PAKISTAN TOBACCO COMPANY

Pakistan Tobacco Company Limited

Annual Report **2018**

Celebrating Diversity
And Inclusion

Soaring through the decades, Pakistan Tobacco Company Limited has achieved uncountable successes. Throughout this journey, our focus has been to make the organisation more Diverse & Inclusive. By doing this, we have been able to create an environment that includes individuals of different ages, genders, backgrounds, cultures and beliefs making them a part of this big PTC family.

Awards & Accolades

Table of **Contents**

Our Vision

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

Our consumers are at the core of everything we do and our success depends on addressing their preferences, concerns and behaviours. We know that these are fragmenting and evolving at an unprecedented pace, and consequently, we are focusing on providing a range of tobacco and nicotine products across the risk spectrum. In addition, we are clear that to win in this space we need to understand our consumers' preferences and further invest in a pipeline of ever evolving innovations.

Our Mission

Delivering our commitments to society, while championing informed consumer choice.

We have long known that, as a major international business, we have a responsibility to address societal issues with our tobacco products, and that, as our business continues to grow, so does our influence and the responsibility that comes with it. We are also clear that we have a duty to our shareholders to ensure we continue to deliver today and invest for a sustainable future and to our consumers to provide, in addition to our combustible products, a range of potentially reduced-risk products such as Next Generation Products (NGPs) and oral tobacco products. Our transforming tobacco ambition, with its core objective of providing consumers with more choice, more innovation and less risk will allow us to: satisfy these consumers; address societal concerns at large through the growth of multiple categories of potentially reduced-risk tobacco and nicotine products; and provide a sustainable, profitable future for our shareholders.

Syed Javed Iqbal
MD/CEO PTC

Our Guiding Principles

Our Guiding Principles provide clarity about what we stand for. They form the core of our culture and guide how we deliver our strategy.

Strength from Diversity

Our management population comprises people from over 140 nations, giving us unique insights into local markets and enhancing our ability to compete across the world. We respect and celebrate each other's differences and enjoy working together. We harness diversity – of our people, cultures, viewpoints, brands, markets and ideas – to strengthen our business. We value what makes each of us unique.

Open Minded

Our corporate culture is a great strength of the business and one of the reasons we have been, and will continue to be, successful. We are forward-looking and anticipate consumer preferences, winning with innovative and high-quality products. We listen to, and genuinely consider, other perspectives and changing social expectations. We are open to new ways of doing things.

Enterprising Spirit

We value enterprise from all of our employees across the world, giving us a great breadth of ideas and viewpoints to enhance the way we do business. We have the confidence to passionately pursue growth and new opportunities while accepting the considered entrepreneurial risk that comes with it. We are bold and strive to overcome challenges. This is the cornerstone of our success.

Freedom through Responsibility

We give our people the freedom to operate in their local environment, providing them with the benefits of our scale but also the ability to succeed locally. We always strive to do the right thing, exercising our responsibility to society and other stakeholders. We use our freedom to take decisions and act in the best interest of consumers.

British American Tobacco (BAT)

British American Tobacco PLC (BAT) is a multinational company that was founded in 1902. It continues to go from strength to strength and it attributes its success to its market-leading brands, a successful strategy, talented people and BAT's Transforming Tobacco ambition.

91% increase in the number of women in senior management since 2012

Ranked among the top employers in the world by the Top Employers Institute in 2018

143 nationalities represented at management level

In 2016 & 2017, the Thomson Reuters D&I Index ranked BAT as the industry leader and one of the most diverse and inclusive companies to work for.

BAT was also recognised by a review into the ethnic diversity of UK Boards, which ranked BAT in the top 20 of the FTSE.

BAT has evolved into one of the world's leading consumer goods companies. It is proud of its history and excited about the opportunity to write a new chapter in its success story.

BAT is truly a global organisation with brands sold around the globe. It employs over 55,000 people globally, partners with over 90,000 farmers and has factories in 48 countries, with offices in even more. Pursuing the long-held ambition of introducing potentially reduced risk products, BAT has invested more than US$2.5 billion in Next Generation Products, including vapour and tobacco heating products.

BAT has abundantly worked towards making its workforce more diverse by embedding the principles of equality and inclusivity. BAT understands that a diverse workforce is a competitive advantage and that great people and an engaging culture is key to its success.

Over the last few years, significant progress has been made with female representation at senior level. In the last six years, the company has managed to grow this by 100% and now has 22% female representation at senior level. In addition, for the first time ever, BAT now has women represented on all Functional and Regional Leadership Teams.

BAT recognises that it can only truly harness benefits of a diverse workforce if it has an inclusive culture that enables employees to flourish regardless of their gender, cultural or other differences. As a result, it has worked hard to create an inclusive culture.

BAT's Geographical Spread

Americas & Sub-Saharan Africa (AmSSA)

- Brazil
- Canada
- East & Central Africa Area
- Mexico & Central America Area
- Southern Africa Area
- South Americas North & Caribbean Area
- Southern Cone Area
- West Africa Area

Europe & North Africa (ENA)

- DACH Area
- Northern Central Europe Area
- Northern Europe Area
- Russia
- Southern Central Europe Area
- Southern Europe Area
- Turkey & North Africa Area
- Ukraine, Caucasus, Central Asia & Belarus
- Western Europe Area

Asia-Pacific & Middle East (APME)

- Australasia Area
- Bangladesh
- China JV
- East Asia Area
- Greater North Asia Area
- Indonesia
- Malaysia Area
- Middle East Area
- South Asia Area

Pakistan Tobacco Company Limited

Pakistan Tobacco Company Limited is a subsidiary of the British American Tobacco Group. We are a proud market leader with over 50% of the total market share. Our vision to be the world's best at satisfying consumer moments in tobacco and beyond, is something we strive for and while working towards that, we have an aim to deliver with integrity and be transparent in all our operations.

We are one of the first multinationals incorporated in Pakistan and through this legacy of 70+ years, some of the best minds have joined us from various parts of the country as well as from different regions of the world. We are a Company that employs from all walks of life contributing towards the success of this organisation and in making us one of the most diverse and inclusive organisations in the Country. This winning team of over 600 employees although geographically, ethnically and culturally unique in their own way, is a robust one team as stipulated in one of our guiding principles; Strength from Diversity.

PTC, being instrumental in providing and improving livelihood, takes pride in its contributions in the agricultural sector of Pakistan. We have not just trained farmers to grow diverse crops but have also contributed towards technological advancements in these areas. We, being one of the biggest Fast Moving Consumer Goods (FMCGs) companies of the country, believe in giving back to the communities we operate in. Hence, we have initiated various projects of waste disposal, farmer safety and women empowerment in one of the most underprivileged parts of Pakistan. While externally benefiting the impoverished communities, internally we have broken cultural as well as organisational stereotypes as we have minorities, women, expatriates and local people working with us at senior as well as middle management positions.

We truly value our business partners who support us in each and every step of our crop to consumer journey day in, day out. While expanding upon our national footprint and working towards the best industry practices, we have grown with our business partners and are thankful for their services in making this Company greater than ever.

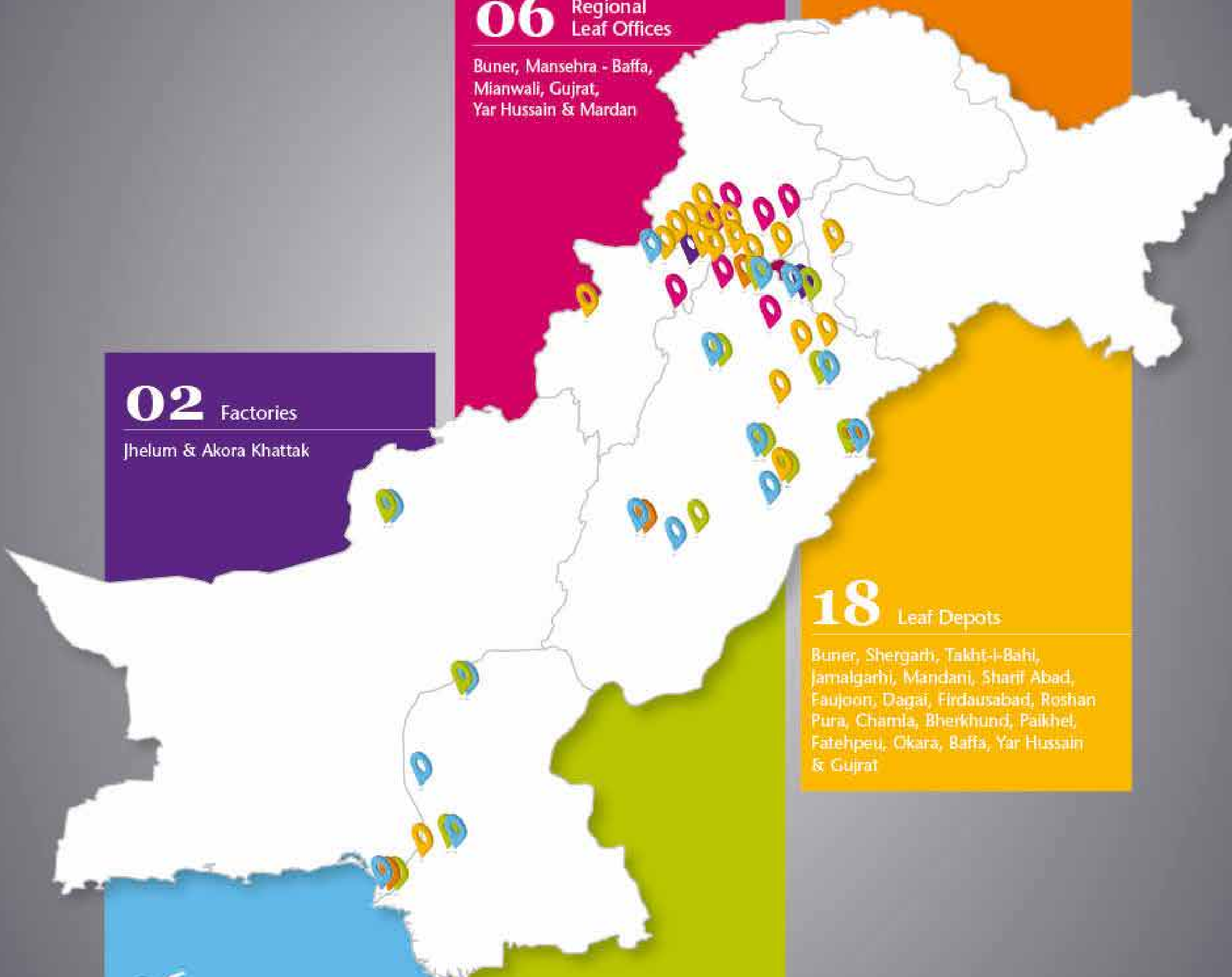
Our Footprint

04 Regional Trade Offices

Lahore, Multan, Karachi & Rawalpindi

06 Regional Leaf Offices

Buner, Mansehra - Baffa, Mianwali, Gujrat, Yar Hussain & Mardan



02 Factories

Jhelum & Akora Khattak

18 Leaf Depots

Buner, Shergarh, Takht-i-Bahi, Jamalgarhi, Mandani, Sharif Abad, Faujoon, Dagai, Firdausabad, Roshan Pura, Chamla, Bherkhund, Paikhel, Fatehpeu, Okara, Baffa, Yar Hussain & Gujrat

16 Sales Offices

Quetta, Sukkur, Hyderabad, Nawabshah, Sahiwal, Bahawalpur, Gujranwala, Faisalabad, Peshawar, Jhelum, Sargodha, Karachi, Multan, Lahore, Islamabad & Northern Area

12 Warehouses

Sargodha, Jehlum, Islamabad, Gujranwala, Lahore, Faisalabad, Okara, Multan, Karachi, Hyderabad, Sukkur & Quetta

We have worked hard to foster an inclusive workforce, which is not only aligned with our guiding principles but is also our recipe for success.

Creating Enablers

Driving Ownership & Accountability

Building Diverse Talent Pools

Celebrating DIVERSITY & INCLUSION

Joining hands to build future leaders

Teach For Pakistan (TFP) is a non-profit company with the mission to create leadership to end educational poverty in Pakistan. TFP is a partner in the Teach For All global network of 48+ independent national organisations working to develop collective leadership to end educational inequality.

The mechanics behind TFP's operations are recruiting outstanding university graduates and professionals to a two-year Fellowship programme to teach full-time in low-income communities, and develop the leadership and motivation to work effectively towards education reform in the long-run.

In 2018, PTC supported the launch of Teach For Pakistan operations in Islamabad, with a diverse group of 16 Fellows teaching in 8 government and non-profit schools in the capital's rural subdivisions.

Moreover, in the said year, a total of 16 Cohort of Fellows were in-part supported by PTC. They came from all across Pakistan with representation from metros and small towns like Ghizer - G.B, Hingorja - Sindh, Jauharabad - Punjab, Darazinda - KPK & Murree - Punjab. The cohort also boasts diversity in education with Fellows having qualifications in pure sciences, liberal arts and business. These fellows are pursuing their motivation to develop their leadership through the immersive two-year experience.

MAHRUKH NAEEM KHAN

"When preparation and opportunity meet and you dream big, only then a perfect success story is made. A girl from Peshawar, working as a Research Associate turned out to be the first-ever female Area Manager in Leaf Operations - an outcome of an excellent opportunity, thorough preparation and of course, dreaming big. It has been one year since I joined Pakistan Tobacco Company Limited and with the support of beautifully embedded inclusion of this well-knitted diverse group of people, I have chased my dreams and turned them into reality."

NRSP
NATIONAL RURAL SUPPORT PROGRAMME

Giving back to the communities we operate in

In November 2017, PTC signed a Memorandum of Understanding (MoU) with the National Rural Support Programme (NRSP), the largest rural support programme in the country in terms of outreach, staff and development activities in Pakistan. The MoU formalises our partnership on some of the key sustainability areas like afforestation, biodiversity conservation and capacity building of rural communities with NRSP.

PTC provides saplings from its nurseries to the NRSP during cycles of spring and monsoon afforestation campaigns for distribution to farmers with a focus on native species and sustainable wood fuel sourcing. The expertise, experience and operational model of NRSP as partners, will further elevate this initiative and enhance the impact.

Educating and capacity building of our communities to foster sustainable development at the grass-root level is another important aspect of this partnership. By increasing awareness on sanitation and health & safety, NRSP has improved living standards within the farmers and their extended communities. NRSP creates awareness by undertaking activities like training women for their health and safety, farm worker safety, clean water and sanitation awareness and promoting the use of Personal Protective Equipments by farm workers.

We believe that our collective energies will further aid in the implementation of the sustainability agenda.

ILYAS KHATTAK

“I landed my first job at PTC in 1996 and have been working here since then. I belong to Akora Khattak and I am a Pathan. PTC is an organisation where I have learnt a lot, capitalized on my dreams and actually turned them into reality. This organisation is like a family to me and I am proud to be a part of such a forward-looking Company. PTC values its employees by placing them at the core of its business strategy.”

Our Guiding Principles

Our core values, **Strength from Diversity** and **Open Mindedness**, are the building blocks of our Diversity & Inclusion Strategy at PTC. The diversity we all bring with us culminates in an all-encompassing and inclusive workplace culture, enabling us to embrace and benefit from a broad spectrum of experiences and ideas. Our differences are critical to drive optimal commercial and overall business success. Thereby celebrating diversity in all its forms; be it ethnic, geographical, age or gender, as well as underlying differences; such as thinking and experience.

From Global Graduates (GG) to experienced resources, our diverse workforce boasts of many cultures stemming from employees hailing from a multitude of ethnicities, educational backgrounds, speaking various languages & dialects whilst being spread across over a hundred different stations across Pakistan. Expatriates coming in from around the globe contribute further to a team which embraces and leverages each other's talents and diverse perspectives, foster a sense of belonging, and support achievement of their full career potential.

To summarise, PTC ensures there is a right mix of talent which enables strong business delivery while fostering innovative ways we operate in to stay abreast of the advancements in the industry.

OUR DIFFERENCES ARE CRITICAL TO DRIVE OPTIMAL COMMERCIAL AND OVERALL BUSINESS SUCCESS

SANA REHMAN

"I come from a conservative area of KPK and have stood against the social barriers. I feel proud to have progressed in the Company in the last 6 years. My professional life at PTC has been a constant source of learning for me, which has only been possible through the supportive environment provided by the Company. PTC's progressive leadership has provided equal opportunities to all, which has enabled me to defy the patriarchal norms of the society."

Our Initiatives

STRENGTH FROM DIVERSITY

While we emphasise on creating a more gender-friendly workplace, our Diversity & Inclusion agenda goes well beyond it with tailored programs designed to foster inclusive behaviours in a multicultural workplace. Our goal is to celebrate the multitude of thought processes & ideas contributed by the surrounding people around us, by understanding & subsequently eliminating personal biases. Our Strength from Diversity workshops enable our workforce to take the prerequisite steps necessary to eliminate all kinds of biases, while rediscovering why strength from diversity is imperative to our success as a team. Currently, 100% of our management population has been trained under this initiative.

parents@BAT

Parents@BAT is yet another part of the wider transformation that is shaping our workplace. Changing attitudes to a shared parental responsibility and modern family dynamics are shifting parental expectations, especially among the millennial generation. To continue attracting and retaining the best talent, and to stay true to our values of a family-friendly employer, we must continually evolve our offer to parents. This platform provides coaching support for new parents and their line managers to help them manage quality career discussions and to create a successful transition to and from maternity or adoption leave. It contains expert advice for managing a colleague who is preparing for maternity leave and for employees to make confident comebacks.

JAVERIA NAZIR JATOI

“In a short span of just 2 months with PTC, I have realised that this Company not only provides a highly dynamic work environment but also makes its employees a priority by working towards their development and growth. I had expected life at Jhelum factory to follow a different pace compared to Karachi, where I have lived all my life. However, work at Jhelum factory presents a new challenge every day and provides a diverse experience from day one. Moreover, it was especially enthralling to see how well people working together are connected by strong values and work ethics.”

Our Achievements

PTC continues to emphasise on creating an enabling environment for all hence, aligned with this principle, whilst providing better day care coverage for mothers and single fathers, PTC has increased the duration of "paid maternity leave" from three months to six months, extending further support to our working mothers. PTC being awarded certifications like Top Employer 2019 is a testament to our dynamism and agility. We lead change through our commitment to drive a more diverse & inclusive culture.

For women in senior leadership roles, every year we conduct 'Talking Talent's Women in Leadership', aimed at significantly improving the talent pipeline through coaching, mentorship and retention of female trailblazers. These initiatives are equipping our female talent to convert into high potentials not just within PTC but become sought-after talent to be exported all around the globe.

- 60% Female Global Graduates Recruitment
- Day care facility for mothers and single fathers
- 6 months paid maternity leave
- Enabling mothers through flexible working hours and work from home options

MAYEDAH KIRMANI

“I was hired as a Global Graduate by the Company and this is my first job. Within my short time with the Company, I have realised that PTC openly embraces people belonging to different cultures and speaking different languages. The Company facilitates an environment where people are closely knit despite their diverse backgrounds. I have also realised that this Company is a true reflection of an equal opportunity employer, as women are encouraged and facilitated to work in critical roles across its operations.”

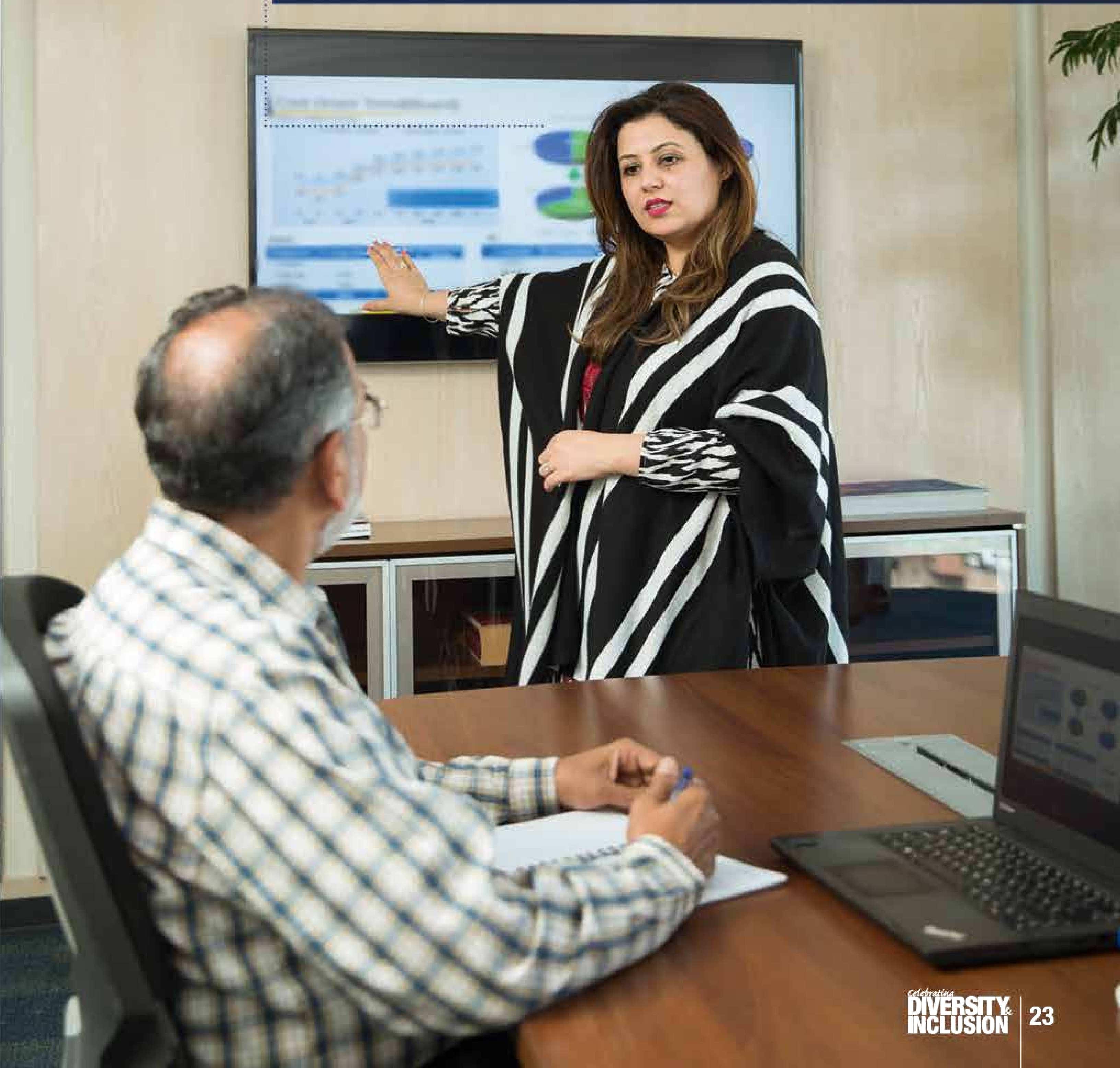
Our Exported Talent

Identifying and appointing the best talent into our most critical leadership roles is vital to ensure long-term business sustainability. This enables us to proactively develop and maintain a strong talent pipeline and talent bench strength in critical roles thereby, ensuring that the next generation of leaders continue to drive the organisation to greater heights. In 2018 alone, we have exported over 18 individuals globally and promoted over 65 high potentials locally.

OVER 18 HIGH POTENTIAL EMPLOYEES EXPORTED TO BAT GROUP IN 2018

SYEDA RAHIMA

"I am originally from Peshawar and I have been with PTC for more than 12 years now – PTC is my first employer and I joined the Company immediately after my Masters. PTC has successfully created the environment where people are encouraged to draw upon their unique experience, perspective and background to advance towards the business goals. Initiatives like effective global communication, awareness trainings, mentoring programs, multi-cultural talent management and openness of corporate culture says it all."



Our People our Pride

"PTC is all about leadership in people and business underpinned by its legacy of solid values. It's been the backbone of my career in BAT and I will remain eternally indebted to this great institution."

Zafar Aslam Khan

Regional Ops Manager, Asia Pacific & Middle East (APME), British American Tobacco

"Joining Pakistan Tobacco as a Management Trainee was the best start I could have hoped for in my career. Ten years later, I was lucky enough to be part of a major business and cultural transformation there. The experience and knowledge that I gained at PTC has benefited me in every organisation and industry I have worked for during my career. The Company always welcomed people from across Pakistan – however, I believe PTC is now a trail blazer in diversity – embracing the concept in its truest sense in all functions, and making it part of your credo. The great results are surely a testament that this is the right strategy, and I congratulate the current management for it."

Ali Khan

Managing Director, Engro Foods

"I found PTC to be uniquely humane. In FMCG world, with little differentiation on product, what separates good companies from not so good ones is its people. With belief in people diversity, from development to engagement as a family, PTC has always stood tall. True worth of diversity comes to light in times of adversity and it's not by chance that PTC has overcome its challenges successfully many a times in the past. My advice is to continue never seeing people as a cost but as valuable investment, and I am sure PTC will always shine as one of the best company to work for in Pakistan."

Omer Malik

CEO, Suntory Pepsico Beverage (Thailand) Co. Ltd.

"Through cultural transformation, PTC engaged the hearts and minds of all its people and I was fortunate to play a part in this stimulating journey. At PTC, I was constantly challenged, enriched and inspired as I learned about different facets of the business by taking on diverse roles initially in Pakistan and then in other markets from Management Trainee to HR Director and then group roles in Globe House. I also collaborated with diverse and talented leaders at all levels that I still continue to admire."

