

**Condensed Interim Financial Information**  
for the Three months ended March 31, 2014

Pursuit of   
Excellence



## Corporate Information

### Board of Directors

**Mueen Afzal**  
Chairman and Non-Executive Director

**Graeme Amey**  
Managing Director and CEO

**Mobasher Raza**  
Deputy Managing Director and  
Finance Director

**Tajamal Shah**  
Legal Director

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

**Syed Asif Shah**  
(Non-Executive Director)

**Abid Niaz Hasan**  
(Non-Executive Director)

**Brendan Brady**  
(Non-Executive Director)

**Felicio Ferraz**  
(Non-Executive Director)

### Audit Committee

Abid Niaz Hasan  
Lt. Gen. (Retd.) Ali Kuli Khan Khattak  
Syed Asif Shah  
Umar Mansoor (Secretary)

### Company Secretary

Ayesha Rafique

### Registered Office

Pakistan Tobacco Company Limited  
Silver Square, Plot No. 15, F-11 Markaz,  
Islamabad-44000.  
Telephone: +92 (051) 2083200, 2083201  
Fax: +92 (051) 2224216  
Web: [www.ptc.com.pk](http://www.ptc.com.pk)

### Factories

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

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

### Bankers

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

### Auditors

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

### Share Registrar

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

## Directors' Review

The Directors present the performance of Pakistan Tobacco Company Limited (PTC) for the first quarter ended March 31, 2014.

The Company has shown notable performance in Q1'14 despite external challenges including high energy costs, unstable security environment and inflation. PTC was able to grow its market share and volume in Q1'14 attributed to effective marketing spend and strong brand portfolio.

Key financial indicators of PTC for Q1 2014 are:

|                               | Rs (million)    |                 |
|-------------------------------|-----------------|-----------------|
|                               | Jan - Mar, 2014 | Jan - Mar, 2013 |
| Gross Turnover                | 26,883          | 22,424          |
| Net Turnover                  | 9,190           | 7,746           |
| Cost Of Sales                 | 6,045           | 5,027           |
| Gross Profit                  | 3,145           | 2,719           |
| Operating Profit              | 1,897           | 1,675           |
| Profit Before Tax – PBT       | 1,884           | 1,673           |
| Profit After Tax – PAT        | 1,243           | 1,088           |
| Earnings Per Share – EPS (Rs) | 4.87            | 4.26            |

PTC registered growth in Gross Turnover vs. SPLY on account of sales volume increase & carry over impact of price increase taken in June 2013. The volume growth is attributed to marketing investments behind our Value for Money brands i.e. Capstan by Pall Mall Original (CbPMO) and Gold Flake. Key marketing initiatives included limited edition pack for CbPMO and equity reinforcement campaign for Gold Flake Style.

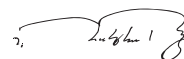
Cost of sales are 16.8% higher vs. SPLY attributed to inflationary increase in raw material prices and higher sales volumes. Continuous focus on cost controls through productivity initiatives has resulted in Gross Profit growth during Q1'14 as compared to last year.

PTC contributed Rs.18.6bn during Q1'14 (20% higher contribution vs. SPLY) to the National Exchequer in the form of excise duty, sales tax, customs duties and income tax. Government revenue continues to be under threat due to continuous growth of illicit sector. Furthermore, economic pressures and declining disposable income promote consumer down trading from legitimate brands to duty evaded low priced brands. Better enforcement and corrective actions by the Government can help curtail the growth of illicit sector in the economy.

PTC operates in a difficult environment that challenges the sustainable growth of our business. Despite these challenges, the Company remains committed to enhance shareholder value through prudent spend behind our brands and people.



**Graeme Amey**  
Managing Director and CEO



**Mobasher Raza**  
Finance Director

## Condensed Interim Profit and Loss Account (Unaudited)


for the three months ended March 31, 2014

|                                      | Note | Jan - March<br>2014 | Rs '000<br>Jan - March<br>2013 |
|--------------------------------------|------|---------------------|--------------------------------|
| Gross turnover                       |      | 26,883,110          | 22,423,592                     |
| Excise duties                        |      | (13,642,943)        | (11,471,006)                   |
| Sales tax                            |      | (4,050,162)         | (3,206,279)                    |
| <b>Net turnover</b>                  |      | <b>9,190,005</b>    | <b>7,746,307</b>               |
| Cost of sales                        | 4    | (6,044,668)         | (5,026,968)                    |
| Gross profit                         |      | 3,145,337           | 2,719,339                      |
| Selling and distribution expenses    |      | (685,914)           | (597,493)                      |
| Administrative expenses              |      | (448,791)           | (331,722)                      |
| Other operating expenses             | 5    | (150,446)           | (136,537)                      |
| Other operating income               |      | 36,889              | 20,985                         |
|                                      |      | (1,248,262)         | (1,044,767)                    |
| Operating profit                     |      | 1,897,075           | 1,674,572                      |
| Finance income                       |      | 17,533              | 13,155                         |
| Finance cost                         |      | (31,020)            | (14,816)                       |
| Net finance cost                     |      | (13,487)            | (1,661)                        |
| <b>Profit before income tax</b>      |      | <b>1,883,588</b>    | <b>1,672,911</b>               |
| Income tax expense - current         |      | (643,282)           | (614,219)                      |
| - deferred                           |      | 3,144               | 28,946                         |
|                                      |      | (640,138)           | (585,273)                      |
| Profit for the period                |      | 1,243,450           | 1,087,638                      |
| <b>Earnings per share - (Rupees)</b> |      | <b>4.87</b>         | <b>4.26</b>                    |

The annexed notes 1 to 14 are an integral part of this condensed interim financial information.



