
Holding company	463,704	396,581
Expenses reimbursed to		
Holding company	-	3,166
Associated companies	579	307
Expenses reimbursed by		
Holding company	-	589
Associated companies	4,312	716

34. Post balance sheet event

Final dividend in respect of the year ended December 31, 2013 of Rs 6.00 (2012: Rs 3.25) per share amounting to a total dividend of Rs 1,532,963 thousand (2012: 830,355 thousand) has been proposed at the Board of Directors meeting held on February 18, 2014. These consolidated financial statements do not reflect this proposed dividend.

35. General

35.1 Capacity and production

Against an estimated manufacturing capacity of 46,000 million cigarettes (2012: 45,550 million cigarettes) actual production was 43,984 million cigarettes (2012: 40,514 million cigarettes). Actual production was sufficient to meet market demand. There was no production through any outside manufacturing source.

35.2 Number of employees

Total number of employees as at December 31, 2013 were 1,250 (2012: 1,136). Average number of employees during the year were 1,193 (2012 : 1,340)

35.3 Date of authorization for issue

These consolidated financial statements have been authorized for circulation to the shareholders by the Board of Directors of the Group on February 18, 2014.

Graeme Amey
Managing Director & CEO

Mobasher Raza
Finance Director

Form of Proxy
Pakistan Tobacco Company Limited

I, ____

of ____

a member of Pakistan Tobacco Company Limited, hereby appoint ______________________________

____ of ______________________________

or failing him ______________________________ of ______________________________

or failing him either of them, may in writing appoint any other person to act as my proxy at the **67th** Annual General Meeting of the Company to be held on the **22nd April, 2014** and at any and every adjournment thereof.

As witness my hand this ____________ day of ________ 2014.

Revenue Stamp
Rs 5/=

Signed ______________________________

Shareholder's folio No. ____________________

Note:

1. The signature should agree with the specimen signature registered with the Company.
2. A proxy need not be a member of the Company.
3. Proxy Forms properly completed should be deposited at the office of the Company's Share Registrar, FAMCO Associates (Pvt.) Ltd, **8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahrah-E-Faisal, Karachi,** not later than 48 hours before the time for holding the Meeting or adjourned Meeting and in default the instrument of proxy shall not be treated as valid.

For Beneficial Owners as per CDC List

In addition to the above the following requirements have to be met:

(i) Attested copies of CNIC or the Passport of the beneficial owners and the proxy shall be submitted with the Company's Share Registrar not less than 48 hours before the Meeting.
(ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
(iii) The proxy shall produce his original CNIC or Passport at the time of the Meeting.
(iv) In case of a corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signature shall be submitted along with proxy form to the Company's Share Registrar.

Witness as per (ii) above:

1. ______________________ 2. ______________________

______________________ ______________________

______________________ ______________________

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Islamabad 44000