Hasan Adnan Ahmed

Director Human Resources, Public Affairs & Communication, Coca-Cola Beverages Pakistan Ltd.

Group **Structure**

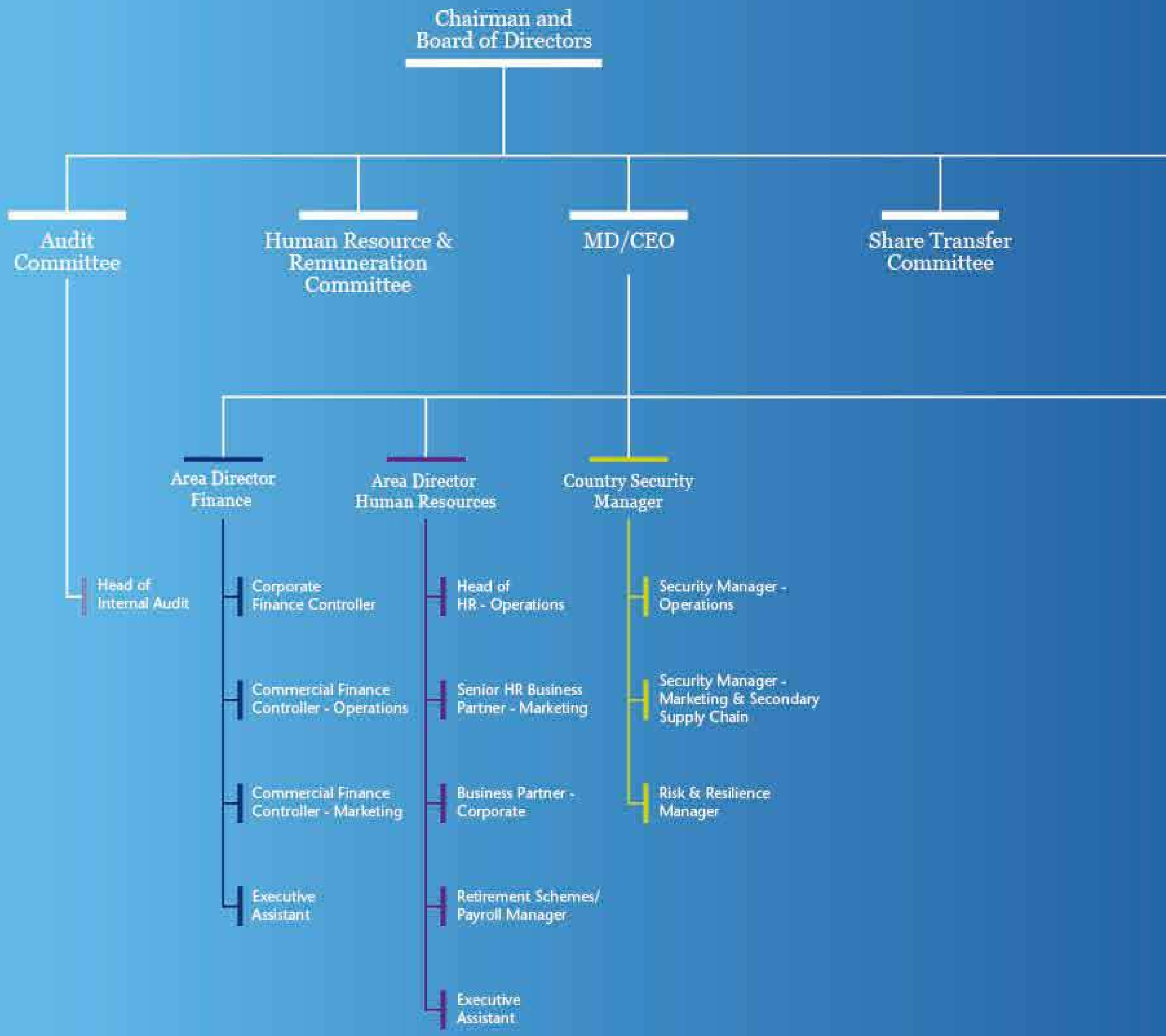
British American Tobacco

British American Tobacco is one of the world's leading, multi-category consumer goods companies. British American Tobacco is truly a global organisation with its brands sold around the globe.

Pakistan Tobacco Company

Pakistan Tobacco Company Limited is a subsidiary of the British American Tobacco p.l.c. The Company was incorporated in Pakistan in 1947, making it one of the first multinationals in Pakistan.

Organisational Structure



- Executive Committee (ExCo)
  - Area Director Legal & External Affairs
    - Head of Legal & Company Secretary
    - Head of External Affairs
    - Executive Assistant
  - Area Director Marketing
    - Area Head of Brands
    - Area Head of Strategy, Planning & Insights
    - Area Head of Consumer Product
    - Head of Activations & Trade Marketing Distribution
    - Executive Assistant
  - Area Director Operations
    - Head of Manufacturing
    - Head of Leaf
    - Supply Chain Manager
    - Senior Quality Manager
    - Country EH&S Manager
    - Procurement Business Manager
    - Executive Assistant
  - Executive Assistant

Position of Reporting Organisation within Value Chain

Sourcing

1. Tobacco Buying:

While the Company does not own tobacco farms or directly employ farmers, it buys majority of its tobacco from local farmers that grow tobacco crop in areas of Khyber Pakhtunkhwa and Punjab provinces. The Company provides on ground support and advice to these farmers, enabling them to increase yields, improve tobacco leaf quality and achieve consistency in crop attributes. In this way, the livelihood of many tobacco farmers remains connected with the Company.

2. Other Raw materials

The Company procures other raw materials used in the manufacturing and packaging of cigarettes from local as well as international suppliers. In turn, the local industries supplying raw materials to the Company are able to generate income and employment by transacting with it.

Manufacturing

1. Tobacco Processing

Prior to being used in the manufacturing of cigarettes, tobacco undergoes processing first in the Green Leaf Threshing (GLT) Plant and then in the Primary Manufacturing Department (PMD). These operations, being in Akora Khattak and Jhelum, benefit the local community by providing not only direct employment opportunities but also business opportunities created as a result of ancillary services, required by the Company to run its operations.

2. Cigarette Production

In the production phase, processed tobacco and raw materials are first used to make cigarette sticks, then formed into cigarette packs and finally packed in corrugated boxes, ready to be shipped out of the factory. Our production facilities are located in Akora Khattak and Jhelum, which provide employment opportunities to the indigenous people of these areas.

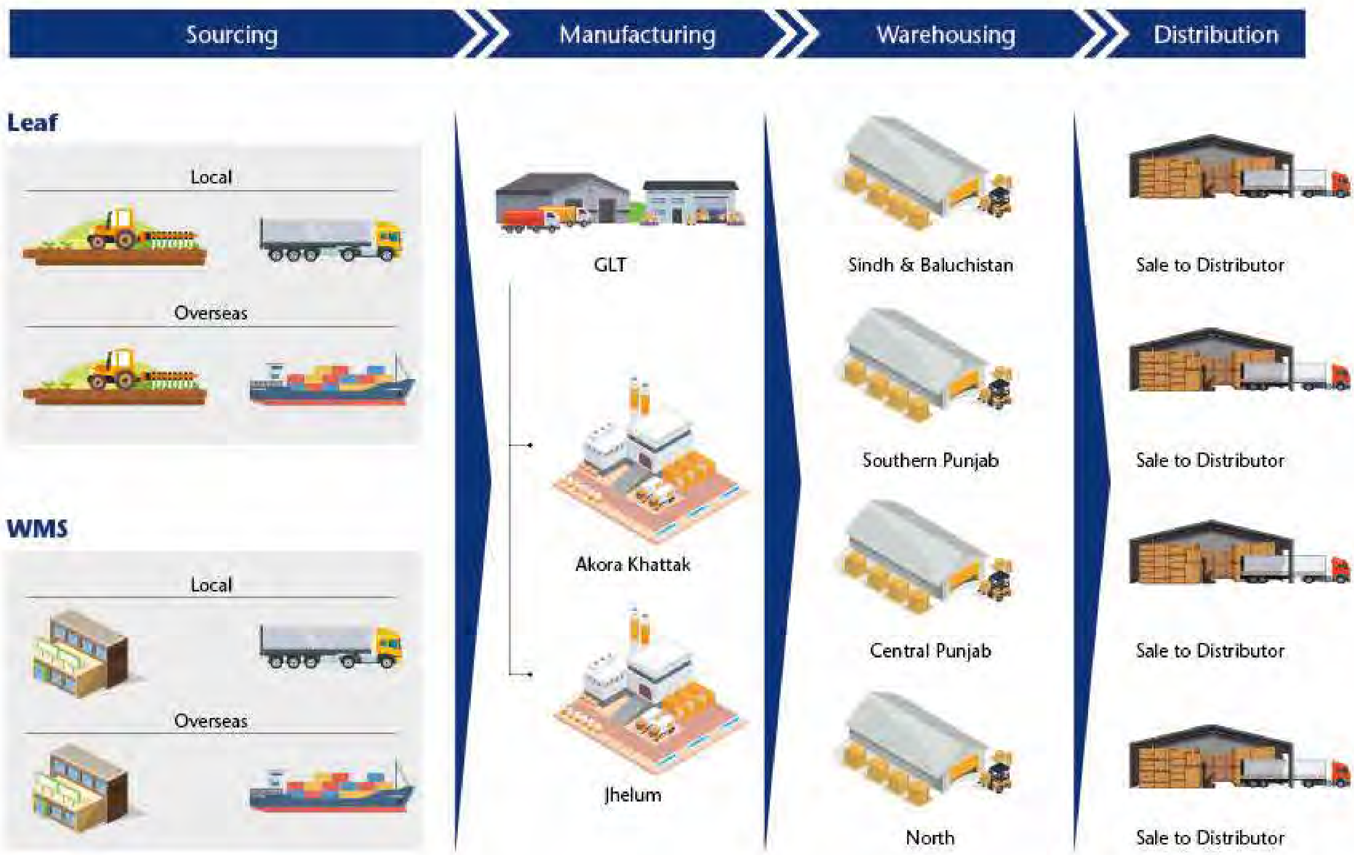
Warehousing and Distribution

Following production, the finished goods are transported from the factories to warehouses located in various parts of the country. In the final step, the finished goods are transported to appointed distributors, operating across the country. These distributors sell the goods to wholesalers and retailers operating in their respective market areas. In carrying out its warehousing and distribution operations, the Company leases several warehouses across the country whereas it utilises the services of Logistics Service Providers for transportation of goods. These operations in turn enable other companies, businesses and people not only in generating income for themselves but also in creating employment opportunities for others. The benefits of the economic activity generated by our business trickles down to various segments and benefits the society at large.

Selling and Marketing

Every year, the Company carries out various marketing and selling activities to support its business partners and to promote its brands. These also include activities that help in providing insights into consumers' preferences and perceptions, especially those related to the Company's brands. In executing these activities, the Company utilises the services of many local suppliers, which in turn generates not only commercial activity for other local businesses but also creates many employment opportunities.

Following is the graphical representation of PTC's seed to smoke operations:



Strategic Objectives

PTC's strategy is aligned with BAT Group's strategy, which is geared towards delivering growth and creating long-term value for all its stakeholders.

Growth

Constantly developing our portfolio of potentially reduced-risk products and new technologies while continuing to drive revenue growth from our traditional combustible products.

Productivity

Effectively deploying resources between product categories and managing our cost base to release funds for investment.

Winning Organisation

Ensuring we have great people with the right skill sets in the right teams to drive the transformation of our business.

Sustainability

Ensuring a sustainable business that meets the expectations of all our stakeholders.

Medium-term & Short-term goals to achieve Long-term Objectives

	Short & Medium-Term Objectives	Must Do	Approach towards achieving Short & Medium-Term Objectives
Growth	1. Maintain industry leadership by outperforming the competition 2. Strengthen brands by enhancing brand equity of our product portfolio 3. Address evolving consumer needs and preferences across all segments 4. Implement automated solutions to derive valuable insights for supporting key management decisions	• We understand consumer moments and how to satisfy them with world-class tobacco • We build distinctive brands by exciting our consumers with powerful innovations • We set bold ambitions for brand initiatives and deliver with speed and scale • We make tough choices to deploy an aligned and focused brand portfolio in our market • We love our products and provide consistently superior offers to our consumers	**Customer centricity** The Company places its consumers at the centre of its business. In doing so, we endeavour to understand changing consumer needs, preferences and buying behaviours. We aim to satisfy consumers with a range of attractive products suited to the needs of its segment. Our product innovations, trade capabilities, procurement, logistical operations and machinery footprint are developed to deliver to the consumer what he desires. **Innovative approach** The Company remains at the forefront to implement innovative solutions that enable it to increase competitive advantage and value across its operations.
Productivity	1. Lean operating and manufacturing structures 2. Increase operating and manufacturing efficiencies across the value chain 3. Efficient resource allocation and cost-efficient operations 4. Machinery footprint readiness to meet future demand and product innovations	• We plan for success and supply on time and in full	**Leveraging global reach and size** To deliver the short and medium-term objectives, PTC leverages the advantages available to it by way of being part of BAT Group. The Company replicates BAT's systems, processes and best practices to make its entire operations cost-effective, efficient and more agile.
Winning Organisation	1. Promote diversity and inclusion 2. Equal opportunities for all 3. Invest in Leaders - attract, develop and retain the best talent 4. Provide a safe work environment. 5. Reward people based on performance	• We invest as much time and energy in our people as in our brands, focusing on creating a legacy of leaders	**Focusing on people – our asset** The quality of our people is a major enabler of the continued performance that we have delivered over the years. We consider our people our greatest asset and remain committed to investing in our people. We encourage a culture of personal ownership and we value our employees' talents and abilities. We believe that the diverse perspectives of our employees help us to succeed in the marketplace. Additionally, this ensures a safe work environment for its stakeholders.
Sustainability	1. Ensure harm reduction by ensuring quality product offerings 2. Promote sustainable agriculture and farmer livelihoods 3. Follow the highest standards of corporate conduct and transparency	• We shape a new deal with consumers and society, being completely transparent and seeking to offer safer products • We act like owners, taking personal accountability for creating value	**Corporate behaviour** The Company is committed to adhering to the highest standards of corporate conduct and transparency. **Social well-being** The Company is committed to working towards the well-being of all stakeholders, especially the communities in which it operates. We have strong business relationships with a wide range of stakeholders, including farmers, retailers and distributors. We operate on the principle of making the relationship mutually beneficial. As a commercial organisation, we aim to build long term shareholder value and believe the best way to do this is to understand and take into account the needs of all our stakeholders.

Significant Changes in Strategic Objectives from Previous years

No significant changes in objectives from previous years have been identified.

Risk & Opportunity Report

As challenges in our operating landscape continue to intensify, the proactive identification and management of risks become vital in ensuring that the Company is able to deliver sustainable stakeholder value. **The Company's risk management framework is characterised by defined mandates, comprehensive policy frameworks and robust governance structures**. Effective risk identification, monitoring and mitigation processes are embedded in the Company's daily operations through a comprehensive framework comprising monitoring processes, internal controls' and relevant stakeholder engagement mechanisms. As a subsidiary of BAT Group, PTC also benefits from global best practices in risk management and thus, has been successful in nurturing a risk culture, which aptly balances risk and growth considerations.

Statement from Board of Directors

The Board is responsible for determining the risk appetite that the Company is willing to take to achieve its strategic objectives and for maintaining sound risk management and internal control systems. PTC's risk management and internal controls framework is aimed at safeguarding shareholders' investment, the Company's assets as well as evaluating and managing risks that may impede achievement of the Company's objectives.

Risk Governance

The Board of Directors is responsible for determining the nature and extent of the significant risks the Company is willing to take to achieve its strategic objectives. The Board is supported by the Board Audit Committee in discharging its risk management related responsibilities which regularly reviews the effectiveness of the Company's risk management processes and internal control systems. A dedicated Risk Management Committee (RMC), comprises of the Marketing Director as its Chairman and Senior Managers representing key functions, reports to the Executive Committee on the risk performance of each function on a regular basis. The Company's risk profile is also monitored through the internal reporting mechanisms of the Group.

Risk Identification

During the year, a robust assessment of the principal risks faced by the Company has been carried out including those that would impact its business model, performance, brands, assets, solvency and employees. Financial and non-financial risks are identified at a functional level, with inputs from relevant employees. This is carried out through team discussions and brainstorming sessions, which facilitate participation and value addition by employees across the Company. The identified risks are then reviewed for completeness by the RMC on a regular basis.

Assessment and Evaluation

Elaborate risk registers are used to assess and evaluate the risks in detail. Each identified risk is assessed and then categorised under one of the three levels (high / medium / low) in terms of the likelihood of its occurrence and the severity of its potential impact. Tolerance levels and trigger points are also defined for each identified risk. The risk registers are first validated by the RMC, then the Executive Committee and finally by the Board Audit Committee.

Risk Management

Following the identification of key risks faced by the Company, the respective functions develop elaborate strategies and plans to mitigate the impacts of these risks. The responsibility for managing each identified risk rests with the head of each function (risk owners), who reports regularly to the RMC on the progress and effectiveness of the risk mitigation plans. Additionally, the potential impact of global trends and risks are also captured through input from the Regional Risk Management Committee, which can recommend improvements in internal controls and risk mitigation plans in line with global best practices and experiences.

Monitoring

Risks are monitored at multiple levels in the Organisation including at functional level, RMC, Executive Committee, Board Audit Committee and Board level. Identified risks, the risk registers, mitigation plans, and performance of each risk mitigation plan are evaluated at these levels throughout the year.

Materiality Approach Adopted by the Management

Materiality levels, other than those provided under regulations, are based on judgement and may vary substantially from company to company. In PTC, matters are considered to be material if, individually or in aggregate, they are expected to significantly affect the performance, profitability, brands or assets of the Company. Powers of the Board of Directors and the management have been defined with special reference to, and in compliance with the applicable regulatory framework. Authorisations for transactions have been clearly defined and documented in the Statement of Delegated Authorities (SoDA). These authorities have been defined keeping in view materiality levels appropriate to a certain position or level of an employee. These are reviewed and approved by Board of Directors each year.

Key Sources of Uncertainty & Risks and Mitigating Strategies

Key sources of uncertainty emanate from the challenging environment the Company operates in. Changes in political, social, technological, economic or legal factors also lead to risks, which the Company might be exposed to. The Company actively monitors its risk universe to pro-actively manage and mitigate various risk exposures.

The following section details key risks that the Board believes could have the most significant impact on the Company's ability to create value. Some of these major risks are outside the control of PTC and other factors besides those listed below may affect the Company's performance. Some risks may be unknown at present; others which are currently immaterial, could emerge as material risks in the future.

Risk & Opportunity Report

Risk Description	Level	Impact	Mitigating Strategy
Strategic Risks			
Illicit trade	High	• Volume loss and profitability • Erosion of brand value • Investment in trade marketing is undermined	• Active engagement with Government/ law enforcement agencies to highlight the issue and its impact on the legal industry
Aggressive excise increases	High	• Direct impact on consumer affordability • Down trading to illicit brands • Reduced legal industry volumes • Sustainability issues for the legal industry	• Active engagement with Government/ law enforcement agencies to explain impact on the legal industry
Economic Conditions	Moderate	• Direct impact on consumer buying power • Down trading to illicit brands • Reduced legal industry volumes	• Brands across various consumer segments
Financial Risks			
Currency Devaluation	Moderate	• Increased cost base • Lower operating margins • Pressure on profit growth	• Financial hedging to minimize exposure • Operational synergies across value chain • Cost savings initiatives • Physical hedging options
Material Price Sensitivity	Moderate	• Increased cost base • Lower operating margins • Pressure on profit growth	• Productivity initiatives • Substitutes • Alternative suppliers
Operational Risks			
Accidents at workplace	Low	• Injury to employees or contracted workforce • Damage to Company's reputation • Employee dissatisfaction • Business Interruption	• Strict compliance with EH&S regulations, standards and protocols • EH&S trainings • EH&S audits • Safety equipment • Incident reporting
Employee turnover	Low	• Loss of key talent • Low employee morale • Employee dissatisfaction • Reduced operational effectiveness	• Market competitive remuneration • International career opportunities • Development and growth opportunities • Conducive and safe work environment • Favourable employee policies
Natural disasters	Low	• Business Interruption • Property loss • Employee safety • Financial loss	• Business interruption plans • Evacuation plans and drills • Safety equipment

FATIMA KHAN

"I am from KPK and I became a part of the PTC family in July 2018. As a person with an educational background in finance, I started my career as a banker in one of the leading national banks of the country. I also have a year long stint of leading a foremost private school of Islamabad, which was an amazing experience. Currently, I am managing the operations at Islamabad warehouse for PTC. Fortunately, I found PTC very inclusive for people from diverse backgrounds, regardless of race, religion and culture. This has made me feel comfortable and confident to be part of an organisation, where inclusivity is a priority and provides a safe place to express oneself. I anticipate an amazing journey ahead."

Illicit trade: Threat to legitimate industry's sustainability

Globally, the tobacco industry faces the challenge of illicit trade in its products. This menace not only deprives the legitimate sector of its potential revenues but is also depriving the governments' revenues across the globe that come in the shape of Federal Excise Duties (FED).

Pakistan's market is also reflective of the global landscape; however, the local factors tilt the dynamics towards creating a more unfavourable environment for the legitimate industry to operate in. The three main components of illicit trade currently present in the country are: locally manufactured tax evaded cigarettes, smuggled cigarettes meant for sale in other countries and counterfeit cigarettes being made by manufacturers other than the trademark owners therefore committing intellectual property rights infringement.

The highest market share from amongst the three categories of illicit trade in Pakistan is of the locally manufactured tax evaded cigarettes that make their way into the trade channels and eventually in the hands of consumers at a price far below the minimum price mandated by the fiscal laws prevalent in the country. The locally manufactured tax evaded cigarettes have a market share of approximately 27% of the total market whereas the smuggled cigarettes account for almost 6.2 % of the total market. Hence, bringing the total illicit volume of cigarettes in Pakistan close to 33.2% of the total market.

Illicit trade had reached alarming levels of 41.2% in June 2017 as the excise led prices increased the price differential between legitimate and locally manufactured tax evaded industry. The local manufactured tax evading industry is not only non-compliant to the fiscal laws, they also openly violate the marketing regulations prevalent in the country, resulting in lack of a level playing field for the legitimate industry.

In the fiscal budget 2017 – 2018, changes in the fiscal landscape led to a decrease in the market share of locally tax evaded cigarettes and consequently increased the market share of the legitimate industry also increasing the contribution to the national exchequer. During 2018, PTC contributed towards the national exchequer a total of Rs. 84 billion (up by 23% vs SPLY – Same Period Last Year) to government revenues in the form of FED and sales tax. The formation of a task force by Government against the illicit sector led to heavy confiscation and raids of illicit brands. Such enforcement measures act as a deterrence for these illicit players by causing major disruptions in their supply. Therefore, the government needs to intensify policies supplemented with reinvigorated enforcement measures to reduce the illicit sector. The major impediment to enforcement, post the shift of some illicit units to non-tariff areas such as AJK, imply that there is a need for Pakistani government authorities to work out appropriate arrangements with AJK government to avoid leakages of revenues.

2018 began with a lot of hope and positivity brought forward from the previous year but the industry experienced two excise increases that led the legitimate sector to increase prices. It further widened the price gap between legitimate industry brands and duty evaded products, thereby, encouraging down trading from legitimate sector brands to duty not paid cigarettes.

The relevant authorities need to take strict action to restrict the duty non-paid sector which will ensure the sustainability of the legitimate industry as well as the revenue inflows for the government.

Corporate Information

Registered Office

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Serena Business Complex
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P.O. Box 2549
Islamabad – 44000
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F: +92 (51) 2604516
www.ptc.com.pk

Factories

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P.O Akora Khattak
Tehsil and District Nowshera
Khyber Pakhtunkhwa
T: +92 (923) 561561-72
F: +92 (923) 561502

Jhelum Factory
G.T Road, Kala Gujran, Jhelum
T: +92 (544) 646500-7
F: +92 (544) 646524

Company Secretary

M. Idries Ahmed
T: +92 (51) 2083200

Bankers

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

Islamic Banks
MCB Islamic Bank Limited

Auditors

KPMG Taseer Hadi & Co.
6th Floor, State Life Building No. 5, Jinnah Avenue, Blue Area, Islamabad 44000
T: +92 (51) 2823558
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Share Registrar

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Nursery, Block 6, P.E.C.H.S.
Shahrah-e-Faisal, Karachi
T: +92 (21) 34380101-2

REGIONAL AND AREA OFFICES

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T: +92 (42) 35899351-55

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Near Shafi Oil Mills, Faisalabad
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Southern Punjab
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Multan
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Peshawar
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Sindh & Balochistan
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Main Clifton Road, Clifton Block 5,
Karachi 75600
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Banglow No. 05, Block B, Unit No. 05,
Near Bhittai Hospital Latifabad, Hyderabad
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Bunglow No. A-17, Housing Society,
Nawabshah, (Near SSGE Regional Office).
Nawabshah
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Bungalow No. A/31 Akhuwat Nagar,
Shikarpur Road, Sukkur
T: +92 (71) 5807225 - 5807224

B-604, 2nd Floor, (Serena Bazar), Serena
Hotel Quetta, Quetta
T: +92 (81) 2832012 - 13

Board of Directors

Mr. Mueen Afzal
Chairman & Non-Executive Director

Mr. Mueen Afzal graduated with first class honours from Government College, Lahore, before proceeding for his Masters from Corpus Christi College, Oxford, in philosophy, political science and economics in 1963.