**Graeme Amey**  
Managing Director and CEO



**Mobasher Raza**  
Finance Director

## Condensed Interim Statement of Comprehensive Income (Unaudited)

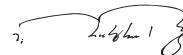
for the three months ended March 31, 2014

|  | Jan - March<br>2014 | Rs '000<br>Jan - March<br>2013 |
|--|---------------------|--------------------------------|
| <b>Profit for the three months</b>                     | 1,243,450           | 1,087,638                      |
| Other comprehensive income<br>for the three months     | -                   | -                              |
| <b>Total comprehensive income for the three months</b> | 1,243,450           | 1,087,638                      |

The annexed notes 1 to 14 are an integral part of this condensed interim financial information.



**Graeme Amey**  
Managing Director and CEO




**Mobasher Raza**  
Finance Director

# Condensed Interim Balance Sheet (Unaudited)

as at March 31, 2014

|   | Note | March<br>31, 2014 | Rs '000<br>December<br>31, 2013 |
|---|------|-------------------|---------------------------------|
| <b>Non current assets</b>   |      |                   |                                 |
| Property, plant and equipment   | 6    | 7,020,010         | 7,084,521                       |
| Long term investment in subsidiary company  | 7    | 5,000             | 5,000                           |
| Long term loans   |      | 58                | 75                              |
| Long term deposits and prepayments  |      | 33,486            | 21,478                          |
|   |      | 7,058,554         | 7,111,074                       |
| <b>Current assets</b>   |      |                   |                                 |
| Stock-in-trade  |      | 7,893,050         | 9,166,367                       |
| Stores and spares   |      | 555,309           | 488,213                         |
| Trade debts   |      | 679               | 764                             |
| Loans and advances  |      | 80,156            | 89,579                          |
| Short term prepayments  |      | 160,642           | 78,889                          |
| Other receivables   | 8    | 434,879           | 435,055                         |
| Cash and bank balances  |      | 3,257,422         | 60,128                          |
|   |      | 12,382,137        | 10,318,995                      |
| <b>Current liabilities</b>  |      |                   |                                 |
| Trade and other payables  | 9    | 10,698,021        | 7,724,746                       |
| Short term running finance  | 10   | -                 | 2,436,445                       |
| Finance lease obligation  |      | 92,572            | 92,559                          |
| Accrued interest / mark-up  |      | 20,376            | 27,048                          |
| Current income tax liability  |      | 664,288           | 429,901                         |
|   |      | 11,475,257        | 10,710,699                      |
| <b>Net current assets / (liabilities)</b>   |      | 906,880           | (391,704)                       |
| <b>Non current liabilities</b>  |      |                   |                                 |
| Deferred income tax liability   |      | (1,010,975)       | (1,014,118)                     |
| Finance lease obligation  |      | (298,801)         | (293,044)                       |
|   |      | (1,309,776)       | (1,307,162)                     |
| <b>Net assets</b>   |      | 6,655,658         | 5,412,208                       |
| <b>Share capital and reserves</b>   |      |                   |                                 |
| Authorised share capital<br>300,000,000 ordinary shares of Rs 10 each               |      | 3,000,000         | 3,000,000                       |
| Issued, subscribed and paid-up capital<br>255,493,792 ordinary shares of Rs 10 each |      | 2,554,938         | 2,554,938                       |
| <b>Revenue reserves</b>   |      | 4,100,720         | 2,857,270                       |
| <b>Shareholders' equity</b>   |      | 6,655,658         | 5,412,208                       |
| <b>Contingencies and commitments</b>  | 11   |                   |                                 |

The annexed notes 1 to 14 are an integral part of this condensed interim financial information.

  
**Graeme Amey**  
Managing Director and CEO

  
**Mobasher Raza**  
Finance Director

## Condensed Interim Cash Flow Statement (Unaudited)

for the three months ended March 31, 2014

|  | March<br>31, 2014 | Rs '000<br>March<br>31, 2013 |
|--|-------------------|------------------------------|
| <b>Cash flows from operating activities</b>                                    |                   |                              |
| Cash receipts from customers   | 26,883,195        | 22,423,472                   |
| Cash paid to Government for Federal excise duty,<br>Sales tax and other levies | (16,045,742)      | (14,584,272)                 |
| Cash paid to suppliers, employees and others                                   | (4,508,153)       | (4,859,523)                  |
| Finance cost paid  | (37,692)          | (45,319)                     |
| Cash paid as royalty   | (122,262)         | (104,730)                    |
| Income tax paid  | (408,895)         | (468,829)                    |
| Other cash receipts  | 13,326            | 7,341                        |
|  | 5,773,777         | 2,368,140                    |
| <b>Cash flows from investing activities</b>                                    |                   |                              |
| Additions in property, plant and equipment                                     | (137,320)         | (45,057)                     |
| Proceeds from disposal of property, plant and equipment                        | 3,575             | 8,820                        |
| Finance income received  | 17,533            | 13,155                       |
|  | (116,212)         | (23,082)                     |
| <b>Cash flows from financing activities</b>                                    |                   |                              |
| Dividends paid   | (53)              | (2,136)                      |
| Finance lease payments   | (23,773)          | (15,463)                     |
|  | (23,826)          | (17,599)                     |
| <b>Increase in cash and cash equivalents</b>                                   | 5,633,739         | 2,327,459                    |
| Cash and cash equivalents at January 1   | (2,376,317)       | (1,098,742)                  |
| <b>Cash and cash equivalents at March 31</b>                                   | 3,257,422         | 1,228,717                    |
| <b>Cash and cash equivalents comprise:</b>                                     |                   |                              |
| Cash and bank balances   | 3,257,422         | 1,228,717                    |
|  | 3,257,422         | 1,228,717                    |

The annexed notes 1 to 14 are an integral part of this condensed interim financial information.



**Graeme Amey**  
Managing Director and CEO



**Mobasher Raza**  
Finance Director



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

as at March 31, 2014

|   | Share capital    | Revenue reserves | Rs '000 Total    |
|---|------------------|------------------|------------------|
| <b>Balance at January 1, 2013</b>               | <b>2,554,938</b> | <b>1,552,462</b> | <b>4,107,400</b> |
| Total comprehensive income for the three months | -                | 1,087,638        | 1,087,638        |
| <b>Balance at March 31, 2013</b>                | <b>2,554,938</b> | <b>2,640,100</b> | <b>5,195,038</b> |
| <b>Balance at January 1, 2014</b>               | <b>2,554,938</b> | <b>2,857,270</b> | <b>5,412,208</b> |
| Total comprehensive income for the three months | -                | 1,243,450        | 1,243,450        |
| <b>Balance at March 31, 2014</b>                | <b>2,554,938</b> | <b>4,100,720</b> | <b>6,655,658</b> |

The annexed notes 1 to 14 are an integral part of this condensed interim financial information.



**Graeme Amey**  
Managing Director and CEO



**Mobasher Raza**  
Finance Director

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

for the three months ended March 31, 2014

### 1. Legal status and operations

Pakistan Tobacco Company Limited (the Company) is a public listed company incorporated in Pakistan on November 18, 1947 under the Companies Act, 1913 (now the Companies Ordinance, 1984) and its shares are quoted on the Karachi, Lahore and Islamabad stock exchanges of Pakistan. The Company is a subsidiary of British American Tobacco (Investments) Limited, United Kingdom, whereas its ultimate parent company is British American Tobacco p.l.c, United Kingdom. The registered office of the Company is situated at Silver Square, Plot No. 15, F-11 Markaz, Islamabad. The Company is engaged in the manufacture and sale of cigarettes.

### 2. Basis of preparation

This condensed interim financial information of the Company for the three months period ended March 31, 2014 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

### 3. Accounting policies

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements for the year ended December 31, 2013.

### 4. Cost of sales

|  | Jan - March<br>2014 | Rs '000<br>Jan - March<br>2013 |
|--|---------------------|--------------------------------|
| Raw materials consumed                                 |                     |                                |
| Opening stock of raw materials and work in process     | 7,558,214           | 6,177,047                      |
| Raw material purchases and expenses                    | 3,458,638           | 2,869,785                      |
| Closing stock of raw materials and work in process     | (6,275,323)         | (4,892,516)                    |
|  | 4,741,529           | 4,154,316                      |
| Excise duty, Customs duty and Tobacco development cess | 232,592             | 194,725                        |
| Royalty  | 122,845             | 108,475                        |
| Production overheads                                   | 957,275             | 811,618                        |
| Cost of goods manufactured                             | 6,054,241           | 5,269,134                      |
| Cost of finished goods:                                |                     |                                |
| Opening stock  | 1,608,153           | 1,048,254                      |
| Closing stock  | (1,617,726)         | (1,290,420)                    |
|  | (9,573)             | (242,166)                      |
|  | 6,044,668           | 5,026,968                      |

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

for the three months ended March 31, 2014

|   | Jan- March<br>2014 | Rs '000<br>Jan-March<br>2013 |
|---|--------------------|------------------------------|
| <b>5. Other operating expenses</b>                  |                    |                              |
| Workers' Profit Participation Fund                  | 101,168            | 89,933                       |
| Workers' Welfare Fund                               | 38,612             | 35,810                       |
| Bank charges and fees                               | 10,149             | 10,649                       |
| Provision for doubtful debts                        | -                  | 120                          |
| Interest paid to Workers' Profit Participation Fund | 517                | 25                           |
|   | 150,446            | 136,537                      |

|   | March<br>31, 2014 | December<br>31, 2013 |
|---|-------------------|----------------------|
| <b>6. Property, plant and equipment</b> |                   |                      |
| Operating fixed assets - note 6.1       | 6,157,882         | 6,070,353            |
| Capital work in progress                | 862,128           | 1,014,168            |
|   | 7,020,010         | 7,084,521            |