He joined the Civil Service of Pakistan in 1964, and served as Finance Secretary in the provinces of Baluchistan and Punjab. Later, he was Federal Secretary in the Ministries of Health and Finance. He finally served as Secretary General, Finance and Economic Affairs between 1990 to 2002.

Since leaving Government in 2002, Mr. Afzal has worked in various capacities in the corporate sector as well as in academia. At present, he is on the boards of Murree Brewery Co. Ltd and Akzo Nobel Pakistan. He joined the PTC Board in 2003 and became the Chairman in 2007. He was awarded the Hilal-e-Imtiaz (HI) in 2002 for distinguished public service.

Syed Javed Iqbal
MD/CEO & Executive Director

Syed Javed Iqbal has been with the Company for the last 20 years. He joined the Company as a Management Trainee and has held various key positions in the Finance function within PTC as well as with BAT Group; first in BAT South Korea as Finance Controller and later in Global Headquarters in London as Finance Manager for Global Marketing. In 2011, Mr. Iqbal was appointed as Finance Director for Swiss Business Unit looking after 5 European markets. He returned to Pakistan in 2014 as Director Finance & IT for PTC. In July 2016, he became the Managing Director/CEO of PTC. Mr. Iqbal holds an MBA degree with majors in Finance & MIS.

He is also on the Board of Ceylon Tobacco Company plc (CTC), another member company of BAT.

Mr. Zafar Mahmood
Non-Executive Director

Mr. Zafar Mahmood ex-Chairman WAPDA has served the Government of Pakistan for 38 years at policy formation and implementation level, before assuming responsibilities as Chairman WAPDA in April, 2014. He has served the Federal Government as Secretary Textiles Industry, Secretary Industries, Secretary Water & Power, Secretary Petroleum & Natural Resources, Secretary Commerce and Secretary Cabinet. He has also served as Chairman, Punjab Public Service Commission, Consul General Istanbul, Vice Chairman Export Promotion Bureau, Secretary Punjab Education Schools. Mr. Mahmood holds a Masters degree in Economics, LL.B. and Post Graduate Diploma in Development Administration from Manchester University. He joined the PTC Board in 2016.

Ms. Hae In Kim

Non-Executive Director

Ms. Hae In Kim joined BAT Group as a corporate service HR business partner for Korea in 2008 and held a number of key positions in HR including Head of Talent and Organisation Development of BAT Indonesia (Bentoel Group), HR Director of BAT Japan and HR Director of BAT Korea. She was appointed as the Regional Head of HR, Asia Pacific in 2014 looking after over 15,000 employees in eight direct reporting business units across Asia Pacific. She joined the PTC Board in 2015.

Prior to joining BAT Group, she worked as a management consultant at global consulting firms such as PricewaterhouseCoopers, IBM Business Consulting Services and Hewitt Associates in Australia, Singapore and Korea. She also worked for Samsung Life Insurance, an affiliate of Samsung Group as an employee benefit and corporate pension consultant. She holds a Masters of Commerce degree with major in organisational behaviour and industrial relations from University of New South Wales, Australia.

Lt. Gen. (Retd.)

Ali Kuli Khan Khattak

Non-Executive Director

Lt. General (Retd.) Ali Kuli Khan hails from KPK province and belongs to a renowned industrial family. He was commissioned in the Pakistan Army in 1964. General Khan and his late father are the only examples in the Pakistan Army where father and son have risen to the ranks of Lieutenant Generals and held the post of Chief of General Staff (CGS). Other important assignments during his Army career were, Commandant Staff College Quetta, Director General Military Intelligence, Commander 10 Corps and CGS. Since retirement, he sits on the Boards of numerous family industrial concerns which include Textiles, Automobile Assembly and Tyre Manufacturing. He joined the PTC Board in 2001.

Mr. Imran Maqbool

Non-Executive Director

Mr. Imran Maqbool serves as President & Chief Executive Officer of MCB Limited. He is a seasoned professional with over three decades of diverse banking experience. Before taking on the CEO position, he was Head of Commercial Branch Banking Group, where he successfully managed the largest group of the Bank in terms of market diversity, size of workforce, number of branches on countrywide basis and diversified spectrum of products. In earlier roles, he worked as Head Wholesale Banking Group–North, Country Head MCB Sri Lanka, Group Head Special Assets Management and Islamic Banking.

Prior to joining MCB Bank in 2002, Mr. Maqbool was associated with local banking operations of Bank of America and CitiBank for more than seventeen years. He worked at various senior-management level positions in respective banks. Mr. Maqbool holds an MBA degree from the Institute of Business Administration (IBA) Karachi and an MS degree in Management from the MIT Sloan School of Management, Massachusetts USA. He joined the PTC Board in 2016.

Board of Directors

Mr. Wael Sabra
Director- Finance & IT, & Executive Director

Mr. Wael Sabra joined BAT in 2003 in Lebanon and since then he held various key senior positions in the Finance function across Middle East, Africa and most recently South Asia. In 2010, Mr. Sabra was appointed as Finance Director Democratic Republic of Congo before moving to South Africa in 2012, where he was assigned to take up the role of Southern African Markets Finance Director in charge of Mozambique, Angola, Zimbabwe, Malawi, Zambia, Botswana, Namibia and Swaziland. In July 2014, Mr. Sabra moved to Cairo as Finance Director North Africa Area covering Egypt, Algeria, Morocco, Tunisia, Sudan and Algeria. In August 2016, Mr. Sabra moved to Islamabad as Finance Director South Asia Area. In his 14 years with the British American Tobacco Group, Mr. Sabra has been an executive board member in several BAT operating companies across Africa.

Mr. Sabra is a holder of a Masters Degree in Finance from University of Florida and is a Certified Management Accountant (CMA) from the Institute of Management Accountant. He joined the PTC Board in 2016.

Mr. Michael Koest
Non-Executive Director

Mr. Michael Koest joined BAT in 2001 in Zug, Switzerland. He has a proven track record in management, sales & marketing. Experienced in working across geographies and in complex market environments, he has built high performing, motivated and engaged teams through his inspiring and achievement driven leadership style. Extremely determined commercial leader, strategic thinker and renowned team player, he consistently achieved outstanding business results.

Prior to his assignment in Sri Lanka, he held various positions in BAT mainly in the areas of strategy & planning and marketing. Mr. Koest was a Commercial Director in BAT Netherlands from 2010-2012 and in BAT Korea from 2013-2015.

Mr. Koest has been appointed to the Board of Directors of Dutch retailer Primera B.V. between 2010-2012. He is currently the President of the American Chamber of Commerce in Sri Lanka and Chairman of the League of Multinational Corporates in Sri Lanka.

Mr. Koest holds a BA degree from the University of Neuchâtel (Switzerland) in Philosophy, Geography and German Literature. He joined the PTC Board in 2016.

Mr. Tajamal Shah
Director- LEX (till August 2018) & Executive Director

A UK qualified Barrister, who later converted to become a Solicitor for England and Wales. He was in 1996 admitted as an Advocate of the High Court of Pakistan. His areas of specialisation are aircraft, asset and project financing and general banking having worked on major cross-jurisdictional transactions. He later expanded his expertise to cover commercial law, good corporate governance and strategic litigation. Prior to joining PTC, he worked in the private and public sector notably for several years as a civil servant for the UK government as part of the Department of Trade and Industry, where his responsibilities included regulation of the financial services industry. In 1999, he left the leading UK law firm DLA Piper, where he was a Senior Associate to join BAT. He has been with the group for over 17 years and has held various roles amongst others, Head of Legal/Company Secretary, Global Regulatory Counsel for BAT. He was Area Head of Legal and External Affairs till August 2018, after which he took up the role of Legal Advisor.

USMAN AHMED KHAN

"In my 13 years of professional experience I have spent the last 9 years at PTC in the Marketing function. Coming from the apparel industry, FMCG sector was a new world altogether. PTC provided me with a platform to learn and perform in multiple roles working with businesses in Bangladesh, Afghanistan and Myanmar. Born and raised in Lahore, the Company provided me with the amazing opportunity to work with the sales teams in provinces like Sindh & Balochistan. PTC has nurtured people from all walks of life and in my last 9 years, I have seen that the diversity all these employees bring with them, has become the biggest strength of this Organisation."

Committees of the Board

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

Executive Committee

The Executive Committee of the Board (ExCo) comprises of Executive Directors of the Company and heads of departments. The ExCo drives to achieve the strategic targets set by the Board of Directors.

Syed Javed Iqbal
Member and Chairman

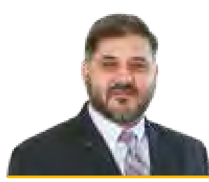
Mr. Wael Sabra
Member

Mr. Tajamal Shah
Member

Mr. Usman Zahur
Member

Mr. Husain Iqbal Jaffery
Member

Mr. Asad Shah
Member



Mr. Aly Ud Din Taseer
Member

Mr. M. Idries Ahmed
Secretary

Matters delegated to the Management

It is the responsibility of the Management to conduct the routine business operations of the Company in an effective and ethical manner in accordance with the strategies and goals as approved by the Board and to identify and administer the key risks and opportunities which could impact the Company in the ordinary course of execution of its business. Management is also concerned in keeping the Board members updated regarding any changes in the operating environment. It is also the responsibility of the Management, with the oversight of the Board and its Audit Committee, to prepare financial statements that fairly present the financial position of the Company in accordance with applicable accounting standards and requirements of the Companies Act, 2017.

Attendance of the Executive Committee

Name of Director	Attendance
Syed Javed Iqbal (Chairman)	13/15
Mr. Wael Sabra (Member)	13/15
Mr. Tajamal Shah (Member)	13/15
Mr. Usman Zahur (Member)	10/15
Mr. Husain Iqbal Jaffery (Member)	12/15
Mr. Aly Ud Din Taseer (Member)	13/15
Mr. Asad Shah (joined the Committee in October 2018) (Member)	5/15
Mr. M. Idries Ahmed (Secretary)	14/15

Audit Committee

Name of Director	Attendance
Mr. Zafar Mahmood (Chairman)	3/4
Lt. Gen. (Retd.) Ali Kuli Khan Khattak (Member)	3/4
Mr. Imran Maqbool (Member)	2/4
Ms. Hae In Kim (Member)	0/4
Mr. Michael Koest (Member)	2/4
Mr. Umair Luqman (Secretary)	4/4

Shares Transfer Committee

Name of Director	Attendance
Syed Javed Iqbal (Chairman)	13/18
Mr. Tajamal Shah (Member)	11/18
Mr. Wael Sabra (Member)	18/18
Mr. M. Idries Ahmed (Secretary)	18/18

Human Resources & Remuneration Committee

Name of Director	Attendance
Lt. Gen. (Retd.) Ali Kuli Khan Khattak (Chairman)	1/1
Mr. Imran Maqbool (Member)	0/1
Syed Javed Iqbal (Member)	1/1
Mr. Aly Ud Din Taseer (Secretary)	1/1

TORs / FUNCTIONS OF BOARD COMMITTEES

	Committees	Function
1.	Executive Committee of the Board (ExCo)	The Executive Committee of the Board (ExCo) is the central working nucleus of the organisation. Comprising of Executive Directors and Heads of Departments of the Company, the ExCo drives to achieve the strategic targets set by the Board of Directors.
2.	Human Resources and Remuneration (HR&R)	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 MD/CEO; • Recommending to the Board, the selection, evaluation, compensation (including retirement benefits) of COO, CFO, Company Secretary and Head of Internal Audit; and • Consideration and approval on recommendations of MD/CEO on such matters for key management positions who report directly to MD/CEO or COO
3.	Audit Committee	The Audit Committee functions within the scope of the terms of reference approved by the Board, which sets out the roles and responsibilities of the Committee as well as the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017. 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 systems 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 matters 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 of the internal audit engagements
4.	Share Transfer Committee	The Committee is responsible for dealing with the day to day matters relating to the shares of the Company

Report of Audit Committee

The Audit Committee consists of five Directors. All members of the Audit Committee are Non-Executive directors including its Chairman. The Head of Internal Audit is the Secretary of the Audit Committee and reports directly to the Chairman.

Mr. Zafar Mahmood	*Chairman and Member*
Mr. Gen. (Rtd). Ali Kuli Khan Khattak	*Member*
Mr. Imran Maqbool	*Member*
Mr. Michael Koest	*Member*
Ms. Hae In KIM	*Member*
Mr. Umair Luqman	*Secretary*

The Audit Committee is a standing committee of the Board. The Audit Committee assists the Board in carrying out its responsibilities relating to the Company's accounting policies, management of business risks, internal controls, financial reporting practices and the conduct of business in accordance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 ("Code of Corporate Governance").

Meetings of the Audit Committee are held once every quarter. The Secretary prepares and circulates minutes to all members and attendees of the meeting. The external auditors attend the meetings to assist the Audit Committee on matters relating to financial accounts and reporting. The Audit Committee also meets the external auditors without the CFO and Head of Internal Audit being present. The Managing Director and the Finance Director attend meetings of the Audit Committee on standing invitation.

The Audit Committee functions within the scope of the terms of reference approved by the Board, which sets out the roles and responsibilities of the Audit Committee as well as the requirements of the Code of Corporate Governance.

Presence of the Chairperson Audit Committee at the AGM

Chairperson of the Audit committee was present in the Company's 71st AGM held on April 20, 2018 to answer any questions on the Audit Committee's activities and matters within the scope of the Committee's responsibilities.

For 2018 the Audit Committee Reports:

1. The Company has complied, without any material departure, with the requirements of Listing Regulations, Code of Corporate Governance, Company's Standards of Business Conduct and other relevant statutory & regulatory requirements.

2. The Company has issued a Statement of Compliance with the Code of Corporate Governance, which has also been reviewed and certified by the external auditors of the Company.

3. The Audit Committee reviewed and approved quarterly, half-yearly and annual financial statements of the Company and recommended them for approval of the Board of Directors. Further, the financial statements comply with the requirements of the Fourth Schedule to the Companies Act, 2017, and applicable International Accounting Standards and International Financial Reporting Standards notified by SECP. No significant issues were identified by the external auditors with respect to the financial statements.

4. The Audit Committee approves that the Annual Report is fair, balanced and understandable and it provides the necessary information for shareholders to assess the Company's position and performance, business model and strategy.

5. The Audit Committee reviewed all preliminary announcements of the Company's results prior to its publication.

6. The Audit Committee reviewed the Company's statement on internal control systems prior to its endorsement by the Board.

7. The Audit Committee reviewed the Risk & Controls Matrix for identified risks, implemented controls and countermeasures to mitigate these risks. Furthermore, the Audit Committee reviewed recommendations from risk-based reviews for the mitigation of risks and improvement of processes.

8. The Audit Committee reviewed the procedures established for receipt, retention and treatment of concerns relating to the Company's accounting, internal controls or auditing matters, on a confidential and anonymous basis.

9. The Audit Committee evaluated its performance and shared the results with the External Auditors.

Internal Audit and Risk Management

The Company has an appropriately staffed Internal Audit department for the appraisal of internal controls and monitoring of compliance. The Audit Committee reviewed the resources and performance of the Internal Audit department to ensure adequacy for the planned scope of the Internal Audit reviews.

Risk Assessments submitted to the Audit Committee drive the formulation of the annual Audit Plan to mitigate identified risks in the Company's operations. Audits are undertaken based on this plan and findings from these audits are reported to the Audit Committee.

Based on the internal audit reports, the Audit Committee reviewed the adequacy of controls and recommended improvements in the audit reviews. Report findings highlighted the adequacy of controls as well as the compliance shortcomings in the areas audited. Corrective actions are discussed with management and remediation plans are put into place. Regular follow-ups are done with management on the execution of remediation plans ensuring management of risks, effective operation of controls and improved compliance.

Head of Internal Audit has direct access to the Audit Committee. Internal Audit has carried out its duties under the plan approved by the Audit Committee.

External Audit

The external auditors M/s. KPMG Taseer Hadi & Co. were allowed direct access to the Audit Committee. Major findings arising from audits and any matters that the external auditors wished to highlight were freely discussed with the Audit Committee.

Without interfering with the independence of the external and internal auditors, the Audit Committee encouraged coordination between them in the discharge of their respective duties.

The Audit Committee has reviewed and discussed with the External Auditors and Management, all the Key Audit Matters and other issues identified during the external audit along with the methods used to address the same. For continuous improvement of internal controls, the Audit Committee also discussed the internal controls and the management letter with the External Auditors.

Being eligible for reappointment as auditors of the Company, the Audit Committee has recommended the appointment of M/s KPMG Taseer Hadi & Co., Chartered Accountants as External Auditors of the Company for the year ending 31 December 2019. M/s KPMG Taseer Hadi & Co. has been the Company's external auditors since 2016 and has a thorough knowledge of the Company's business and industry.

Standards of Business Conduct & Ethical Principles

We, the Executive Committee of Pakistan Tobacco Company Limited, believe in delivering with integrity and being absolutely transparent in our operations. Leading by example, we have embedded the Standard of Business Conduct in the DNA of this organisation and we stand by it.

These Standards of Business Conduct and other internal policies set out the rules that everyone working for PTC must follow, while also providing support and guidance to assist our people to ensure that their conduct meets the high standards expected of them.

In our Guiding Principles, we express our commitment to 'freedom through responsibility' and 'strength through diversity'. Behaving responsibly will help you protect the quality of our business relationships amongst ourselves our stakeholders and markets. Harnessing the diversity of our people, helps define our organisation, our culture and makes working together enjoyable.

To ensure that these principles are applied every day in our jobs, we needed to express them in detailed terms. We needed to explain the challenges and set standards so that people could identify situations that might cross the line and provide guidance on how to address such situations. To understand how these and other principles should be reflected in our daily business lives and in our own behaviours at work, we need to set ourselves standards. This is why we have the Standards of Business Conduct.

These Standards are designed to help us make the right decisions when conducting day to day business and to assist us in upholding the integrity upon which our reputation is founded. They are based on our beliefs and values and underpin our commitment to honesty, integrity and transparency. Our Standards have been in place for many years and are kept under review to ensure that they remain updated with the best business practices. The latest version has been updated and revised in alignment with the United States best practice, following the acquisition of Reynolds American Inc. by British American Tobacco PLC. Though these Standards cannot cover every situation that we may encounter at work, but can help guide our conduct. Above all, we must always choose what we truly believe to be the right course of action.

These Standards also provide an extensive outline of the legal obligations that all employees of Pakistan Tobacco Company Limited need to comply with at all times. However, these Standards are further intended to support all of us in ensuring, not only that our conduct remains lawful, but also that it is in line with the high standards that we expect of ourselves. They help to reinforce our purpose, ambitions, values and mindset that we require to succeed. They do this by making clear the rules that govern our business conduct and by providing guidance to help us make appropriate judgments and decisions in the course of our work. Everyone in the Company is responsible for upholding these requirements. Failure to observe the Standards is a cause for disciplinary action, which could lead to dismissal.

The Standards encourage employees to feel secure in seeking advice or raising concerns. If any employee is unsure of what to do in any situation or has concerns about wrongdoing at work, there are colleagues who can help, managers who will listen, and policies that are there to support the employee. Above all, channels are available for employees to raise their concerns regarding any violation of the Standards. PTC does not tolerate any retaliation against anyone who raises a concern.

We all have a personal responsibility to uphold the Standards that we set for ourselves and to act in ways that maintain and improve the reputation of Pakistan Tobacco Company Limited. The Company encourages everyone to be familiar with these Standards, not just as a set of rules but as a way of working. By living up to the letter and the spirit of the Standards in our actions and judgment, we ensure that Pakistan Tobacco Company Limited continues to be an organisation which not only delivers excellent financial returns, but is also the one which we are proud to work for.

Governance exceeding regulatory requirements

PTC's commitment towards adherence to the highest levels of ethical values is demonstrated by its voluntary adoption of the best business practices in addition to the stipulated regulatory requirements.

Some governance practices exceeding legal requirements that have been adopted by the Company include:

- Implementation of robust EH&S equipment, systems, processes and standards to ensure a high level of safety of all its employees and contractors.
- Detailed disclosure of financial analysis including quarterly analysis, ratios analysis, horizontal and vertical analysis, risks and opportunities etc.
- Implementation of "Standards of Business Conduct" to reinforce that the Company strongly believes in operating with integrity and that there is no room for corrupt practices.

Whistle-blowing

Any employee who suspects wrongdoing at work is strongly encouraged to raise concern in confidence through the whistle-blowing procedure.

Policy and Procedures

PTC's whistle-blowing Policy ("Policy") is there to support and encourage and in doing so, gives employees (and people working with PTC), trust and confidence in how their concerns will be treated. The whistle blowing policy allows employees to report their concerns on any breach or potential breach of the SoBC. The actions that can be reported include:

- Criminal Acts
- Putting Health or Safety at Risk
- Environmental Damage
- Bullying or Harassment
- Accounting Malpractice
- Failing to Comply with Legal Obligation
- Concealing any of the above activities

The Policy further ensures that the identity of the whistle-blower will be kept confidential and if after investigation it is found that the individual was mistaken the whistle-blower will not suffer any form of reprisal.

Procedures for raising concerns are provided below:

Informal reporting: Voice concern with line manager or any other senior manager.

Formal reporting: Report the matter formally for investigation with line manager either verbally or in writing.

Designated Officer: Referred to by the individual directly or by the line manager for investigation but matter is kept confidential.

Anonymous reports: Individuals may wish to raise concerns anonymously. But a full investigation may not be possible without the employee's cooperation, and proper feedback.

Reporting a wrongdoing: If you have a concern you wish to raise you may write to any of the Designated Officers or contact them via telephone or fax.

The designated officers are:

- Managing Director and CEO
- Legal and External Affairs Director
- Head of Internal Audit
- Company Secretary

Standards of Business Conduct & Ethical Principles

All employees of PTC are made aware of this Policy and the safeguards it provides to the whistle-blower.

Number of incidences reported in 2018

Eight whistle-blowing incidences were reported in the said year.

Conflicts of Interest

A conflict of interest will arise in any situation where an employee's position or responsibilities within the Company present an opportunity for him/her or any close relative to obtain a personal gain or benefit (apart from the normal rewards of employment), or where there is a scope for them to prefer their personal interests, or those of any close relative, above their duties and responsibilities to the Company.

Bribery and Corruption

Corruption causes distortion in markets and harms economic, social and political development, particularly in developing countries. It is wholly unacceptable for the Company and its employees to be involved or implicated in any way in corrupt practices.

Entertainment and Gifts

The exchange of entertainment and gifts with business partners can build goodwill in business relationships and, within limits, is perfectly acceptable. However, some gifts and entertainment can create improper influence (or the appearance of improper influence), and might even be seen as bribes.

Political Contributions

The Company or its employees in official capacity shall not make any donations or contributions to any political party or make any donations or contribution to any entity or individual for a political purpose.

Charitable Contributions

Pakistan Tobacco Company Limited recognizes the role of business as a corporate citizen and the Company is encouraged to support local community and charitable projects.

Accurate Accounting and Record-Keeping

Honest, accurate and objective recording and reporting of information, both financial and non-financial, is essential to:

- the Company's credibility and reputation;
- its ability to meet its legal, tax, audit and regulatory obligations; and
- informing and supporting business decisions and actions by the Company.

Protection of Corporate Assets

Employees are responsible for safeguarding and making appropriate use of the Company assets with which they are entrusted with in order to do their jobs and meet the Company's business objectives.

Confidentiality and Information Security

The Company and employees must protect and maintain the confidentiality of all commercially sensitive information, trade secrets and other confidential information relating to the Company and its business.

Insider Dealing and Market Abuse

PTC is committed to supporting fair and open securities markets. Accordingly, employees shall not deal on the basis of inside information or engage in other forms of market abuse.

Competition and Anti-Trust Laws

PTC believes in free competition. The Company must seek to compete fairly and ethically and within the framework of applicable 'competition' laws (or 'anti-trust' laws, as they are known in certain countries).

Money Laundering and Anti-Terrorism

Money laundering involves the possession of, or any dealing with, the proceeds of criminal activity. It includes the process of concealing the identity of illegally obtained money so that it appears to have come from a lawful source. PTC does not condone, facilitate or support money laundering.

Trade in the Company's Products

PTC engages only in lawful trade in its products. Illicit trade, involving smuggled or counterfeit products, harms our business and we would like to see our market free of it.

Sanctions

Various sanctions regimes exist throughout the world, ranging from comprehensive economic and trade sanctions to more specific measures such as arms embargoes, travel bans and financial or diplomatic restrictions. Economic and trade sanctions impact upon the business of our Company by restricting the extent to which they can operate within certain jurisdictions.

Respect in the workplace

All Company employees must treat all of their colleagues and business partners inclusively, with dignity, and with respect.

Human Rights and the Company's Operations

The Company is committed to ensuring that its operations are always conducted in a way that respects the human rights of its employees, the people it works with, and the communities in which the Company operates.

IT governance policy

PTC has a robust IT governance based on number of policies and IT standards, where strategy and respective plans are defined based on Company's automation and technology needs, processes and procedures. IT Systems are defined and implemented as per the industry standard process and related requirements. All the controlling processes are governed using industry best practices, from leaf buying process to cigarette manufacturing to sales automation.

Being custodian of Company's most important asset, the data, PTC IT, supported by global support groups, is ensuring that right people have access to PTC infrastructure through Global IT standards, IT Infrastructure Library (ITIL) processes and controls which are in place. To ensure required standards and quality, all IT projects and initiatives are approved from IT steering committee and built as part of PTC IT plan.

All above is governed through policies and standards such as IT Security Policy, Approved Product List (APL), and Technical Security Standards (TSS) etc.