|  | Three months ended |                   |
|--|--------------------|-------------------|
|  | March<br>31, 2014  | March<br>31, 2013 |
| <b>6.1 Movement in operating fixed assets</b>            |                    |                   |
| Net book amount at January 1                             | 6,070,353          | 5,518,995         |
| Additions to the operating fixed assets                  |                    |                   |
| <b>Owned Assets</b>                                      |                    |                   |
| Building   | 39,493             | 804               |
| Plant and machinery                                      | 193,560            | 1,393             |
| Vehicles   | -                  | 2,509             |
| Office and household equipment                           | 4,312              | 10,529            |
| Furniture and fittings                                   | -                  | 283               |
| <b>Leased Assets</b>                                     |                    |                   |
| Vehicles   | 52,412             | 26,076            |
|  | 289,777            | 41,594            |
| <b>Book value of disposals of operating fixed assets</b> |                    |                   |
| Vehicles   | (2,623)            | (4,699)           |
| Office and household equipment                           | (46)               | (581)             |
|  | (2,669)            | (5,280)           |
| Depreciation charge for three months                     | (199,579)          | (193,573)         |
| <b>Net book amount at March 31</b>                       | 6,157,882          | 5,361,736         |

### 7. Long term investment in subsidiary company

This represents 500,001 (2013: 500,001) fully paid ordinary shares of Rs 10 each in Phoenix (Private) Limited. The break up value of shares calculated by reference to net assets worked out to be Rs 10 per share based on audited financial statements for the year ended December 31, 2013. This is a wholly owned subsidiary of the Company which has not yet commenced commercial production.

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

for the three months ended March 31, 2014

### 8. Other receivables

These include following balances due from related parties:

|   | March<br>31, 2014 | Rs '000<br>December<br>31, 2013 |
|---|-------------------|---------------------------------|
| Due from holding company / associated companies | 18,906            | 48,209                          |
| Due from subsidiary company                     | 20,021            | 20,021                          |
| Due from employees retirement benefit plans     | 352,342           | 346,737                         |

### 9. Trade and other payables

These include following balances due to related parties:

|   |         |         |
|---|---------|---------|
| Due to holding company / associated companies | 703,548 | 628,305 |
| Due to employees retirement benefit plans     | 281,364 | 266,291 |

### 10. Short term running finance

Short term finance facilities available under mark-up arrangements with banks amount to Rs 5,350 million (2013: Rs 5,350 million), out of which the amount unavailed at the period end was Rs 5,350 million (2013: Rs 2,914 million). These facilities are secured by hypothecation of stock-in-trade. The mark-up ranges between 10.23% and 10.68% (2013: 9.22% and 10.46%) per annum and is payable quarterly. The facilities are renewable on an annual basis.

|  | March<br>31, 2014 | Rs '000<br>December<br>31, 2013 |
|--|-------------------|---------------------------------|
| <b>11. Contingencies and commitments</b>                 |                   |                                 |
| <b>11.1 Contingencies</b>                                |                   |                                 |
| Claims and guarantees                                    |                   |                                 |
| (i) Claims against the Company not acknowledged as debt  | 131,800           | 131,800                         |
| (ii) Guarantees issued by banks on behalf of the Company | 189,447           | 179,447                         |
| <b>11.2 Commitments</b>                                  |                   |                                 |
| (i) Capital expenditure commitments outstanding          | 846,544           | -                               |
| (ii) Letters of credit outstanding                       | 1,286,617         | 1,536,509                       |

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

for the three months ended March 31, 2014

### 12. Transactions with related parties

|   | March<br>31, 2014 | Rs '000<br>March<br>31, 2013 |
|---|-------------------|------------------------------|
| Purchase of goods and services                          |                   |                              |
| Holding company   | 101,051           | 88,859                       |
| Associated companies                                    | 265,604           | 349,987                      |
| Sale of goods and services                              |                   |                              |
| Holding company   | -                 | 3,361                        |
| Associated companies                                    | 1,868             | 22,762                       |
| Royalty charge  |                   |                              |
| Holding company   | 122,845           | 108,475                      |
| Contribution to retirement benefit plans by the Company |                   |                              |
| Staff pension fund                                      | 7,344             | 17,333                       |
| Defined contribution pension fund                       | 10,752            | 7,043                        |
| Employee gratuity fund                                  | 17,913            | 12,718                       |
| Management provident fund                               | 14,002            | 11,997                       |
| Employee provident fund                                 | 3,309             | 3,151                        |

### 13. Basis for presentation of interim financial information

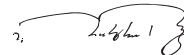
This condensed interim financial information is being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984 and the Listing Regulations of the Karachi, Lahore and Islamabad stock exchanges.

### 14. Date of authorisation

This condensed interim financial information has been authorised for issue by the Board of Directors of the Company on April 21, 2014.



**Graeme Amey**  
Managing Director and CEO



**Mobasher Raza**  
Finance Director

## Consolidated Condensed Interim Profit and Loss Account (Unaudited)

for the three months ended March 31, 2014

|                                      | Note | Jan - March<br>2014 | Rs '000<br>Jan - March<br>2013 |
|--------------------------------------|------|---------------------|--------------------------------|
| Gross turnover                       |      | 26,883,110          | 22,423,592                     |
| Excise duties                        |      | (13,642,943)        | (11,471,006)                   |
| Sales tax                            |      | (4,050,162)         | (3,206,279)                    |
| Net turnover                         |      | 9,190,005           | 7,746,307                      |
| <br>                                 |      |                     |                                |
| Cost of sales                        | 4    | (6,044,668)         | (5,026,968)                    |
| Gross profit                         |      | 3,145,337           | 2,719,339                      |
| <br>                                 |      |                     |                                |
| Selling and distribution expenses    |      | (685,914)           | (597,493)                      |
| Administrative expenses              |      | (448,791)           | (331,722)                      |
| Other operating expenses             | 5    | (150,446)           | (136,537)                      |
| Other operating income               |      | 36,889              | 20,985                         |
|                                      |      | (1,248,262)         | (1,044,767)                    |
| <br>                                 |      |                     |                                |
| Operating profit                     |      | 1,897,075           | 1,674,572                      |
| <br>                                 |      |                     |                                |
| Finance income                       |      | 17,533              | 13,155                         |
| Finance cost                         |      | (31,020)            | (14,816)                       |
| Net finance cost                     |      | (13,487)            | (1,661)                        |
| <br>                                 |      |                     |                                |
| Profit before income tax             |      | 1,883,588           | 1,672,911                      |
| <br>                                 |      |                     |                                |
| Income tax expense - current         |      | (643,282)           | (614,219)                      |
| - deferred                           |      | 3,144               | 28,946                         |
|                                      |      | (640,138)           | (585,273)                      |
| <br>                                 |      |                     |                                |
| <b>Profit for the period</b>         |      | <b>1,243,450</b>    | <b>1,087,638</b>               |
| <br>                                 |      |                     |                                |
| <b>Earnings per share - (Rupees)</b> |      | <b>4.87</b>         | <b>4.26</b>                    |

The annexed notes 1 to 13 are an integral part of this consolidated condensed interim financial information.



**Graeme Amey**  
Managing Director and CEO



**Mobasher Raza**  
Finance Director

## Consolidated Condensed Interim Statement of Comprehensive Income (Unaudited)

for the three months ended March 31, 2014

|  | Jan - March<br>2014 | Rs '000<br>Jan - March<br>2013 |
|--|---------------------|--------------------------------|
| <b>Profit for the three months</b>                     | 1,243,450           | 1,087,638                      |
| Other comprehensive income<br>for the three months     | -                   | -                              |
| <b>Total comprehensive income for the three months</b> | <b>1,243,450</b>    | <b>1,087,638</b>               |

The annexed notes 1 to 13 are an integral part of this consolidated condensed interim financial information.



**Graeme Amey**  
Managing Director and CEO



**Mobasher Raza**  
Finance Director

# Consolidated Condensed Interim Balance Sheet (Unaudited)

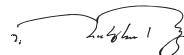
as at March 31, 2014

|   | Note | March<br>31, 2014 | Rs '000<br>December<br>31, 2013 |
|---|------|-------------------|---------------------------------|
| <b>Non current assets</b>   |      |                   |                                 |
| Property, plant and equipment   | 6    | 7,045,058         | 7,109,569                       |
| Long term loans   |      | 58                | 75                              |
| Long term deposits and prepayments  |      | 33,486            | 21,478                          |
|   |      | 7,078,602         | 7,131,122                       |
| <b>Current assets</b>   |      |                   |                                 |
| Stock-in-trade  |      | 7,893,050         | 9,166,367                       |
| Stores and spares   |      | 555,309           | 488,213                         |
| Trade debts   |      | 679               | 764                             |
| Loans and advances  |      | 80,156            | 89,579                          |
| Short term prepayments  |      | 160,642           | 78,889                          |
| Other receivables   | 7    | 414,858           | 415,034                         |
| Cash and bank balances  |      | 3,257,422         | 60,128                          |
|   |      | 12,362,116        | 10,298,974                      |
| <b>Current liabilities</b>  |      |                   |                                 |
| Trade and other payables  | 8    | 10,698,048        | 7,724,773                       |
| Short term running finance  | 9    | -                 | 2,436,445                       |
| Finance lease obligation  |      | 92,572            | 92,559                          |
| Accrued interest / mark-up  |      | 20,376            | 27,048                          |
| Current income tax liability  |      | 664,288           | 429,901                         |
|   |      | 11,475,284        | 10,710,726                      |
| <b>Net current assets / (liabilities)</b>   |      | 886,832           | (411,752)                       |
| <b>Non current liabilities</b>  |      |                   |                                 |
| Deferred income tax liability   |      | (1,010,975)       | (1,014,118)                     |
| Finance lease obligation  |      | (298,801)         | (293,044)                       |
|   |      | (1,309,776)       | (1,307,162)                     |
| <b>Net assets</b>   |      | 6,655,658         | 5,412,208                       |
| <b>Share capital and reserves</b>   |      |                   |                                 |
| Authorised share capital<br>300,000,000 ordinary shares of Rs 10 each               |      | 3,000,000         | 3,000,000                       |
| Issued, subscribed and paid-up capital<br>255,493,792 ordinary shares of Rs 10 each |      | 2,554,938         | 2,554,938                       |
| <b>Revenue reserves</b>   |      | 4,100,720         | 2,857,270                       |
| Shareholders' equity  |      | 6,655,658         | 5,412,208                       |
| <b>Contingencies and commitments</b>  | 10   |                   |                                 |

The annexed notes 1 to 13 are an integral part of this consolidated condensed interim financial information.