Robust ERP System

We have enabled the business team on the latest and the most reliable ERP system, to ensure that all financial activities are recorded, and reporting facility is available to management for the latest update on business results and quick decision-making.

Scaled Sales Automation System

A full sales automation system used by salesmen to sell our product to retailers has been put in place. It enables the availability of key information and speeds up the selling process.

Cloud Based Infrastructure

We have transformed all the local data centres to globally hosted GEO redundant facility to ensure that its availability to business is 24/7 from everywhere. All applications and storage facilities are in cloud with six levels of backups and GEO redundant backup / failover servers.

Business Continuity Planning

BCP planning is the most important activity. At PTC, a company-wide business continuity plan exists, reviewed on quarterly basis and tested twice a year to ensure that it is as per latest challenges and situations, also to ensures sustainable business operations during any disaster or climate situation.

Human resource talent management

Our focus on creating diverse talent pools begins with attracting the best candidates in the market from all backgrounds and experiences. All our hiring managers are fully trained through our 'Interviewing & Assessing Skills' training, which ensures effectiveness at hiring top & high potential talent without any biases or preconceived notions. Our rigorous assessment criteria consists of multiple stages of shortlisting which primarily evaluate a candidate's agility & adaptability to be a part of a diverse community both locally and internationally. We offer a plethora of learning opportunities for our talent to perform in a multi-cultural environment, including short and long term international assignments based in other end markets of the BAT Group.

Standards of Business Conduct & Ethical Principles

Records Management Policy

The Company has its formal Records Management Policy as well as Information Security Policy, approved by the Board. The Policies define Company's critical records (in any form) and their mandated retention periods, commensurate with legal, audit and tax obligations, in addition to their business needs. The Policies not only ensure that critical records are properly saved and archived but their security is also uncompromised. For electronic records, backups are maintained and for hard records, the Company has its own off-site "Records Storage" where critical records with longer retention period are kept safely.

Investors grievance policy

If any Investor has any grievance, he can contact the designated person for handling Investor Claims. On the official website of the Company under the head "Investor Relations" a name has been provided along with contact details of the person designated to handle investor grievances as per the SECP's guidelines.

Business ethics & anti-corruption measures

We are committed to operating our business fairly and ethically in line with applicable laws, right across the world. Conducting business ethically and with integrity amongst other things entails avoiding all forms of corrupt practices. As an organisation we have a "zero tolerance" approach to corrupt practices and in no circumstances, will such conduct be tolerated.

The Integrity Guide ("Guide") designed by LEX department reflects our commitment to encouraging the application of PTC Standard of Business Conduct ("SoBC"). This Guide is designed to help everyone working for or with PTC to understand the Business Integrity Principles of PTC. It aims to define and determine behaviours in certain situations which are prone to risk and will serve as a basis for discussing ethical business issues with others.

In order to improve corporate sustainability PTC further stresses and pushes its contractors, agents or consultants, to act consistently with the SoBC and Business Integrity Principles of PTC, by applying similar standards within their own organisations.

Actual and perceived conflicts of interest

PTC is determined to provide the best working environment to all its employees. It is a part of SoBC that all employees must avoid situations where their personal interests might, or might appear to, be in conflict with the interests of the Company. In this regard the guiding principle is that an employee must disclose to the higher management (a board member to the Board of Directors) of any actual or potential conflict of interest.

In the case of any Director of the Company, disclosure should be made to, and approval sought from, the Board of the Company at its next meeting, and the decision should be recorded in the minutes.

All employees including directors must disclose any actual or potential conflicts of interest in the Standards of Business Conduct compliance forms filled out by employees at the end of each year.

The Company maintains a 'conflicts log' which records the details of all actual or potential conflicts of interest disclosed by employees and the action taken in respect of them.

The Company Secretary of PTC is responsible for maintaining the 'conflicts log'.

Related Parties

All transactions with related parties arising in the normal course of business are carried out on an unbiased, arm's length basis at normal commercial terms and conditions.

As required under fourth schedule of the Companies Act, 2017, detailed disclosures regarding related party transactions have been presented in Note 38 to the financial statements. Such disclosures are in line with the requirements of the 4th Schedule of the Companies Act, 2017 and applicable International Financial Reporting Standards.

In compliance with the Code of Corporate Governance and applicable laws, a comprehensive list of all related party transactions was placed before the Audit Committee for review at the end of each quarter. After review by the Committee, the transactions were considered and approved by the Board keeping in view the recommendations made by the Committee.

MARIAM WAQAR

"I have been a part of PTC for the past 1 year. I have over 8 years of work experience, primarily in brands and advertising, with banking, pharmaceutical and FMCG industry. I am from Karachi and having worked and lived there all my life, the move to Lahore, and in trade marketing – which historically has been a male dominated field, took me completely out of my comfort zone. This has provided me with an opportunity to grow exponentially on both personal and professional fronts. This role has not only equipped me with functional expertise but has also given me an opportunity to lead a team of extremely diverse individuals with varied backgrounds and experiences."

Chairman's Review

I am pleased to share the Annual Report for the year 2018.

2018 Performance:

The policy reforms of Budget 17/18, enacted due to the illicit sector reaching alarming levels (41.2%) and Government revenues falling sharply, helped the revival of the legit industry and, consequently, set Government revenues back on the growth trajectory. For the first nine months of the year, consumers gradually shifted from duty not paid cigarettes to legal brands during which time, the Company was able to regain some of its volume base and share in the overall cigarette market. By capitalising on this opportunity and mitigating the impacts of inflationary increases and a devaluing currency, the Company delivered an EPS growth of around 8%. Fiscal intervention not only supported the recovery of the legal industry but also led to substantially increased tax revenues from the tobacco industry.

Though fiscal measures taken in 2017 helped in reducing the illicit sector to some extent, the excise led price increases in 2018 continued to widen the price differential between legal brands and duty not paid brands. This created severe imbalances in the market place by encouraging consumers to down trade to cheaper illegal products. Currently, the illicit sector continues to operate at a very high level, hovering around 33.2% of the total market. In the absence of strong Government enforcement, there is always a potential for the illicit sector to start increasing again. Most importantly, a huge opportunity to expand the Government revenue base still remains uncapitalised. Therefore, it is imperative that stringent action continues to be taken by law enforcing authorities to curb the duty not paid sector.

Corporate Governance

Good governance and robust internal controls are embedded across the Organisation. A comprehensive system of controls, governance and risk management is in place to ensure that the Company's assets and the interests of the shareholders are always protected. With the acquisition of Reynolds American Inc. by the BAT Group, PTC is now required to adhere to Sarbanes-Oxley regulations (SOx) as well. In its journey towards compliance with SOx requirements, PTC has expanded its controls framework and augmented its processes with more elaborate documentation regimes. This has further strengthened the overall control and governance environment of the Company.

The Company not only ensures strict adherence to the laws of the country but goes beyond by inculcating values that require its employees to operate and deliver with integrity. The Company's SoBC makes it categorical that corrupt practices are unacceptable. This message is cascaded and internalised across the Company through face to face and online trainings conducted throughout the year. Furthermore, channels have been established and made available for anyone working in or with the Company to raise their concerns in confidence and without fear of reprisal. PTC's corporate procedures and guidelines have been expanded to include Anti-Bribery and Corruption protocols that are globally led.

Corporate Social Responsibility

The Company recognises the importance for any corporate organisation to operate and act responsibly. Under its flagship afforestation program, which was initiated in 1981, the Company has planted and distributed, free of cost, a total of more than 78 million saplings of various species, since the inception of the program. This year alone, the free of cost sapling plantation and distribution number was more than 3.5 million. We have signed MoU's with National Rural Support Program (NRSP), National Highways Authority (NHA), Federal Ministry of Climate Change and the Capital Development Authority (CDA) all in pursuit to further the agenda of a greener and environment-friendly Pakistan.

PTC strongly believes in contributing towards the economic development of the communities with which it interacts. To address the issue of water scarcity, a new initiative was undertaken to train the local tobacco farming communities to use highly effective water conservation techniques and irrigation systems. Company maintained water filtration plants continued to benefit numerous communities by providing them access to clean drinking water. Additionally, Mobile Doctor Units provided free medical treatment to more than 82,000 patients in tobacco growing areas.

In 2018, PTC supported the launch of "Teach For Pakistan (TFP)" operations in Islamabad, a non-profit company with the mission to create leadership to end educational poverty in Pakistan. This was achieved with a diverse group of 16 Fellows teaching 800 students in 8 government and non-profit schools in Islamabad's rural subdivisions. This group of Fellows also boasts diversity in education with Fellows having qualifications in pure sciences, liberal arts and business. These people are pursuing their motivation to develop their leadership through an immersive two-year experience.

Business Sustainability

Despite the numerous challenges faced by the Company, PTC remains focused on the long-term sustainability of the business. Though, the Company remains highly focused on building its capacity to operate effectively in its future business landscape, presence of a large illicit sector remains an area of concern, as it continues to create major sustainability issues for the legal industry, while causing huge revenue losses for the Government. Thus, it is in the best interest of all stakeholders that stringent action is taken by the relevant law enforcing authorities to eradicate the illicit sector.

With a consumer centric strategy, the Company has developed a multi-category portfolio of products that is capable of not only meeting the evolving preferences of it consumers but also of continuously outperforming the competition in the long run. The Company's operations have become highly efficient enabling it to effectively respond to the changing industry demands. Above all, having a highly skilled and committed workforce significantly adds to our advantage.

Our business is built on a very strong foundation and supplemented with the right capabilities that is not only able to sustain its business but also deliver reliable long-term growth in the future. I am confident that the Company will continue to deliver good value for its shareholders in the future.

Mueen Afzal
Chairman

MD/CEO's Message

It gives me immense pleasure to present the performance of the Company for the year 2018.

Business Performance

2018 was a remarkable year for the Company, achieving a healthy volume growth while maintaining leadership of the legitimate industry and gaining share in the overall cigarette market.

As the effects of Budget 17/18 fiscal reforms manifested and continued in the first nine months of 2018, the legitimate industry started to recover from the imbalance created by an alarmingly large illicit sector (41.2% in June 2017). While consumers shifted from duty non-paid cigarettes to duty paid products, legal industry volumes rebounded, and Government revenues picked up. Though legitimate industry experienced some stability, the illicit sector continues to be at a very high level (33.2% of the total market) and remains the biggest threat to the sustainability of the legal industry. It is important to note that the Government remains deprived of valuable revenues, lost to a large duty not paid sector.

During the year, the Company contributed to the National Exchequer a total of Rs. 84 billion (up by 23% vs SPLY – Same Period Last Year) to Government revenues in the form of FED and sales tax.

With a substantial Rupee devaluation and rising inflation, the Company's cost base remained under pressure. However, a strong cost-conscious culture across the Company coupled with efficiency improvement initiatives helped to mitigate the impacts on the cost increase. Supported by revenue growth and an effective cost control regime, the Company was able to deliver growth in profits.

Our Brands

In 2018, the Company continued with its strategy to build a differentiated brand portfolio, having a strong brand equity in every consumer segment. PTC brands were backed by significant investments to introduce product upgrades. Our brands led the industry, with JPGL being the preferred choice of consumers in the premium segment while Pall Mall, the biggest industry brand, continued to lead in the VFM segment (Value For Money). Our brand portfolio appeal was further enhanced by the launch of John Player in the aspirational premium segment, with a strong potential for growth in the future.

Our People

The Company strongly believes in building a robust and dynamic talent pool, capable of delivering the objectives of the Company. Investing in attracting the best talent and developing its employees for the future remains rooted in the organisation. This leads to PTC talent being preferred across the BAT world with Pakistan's talent taking up key leadership roles internationally in BAT Group companies.

PTC remains fully committed to promoting diversity and inclusion in its workplace by creating enablers that support a safe, favourable and an inclusive work environment. Most importantly, the Company strictly adheres to its policy of providing equal opportunities to all employees without any kind of discrimination.

Our Processes

Continuous focus on achieving global benchmarks has transformed PTC into a highly efficient and lean organisation, fully capable of delivering the best quality products at very low costs. During the year, the Company made significant investments to upgrade and modernise its machinery footprint to support product innovations, improvements in product quality and compliance to local and international EH&S (Environment, Health & Safety) standards and regulations.

Our Future

The future looks challenging for the Company, especially in the presence of a large duty not paid sector, which places legal industry players and the Company at a serious disadvantage and thus, creates a non-level playing field. Apart from the legal industry, the National Exchequer suffers huge losses as the illegitimate sector remains outside the tax ambit. Therefore, we urge the relevant authorities to take stringent measures to curb the duty non-paid sector and ensure fiscal and regulatory discipline across the industry in the future. This will not only ensure the sustainability of the legal sector but also result in significant revenue inflows for the Government.

We strongly believe that the Company is well-equipped to manage the challenges of the future and will continue to deliver on the expectations of its shareholders.

Syed Javed Iqbal
MD/CEO

Director's Report

The Directors present the Annual Report of Pakistan Tobacco Company Limited along with the audited financial statements of the Company for the year ended December 31, 2018.

1 Business Review

1.1 Industry Overview

During the year 2018, operating environment for legitimate tobacco industry remained challenging due to the persistent high level of the illicit sector, which stood at 33.2% (Retail Audit) for the year, indicating weak enforcement by relevant authorities. Illicit segment, being one-third of the overall tobacco industry, is thriving on the back of non-tax paid cigarettes, retailing at below the legal minimum price. This results in not only significant revenue losses to the National Exchequer but also creates major sustainability issues for the legitimate industry players.

The Illicit sector reached its highest level 41.2% (Jun 2017), causing a rapid erosion of legitimate industry volumes and, consequently, a steep decline in Government revenue collections. To address this situation, the Government introduced fiscal reforms in Budget 17/18, which helped in reviving revenues from the tobacco industry and in shifting consumption from cheap duty evaded brands to duty paid products. This resulted in recovery of the legitimate industry volumes and most importantly, a significant growth in Government's revenue collection. In the first six months of the current fiscal year, the tobacco industry paid Rs. 40.3 billion in the form of FED and sales tax, an increase of 26% vs last year.

During 2018, the industry experienced two excise increases that led the legitimate sector to increase prices across portfolio. These price increases further widened the price gap between legitimate industry brands and duty evaded products, thereby, encouraging downtrading from legitimate sector brands to duty not paid cigarettes. As per law, the minimum price set at national level is Rs. 47.39 per pack of 20 cigarettes, below which no cigarette pack can sell in the market. Whereas, while the local tax evaded cigarettes manufacturers state higher prices on their packs, these usually sell at an average price point of Rs. 26.00, which is well below the minimum tax applicable on a pack of cigarettes (i.e. Rs. 33.00 per pack). Strict enforcement against such tax evasion will lead to recording of undocumented economic activity, thereby, increasing Government revenues.

Apart from fiscal non-compliance, the illicit sector openly violates tobacco product advertising and promotion regulations, enacted by the Government. This trend not only puts the legitimate industry at a serious disadvantage compared to the illicit sector but also adversely affects the Government's regulatory agenda related to tobacco control.

Historical industry data indicates that aggressive excise led price increases create consumer affordability issues and accelerate consumer down trading to cheap duty not paid cigarettes available in the market. Therefore, it is imperative for the Government authorities to drive a balanced and evidence based fiscal agenda along with effective enforcement measures to curtail the illicit sector. The reduction in share of the illicit sector from 41.2% of the market to 33.2% is still above the historical sustainable base of about 15%. The formation of a task force by the Government against the illicit sector led to heavy confiscation and raids of illicit brands. Such enforcement measures not only act as a deterrence for these illicit players but also cause major disruptions in their supply. Therefore, the Government needs to intensify policies supplemented with reinvigorated enforcement measures to further reduce the illicit sector.

The major impediment to enforcement, post the shift of some illicit units to non-tariff areas such as Azad Jammu & Kashmir (AJK), imply that there is a need for the Government authorities to work out appropriate arrangements with the AJK Government to avoid leakages of revenues.

1.2 Company Performance

In 2018, the Company delivered a growth in sales volumes. During the first nine months of the year, the Company was able to increase its market share due to a shift in consumption from cheap duty not paid cigarettes to legitimate sector brands, which was largely facilitated by last year's fiscal intervention and supplemented by the Company's endeavours to offer products that addressed its consumers' evolving preferences. As a result, the Company's overall market share grew by 3.7ppts (Retail Audit).

Within the legitimate market, the Company retained its leadership of the industry, maintaining a market share of 71.3% (Retail Audit). The strong performance was delivered on the back of a robust and differentiated brand portfolio developed in line with the Company's strategy. Moreover, significant investments were made throughout the year with the aim of not only delivering the best product but also a product that addressed the evolving consumer preferences. This was delivered on the back of a strong cooperation between PTC and its trading partners within Pakistan.

In its operations, the Company continued its journey towards manufacturing excellence by delivering the highest level of operating efficiency, comparable to and in some cases even exceeding global benchmark of the BAT Group.

During the year, the Company focused on cost control and efficient resource allocation. As a result, the Company delivered several cost savings and efficiency improvement projects. However, the increasing inflationary pressures in the economy, caused by a substantial devaluation of the Rupee and the increase in import and regulatory duties, exerted pressures on the cost base of the Company.

PTC remained committed to the development of its most valuable asset, its people. The Company focused on attracting and retaining the best talent by offering international careers, market competitive remuneration packages and international & local training opportunities. Going forward, talent development will remain at the core of the Company's strategy to increase its competitive advantage, enabling it to operate effectively in a highly regulated and competitive industry.

Strength from diversity is one of the key guiding principles of the Company. Diversity and inclusion is about respecting and celebrating each other's differences and enjoying working together. The Company values what makes each of its employees unique and believes in harnessing diversity through the inclusion of people, cultures, viewpoints, brands, markets and ideas to ultimately strengthen its business. In its drive to support gender diversity, the Company not only encouraged female employees but also supported them through various initiatives to work in the most critical roles across the Company. Overall, the management remained committed in driving the diversity agenda across the Company to deliver a fit for future organisation.

In 2018, the Company actively supported the Government's 'Plant for Pakistan' campaign and the 10 billion tree tsunami program. In addition to this, modern water conservation techniques and irrigation systems were introduced to the local tobacco farming communities. Tobacco farmers were educated on improving water efficiency through innovative techniques such as "irrigation scheduling", "laser land levelling" and high efficiency irrigation systems, such as "Drip & Sprinkler irrigation systems".

2 Financial Review

Provided below are the key financial indicators for the year 2018:

	Rs. (million) Jan-Dec, 2018	Rs. (million) Jan-Dec, 2017
Gross Turnover	137,116	111,485
FED/Sales Tax	84,004	68,206
Net Turnover	53,112	43,279
Cost of Sales	29,829	23,075
Gross Profit	23,284	20,204
Operating Profit	14,571	12,834
Profit Before Tax – PBT	15,280	13,011
Profit After Tax – PAT	10,338	9,574
Earnings Per Share – EPS (Rs.)	40.46	37.47

Director's Report

2.1 Profit & Loss Analysis

Net Turnover increased due to growth in sales volumes, which was driven by last year's fiscal reforms that facilitated consumers to shift from duty evaded products to legal industry brands.

Cost of sales increased primarily due to higher sales volumes. However, the cost base was impacted by the rapid devaluation of local currency against the US dollar and the increase in import and regulatory duties. The increase in cost was partially mitigated through savings delivered by various operational efficiency and productivity enhancement initiatives. Going forward, inflationary pressures in the economy driven by currency devaluation pose a serious challenge for the Company, especially, in the absence of currency hedging products in the local financial market.

Selling and distribution costs increase is a testament of the Company's commitment to continue investing in its brands. The idea is to build a strong brand equity and image among its consumers through quality product offerings, innovative marketing activities and effective consumer engagements. At the same time, the Company continued its journey towards sales automation and enhancement of its trade marketing capabilities.

Other Operating expenses increased due to higher WPPF (Workers Profit Participation Fund)/ WWF (Workers Welfare Fund) statutory charges, determined on the basis of profit numbers.

Net Finance Income recorded a large increase, as the Company capitalized on the availability of surplus cash becoming available due to higher sales inflows, the investment of surplus funds at market competitive rates and efficient working capital management.

Income Tax Expense increased in line with higher profit recorded for the year.

2.2 Financial Position Analysis

Property, Plant & Equipment: During the year, the Company made capital investments to add manufacturing capacity as well as upgrade its machinery and infrastructure to support product innovations, improve product quality, enhance operating efficiencies and, to comply with local regulations and EH&S requirements.

Stock in trade increase was attributable to finished goods and raw material stock build-up to support higher production demand and to mitigate the adverse impact of future currency devaluation.

Other receivables recorded a substantial increase versus last year, mainly due to introduction of new import regulations, which mandated 100% cash margin against arrangements/contracts for the import of raw materials used in the manufacturing of cigarettes.

Short term investments in Government Treasury Bills increased due to availability of surplus funds from higher sales cash inflows and efficient liquidity management.

Current Liabilities increased primarily due to higher Government levies payables because of higher sales in December. At the same time, trade payables also increased due to growth in business operations and activities, especially those relating to selling and distribution expenditure.

Share Capital & Reserves increased due to profits retained after paying out dividends, declared during the year.

2.3 Liquidity Analysis

PTC's Treasury function is responsible for raising finances for the Company as required, managing its cash resources and mitigating the financial risks that arise during its business operations. Clear parameters have been established, including levels of authority as well as the type and use of financial instruments. All Treasury related activities are executed as per defined policies, procedures and limits. These are reviewed and approved by the Board or the delegated authority to the Finance Director/Treasury Committee. A detailed review of the Company's liquidity management and financing arrangements is provided separately in Note 36 of the 2018 financial statements.

2.4 Contribution to the National Exchequer

PTC is one of the largest tax contributors amongst the private sector of Pakistan. In 2018, the Company contributed a total of Rs. 92.2 billion (up by Rs. 19.8 billion vs 2017) to the National Exchequer in the form of excise duty, sales tax, custom duties, surcharges and income tax.

The presence of a large illicit sector is reflective of the huge amount of revenue lost by the Government due to weak enforcement. Thus, it is necessary that the illicit sector is curtailed, and tax evasion checked by the relevant authorities through the use of both fiscal and administrative measures available to them. By addressing this issue, the Government will pave the way for sustainable revenue growth in the future.

2.5 Profit Distribution & Reserve Analysis

The Company carried Rs. 14.3 billion of reserves at the start of the year of which, final dividend of Rs. 20/share and total amount of Rs. 5.1 billion relating to 2017 was approved by the shareholders. In 2018, the Company earned a net profit of Rs. 10.3 billion and declared two interim dividends of Rs. 7/share and Rs. 10/share, with a total of Rs. 4.3 billion outflow from the reserves. At year-end, the reserves of the Company stood at Rs. 15.2 billion, as detailed in the "Appropriations" table below:

	Rs. (million)	Rs. Per Share
Opening Reserves	14,356	
Final Dividend 2017	(5,110)	20.00
Net Profit 2018	10,338	40.46
Other Comprehensive Income	(30)	
Available for Appropriation	19,554	
Appropriations:		
Interim Dividends 2018	(4,343)	17.00
Closing Reserves	15,211	

2.6 Final Dividend

The Board of Directors of PTC in its meeting held on February 22, 2019 recommended a final cash dividend of Rs. 22.0/share for the year ended December 31, 2018 (2017: Rs. 20.0 per share). This recommendation will be subject to approval of the shareholders in the Annual General Meeting, scheduled on April 22, 2019.

2.7 Consolidated Financial Statements and Segmental Review

Consolidated financial statements, as included in this Annual Report, combine performance of Pakistan Tobacco Company Limited and its wholly owned subsidiary, Phoenix (Private) Limited ("the Subsidiary Company"). The Subsidiary Company is dormant and has not commenced commercial operations.

2.8 Subsequent Events Review

The Management has assessed events arising subsequent to end of financial year of the Company till the date of the report and hereby, confirms that no material changes and commitments affecting the financial position of the Company have occurred during this period.

3. Operations Review

PTC, a full seed to smoke operation, has two factories and one of the largest leaf operations in the BAT Group. During the year, the Company remained focused on enhancing productivity across its value chain. This was achieved through effective cost management, transition to a leaner operation and continuous modernisation of its machinery footprint.

The Operations function supported business turn around by delivering "On Time & In Full" (OTIF) quality products. In 2018, our factories achieved 78.5% Overall Equipment Efficiency (OEE), the second highest in the BAT Group. The function also delivered various cost saving initiatives that helped PTC in delivering one of the lowest manufacturing cost among BAT Group companies.

Director's Report

The Company aims to constantly modernise its operations by introducing innovative concepts, optimal processes and latest technology. The Company continued its journey towards manufacturing excellence by implementing the Integrated Work System (IWS) program with one of its factories achieving IWS Phase-1 certification, which was achieved by only two other factories in the BAT Group.

Furthermore, a renewed focus on improving consumer centric quality of the product has led to a significant reduction in consumer complaints. The Company's manufacturing capability and the outstanding results delivered through the drive for excellence have earned recognition globally, across the BAT Group.

3.1 EH&S – Environment, Health & Safety

Along with the above-mentioned achievements, significant awareness and infrastructural improvements have been achieved in relation to Environment, Health and Safety (EH&S) processes and procedures at the Company's factory premises. The Company places a very strong emphasis on EH&S standards and has established comprehensive systems and processes to ensure awareness and full adherence across the organisation, including Company contractors and external stakeholders. In addition to this, the Company has taken other initiatives like trainings on health and safety, incident reporting processes and systems, EH&S audits and maintenance programs to inculcate EH&S, as a mind-set and a way of working across all levels within the organisation.