**Graeme Amey**  
Managing Director and CEO



**Mobasher Raza**  
Finance Director



## Consolidated Condensed Interim Cash Flow Statement (Unaudited)


for the three months ended March 31, 2014

|  | March<br>31, 2014 | Rs '000<br>March<br>31, 2013 |
|--|-------------------|------------------------------|
| <b>Cash flows from operating activities</b>                                    |                   |                              |
| Cash receipts from customers   | 26,883,195        | 22,423,472                   |
| Cash paid to Government for Federal excise duty,<br>Sales tax and other levies | (16,045,742)      | (14,584,272)                 |
| Cash paid to suppliers, employees and others                                   | (4,508,153)       | (4,859,523)                  |
| Finance cost paid  | (37,692)          | (45,319)                     |
| Cash paid as royalty   | (122,262)         | (104,730)                    |
| Income tax paid  | (408,895)         | (468,829)                    |
| Other cash receipts  | 13,326            | 7,341                        |
|  | 5,773,777         | 2,368,140                    |
| <b>Cash flows from investing activities</b>                                    |                   |                              |
| Additions in property, plant and equipment                                     | (137,320)         | (45,057)                     |
| Proceeds from disposal of property, plant and equipment                        | 3,575             | 8,820                        |
| Finance income received  | 17,533            | 13,155                       |
|  | (116,212)         | (23,082)                     |
| <b>Cash flows from financing activities</b>                                    |                   |                              |
| Dividends paid   | (53)              | (2,136)                      |
| Finance lease payments   | (23,773)          | (15,463)                     |
|  | (23,826)          | (17,599)                     |
| <b>Increase in cash and cash equivalents</b>                                   | 5,633,739         | 2,327,459                    |
| Cash and cash equivalents at January 1   | (2,376,317)       | (1,098,742)                  |
| <b>Cash and cash equivalents at March 31</b>                                   | 3,257,422         | 1,228,717                    |
| <b>Cash and cash equivalents comprise:</b>                                     |                   |                              |
| Cash and bank balances   | 3,257,422         | 1,228,717                    |
|  | 3,257,422         | 1,228,717                    |

The annexed notes 1 to 13 are an integral part of this consolidated condensed interim financial information.



**Graeme Amey**  
Managing Director and CEO



**Mobasher Raza**  
Finance Director

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

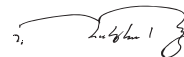
as at March 31, 2014

|   | Share capital    | Revenue reserves | Rs '000 Total    |
|---|------------------|------------------|------------------|
| <b>Balance at January 1, 2013</b>               | 2,554,938        | 1,552,462        | 4,107,400        |
| Total comprehensive income for the three months | -                | 1,087,638        | 1,087,638        |
| <b>Balance at March 31, 2013</b>                | <b>2,554,938</b> | <b>2,640,100</b> | <b>5,195,038</b> |
| <b>Balance at January 1, 2014</b>               | 2,554,938        | 2,857,270        | 5,412,208        |
| Total comprehensive income for the three months | -                | 1,243,450        | 1,243,450        |
| <b>Balance at March 31, 2014</b>                | <b>2,554,938</b> | <b>4,100,720</b> | <b>6,655,658</b> |

The annexed notes 1 to 13 are an integral part of this consolidated condensed interim financial information.



**Graeme Amey**  
Managing Director and CEO



**Mobasher Raza**  
Finance Director

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

for the three months ended March 31, 2014

### 1. Legal status and operations

Pakistan Tobacco Company Limited (the Company) is a public listed company incorporated in Pakistan on November 18, 1947 under the Companies Act, 1913 (now the Companies Ordinance, 1984) and its shares are quoted on the Karachi, Lahore and Islamabad stock exchanges of Pakistan. The Company is a subsidiary of British American Tobacco (Investments) Limited, United Kingdom, whereas its ultimate parent company is British American Tobacco p.l.c, United Kingdom. The registered office of the Company is situated at 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 Jammu and Kashmir under the Companies Ordinance 1984. The registered office of the PPL is situated at Bun Khurma, Chichian Road, Mirpur, Azad Jammu and Kashmir. The objective for which PPL has been incorporated is to operate and manage an industrial undertaking in Azad Jammu and Kashmir to deal in tobacco products. PPL has not yet commenced its commercial operations.

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

### 2. Basis of preparation

This condensed interim financial information of the Group for the three months period ended March 31, 2014 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

### 3. Accounting policies

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements for the year ended December 31, 2013.