PTC places a strong emphasis on operating as a responsible corporate entity and strives to maintain the highest standards of environmental safety. The Company's factories continue to be compliant with the local environmental regulations. As part of its internal policy, the Company also conducts periodic reviews of its factory processes through third parties to ensure compliance to not only local environmental regulations but also to its internal BAT Group standards.

4. Marketing Review

2018 was a momentous year for the Company, recording unprecedented sales of 46.1 billion sticks. The volumes were supported by fiscal reforms introduced in Budget 17/18, which facilitated shift of consumption from illicit products to duty paid legitimate industry brands.

In the premium segment, the Company invested heavily to build Dunhill's brand equity. The brand went through a transformational upgrade, introducing Reloc packaging for the first time in Pakistan and becoming the only brand to offer tube filter to its consumers. This enabled Dunhill to register a growth of 89% vs SPLY.

PTC's flagship brand, John Player Gold Leaf, yet again proved to be the leading premium offer, achieving a legitimate market share of 91.6% (FY'18) in the premium segment. John Player Gold Leaf Special was also upgraded by introducing Reloc packaging, along with a new and improved pack.

The Company also activated the Aspirational Premium segment, where it launched John Player to further strengthen its brand portfolio. John Player outperformed all previous new product launches in Pakistan and is currently positioned to become a key brand for the Company in the future.

In the Value for Money (VFM) segment, Pall Mall went through a pack upgrade and achieved the highest ever volume by any brand, capturing the largest legitimate market share of 49.5% (FY'18). This further strengthened Pall Mall's position, as the bestselling brand in Pakistan.

The Company's trade team harmoniously deployed simultaneous marketing campaigns while ensuring excellence in their execution. Apart from world-class market execution, the Company revamped its biggest retail loyalty program and automated its entire Sales and Distribution operations, which entailed training of more than 2,000 field force personnel and automation of 164 distribution sites.

5. Risk Management & Internal Controls

The Board is responsible for managing the risks and challenges faced by the Company in the course of its operations, while maintaining a strong controlled environment. The Company's risk management and internal controls framework is aimed at safeguarding the shareholders' investment and the Company's assets, while minimising the impact of the risks that may impede the delivery of the Company's objectives. Details of this are captured in the section on Risk & Opportunity of the Annual Report.

Comprehensive policies and procedures, structured governance mechanisms and a conducive organisational culture have facilitated a strong compliance and control environment across the Company. All heads of functions are required to carry out a comprehensive assessment of globally defined key controls that are expected to be in place and operating effectively. Any non-compliances and material weaknesses are reported along with action plans to address them. Additionally, all employees are required to sign off an annual Statement of Compliance to the Company's Standards of Business Conduct.

On acquisition of RAI - Reynolds American Inc. by the BAT Group, PTC being its subsidiary, is required to comply with the requirements of Sarbanes-Oxley (SOx), which has further strengthened the internal controls of the Company.

6. Corporate Governance

6.1 Good Corporate Governance

The Directors confirm compliance with the Corporate and Financial Reporting Framework of the Securities and Exchange Commission of Pakistan's Listed Companies (Code of Corporate Governance) Regulations, 2017 ("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 the accounting estimates are based on reasonable and prudent judgement.

d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departures therefrom have been adequately disclosed and explained.

e) The system of internal controls is sound in design and has been effectively implemented and monitored.

f) There are no significant 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 Code of Corporate Governance and Pakistan Stock Exchange's listing requirements.

h) All major Government levies in the normal course of business, payable as at December 31, 2018 have been disclosed in the notes to the financial statements.

i) Key operating and financial data for last six years in summarised form is provided separately in this Annual Report.

j) Values of investments in employee's retirement funds for the year ended December 31, 2017 are as follows.

Fund Name	Rs. (million)
Staff Pension Fund	4,724
Employees' Gratuity Fund	1,187
Management Provident Fund	1,012
Pakistan Tobacco Company Limited Provident Fund	701
Staff Defined Contribution Pension Fund	371

Director's Report

6.2 Composition of the Board

The Board comprises of a total of 9 Directors: 6 non-executive directors, one of whom is an independent director and 3 executive directors.

Current composition of the Board is as below.

	Name of Director	No. of Directors
•	Male Directors	8
•	Female Director	1
a.	***Independent Director***	***1***
(i)	Mr. Zafar Mahmood	
b.	***Non- Executive Directors***	***5***
(i)	Mr. Mueen Afzal	
(ii)	Lt. Gen.(Retd.) Ali Kuli Khan Khattak	
(iii)	Ms. Hae In KIM	
(iv)	Mr. Michael Koest	
(v)	Mr. Imran Maqbool	
c.	***Executive Directors***	***3***
(i)	Syed Javed Iqbal	
(ii)	Mr. Wael Sabra	
(iii)	Mr. Tajamal Shah	

There is female representation on the Board in compliance with the regulatory requirement.

The overall effectiveness of the Board is enhanced by the diversity and breadth of perspective of its members, who combine professional and academic skills and experience, local and international, and collectively the Board also has sufficient financial acumen and knowledge. PTC conforms to the regulatory requirements on the composition and qualification of the Board of Directors.

Directors' detailed profiles including their names, status (independent, executive, non-executive), in addition to industry experience and directorship of other companies, have been provided separately in this Annual Report. The status of directorship (independent, executive, non-executive) is indicated in the Statement of Compliance with the Code of Corporate Governance.

6.3 Changes in the Board

The Board was reconstituted through an election on April 20, 2016. There has been no change in the Board in 2018. As the term of the Directors will expire on April 20, 2019, the elections will be held at the forthcoming AGM, when the Board will also be reconstituted in terms of the requirements of Code of Corporate Governance.

6.4 Meetings of the Board

Under the applicable regulatory framework, the Board is legally required to meet at least once in every quarter to ensure transparency, accountability and monitoring of the Company's performance. Special meetings are also held during the year to discuss important matters, as and when required. In 2018, 05 Board meetings were held, notices / agendas of which were circulated in advance, in a timely manner and in compliance with applicable laws. All meetings of the Board held during the year surpassed the minimum quorum requirements of attendance, as prescribed by the applicable regulations.

Company Secretary acts as the Secretary to the Board. All decisions made by the Board during the meetings were clearly documented in the minutes of the meetings register maintained by the Company Secretary, and were duly circulated to all the Directors for endorsement and were approved in the subsequent Board meetings.

Name of Director	Attendance
Mr. Mueen Afzal *Chairman and Non-Executive Director*	4/5
Syed Javed Iqbal *Managing Director / CEO & Executive Director*	5/5
Ms. Hae In KIM *Non-Executive Director*	0/5
Mr. Wael Sabra *Director Finance & IT, & Executive Director*	4/5
Mr. Tajamal Shah *Executive Director*	5/5
Lt. Gen. (Retd.) Ali Kuli Khan Khattak *Non-Executive Director*	3/5
Mr. Imran Maqbool *Non-Executive Director*	2/5
Mr. Zafar Mahmood *Independent Director*	4/5
Mr. Michael Koest *Non-Executive Director*	3/5

6.5 Board Meetings Held Outside Pakistan

In 2018, PTC conducted all its Board meetings in Pakistan.

6.6 Committees of the Board

The Board has four committees, which assist the Board in performance of its functions. Details of all Board Committees, including attendance and their functions are provided separately in this Annual Report on page 42.

6.7 Directors' Remuneration

As per the requirements of Code of Corporate Governance, there is a formal and transparent procedure in place for fixing the remuneration packages of individual Directors. No Director is involved in deciding his/her own remuneration.

These remuneration packages are approved as per requirements of the regulatory framework and internal procedures, while ensuring that they are not at a level that could be perceived to compromise the independence of non-executive directors.

The remuneration of Executive Directors including the CEO, key management personnel and other executives is given in note 37 to the financial statements.

6.8 Evaluation of Board's Performance

The Company has designed an "Evaluation Tool" to assist the Board to:

- Understand and recognise what is working well;
- Identify areas for improvement;
- Discuss and agree on priorities for change, which can be addressed in the short and long-term;
- Agree on an action plan.

The Evaluation Tool comprises an evaluation questionnaire, which is circulated to all the Directors in which each of the Director must evaluate self as well as the Board. In order to encourage open and frank evaluations, as well as to ensure anonymity, the evaluation process is directed by the Company Secretary, who mails the questionnaire to each Director and then collates the results into a report including a summary of the results, and recommendations to the Board. The Report is then discussed in the next Board Meeting to address the areas of concern and improve the Board's performance.

6.9 Offices of the Chairman & CEO

To promote transparency and good governance, offices of the Chairman of the Board of Directors and the Chief Executive Officer are held by separate individuals with clear segregation of roles and responsibilities.

6.10 Brief Roles & Responsibilities of the Chairman & CEO

Roles and responsibilities of the Chairman and the CEO have been clearly and distinctly defined by the Board.

The Chairman is basically a leader and mediator to head the meeting of the Board of Directors effectively and take decisions after a free and open sharing of views within a limited time, quickly and efficiently. The Chairman is responsible for the overall discharge of the Board's duties.

The CEO is the executive head of the Company, who heads all facets of the Company through respective heads of functions and manages the day to day operations of the Company and provides leadership towards the achievement of the Corporate Plan. The CEO is responsible for leading, developing and executing the Company's short and long term strategies with a view to enhance shareholders' value. The CEO liaises with the Board and communicates on behalf of the Management.

6.11 CEO's Performance Evaluation by the Board

The Board appoints the CEO for a term of 3 years, in compliance with applicable laws. His or her performance is reviewed annually, based on the yearly corporate plan, besides his or her responsibilities under the regulatory framework.

His performance for the year 2018 is demonstrated by achievement of corporate plan and compliance with the applicable regulatory requirements.

6.12 Formal Orientation at Induction

Newly inducted Board members are taken through an Induction Plan for their orientation and familiarisation towards the Company's vision, organisational structure, roles and responsibilities of senior executives, major pending or threatened litigation, policies relating to dividends, whistleblowing, summary of Company's major assets, liabilities and noteworthy contracts etc.

As part of the Induction Plan, senior executives of the Company present the performance of their respective department to the newly inducted Directors.

6.13 Directors' Training Program

PTC has ensured compliance with the applicable regulatory requirements regarding directors training. More than half of the Directors have obtained certification under Directors' Training Program (DTP) approved by SECP.

6.14 Last AGM

The Company's 71st- AGM (Annual General Meeting) was held on April 20, 2018. All shareholders, including minority shareholders, were proactively sent out invites informing them about the time and place of the meeting, well in advance. High quality and comfortable arrangements, aimed at facilitating the shareholders of the Company, were made to conduct the AGM.

During the meeting, general clarifications on the published financial statements and the impact of illicit trade were sought by the shareholders and investors but no issues were reported in that meeting.

6.15 Auditors

Statutory Audit for the Company for the financial year ended December 31, 2018 has 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 Messers KPMG Taseer Hadi & Co. shall retire at the conclusion of the Annual General Meeting, and they have indicated their willingness to continue as Auditors for PTC. They have confirmed to have achieved 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 appointment as Auditors for the financial year ending December 31, 2019 on the recommendation of the Audit Committee. This shall be subject to the approval of the shareholders in their meeting scheduled for April 22, 2019.

6.16 Pattern of Shareholding

British American Tobacco (Investments) Limited (BAT-IL) incorporated in United Kingdom holds 94.34% shares of the Company at the year-end. The pattern of shareholding as at December 31, 2018 alongside the disclosure as required under Code of Corporate Governance is provided separately in this Annual Report.

6.17 Trading in Shares by Directors and Executives

The Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouses and minors have reportedly not performed any trading in the shares of the Company.

6.18 Review of Business Continuity Planning (BCP)

PTC recognises the importance of Business Continuity Management (BCM) as the means to ensure that the business can continue to succeed in times of crisis and during the recovery process. To this end, the Company has established a BCM Manual as per International Standards which enables the Company to:

- Proactively plan and prepare in the case of an incident
- Understand how to respond should an incident occur
- Know how to manage the situation effectively
- Return to Business as Usual (BAU) as quickly as possible to minimise the negative impact on the business

The process has received recognition within the BAT Group as on one of the best in the Group. The Board reviews compliance with the BCM Manual on an annual basis. Responsibility and accountability for ensuring compliance with the Standards and for the implementation of the BCM process has been delegated to the Managing Director. Operational management of BCM is delegated to the Head of Security who is the lead for BCM in the Company. Heads of Functions are the risk owners and are responsible for enabling and maintaining an effective BCM capability within their respective functions. The Business Continuity Manager facilitates and coordinates the BCM process in the Company.

By implementing a BCM process, the Company ensures that:

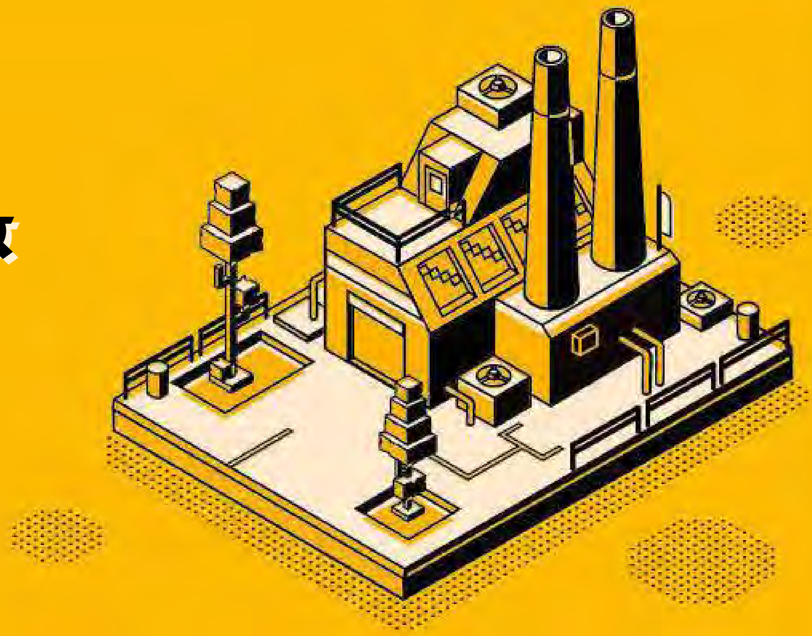
- its people, assets and information are protected. Employees receive adequate support and communications in the event of a disruption
- the relationships with other organisations, relevant regulators or government departments, local authorities and the emergency services are properly developed and documented. Stakeholder requirements are understood and can be delivered
- The Company has an enhanced capacity to protect its reputation and remains compliant with its legal and regulatory obligations

For and behalf of the Board

Mueen Afzal
Chairman

Syed Javed Iqbal
MD/CEO

Product Portfolio & Business Segmental Review



Premium

DUNHILL

- Dunhill
- Dunhill Switch

Dunhill, our global drive brand is a benchmark international premium product. Dunhill offers the cutting-edge innovation of Relock technology and flow filer.

GOLD LEAF

- John Player Gold Leaf
- John Player Gold Leaf Special

John Player Gold Leaf is the leading and most popular premium brand in Pakistan. From 1877, John Player has always stayed true and devoted to its promise of distinctive taste and consistent quality. Today the spirit of that commitment lives as we celebrate over 140 years of great taste.

BENSON & HEDGES

- Benson & Hedges (Red)
- Benson & Hedges (Blue)

In 1873, Richard Benson & William Hedges started a partnership in London. Benson & Hedges was launched in Pakistan in March 2003.

Aspirational Premium

JOHN PLAYER

- John Player

John Player is a recent addition to the PTC portfolio. It has been launched in the Aspirational Premium segment.

CAPSTAN FILTER

- Capstan Filter

Capstan Filter was upgraded to King Size in 2018, in the Aspirational Premium segment.

WILLS INTERNATIONAL

- Wills International

Wills International was launched in 2003 and continues to operate in the Aspirational Premium segment.

Value For Money

CAPSTAN BY PALL MALL

- Capstan by Pall Mall

Capstan by Pall Mall, our global drive brand is leading the VFM segment. Pakistan is the world's largest Pall Mall market. In 2018, Pall Mall achieved the ever-highest volumes.

GOLD FLAKE

- Gold Flake
- Gold Flake Soft Cup

Gold Flake is strategically positioned to cater to the needs of strong taste seekers.

EMBASSY

- Embassy Filter

Embassy has built its heritage over a number of years and thrives on its brand loyalty.

USAMA WALI KHAN

"My amazing journey with PTC started back in 2014. I have more than five years of working experience with different organisations. I got the opportunity to be a part of PTC as Territory Executive and there is no looking back since then. I belong to Gilgit-Baltistan (GB) and working there was a tough job, which I completed and now with the same passion and hard work, I am working in Gujrat territory. PTC is a diverse company and promotes inclusivity. Whether working in remote areas of GB or urban areas such as Wah and Gujrat markets, I have always experienced professional development and learned a lot from this winning PTC team."

Operational Excellence

The Environment, Health & Safety (EH&S) space has seen transformational changes especially in EH&S capability space where NEBOSH qualified experts have been introduced in our operations to not only reduce safety & health risks, but also to support our key agenda for driving zero waste & energy efficiency to ensure carbon foot print reduction.

The journey on Integrated Work System (IWS) EH&S pillar has crossed phase 1 milestone with exceptional results and we are targeting an increase in our renewable share of energy consumption.

Control and governance environment has also improved significantly aided by several excellence reviews/audits including international EH&S Review.

Efforts made to mitigate the adverse impact of industrial effluents

At PTC, we strive to minimize our impact on the environment and improve our operational efficiencies, through continuous improvement efforts and year-on-year investments. All the effluent produced in our operations is treated and recycled for reuse in-house. Use of advanced technologies and management techniques have helped us reduce our absolute energy usage, consequently resulting in lower carbon emissions. We take pride in developing our suppliers and service providers through trainings and facilitation, helping us to drive the agenda for a greener tomorrow, not just in our operations, but also in the community.

Energy saving measures

The ever evolving and challenging targets have kept us on our toes in developing a sustainable energy road map for our factories. We have implemented innovative ideas from which one example is the energy management centre that has received acknowledgment by all BAT concerns globally. Moreover, we are pioneers in bringing the latest energy efficient technologies such as high efficiency boilers to reduce fuel consumption and to improve industrial emissions. Our success in water conservation has been regarded as benchmark in BAT world; we were able to reduce our operations water consumption by 25% through multiple initiatives. This approach has helped us exceed our targets and established us as benchmark for the industry to follow.

Consumer protection measures

Focus on consumer centric quality has ensured product superiority for all brands against competition and has resulted in a significant reduction in consumer complaints during the year.

Industrial Relations - A vision of collaboration

Our performance in 2018 is a testament to our team cohesion. Union & management collaborated at all fronts to make Pakistan operations a success. Transparent, open and candid communication helped us deliver against all odds. We implemented a new way of working by partnering with the union, thereby, setting a new benchmark for the industry.

Occupational safety & health

EH&S space has significantly improved by initiating awareness campaigns, risk management tools (Quick Risk Prediction - QRP), Initiative management programs (Overall Risk Assessment - ORA), near miss reporting, investment in infrastructure. The same is being strengthened to deliver EH&S pillar phase 2 KPIs. PTC remained fully compliant with all applicable environment, health and safety standards.

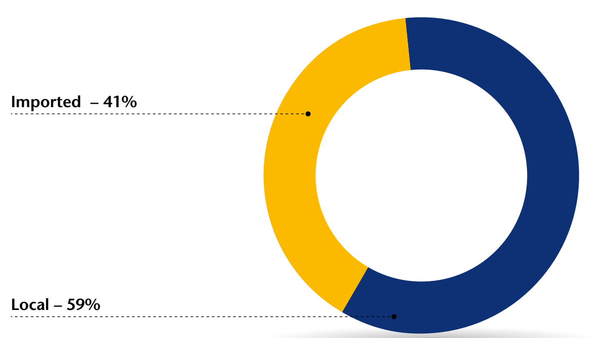
Procurement

2018 was a high performance year for the procurement team. From effective wrapping material price negotiations to delivering multi cycle campaigns, procurement has been at the top of its game.

Major pressure areas for procurement were Rupee devaluation, commodity prices and regulatory duties increase in 2018.

Given significant imported component, our cost based is subject to have an impact of currency devaluation.

Raw Materials (including tobacco leaf) Composition



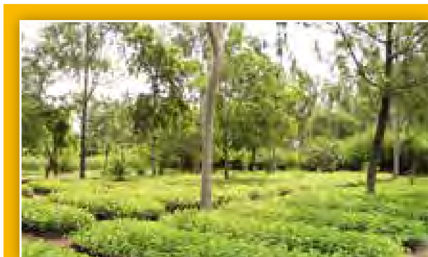
Procedures adopted for quality assurance of products/services

Our role as a member of the Leadership Team is to develop, champion and implement the quality strategy for the Company, based on group quality strategy, policies, common platforms and best practices, enabling delivery of superior quality product to our consumers vs. competition. Quality drives brand equity. It is the key to product performance & consumer satisfaction, reputation & maintaining loyalty. We aim to continuously delight our consumers with superior performing products packed with innovations. However, powerful innovations bring quality challenges that must be mitigated with the right quality oversight throughout the 4D process. The role of Quality as a differentiator cannot be underestimated when it comes to regulation and an environment like graphic health warning & plain packaging. It is important that we understand consumer expectations for each segment and correctly translate voice of the consumer into the voice of the process. At the same time, it is equally important to guarantee continuous improvement & compliance to group quality standards.

Corporate Social Responsibility

At PTC, we have always believed in giving back to the communities we operate in. As the first multinational and amongst the biggest FMCG companies in the country, we have persistently focused and channelled our resources and manpower to execute our social responsibilities. Our programme is aligned with the SECP's Corporate Social Responsibility voluntary guidelines of 2013

Below is a snapshot of a few of the projects we undertook in 2018:



Afforestation

Our flagship CSR program; afforestation started in 1981. Under this programme, we have planted and distributed, free of cost, more than 78 million trees, and species indigenous to the soil of our provinces. This year, we have planted and distributed free of cost saplings: more than 3.5 million. We have 6 nurseries operational in various parts of the country. They are located in Islamabad, Swabi, near Faisalabad, Fujoon and Firdousabad.

Water filtration

We have 4 water filtration plants in the suburbs of Lahore possessing the capacity to filter 40,000 litres of water a day. In 2018, we refurbished our filtration plants and benefitted more than 1 million people through this clean water initiative.

Mobile Doctor Units (MDUs)

We have 7 ambulances operational in 6 different leaf areas of Pakistan namely; Yar Hussian, Mianwali, Akora Khattak, Sher Gharh, Mansehra and Jhelum. Under this programme, which started in 1985, we have setup medical camps in various leaf growing areas where patients are treated free of cost. In 2018, we treated more than 82,000 patients.

Women empowerment

We have trained more than 250 women in KPK on Health & Safety issues related to farming, eradication of child labour and the importance of child education. We also encouraged women to do kitchen gardening by equipping them with the requisite knowledge.

Helping farmers modernise agriculture

PTC is introducing the latest technologies to modernise tobacco farming in Pakistan. The technology development & research is focused on key farmer issues like yield improvement, labour reduction and improving efficiencies to reduce farmer cost of production. These technologies are being used by farmers in other crops as well.

Enhancing farmer knowledge & skills

Farmer capacity building is one of the fundamental hallmark of PTC's tobacco growing model. Adequate training is provided to each farmer on skills and knowledge related to crop agronomy and best practices. PTC has developed & provided all farmers with a Standing Instruction Manual for producing a high quality crop with high yield. Crop stage specific bulletins are issued at each crop stage. We have divided our contracted farmers into clusters with a progressive and iconic farmer being head of the cluster.

Quality crop inputs

We realise the cash flow challenges our small scale farmers' experience. In order to give relief to these farmers, PTC introduced interest-free crop input credit to contracted farmers. This is a key contributor towards the increase in farmer yield and quality of tobacco. Also, it enabled farmers to ease out the cash flow challenge.

Lift irrigation

Stressed by the national electricity crisis, the farmers of Buner district were relieved, when Pakistan Tobacco Company Limited renewed its MoU with the Agriculture department of KPK to continue providing water to more than a 1,000 hectares of agriculture land during heavy electricity load-shedding in the summer season. Installation of required generator sets was done in 2016, when we initiated this project. More than 450 farmers are benefiting from this initiative.

Statement of Charity

(Rs. '000')

Afforestation	MDUs / Other CSR Activities	Donations
38,026	**21,500**	**8,400**
(2017: 26,738)	(2017: 22,044)	(2017: 400)

Calendar of Notable Events 2018

JANUARY

Visit of Chairman & COO of BAT to Pakistan

FEBRUARY

Marketing Line of Sight strategy meeting

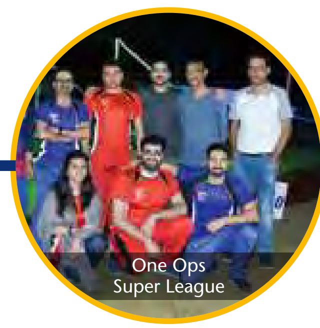
MARCH

BOM 2018 Grand Finale

MAY

Business Continuity Management Training

JUNE



One Ops Super League

JULY

IWS Phase 1

AUGUST

PTC & TFP MoU signing

SEPTEMBER

Contributing to the 10 Billion tree Tsunami

OCTOBER

Strategy and Planning workshop

NOVEMBER

SOx compliance

DECEMBER

PTC won the Top Employer 2019 award

2018 Performance

Sales Volume
46.1
Billion Sticks

Net Turnover
53,112
Rs. in Million

Profit after Tax
10,338
Rs. in Million

Cash Generated from Operating Activities
12,810
Rs. in Million

Critical Performance Indicators

1) Financial Indicators

71.3%	Market Share	(Legitimate market)	(2017: 71.3%)
137,116	Gross Turnover	(Rs. in Million)	(2017: 111,485)
53,112	Net Turnover	(Rs. in Million)	(2017: 43,279)
23,284	Gross Profit	(Rs. in Million)	(2017: 20,204)
14,571	Operating Profit	(Rs. in Million)	(2017: 12,834)
10,338	Profit after Tax	(Rs. in Million)	(2017: 9,574)
40.46	Earnings per Share	(Rs.)	(2017: 37.47)
37.0	Dividend per Share	(Rs.)	(2017: 21.0)
12,810	Cash Generated from Operating Activities	(Rs. in Million)	(2017: 12,280)
2,900.0	Market Price per Share*	(Rs.)	(2017: 2,147.9)

** Year end*

2) Non-Financial Indicators

a) Market share of illicit trade

This indicator gives visibility of the business lost to duty not paid sector due to weak enforcement. Currently, illicit sector stands at 33.2% (Retail Audit).

b) Trade coverage

The Company increased its trade coverage to a total of 238,000 retail outlets.

c) Legitimate market share across segments

i) Premium segment share

91.6% market share in the legitimate Premium segment held by John Player Gold Leaf (JPGL).

ii) Aspirational Premium segment share

PTC introduced John Player (JP) in the Aspirational Premium segment. JP launch was one of the most successful product launches and the brand is positioned to become one of the strongest brands for the Company.

iii) VFM (Value For Money) segment share

PTC's position in the VFM category was strengthened through the strong performance of Pall Mall share in its VFM Segment. 49.5% market share in legitimate VFM segment held by Pall Mall.

d) OEE – Overall Equipment Efficiency

In 2018, our factories achieved 78.5% Overall Equipment Efficiency (OEE), the second highest in the BAT group.

e) Lost workday cases (LWC)

EH&S is a key priority for the Company. Due to the increased emphasis, the number of work-related accidents resulting in injury to employees under the Management's direct supervision remained minimal.

f) Human Capital

i) Employee Retention

Employee development and retention is a priority for the Company and is continuously monitored.

ii) Employee Engagement

The high level of engagement the Company maintains with its teams enables it to effectively convey its message of confidence during the year. In recent years, the Company's engagement mechanisms have aimed to nurture an open culture, facilitating communication across all levels of the Company. Employees are given the opportunity to directly engage with the senior management on current business realities and growth prospects, while factory workers also engage with management through numerous platforms including monthly small group meetings. Employees can engage through initiatives such as Your Voice survey - an employee opinion survey.

In 2018, PTC was certified as a Top Employer, which is a testament of the Company's high level of employee engagement.

iii) Diversity and Inclusion

PTC is an equal opportunity employer and does not discriminate on the grounds of gender, race, religion or social class, when making decisions on recruitment and promotions. The Company is aligned with BAT's diversity ambitions and continues to widen diverse representation by ensuring balanced access at entry level, providing opportunities for flexible working, increasing maternity benefits and facilitating platforms for engagement.

g) Social and Relationship Capital

PTC has always been focused on investing in community and social initiatives. Following is the overview of various social responsibility initiatives taken in 2018.

i) Afforestation

This year, the Company planted more than 3.5 million trees. There are 6 nurseries run by PTC in various cities of Pakistan. Moreover, over 3,500 farmers benefited from our various agriculture-related training programs.

ii) Water filtration

PTC currently has 4 water filtration plants, which benefit more than a million people annually.

iii) Mobile Doctor Units

PTC has 7 ambulances, which operate as mobile units in 6 different leaf areas. Under this initiative, the Company sets up free medical camps, which have successfully treated over 82,000 patients.

h) Natural Capital

i) Leaf Consumption

In 2018, PTC purchased 35.3 million kgs of tobacco leaf from local farmers, thereby, supporting the livelihood of farmers growing tobacco in the areas of KPK and Punjab.

Change in indicators and performance measures over time

Key indicators and performance measures change as the strategic goals change over time but are mostly aligned to the Company's overall goal of increasing shareholders value in the future.

Methods and assumptions used in compiling the indicators

Key Performance Indicators (KPIs) measure progress toward the desired objectives. They provide focus for strategic and operational improvements, create an analytical basis for decision-making and help focus attention on what is important. The use of KPIs involves setting the targets (the desired level of performance) and tracking progress against them.

Quarterly Analysis 2018

Rs. in million	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Annual
Statement of Profit or Loss					
Gross turnover	31,816	31,962	33,277	40,061	137,116
Excise duties	(13,594)	(14,162)	(15,176)	(20,185)	(63,118)
Sales tax	(4,856)	(4,896)	(5,063)	(6,070)	(20,886)
Net Turnover	13,366	12,904	13,037	13,806	53,112
Cost of sales	(6,335)	(6,718)	(6,598)	(10,177)	(29,829)
Gross Profit	7,031	6,185	6,439	3,629	23,284
Selling and distribution costs	(877)	(1,003)	(1,006)	(2,064)	(4,950)
Administrative expenses	(646)	(583)	(507)	(821)	(2,558)
Other operating expenses	(472)	(367)	(335)	(208)	(1,382)
Other income	24	78	13	62	178
	(1,971)	(1,875)	(1,835)	(3,032)	(8,712)
Operating Profit	5,060	4,310	4,604	597	14,571
Finance income	156	174	149	264	743
Finance cost	(8)	(7)	(8)	(11)	(34)
Finance income - net	148	167	141	253	709
Profit before Income Tax	5,208	4,477	4,745	849	15,280
Income tax expense	(1,558)	(1,782)	(1,794)	193	(4,942)
Profit for the Year	3,650	2,694	2,951	1,042	10,338

	Sales, Net Turnover and Income	Operating Costs (Cost Of Sales and all Operating Costs)	Profit
Quarter 1	Q1'18 accounted for approximately 24% of total Sales volume of the Company for FY'18. Sales volume in Q1'18 increased by 126% compared to Q1'17 primarily because of shift in consumption from duty not paid products to legal industry brands facilitated by fiscal reforms introduced in Budget 17/18. This resulted in increase of 82% in Net Turnover. Interest income from short term investments increased by 659% compared to Q1 2017 because of higher liquidity driven by higher revenue and efficient working capital management.	Increase in Sales volume had a direct impact on Cost of sales which increased by 79% compared to Q1'17. Selling, distribution and administrative costs increased by 75% on account of aggressive trade marketing efforts as well as higher employment costs attributed to salary increase.	Net Profit for Q1'18 was 141% higher than that of Q1'17. This was primarily driven by higher sales, Net Turnover and efficient cost management.
Quarter 2	Q2'18 accounted for 25% of total sales volume of the Company for FY'18. Sales volume in Q2'18 improved by a nominal 1% compared to Q1'18 at the back of sustained market demand. However, Net Turnover decreased by 3% as the Company absorbed the impact of excise increase introduced in Budget 18/19. Income from short term investments increased by 11% because of availability of funds and effective investment strategy. Compared to Q2'2017, Sales volume and Net Turnover was higher by 35% and 19%, respectively.	While there was a slight increase in Sales volume, Cost of sales increased by 6% compared to Q1'18 on account of Rupee devaluation during Q2'18. Additionally, it was 17% higher than Q2'17 because of higher Sales volume. Major factor for increase in selling and distribution costs by 14% as compared to Q1 18 was the marketing campaigns. Operating cost was still lower by 15% compared to Q2'17.	Profit decreased by 26% compared to Q1'18 despite the sustained Sales volume. This is primarily because of emphasis put on marketing activities as well as the impact of excise increase in May'18. Compared to Q2'17 profit was higher by 84% because of higher Sales volume.
Quarter 3	Q3'18 accounted for 25% of total sales volume of the company for FY'18. Sales volume increased slightly in Q3'18 (increase of 3% from average of Q1'18 & Q2'18) compared to both the previous quarters. Sales volume was higher by 12% vs Q3 17. Net Turnover declined by 1% compared to average of Q1 and Q2. This was on account of the excise increase in 18/19 Budget. Net Turnover was 3% higher than that in Q3'17. Investment in marketing activities resulted in lower liquidity and as a result decline in income from short term investments by 10% compared to average of Q1'18 & Q2'18.	Nominal increase in sales (3%) resulted in increase in cost of sales of 1% compared to average of Q1'18 & Q2'18. Compared to Q3 17 costs increased by 17%. With the rise in volumes, management turned its focus towards rationalizing costs and appropriate allocation of resources to drive towards achieving full year plans. Hence all operating costs of the company saw a reduction of 5% in Q3'18 compared to average of Q1'18 & Q2'18. This was still 11% higher than the cost incurred in Q3'17.	Profit declined by 7% in Q3'18 compared to average of Q1'18 and Q2'18 due to increase in excise rate (May'18 & Sep'18). Profit declined by 22% vs that in Q3, 17.
Quarter 4	Q4'18 accounted for 26% of total sales volume of the Company for FY'18. Sales volume picked further pace in the last quarter of the year rising by 6% compared to average of previous 3 quarters of 2018. This was an 8% increase compared to Q4'17. Immense efforts were put into marketing activities and immediate investments in production capacities to further capitalize on the market opportunity. Net Turnover increased by 5% and 2% compared to average of 3 quarters of 2018 and Q4'17, respectively.	Cost of sales increased by 55% and 24% respectively compared to average of 3 quarters of 2018 and Q4'17 respectively driven mainly by Rupee devaluation. Q4'18 saw increase in investments in marketing and production activities to generate and meet market demands resulting in increase of 54% and 18% in operating costs compared to average of 3 quarters of 2018 and Q4'17, respectively.	Due to excise increase and aggressive investments in marketing campaigns, the profit for Q4'18 decreased by 30% compared to average of 3 quarters of 2018 and 35% vs Q4'17 respectively.

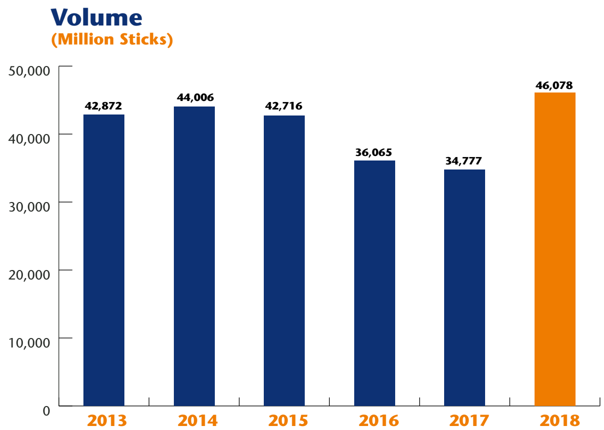
Analysis of Variation in Interim Results with Final Accounts

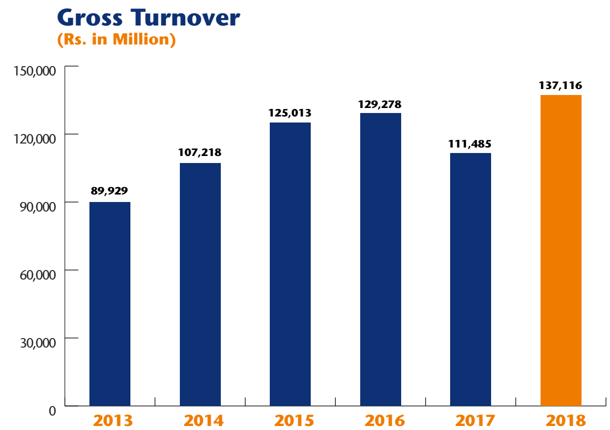
The Company was able to regain some of the volumes lost to illicit sector in the first nine months of the year, as consumption shifted from duty not paid brands to legitimate industry brands facilitated by the fiscal reforms introduced in Budget 17/18. However, excise increases in the latter half of the year led to portfolio wide price increases, which widened the price differential between legal brands and duty not paid products.

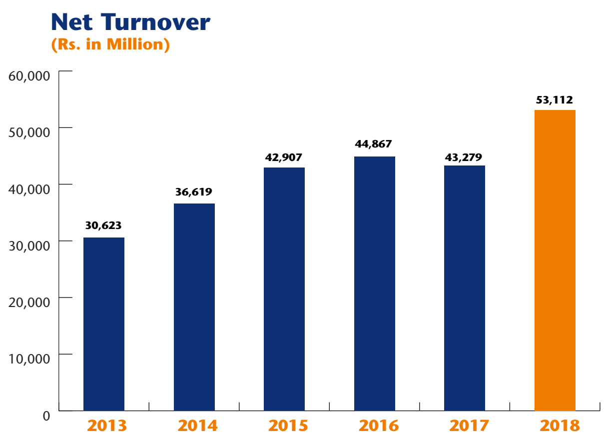
The Company's input costs saw quarter wise increase, which was mainly attributable to inflation, increase in import & regulatory duties and rapid Rupee devaluation. These factors led to Cost of Sales increase by 61% in Q4 vs Q1. The cost increase was mitigated through a strict cost control regime and savings generated through productivity initiatives across the Company. Moreover, in each quarter, the Company continued to invest in brand activities that led to a significant increase in selling and distribution costs, indicating the Company's long-term commitment to deliver the best quality products to its consumers and create long term brand equity of its brand portfolio.

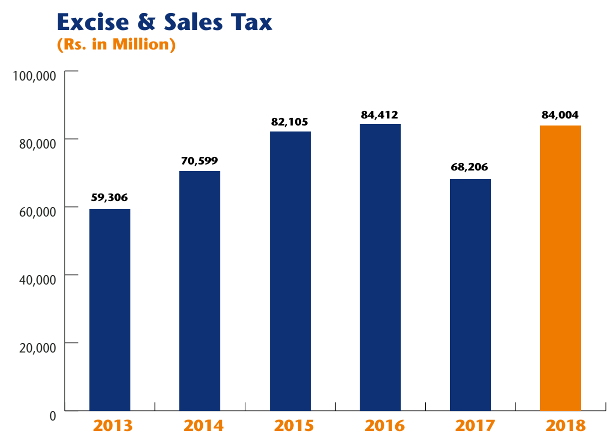
The healthy cash flow position of the Company was driven by higher sales volume and effective working capital management. Excess liquidity was invested in Government Treasury Bills to generate interest income for the Company. As a result, net finance income increased by Rs. 0.25 billion in the last quarter, higher by 41% compared to that in the first quarter.

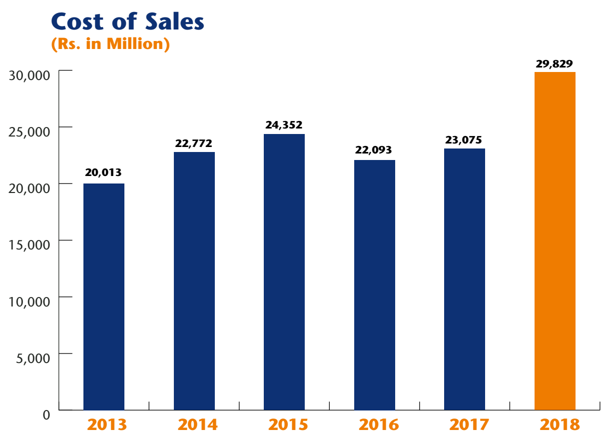
Graphical Presentation of Statement of Profit or Loss & Statement of Financial Position

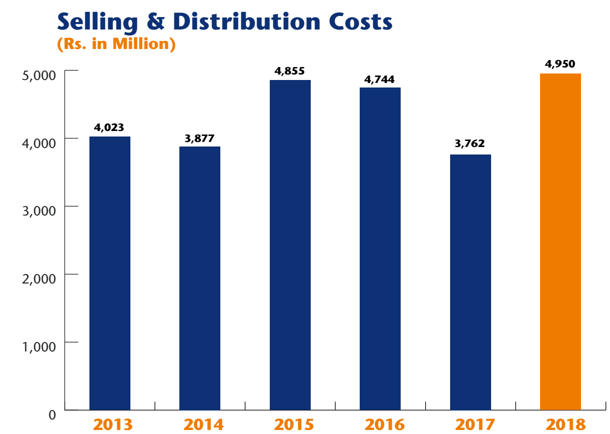




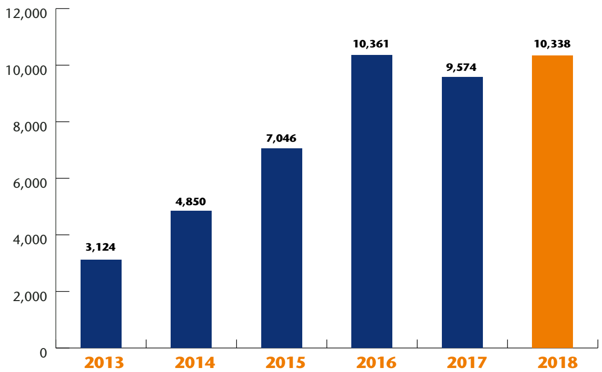




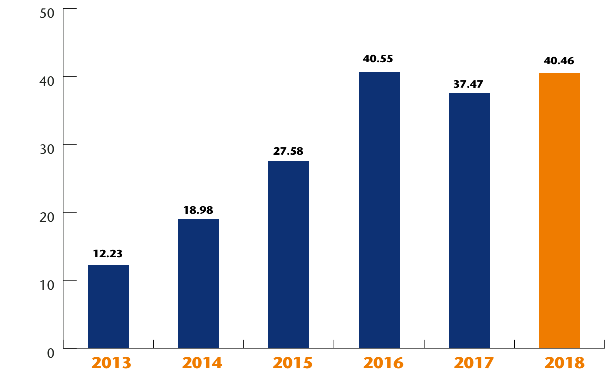




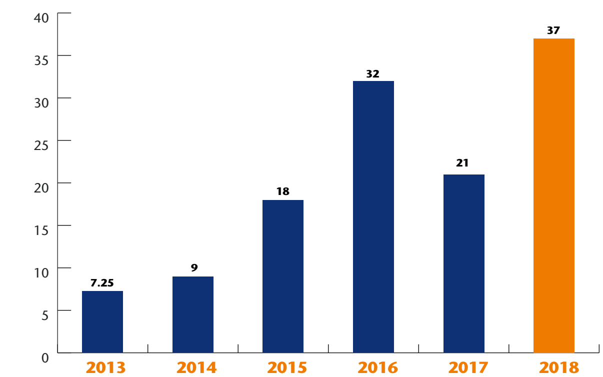
Profit after Tax
(Rs. in Million)



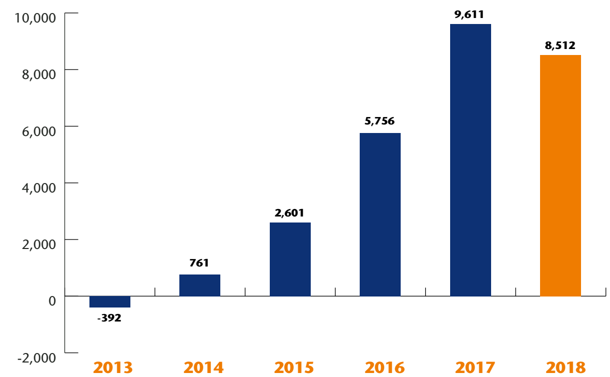
Earnings per Share
(Rs./share)



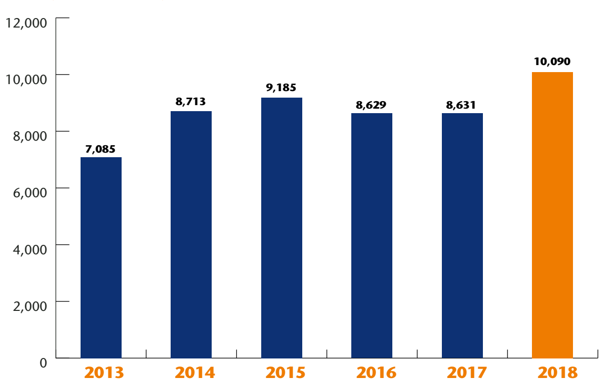
Dividend per Share
(Rs./share)



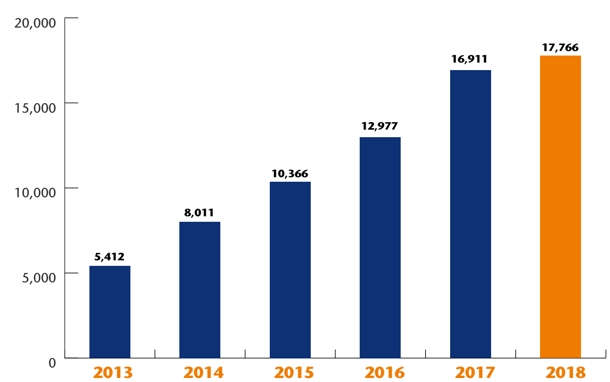
Working Capital
(Rs. in Million)



Property, Plant & Equipment
(Rs. in Million)



Share Capital and Reserves
(Rs. in Million)



Horizontal & Vertical Analysis

Source Data

Rs. in million	2018	2017	2016	2015	2014	2013
Statement of Profit or Loss						
Gross turnover	137,116 *	111,485*	129,278	125,013	107,218	89,929
Excise duties	(63,118)	(51,247)	(64,976)	(63,290)	(54,447)	(46,111)
Sales tax	(20,886)	(16,959)	(19,436)	(18,815)	(16,151)	(13,195)
Net Turnover	53,112	**43,279**	**44,867**	**42,907**	**36,619**	**30,623**
Cost of sales	(29,829)	(23,075)	(22,093)	(24,352)	(22,772)	(20,013)
Gross Profit	23,284	**20,204**	**22,774**	**18,555**	**13,847**	**10,610**
Selling and distribution costs	(4,950)	(3,762)	(4,744)	(4,855)	(3,877)	(4,023)
Administrative expenses	(2,558)	(2,664)	(2,185)	(2,435)	(2,399)	(1,716)
Other income	178	242	353	137	166	129
Other operating expenses	(1,382)	(1,186)	(1,198)	(1,068)	(651)	(398)
Operating Profit	14,571	**12,834**	**15,000**	**10,335**	**7,087**	**4,602**
Finance income	743	234	428	316	200	136
Finance cost	(34)	(56)	(46)	(72)	(99)	(72)
Profit before Income Tax	15,280	**13,011**	**15,382**	**10,579**	**7,188**	**4,667**
Income tax expense	(4,942)	(3,438)	(5,021)	(3,533)	(2,338)	(1,543)
Profit for the Year	10,338	**9,574**	**10,361**	**7,046**	**4,850**	**3,124**
Earnings per Share - basic and diluted (Rupees)	40.46	**37.47**	**40.55**	**27.58**	**18.98**	**12.23**

***Gross revenue figure has been adjusted as per IFRS-15 methodology from 2017 and onwards. Certain marketing costs have been deducted from total revenues**

Rs. in million	2018	2017	2016	2015	2014	2013
Statement of Financial Position						
Non Current Assets						
Property, plant and equipment/ Advances for capital expenditure	10,090	8,631	8,629	9,185	8,713	7,085
Long term investment in subsidiary company	5	5	5	5	5	5
Long term loans	-	-	-	-	0	0
Long term deposits and prepayments	32	32	34	29	32	21
	10,127	**8,668**	**8,668**	**9,219**	**8,751**	**7,111**
Current Assets						
Stock-in-trade	18,489	14,461	13,619	14,008	11,895	9,166
Stores and spares	634	594	570	676	472	488
Trade debts	2	3	2	1	3	1
Loans and advances	98	73	179	182	67	90
Short term prepayments	250	213	184	170	183	79
Other receivables	1,860	969	1,049	447	425	435
Cash and bank balances/Short term investments	8,993	7,154	1,127	53	150	60
	30,325	**23,466**	**16,729**	**15,536**	**13,195**	**10,319**
Total Assets	40,453	**32,134**	**25,397**	**24,755**	**21,946**	**17,430**
Current Liabilities						
Trade and other payables	21,202	13,024	9,095	10,417	11,266	7,725
Accrued interest / mark-up	5	3	3	12	24	27
Short term running finance	76	-	95	1,220	563	2,436
Finance lease obligation	148	165	164	154	119	93
Current Income tax liabilities	382	662	1,615	1,132	461	430
	21,813	**13,854**	**10,973**	**12,934**	**12,434**	**10,711**
Non Current Liabilities						
Deferred income tax liabilities	589	1,108	1,132	1,039	1,100	1,014
Deferred finance lease obligation	285	260	315	415	400	293
	874	**1,368**	**1,447**	**1,454**	**1,501**	**1,307**
Share Capital & Reserves						
Share capital	2,555	2,555	2,555	2,555	2,555	2,555
Revenue reserves	15,211	14,356	10,422	7,811	5,456	2,857
	17,766	**16,911**	**12,977**	**10,366**	**8,011**	**5,412**
Total Equity and Liabilities	40,453	**32,134**	**25,397**	**24,755**	**21,946**	**17,430**