### 4. Cost of sales

|  | Jan - March<br>2014 | Rs'000<br>Jan - March<br>2013 |
|--|---------------------|-------------------------------|
| Raw materials consumed                                 |                     |                               |
| Opening stock of raw materials and work in process     | 7,558,214           | 6,177,047                     |
| Raw material purchases and expenses                    | 3,458,638           | 2,869,785                     |
| Closing stock of raw materials and work in process     | (6,275,323)         | (4,892,516)                   |
|  | 4,741,529           | 4,154,316                     |
| Excise duty, Customs duty and Tobacco development cess | 232,592             | 194,725                       |
| Royalty  | 122,845             | 108,475                       |
| Production overheads                                   | 957,275             | 811,618                       |
| Cost of goods manufactured                             | 6,054,241           | 5,269,134                     |
| Cost of finished goods:                                |                     |                               |
| Opening stock  | 1,608,153           | 1,048,254                     |
| Closing stock  | (1,617,726)         | (1,290,420)                   |
|  | (9,573)             | (242,166)                     |
|  | 6,044,668           | 5,026,968                     |

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

for the three months ended March 31, 2014

|  | Jan- March<br>2014        | Rs '000<br>Jan-March<br>2013 |
|--|---------------------------|------------------------------|
| <b>5. Other operating expenses</b>                       |                           |                              |
| Workers' Profit Participation Fund                       | 101,168                   | 89,933                       |
| Workers' Welfare Fund                                    | 38,612                    | 35,810                       |
| Bank charges and fees                                    | 10,149                    | 10,649                       |
| Provision for doubtful debts                             | -                         | 120                          |
| Interest paid to Workers' Profit Participation Fund      | 517                       | 25                           |
|  | 150,446                   | 136,537                      |
|  | March<br>31, 2014         | December<br>31, 2013         |
| <b>6. Property, plant and equipment</b>                  |                           |                              |
| Operating fixed assets - note 6.1                        | 6,161,246                 | 6,073,717                    |
| Capital work in progress                                 | 883,812                   | 1,035,852                    |
|  | 7,045,058                 | 7,109,569                    |
|  | <b>March<br/>31, 2014</b> | <b>March<br/>31, 2013</b>    |
| <b>6.1 Movement in operating fixed assets</b>            |                           |                              |
| Net book amount at January 1                             | 6,073,717                 | 5,522,359                    |
| Additions to the operating fixed assets                  |                           |                              |
| <b>Owned Assets</b>                                      |                           |                              |
| Building   | 39,493                    | 804                          |
| Plant and machinery                                      | 193,560                   | 1,393                        |
| Vehicles   | -                         | 2,509                        |
| Office and household equipment                           | 4,312                     | 10,529                       |
| Furniture and fittings                                   | -                         | 283                          |
| <b>Leased Assets</b>                                     |                           |                              |
| Vehicles   | 52,412                    | 26,076                       |
|  | 289,777                   | 41,594                       |
| <b>Book value of disposals of operating fixed assets</b> |                           |                              |
| Vehicles   | (2,623)                   | (4,699)                      |
| Office and household equipment                           | (46)                      | (581)                        |
|  | (2,669)                   | (5,280)                      |
| Depreciation charge for three months                     | (199,579)                 | (193,573)                    |
| <b>Net book amount at March 31</b>                       | 6,161,246                 | 5,365,100                    |

**Selected notes to and forming part of the Consolidated  
Condensed Interim Financial Information (Unaudited)**  
for the three months ended March 31, 2014

**7. Other receivables**

These include following balances due from related parties:

|   | March<br>31, 2014 | Rs '000<br>December<br>31, 2013 |
|---|-------------------|---------------------------------|
| Due from holding company / associated companies | 18,906            | 48,209                          |
| Due from employees retirement benefit plans     | 352,342           | 346,737                         |

**8. Trade and other payables**

These include following balances due to related parties:

|   |         |         |
|---|---------|---------|
| Due to holding company / associated companies | 703,548 | 628,305 |
| Due to employees retirement benefit plans     | 281,364 | 266,291 |

**9. Short term running finance**

Short term finance facilities available under mark-up arrangements with banks amount to Rs 5,350 million (2013: Rs 5,350 million), out of which the amount unavailed at the period end was Rs 5,350 million (2013: Rs 2,914 million). These facilities are secured by hypothecation of stock-in-trade. The mark-up ranges between 10.23% and 10.68% (2013: 9.22% and 10.46%) per annum and is payable quarterly. The facilities are renewable on an annual basis.

|  | March<br>31, 2014 | Rs '000<br>December<br>31, 2013 |
|--|-------------------|---------------------------------|
| <b>10. Contingencies and commitments</b>                 |                   |                                 |
| <b>10.1 Contingencies</b>                                |                   |                                 |
| Claims and guarantees                                    |                   |                                 |
| (i) Claims against the Company not acknowledged as debt  | 131,800           | 131,800                         |
| (ii) Guarantees issued by banks on behalf of the Company | 189,447           | 179,447                         |
| <b>10.2 Commitments</b>                                  |                   |                                 |
| (i) Capital expenditure commitments outstanding          | 846,544           | -                               |
| (ii) Letters of credit outstanding                       | 1,286,617         | 1,536,509                       |