Horizontal Analysis[1]						Vertical Analysis[2]					
18 Vs 17	17 Vs 16	16 Vs 15	15 Vs 14	14 Vs 13	13 Vs 12	2018	2017	2016	2015	2014	2013
23.0%	(13.8%)	3.4%	16.6%	19.2%	19.1%						
23.2%	(21.1%)	2.7%	16.2%	18.1%	18.7%						
23.2%	(12.7%)	3.3%	16.5%	22.4%	22.2%						
22.7%	(3.5%)	4.6%	17.2%	19.6%	18.3%	100%	100%	100%	100%	100%	100%
29.3%	4.4%	(9.3%)	6.9%	13.8%	14.8%	56.2%	53.3%	49.2%	56.8%	62.2%	65.4%
15.2%	(11.3%)	22.7%	34.0%	30.5%	25.6%	43.8%	46.7%	50.8%	43.2%	37.8%	34.6%
31.6%	(20.7%)	(2.3%)	25.2%	(3.6%)	14.4%	9.3%	8.7%	10.6%	11.3%	10.6%	13.1%
(4.0%)	21.9%	(10.2%)	1.5%	39.8%	24.2%	4.8%	6.2%	4.9%	5.7%	6.6%	5.6%
(26.6%)	(31.4%)	157.4%	(17.6%)	28.9%	42.8%	0.3%	0.6%	0.8%	0.3%	0.5%	0.4%
16.5%	(1.0%)	12.2%	64.1%	63.5%	(56.2%)	2.6%	2.7%	2.7%	2.5%	1.8%	1.3%
13.5%	(14.4%)	45.1%	45.8%	54.0%	68.7%	27.4%	29.7%	33.4%	24.1%	19.4%	15.0%
217.2%	(45.3%)	35.5%	58.1%	46.4%	109.8%	1.4%	0.5%	1.0%	0.7%	0.5%	0.4%
(40.0%)	22.9%	(36.2%)	(27.5%)	37.5%	(48.0%)	0.1%	0.1%	0.1%	0.2%	0.3%	0.2%
17.4%	(15.4%)	45.4%	47.2%	54.0%	75.8%	28.8%	30.1%	34.3%	24.7%	19.6%	15.2%
43.8%	(31.5%)	42.1%	51.1%	51.5%	66.5%	9.3%	7.9%	11.2%	8.2%	6.4%	5.0%
8.0%	(7.6%)	47.0%	45.3%	55.2%	80.8%	19.5%	22.1%	23.1%	16.4%	13.2%	10.2%
8.0%	(7.6%)	47.0%	45.3%	55.2%	80.7%	-	-	-	-	-	-

16.9%	0.0%	(6.0%)	5.4%	23.0%	24.4%	24.9%	26.9%	34.0%	37.1%	39.7%	40.6%
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
0.0%	0.0%	0.0%	(100.0%)	(74.7%)	(83.6%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
(0.6%)	(3.7%)	15.5%	(10.4%)	51.1%	5.9%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
16.8%	0.0%	(6.0%)	5.3%	23.1%	24.3%	25.0%	27.0%	34.1%	37.2%	39.9%	40.8%
27.9%	6.2%	(2.8%)	17.8%	29.8%	26.9%	45.7%	45.0%	53.6%	56.6%	54.2%	52.6%
6.8%	4.2%	(15.6%)	43.1%	(3.3%)	42.8%	1.6%	1.8%	2.2%	2.7%	2.2%	2.8%
(41.1%)	43.3%	103.0%	(71.9%)	322.1%	(28.8%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
34.8%	(59.3%)	(1.7%)	172.3%	(25.5%)	30.5%	0.2%	0.2%	0.7%	0.7%	0.3%	0.5%
17.5%	15.7%	8.0%	(7.0%)	132.2%	(20.7%)	0.6%	0.7%	0.7%	0.7%	0.8%	0.5%
91.9%	(7.6%)	134.9%	5.0%	(2.2%)	51.2%	4.6%	3.0%	4.1%	1.8%	1.9%	2.5%
25.7%	534.7%	2023.3%	(64.5%)	148.8%	(56.8%)	22.2%	22.3%	4.4%	0.2%	0.7%	0.3%
29.2%	40.3%	7.7%	17.7%	27.9%	26.4%	75.0%	73.0%	65.9%	62.8%	60.1%	59.2%
25.9%	26.5%	2.6%	12.8%	25.9%	25.5%	100%	100%	100%	100%	100%	100%
62.8%	43.2%	(12.7%)	(7.5%)	45.8%	10.5%	52.4%	40.5%	35.8%	42.1%	51.3%	44.3%
56.2%	(0.7%)	(70.9%)	(51.1%)	(10.7%)	(33.8%)	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
0.0%	(100.0%)	(92.2%)	116.7%	(76.9%)	96.8%	0.2%	0.0%	0.4%	4.9%	2.6%	14.0%
(10.3%)	0.5%	6.5%	29.3%	29.0%	85.1%	0.4%	0.5%	0.6%	0.6%	0.5%	0.5%
(42.3%)	(59.0%)	42.7%	145.6%	7.2%	59.9%	0.9%	2.1%	6.4%	4.6%	2.1%	2.5%
57.4%	26.3%	(15.2%)	4.0%	16.1%	24.7%	53.9%	43.1%	43.2%	52.3%	56.7%	61.4%
(46.8%)	(2.1%)	9.0%	(5.6%)	8.5%	(7.0%)	1.5%	3.4%	4.5%	4.2%	5.0%	5.8%
9.5%	(17.4%)	(24.1%)	3.7%	36.6%	205.2%	0.7%	0.8%	1.2%	1.7%	1.8%	1.7%
(36.1%)	(5.5%)	(0.5%)	(3.1%)	14.8%	10.1%	2.2%	4.3%	5.7%	5.9%	6.8%	7.5%
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	6.3%	8.0%	10.1%	10.3%	11.6%	14.7%
6.0%	37.8%	33.4%	43.2%	91.0%	84.0%	37.6%	44.7%	41.0%	31.6%	24.9%	16.4%
5.1%	30.3%	25.2%	29.4%	48.0%	31.8%	43.9%	52.6%	51.1%	41.9%	36.5%	31.1%
25.9%	26.5%	2.6%	12.8%	25.9%	25.5%	100%	100%	100%	100%	100%	100%

[1] Horizontal analysis shows %age changes of corresponding line items for the respective year compared to its previous year.

[2] For Statement of Profit or Loss, net turnover is the base figure whereas for Statement of Financial Position, total assets is the base figure for calculating vertical analysis in respective years.

Analysis of Statement of Profit or Loss & Statement of Financial Position

Gross Turnover (GTO)

From 2013 to 2018, Gross Turnover followed a healthy growth trend, however, in the years 2016 and 2017, the growth trend was disrupted due to a steep fall in Company's volumes as the illicit sector grew rapidly, reaching alarmingly high level of 41.2% in 2017. Due to fiscal reforms of Budget 17/18, legal industry and PTC volumes rebounded, as for the first nine months of 2018, the tobacco industry experienced a shift in consumption from duty not paid brands to legal industry brands. By regaining lost volumes, the Company registered a growth of 23% vs 2017 in its Gross Turnover.

Important to note, that Gross Turnover in 2017 and onwards, followed the IFRS 15 revenue recognition requirements, whereby, certain marketing costs were deducted from the total revenues.

FED and Sales Tax

PTC is one of the largest tax contributors to the National Exchequer. Over the years, the contribution to the National Exchequer has followed an increasing trend, except in 2016 and 2017, when revenue growth stalled due to accelerated expansion of the illicit sector and the legal industry lost volumes to duty not paid products. To address the steep fall in Government revenues, fiscal reforms were introduced in Budget 17/18, which helped to put the tax revenues back on the growth trajectory. In 2018, the Company contributed Rs. 84 billion in tax revenues in the form of FED and Sales Tax, higher by 23% compared to 2017.

Net Turnover (NTO)

In line with the growth in Gross Turnover, the Net Turnover has followed a similar trend, increasing from Rs. 30 billion in 2013 to Rs. 53 billion in 2018. However, the growth trend was disrupted in 2016 and 2017, as the Company lost volumes to the illicit sector, rapidly. As the impact of fiscal reforms of Budget 17/18 manifested and continued for the first nine months of 2018, consumption shifted from illicit brands to legal brands and the Company was able to regain some of its lost volumes. As a result, NTO increased by about 23% compared to that in 2017.

Cost of Sales

Cost of sales increased by 29% in comparison to previous year. The input costs were under pressure from inflation, local currency devaluation and the increase in import and regulatory duties. These cost escalations were mitigated through a strict cost control regime and savings generated by productivity improvement initiatives across the Company.

Selling & Distribution Costs

Over the years, the Company has continued to invest in its brands and trade capabilities. Brand investments are aimed at building a strong portfolio wide brand equity through product upgrades, effective marketing activities and consumer engagements. Alongside, trade capabilities and related information systems have been upgraded to provide important information for management decision-making. In 2018, the selling and distribution costs reached Rs. 4.95 billion, up by 32% vs 2017. This clearly indicates the long-term intentions of the Company to invest locally in its business and provide its consumers with the best products.

Profit after Tax

Over the past six years, the Company has been able to register a healthy growth in its profits. However, the growth trend was reversed in 2017, as the Company suffered a major setback by losing volumes to the illicit sector, which grew to 41.2% in 2017. Fiscal reforms of Budget 17/18 helped in stabilizing the legal industry, as consumption shifted from duty not paid brands to legal products. The Company was able to regain some of its lost volumes and kept its cost base under check by following a strict cost control regime. As a result, the Company posted a profit growth of 8% vs 2017.

Earnings per Share (EPS)

EPS has registered CAGR (cumulative average growth rate) of 27%, growing from Rs. 12.23 per share in 2013 to Rs. 40.46/share in 2018, in line with the profitability growth trend over the years. EPS for 2018 registered a growth of 8% vs 2017.

Property Plant & Equipment

Over the years, Property, Plant & Equipment has increased from around Rs. 7 billion in 2013 to Rs. 10 billion in 2018. The Company has invested not only to increase production capacity but also to upgrade its machinery footprint, enabling it to support future product innovations to include equipment and systems enabling EH&S compliance. This is primarily to ensure highly paced working environment for the Company's workforce.

Working Capital Management

PTC has experienced a significant improvement in its working capital position over the years, reaching a positive Rs. 8.5 billion in 2018. This has largely been facilitated by the Company's cash sales model, growing profitability as well as highly efficient inventory and supplier management systems. These factors have culminated in the cash conversion cycle days, improvement from 79 days in 2017 to 47 days in 2018.

Non-Current Liabilities

Non-current liabilities (NCL) consist of lease finance facility payables and deferred tax liability. Over the years, the Company experienced a period of sales growth, increased profitability, higher liquidity and improved working capital position, causing the need for long term financing to remain negligible in comparison to the Company's overall capital structure. Investment needs were easily financed through cash generated from operations. In 2018, deferred tax liability has been adjusted resulting in further decrease in non-current liabilities.

Share Capital & Reserves

Over the years, Share Capital has remained the same at Rs. 2.6 billion. However, Revenue reserves have increased from Rs. 2.9 billion in 2013 to Rs. 15.2 billion in 2018 by retaining earnings primarily to support long term business growth initiatives.

Summary of Statement of Profit or Loss, Financial Position & Cash flows

		2018	2017	2016	2015	2014	2013
Statement of Profit or Loss							
Gross Turnover	Rs. in million	137,116*	111,485*	129,278	125,013	107,218	89,929
Excise Duties/Sales tax	Rs. in million	(84,004)	(68,206)	(84,412)	(82,105)	(70,599)	(59,306)
Net Turnover	Rs. in million	53,112	43,279	44,867	42,907	36,619	30,623
Cost of Sales	Rs. in million	(29,829)	(23,075)	(22,093)	(24,352)	(22,772)	(20,013)
Profit for the Year	Rs. in million	10,338	9,574	10,361	7,046	4,850	3,124
Earning per Share	Rs./share	40.46	37.47	40.55	27.58	18.98	12.23

***Gross revenue figure has been adjusted as per IFRS-15 methodology from 2017 and onwards. Certain marketing costs have been deducted from total revenues**

(Rs. in million)	2018	2017	2016	2015	2014	2013
Statement of Financial Position						
Property Plant & Equipment/Advances for capital expenditure	10,090	8,631	8,629	9,185	8,713	7,085
Working Capital (Current Assets-Current Liabilities)	8,512	9,611	5,756	2,601	761	(392)
Share Capital & Reserves	17,766	16,911	12,977	10,366	8,011	5,412
Non- Current Liabilities	874	1,368	1,447	1,454	1,501	1,307
Statement of Cash Flows						
Cash flow from Operating Activities	12,810	12,280	10,555	5,179	6,375	2,373
Cash flow from Investing Activities	(1,359)	(740)	17	(1,015)	(1,982)	(1,665)
Cash flow from Financing Activities	(9,688)	(5,418)	(8,374)	(4,917)	(2,430)	(1,985)
Net Change in Cash and Cash Equivalents	1,763	6,122	2,198	(753)	1,963	(1,278)
Beginning Cash and Cash Equivalents	7,154	1,032	(1,166)	(413)	(2,376)	(1,099)
Ending Cash and Cash Equivalents	8,917	7,154	1,032	(1,166)	(413)	(2,376)
Cash and Cash Equivalents comprise						
Cash and Bank Balances/Short Term Investments	8,993	7,154	1,127	53	150	60
Short Term Borrowings	(76)	–	(95)	(1,220)	(563)	(2,436)
	8,917	7,154	1,032	(1,166)	(413)	(2,376)

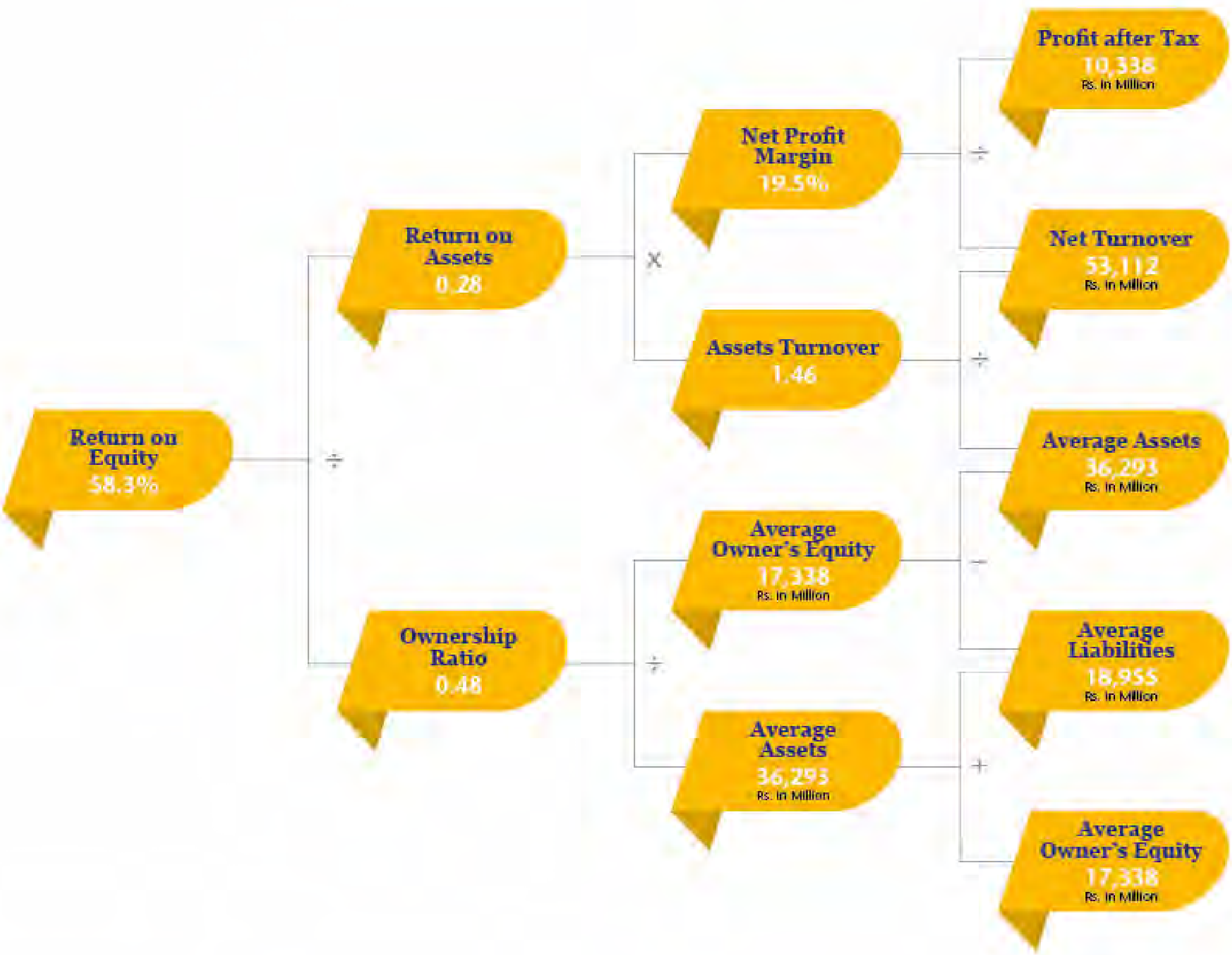
Direct Method Cash Flow

(Rs. in million)	2018	2017
Cash flows from operating activities		
Cash receipts from customers	137,119	112,503
Cash paid to Government & suppliers	(111,863)	(92,845)
Cash paid to employees and retirement funds	(5,020)	(4,645)
Interest paid	(32)	(56)
Other cash payments	(7,393)	(2,677)
	12,810	12,280
Cash flows from investing activities		
Purchase of property, plant and equipment/Advance for Capex	(2,275)	(1,163)
Proceeds from sale of equipment	155	208
Interest received	762	215
	(1,359)	(740)
Cash flows from financing activities		
Dividends paid	(9,436)	(5,179)
Finance lease payments	(252)	(239)
	(9,688)	(5,418)
Increase in cash and cash equivalents	1,763	6,122
Cash and cash equivalents at beginning of year	7,154	1,032
Cash and cash equivalents at end of year	8,917	7,154
Cash and cash equivalents comprise:		
Cash and bank balances	293	390
Short term investment	8,700	6,764
Short term running finance	(76)	–
	8,917	7,154

Free Cash Flows

(Rs. in million)	2018	2017
Profit before tax	15,280	13,011
Adjustment non-cash items	600	1,300
Changes in working capital	2,954	2,666
	18,833	16,977
Capital expenditure	(2,275)	(1,163)
Free Cash flows	16,558	15,814

Dupont Analysis 2018



Dupont Analysis Summary

The Company's Net Turnover registered healthy growth trend of 23% in comparison to previous year, however its Net Profit Margin recorded slight dip from 22.1% to 19.5%, impacted mainly due to rise in inflation, increase in duties and devaluation of Rupee.

Asset turnover decreased from 1.54 to 1.46 as asset base increased significantly in comparison to Net Turnover. The additions in non-current asset during the year supported significant business expansion. There was an increase in current assets from Rs. 23 billion to 30 billion due to stock buildup to hedge against devaluation of Rupee. Furthermore, there was an increase in short term investments due to sales growth and effective working capital management.

Ownership ratio reduced from 0.52 in 2017 to 0.48 in 2018 because increase in owner's equity was less than proportional increase in average assets.

The overall impact on above ratios have resulted in decrease in ROE compared to that in 2017.

Liquidity, Cash Flows and Capital Structure

The Company's Treasury function is responsible for raising the finances required by the Company, managing its liquid resources and mitigating the financial risks that arise during its business operations. Clear policies and procedures, including levels of authority as well as the type and use of financial instruments, have been defined and documented. All Treasury related transactions are executed as per the defined policies and procedures. These policies are reviewed and approved by the Board of Directors or its delegated authority to the Finance Director/Treasury Committee.

Cash Flow Analysis

The cash flows of the Company demonstrate the strength and efficiency of its operations and particularly, its highly efficient working capital management systems and processes.

1. Net cash generated from operating activities

Cash flows from operating activities followed a healthy trend over the years, improving from Rs. 2.3 billion in 2013 to Rs. 12.8 billion in 2018 (CAGR of 40%). This was primarily driven by increase in turnover, improved profitability and effective cash management. In its journey towards working capital improvement, the Company has been able to reduce its cash generation cycle from around 79 days in 2017 to 47 days in 2018. This is primarily driven by the Company's cash sales business model and highly effective inventory and supplier management processes, implemented and followed across its operations.

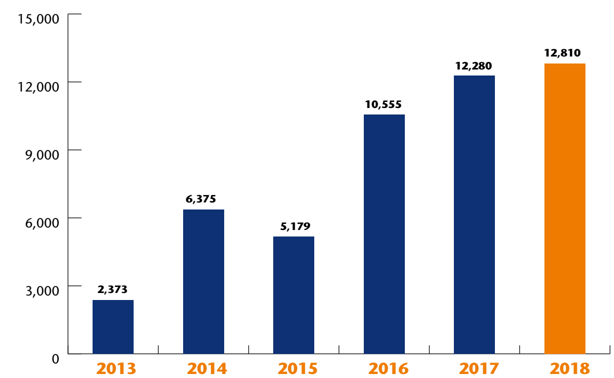
2. Net cash generated from investing activities

Cash utilised on investing activities has increased from Rs. 0.7 billion in 2017 to Rs. 1.4 billion in 2018. This is primarily due to 96% increase in capital expenditure to add capacity and to support innovations. This year, the Company received a major cash inflow of around Rs. 0.7 billion as interest earned, due to availability of higher liquidity and its investment at better rates. This indicates the efficacy of the Company's approach towards liquidity management.

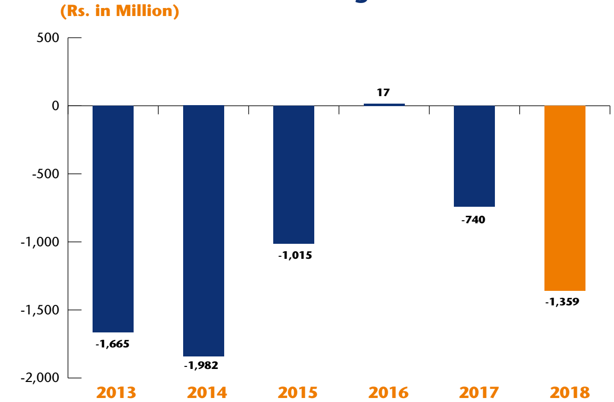
3. Net cash generated from financing activities

Cash outflow on financing activities increased from Rs. 5.4 billion in 2017 to Rs. 9.7 billion in 2018, as the Company paid out dividends of Rs. 37/ share total Rs. 9.4 billion during the year compared to Rs. 21/share total Rs. 5.1 billion in 2017. This is a testament of Company's ability to generate sustainable value for its shareholders.

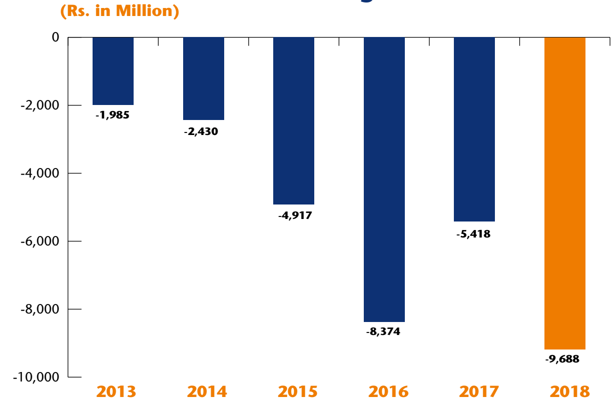
Cash Flow from Operating Activities
(Rs. in Million)



Cash Flow from Investing Activities
(Rs. in Million)



Cash Flow from Financing Activities
(Rs. in Million)



Adequacy of Capital Structure

The Company has an adequate capital structure comprising mainly of equity with a minimal portion of non-current liabilities. Over the years, Share Capital has remained the same at Rs. 2.6 billion, however, Revenue reserves have increased from Rs. 2.85 billion in 2013 to Rs. 15.21 billion in 2018, primarily due to earnings retained in the business to support future growth. Sales growth, higher profitability and improved liquidity position have enabled the Company to support its financing needs including those for capital expenditure from internally generated cash.

Financing Arrangements

With a view to maximize shareholders' returns, the Company places high priority on internal generation of funds. Exhaustive rolling cash flow forecasting is conducted keeping in view the various requirements of the business. Healthy operating cash flows allow the Company to avail external financing only on a short term basis. The Company has running finance facilities with multiple banks to draw down funds if required.

Liquidity and Cash Flow Management Strategy

1. Effective Working Capital Management

The Company has an elaborate and effective working capital management process, which largely centres around its cash sales approach. Additionally, the Company follows detailed supplier management process, which enables it to extract the best commercial terms from its suppliers, including favourable credit terms. Over the years, PTC's cash conversion cycle has not only improved significantly but has also enabled it to finance all its liquidity requirements, including those required for business expansion, through internally generated cash.

2. Cash Flow Monitoring

The Company continuously monitors both its cash inflows and outflows, regularly and takes commercial decisions to manage its liquidity. This process of regular monitoring enables the Company to get the visibility of future liquidity requirements and accordingly, bridge the gaps by arranging financing facilities, if required.

3. Investment of Surplus Funds

The Company manages its surplus funds by investing them in short term low risk financial instruments. At a time, when interest rates are on the rise, the Company is able to invest its excess liquidity at higher rates.

4. Effective Control Environment

The Company is equipped with highly efficient systems and applications that allow for speedy cash collections and disbursements, while ensuring operation of robust controls.

Repayment of Debts and Recovery of Losses

The Company has running finance facilities with multiple banks, however, healthy operating cash flows allows the Company to keep the utilisation of these facilities to a minimum.

The Management believes that the Company's operations can generate sufficient cash to meet its liquidity requirements and thus, does not foresee any liquidity problems in the future. Considering the amount of unutilised borrowing facilities, availability of short term assets and the Company's ongoing ability to generate cash, the Company will be able to meet its cash needs for the future easily.