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

for the three months ended March 31, 2014

| 11. Transactions with related parties                   | March<br>31, 2014 | Rs '000<br>December<br>31, 2013 |
|---|-------------------|---------------------------------|
| Purchase of goods and services                          |                   |                                 |
| Holding company   | 101,051           | 88,859                          |
| Associated companies                                    | 265,604           | 349,987                         |
| Sale of goods and services                              |                   |                                 |
| Holding company   | -                 | 3,361                           |
| Associated companies                                    | 1,868             | 22,762                          |
| Royalty charge  |                   |                                 |
| Holding company   | 122,845           | 108,475                         |
| Contribution to retirement benefit plans by the Company |                   |                                 |
| Staff pension fund                                      | 7,344             | 17,333                          |
| Defined contribution pension fund                       | 10,752            | 7,043                           |
| Employee gratuity fund                                  | 17,913            | 12,718                          |
| Management provident fund                               | 14,002            | 11,997                          |
| Employee provident fund                                 | 3,309             | 3,151                           |

### 12. Basis for presentation of interim financial information

This consolidated condensed interim financial information is being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984 and the Listing Regulations of the Karachi, Lahore and Islamabad stock exchanges.

### 13. Date of authorisation

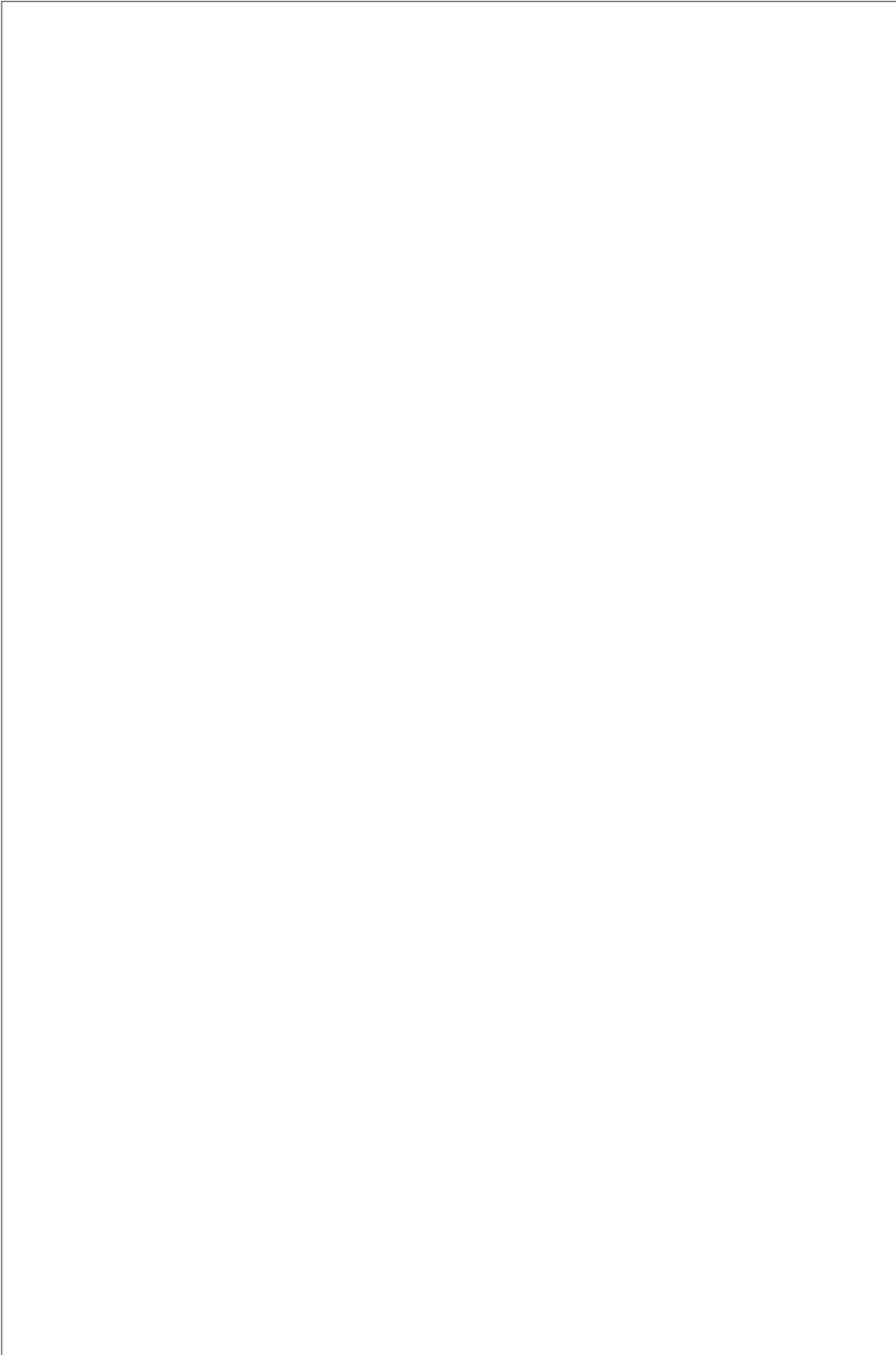
This consolidated condensed interim financial information has been authorised for issue by the Board of Directors of the Company on April 21, 2014.



**Graeme Amey**  
Managing Director and CEO



**Mobasher Raza**  
Finance Director



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**Pakistan Tobacco Company Limited**  
Silver Square, Plot No. 15  
F-11 Markaz, P.O. Box 2549  
Islamabad 44000

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