Performance Indicators
Ratios for 6 Years

		2018	2017	2016	2015	2014	2013
Profitability Ratios							
Gross Profit ratio	%	43.8*	46.7*	50.8	43.2	37.8	34.6
Net Profit to Sales	%	19.5*	22.1*	23.1	16.4	13.2	10.2
EBITDA Margin to Sales	%	29.2*	32.2*	35.9	26.4	21.6	17.7
Operating leverage ratio	Times	0.6	1.0	13.2	2.8	2.8	3.6
Return on Equity	%	58.3	64.1	88.8	76.7	72.3	65.6
Return on Capital employed	%	78.2	70.2	104.0	87.4	74.5	68.5

***Gross revenue figure has been adjusted as per IFRS-15 methodology from 2017 and onwards. Certain marketing costs have been deducted from total revenues**

		2018	2017	2016	2015	2014	2013
Liquidity Ratios							
Current ratio	Times	1.4	1.7	1.5	1.2	1.1	1.0
Quick / Acid Test Ratio	Times	0.5	0.6	0.3	0.1	0.1	0.1
Cash and cash equivalents to Current Liabilities**	Times	41.2	51.6	10.3	0.4	1.2	0.6
Cash flow from operations to Sales	Times	9.3	11.0	8.2	4.1	5.9	2.6

****This includes short term investments as well**

		2018	2017	2016	2015	2014	2013
Activity / Turnover Ratios							
Inventory turnover ratio	Times	1.6	1.6	1.6	1.7	1.9	2.2
No. of Days in Inventory	Days	226.2	228.7	225.0	210.0	190.7	167.2
Debtor turnover ratio	Times	0.0	0.0	0.0	0.0	0.0	0.0
No. of Days in Receivables	Days	0.0	0.0	0.0	0.0	0.0	0.0
Creditor turnover ratio	Times	2.0	2.4	2.9	3.1	4.2	7.1
No. of Days in Payables	Days	179.6	149.5	124.8	116.6	87.2	51.1
Total Assets turnover ratio	Times	3.4	3.5	5.1	5.1	4.9	5.2
Fixed Assets turnover ratio	Times	13.6	12.9	15.0	13.6	12.3	12.7
Operating cycle	Days	47	79	100	93	103	116
Investment /Market Ratios							
Earnings per share After Tax(EPS) and diluted EPS	Rs.	40.46	37.47	40.55	27.58	18.98	12.23
Price-Earning Ratio	Times	71.7	57.3	35.3	40.4	55.8	46.0
Dividend Yield ratio	%	1.3	1.4	1.7	2.2	1.4	1.8
Dividend Payout ratio	%	96.4	80.1	61.6	87.0	79.0	81.8
Dividend Cover ratio	Times	1.0	1.2	1.6	1.1	1.3	1.2
Dividend Per Share	Rs.	37.0	21.0	32.0	18.0	9.0	7.3
Stock Dividend per share	Rs.	0.0	0.0	0.0	0.0	0.0	0.0
Market value per share at year end	Rs.	2,900.0	2,147.9	1,433.0	1,114.0	1,059.7	562.7
Highest Market value per share during the year	Rs.	3,000.0	2,147.9	1,433.3	1,169.0	1,539.0	562.7
Lowest Market value per share during the year	Rs.	1,692	1,081.0	950.0	742.9	567.8	55.5
Break-up value per share	Rs.	69.5	66.2	50.8	40.6	31.4	21.2
Breakup value per share including investment in related party at fair value and also the effect of Surplus on Revaluation of Fixed Assets	Rs.	69.5	66.2	50.8	40.6	31.4	21.2
Price to Book Ratio	Times	41.7	32.5	28.2	27.5	33.8	26.6
Capital Structure Ratios							
Financial leverage ratio	Times	2.1	1.9	2.1	2.5	2.9	3.3
Weighted average cost of debt***	%	0.0	0.0	0.0	0.0	0.0	0.0
Debt to Equity ratio (as per book value/market value)	%	0.0	0.0	0.0	0.0	0.0	0.0
Interest Cover/Time interest earned ratio	Times	452.7	232.0	336.6	148.2	73.6	65.8

*****The company does not have any long term debt.**

Analysis of Performance Indicators
Ratios for 6 years

Profitability Ratios

Over the years, the Company's profitability ratios have followed an improving trend. This has been attributable to a growth in Sales volumes and Net turnover coupled with effective cost management. The improving trend stalled in 2017 and 2018, as profitability ratios experienced a deterioration, driven primarily by adherence to the requirements of IFRS 15, which mandate a deduction of certain marketing costs from revenues, thereby, shrinking the overall revenue base. Additionally, revenue growth rate did not fully correspond to the rate of increase in the cost base, as selling and distribution costs increased by around 32% in 2018, adversely impacting profitability ratios. In particular, the Net Profit Margin decreased from 22.1% in 2017 to 19.5% in 2018.

Liquidity Ratios

The Company's liquidity ratios present a healthy position over the years. PTC's cash sales model coupled with effective resource allocation enables it to meet its liquidity requirements including those for capital expenditures from cash generated from its operations. In 2018, a slight deviation in this trend was witnessed with liquidity ratios deteriorating slightly compared to 2017. In particular, the Current and Quick ratios decreased due to higher current liabilities as a result of higher sales in the month of December and consequently, resulting in a higher Government levies payables position by the end of the year. Another contributing factor was the high year-end trade payables position, reflecting expansion in business operations and activities.

Activity Ratios

The activity ratios have improved significantly over the years mainly on account of a highly effective working capital management approach followed by the Company. In its journey towards working capital improvement, the Company has been able to reduce its cash generation cycle from around 79 days in 2017 to 47 days in 2018. This is primarily driven by the Company's cash sales business model, as well as highly effective inventory and supplier management processes, implemented and followed across its operations. Over the years, the inventory days have remained high due to a build-up of tobacco and raw material stock essential to support higher production in the first half of the next year and to mitigate the impact of currency devaluation on imported material.

Investment/Market Ratios

The Company aims to generate maximum value for its shareholders, both in the short and the long term. This is reflected in the consistent improvement of investment ratios over the years and in particular, the growth of EPS and improvement in dividend payout ratios in 2018, which are very attractive for our shareholders. The impressive P/E ratio of approximately 72 and the overall positive investment indicators correspond to the consistent performance of the Company over the years that in turn has created the investor confidence for the Company to be regarded as a blue-chip investment. The Company's share price has increased by around 35% from that in 2017, reflecting investors' confidence in the Company's ability to generate shareholder value in the years to come.

Capital Structure Ratios

The capital structure ratios reflect the Company's ability to meet its financing needs organically, including those related to capital investment funded primarily through cash generated from its operations. As a result, there is no major requirement for long-term financing, though, the Company avails a relatively small lease facility for financing vehicles that are provided to its employees. The debt to equity ratio is almost zero while interest cover currently stands at an all-time high of 453 times, reflecting the debt free position of the Company.

Significant Plans and Decisions

The Company's key business decisions in 2018 were geared towards achieving its strategic objective of sustainable growth. To deliver growth, PTC continued with its plan to strengthen its brands by directing investment towards product innovations and marketing activities aimed at enhancing the brand equity and image of its brands among its consumers.

1. Brand Equity

As part of its marketing activities, the following portfolio-wide initiatives were undertaken during the year.

(a) Dunhill

In the premium segment, Dunhill went through a transformational upgrade. As part of this upgrade, the brand introduced Reloc packaging for the first time and became the only brand in the local market to offer tube filters to its consumers. To create the desired level of consumer awareness, major trade activities were carried out, which included a retail advocacy program strengthened through a mystery shopper initiative. The launch was further supported by focused consumer engagements.

(b) John Player Gold Leaf

John Player Gold Leaf (JPGL) Special was upgraded by introducing Reloc packaging along with a new and improved pack. JPGL Special upgrade was supported by various marketing initiatives including a trade loyalty program that was offered to a selected group of outlets, introduction of innovative touch points and a brand awareness campaign, aimed at creating the desired level of consumer awareness.

(c) Pall Mall

In the VFM (Value For Money) segment, Pall Mall went through a pack upgrade. The brand upgrade was supported by various trade activation activities conducted at the relevant touchpoints to create the desired level of awareness among the consumers of the VFM segment.

2. Trade Activities

The trade team supported the brand activities by ensuring smooth deployment of simultaneous marketing campaigns and perfection in their execution.

During the year, the Company not only revamped its largest retail loyalty program but also automated its entire Sales and Distribution operations, which involved the automation of 164 distribution sites and training of more than 2,000 field force personnel. The automation project has enabled the Company to gain speedy access to key business information, then analyse the information to derive key business insights and finally utilise these insights to make quick and valuable management decisions.

3. Investing in Talent Development

The Company considers human capital as one of its most valuable asset and thus, continues to invest in the development of its employees. During the year, several training programs were conducted across the Company to ensure employees' skills remained abreast with evolving business requirements and especially, the leadership capabilities of its managers were further enhanced so that they are fully equipped to operate in a challenging environment and deliver the long-term objectives of the Company.

Diversity and inclusion agenda remained a top priority for the Company. To this end, new policies were introduced, and initiatives undertaken to create a more conducive and inclusive work environment, which offers equal opportunities for all without any discrimination. Apart from this, female employees were encouraged and supported to work in the roles at all levels, especially at the factories and in the leaf areas.

Business Rationale of Projects undertaken during the year

The key projects undertaken by the Company along with their rationale are given below.

1. Capacity Expansion Projects

As the Company increased its volume base by capitalising on the opportunity created by the shift in consumption from duty not paid brands to legal brands in the first nine months of the year, investment to enhance manufacturing capacity became imperative. Thus, the Company made significant investments to add manufacturing capacity, enabling it to supply the product and fulfil the market demand. With the enhancement in capacity, our factories were able to produce 46.2 billion sticks in the current year.

2. Operational Synergies and Product Innovation Projects

PTC directed its investment towards projects aimed at increasing operational and manufacturing efficiencies across its operations. These projects delivered cost savings, leaner and more efficient operations and a modern and upgraded machinery footprint. As a result, the Company was not only able to deliver cost savings through highly efficient and lean operations, but was also able to support product innovations and upgrades, introduced to address consumer preferences and achieve brand differentiation. Apart from this, the IWS (Integrated Work System) methodology was implemented across the Company operations, which helped in achieving the second highest OEE (Overall Equipment Efficiency) in the BAT Group.

3. EH&S and Regulatory Compliance Projects

The Company places great importance on the safety of its workplace to ensure that its operations are safe, environment friendly and regulatory compliant. As a result, the Company invested in improving its EH&S systems, processes and equipment. PTC has also worked extensively in creating awareness about EH&S standards and requirements among its employees and contractors. These include trainings on health and safety, incident reporting processes and systems, EH&S audits and maintenance programs to inculcate EH&S as a mindset and way of working across all levels within the Company. Additionally, the Company invested in its machinery and infrastructure to ensure compliance to all applicable regulatory and environmental laws and regulations.

Projects planned for next year

In the future, the Company will remain focused on achieving sustainable growth and creating long term value for its shareholders. PTC will continue to invest in its brands to further strengthen its position in the marketplace and to outperform the competition. This will be supplemented by investment in its operations to support future product innovations, increase efficiencies and deliver productivity savings, while remaining compliant to all applicable and future regulatory requirements.

Strategy and Resource Allocation

Our strategy is the corner stone of the value creation process and guides us to deliver sustainable value.

Capital

Financial Capital
Funds used to drive our strategic ambitions and support operations

Equity:	Rs. 17.77 billion
Long term Debt:	0

Manufactured Capital
Facilities and other physical infrastructure used in manufacturing activities

Property, plant & equipment:	Rs. 10.09 billion

Human Capital
Skills, attitude and experience of employees

Number of employees:	1,109

Social and Relationship Capital
The stakeholder relations we have nurtured and rely on to create sustainable value.

- Loyal Consumers
- Distributors
- Retailers
- Tobacco Farmers
- Suppliers

Intellectual Capital
Knowledge, systems, standards and procedures developed over the years

- Brand trademarks
- Automated systems
- Product recipes

Natural Capital
Natural resources that are used in our value creation

Local tobacco purchased in 2018:	35.3 million kgs

What We Do

Our strategy

Outlook

- Counter illicit trade
- Carry out marketing activities across brand spectrum
- Promote diversity agenda
- Develop talent

Our value creation model shows how we take in value, use our manufacturing facilities, people, systems and relationships to create additional value for our shareholders, employees, and other stakeholders.

Outputs

Productivity

Winning Organisation

Guiding Principles

- Freedom through responsibility
- Strength from diversity
- Open Minded
- Enterprising Spirit

Outputs

Cigarettes produced in 2018:	46.2 billion sticks

Shareholders

Profit after Tax:	Rs. 10.34 billion
Earnings per share:	Rs. 40.46
Dividend per share:	Rs. 37 per share
Highest share price:	Rs. 3,000 per share

Employees

Salaries and Wages:	Rs. 5.02 billion

Business Partners

Payments to tobacco farmers:	Rs. 6.7 billion

Tax contributions

Tax, duties and other levies:	Rs. 92.2 billion

Community Investment

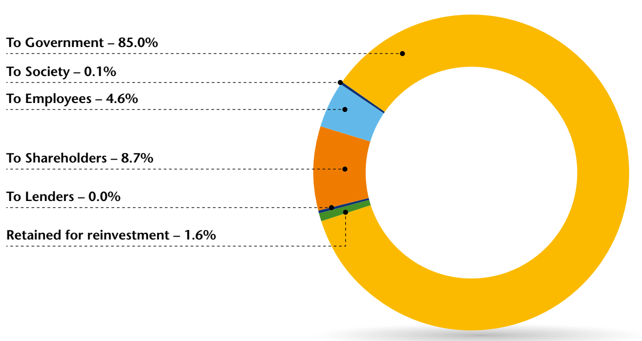
Free of cost saplings:	More than 3.5 million
No. of patients treated for free:	More than 82,000
No. of women trained on health & safety:	250

Statement of Value Generated and its Distribution

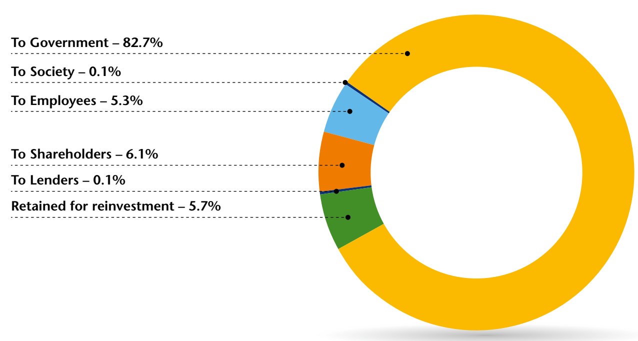
	2018 Rs. in million	%	2017 Rs. in million	%
Value Addition				
Gross Revenues	*137,116		*111,485	
Material, Services and Other Costs	28,550		23,965	
Value added	108,566		87,520	
Value Distribution	Rs.		Rs.	
To Government				
Taxes, duties and other levies	92,211	85.0%	72,358	82.7%
To Society				
Contribution towards health, environment & natural disaster	68	0.1%	49	0.1%
To Employees				
Salaries, benefits and other costs	5,020	4.6%	4,645	5.3%
To Shareholders				
Dividend to shareholders	9,453	8.7%	5,365	6.1%
To lenders				
Mark-up/interest expense on borrowed money	34	0.0%	56	0.1%
Retained for reinvestment				
Depreciation and retained profit	1,780	1.6%	5,047	5.7%
	108,566	100%	87,520	100%

*Gross revenue figure has been adjusted as per IFRS-15 methodology from 2017 and onwards. Certain marketing costs have been deducted from total revenues

Value Distribution
2018



Value Distribution
2017



Economic Value Added

2018
7,206
Rs. in Million

Economic Value Added

2017
7,020
Rs. in Million

Share Price Sensitivity Analysis

The Company's share price is primarily impacted by the performance of the Company in the marketplace, especially against the competition, and by its ability to generate value for its shareholders, both in the short and long term. Several factors influence the Company's performance, some of which are controllable as a result of management action while others are beyond its control and thus, cannot be managed. These uncontrollable factors mostly relate to the external regulatory environment in which the Company operates and has the potential to impact its performance and sustainability to a great extent. Key factors that impact the performance and resultantly, the share price of the Company are given below.

1. Duty Not Paid Sector

Not only the Company but the legal tobacco industry as a whole is impacted by the duty not paid sector, which currently forms 33.2% of the total cigarette market (Retail Audit). This sector not only continues to sell cigarettes below the minimum legal price, as stipulated by the local tax laws but also openly violates tobacco advertising and promotion restrictions.
As a result, the legal industry is placed at a serious disadvantage compared to the illicit sector, as the price stretched consumer is encouraged to down trade to cheap illicit products. This creates major sustainability issues for the legal industry and hence greatly impacts the share price of the Company.

2. Political Environment

The investors are extremely sensitive to the political environment prevalent in the Country. Political instability not only jeopardises overall economic conditions but also discourages investors from investing their capital whereas a stable political environment boosts investor confidence and persuades them to invest their capital. Thus, these conditions directly impact the share price changes.

3. Law and Order

Like any other company, PTC is impacted by the overall security environment of the country. As security concerns increase, the Company must direct enormous amount of resources to ensure the protection of its assets, operations and most importantly the safety of its people. The resources expended on enhancing security measures could easily be used in expanding and improving the business. This impacts profitability and hence is reflected in the share price.

4. Economy

The general state of the economy plays a major role in the performance of any company. A flourishing economy results in more disposable income and a higher standard of living for its people. Ultimately, companies operating in such a country have better prospects of growing their businesses and delivering better returns to its shareholders. Whereas, businesses operating in slow or volatile economies find it very difficult to find opportunities for business expansion. This creates a sensitivity in share price of the Company.

5. Raw Material Prices

Raw materials procured locally and internationally are dependent on international commodity prices. Any unusual spikes raise the cost of products manufactured, causing profitability to be impacted and ultimately, reflecting in the share price.

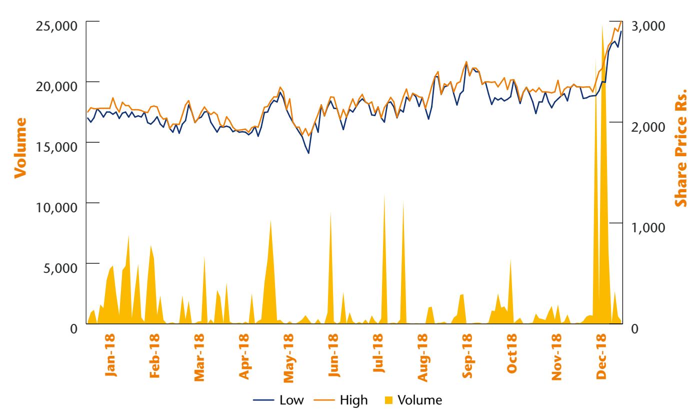
6. Local Currency Devaluation

Having dependency on imported raw materials and tobacco, the Company is greatly impacted by a steep and uncertain devaluation of the local currency. This has the potential to increase the cost base and erode operating margins. Rapid devaluation also causes inflationary pressures to increase, which impact the buying power of the consumers, causing them to spend less on non-essential items.

7. Energy

Increase in electricity and gas tariffs raise the cost of doing business. Additionally, electricity crisis causes the Company to spend on alternative sources to generate electricity, which is more expensive. This is exacerbated by the rise in cost of petroleum, as its impact spans across a much broader spectrum. All these factors ultimately reflect in share price adjustment.

Share Price Sensitivity



Source: Pakistan Stock Exchange

Forward Looking Statement

The Government has taken steps to address the prevalent economic challenges, especially the balance of payments crisis and the rising trade deficit. At December end, key monthly indicators showed visible signs of deceleration in domestic demand, the current account deficit is gradually narrowing, and financial inflows are increasing, reducing pressures on the Country's external accounts. Although, these developments are encouraging and have served to reduce some economic uncertainty but challenges to Pakistan's economy persist: (a) the current account deficit remains high; (b) fiscal deficit is elevated; (c) core inflation is persistently high; and (d) local currency remains weak and vulnerable to further devaluation. While addressing the economic challenges, the Government is focused towards not only stabilizing the economy but also driving economic growth.

Looking ahead, 2019 will be a challenging year for the Company as it will need to counter the challenges presented not only by a tough economic environment but also by the unique dynamics of the tobacco industry. In the future, the Company aims to drive business growth by focusing on delivering the following objectives and by countering the related challenges.

1. Drive Growth Agenda

The Company's strategic objective is to deliver sustainable growth for its shareholders. To do this, the Company will focus on increasing its volume base and market share.

Challenge – Illicit Trade

The major impediment faced by the Company in driving volume growth is the high level of the illicit sector, which currently stands at 33.2%. The illicit sector thrives on the back of non-tax paid cigarettes that sell below the minimum legal price, resulting in significant revenue losses to the Government Exchequer and in major sustainability issues for the legitimate industry players. Therefore, it is necessary for the relevant authorities to intensify their efforts to eradicate the illicit sector and create a level playing field for the legitimate industry. This will not only enable the legal companies in driving volume growth but also result in increasing tax revenues for the Government.

Besides, fiscal non-compliance, the illicit sector openly violates product advertising and promotion regulations. This not only puts the legitimate industry at a serious disadvantage compared to the illicit sector but above all adversely affects the Government's regulatory agenda towards tobacco control. Thus, it is evident that the Company's outlook will greatly be impacted by the Government's efforts towards enforcing fiscal and regulatory discipline on the illicit sector in the future.

It is also important for the Government to drive a balanced fiscal agenda to ensure the sustainability of the legal industry. Historic data reveals that excise led price increases widen the price differential between legal industry brands and duty not paid products, which sell well below the minimum legal price. As the price differential widens, price stretched consumers down trade to cheap illicit products available in the market. Resultantly, legal industry starts to lose volumes to the illicit sector, creating major sustainability issues for the legal industry, while at the same time Government revenue collections start to experience a steep decline.

Strengthen Portfolio Wide Brand Equity

The Company's future actions are aligned towards further strengthening its brand portfolio. Future marketing investment will be aimed at enhancing the brand equity of the Company's brand portfolio amongst consumers of all segments. This will be achieved through product innovations developed to address the evolving consumer preferences and creation of maximum brand awareness through innovative campaigns directed at relevant and effective consumer touchpoints. This will aid the Company in building a robust brand portfolio, enabling it to continuously outperform the competition and lead in the marketplace. By adhering to this plan, the Company will be well positioned to drive volume growth and gain market share. Thus, the Company remains confident to retain its market leadership of the industry in the future.

2. Drive Effective Resource Allocation and Cost Management

Increasing inflationary pressures will be challenging for the Company in the future. The Company will take effective measures to mitigate the adverse impacts on its cost base.

Challenge – Currency Devaluation

It is expected that the local currency will remain weak and devalue further in the future. As the Company imports some of its raw materials including tobacco globally, thus, it will be impacted adversely by unusual currency movements, especially in the absence of currency hedging products in local financial markets. This will ultimately lead to an increase in the cost base and cause the operating margins to shrink.

Rapid devaluation also adds to inflationary pressures and dilutes the real buying power of the consumers, forcing them to spend less on non-essential items including cigarettes, impacting the overall industry sales.

Therefore, the Company will need to take effective measures to mitigate the impact of currency devaluation in the future.

3. Drive Operating and Manufacturing Efficiencies

In the future, the Company will continue to invest in enhancing its operating and manufacturing efficiencies. This will be achieved through investment in modern and upgraded equipment and machinery that not only delivers better efficiencies but is also capable of supporting future product innovations, necessary to maintain competitive advantage in the marketplace.

The Company is already geared to cater for any surge in market demand. At the same time, the Company is committed to investing in its machinery footprint to ensure compliance to any future regulatory requirements. Additionally, the operating infrastructure is continuously being upgraded with the best EH&S equipment, systems and processes to ensure a safe working environment for all employees.

4. Support CSR initiatives

In the future, the Company will continue to support initiatives aimed at the betterment and uplift of the communities in which the Company operates. Additionally, other initiatives will also be supported to continue driving the CSR agenda of the Company.

5. Invest in Human Capital

To maintain its competitive advantage, the Company will continue investing in its people to develop a diverse and highly competitive talent pool, fully capable of managing the future challenges of the business. Attracting, developing and retaining the best talent will continue to be rooted in the organisation.

Analysis of prior period's forward looking disclosure

The Company anticipated 2018 to be a challenging year with illicit trade remaining a major threat for the legitimate industry players. The fiscal reforms of Budget 17/18 helped in reducing the illicit sector from a high of 41.2% (June 2017) to 33.2% (Full-year 2018) and helped the legal industry in regaining some of its lost volumes, however, the illicit sector share still remains very high, forming 33.2% of the total market and continues to remain a major threat to the sustainability of the legitimate industry.

In 2018, the Company was able to regain some of the lost volumes and increase its overall share of the market while mitigating the inflationary impacts on its cost base. As a result, the Company was able to deliver a growth in profit of 8% vs 2017 in line with expectations.

Sources of Information

In the preparation of budgets, a detailed and comprehensive budgeting activity is carried out across the Company. Sales forecasts are prepared based on the critical analysis of the market demand. Costs are projected based on the expected commodity prices, currency devaluation and future inflation. Based on these assumptions, detailed forecasts are prepared, which are then approved by the Board of Directors. Performance of the Company is then regularly monitored against these forecasts.

Financial Calendar

2018	
1st Quarter Results issued on	April 27, 2018
2nd Quarter Results issued on	July 23, 2018
3rd Quarter Results issued on	October 23, 2018
Recommendation of Annual Results by the BoD	February 22, 2019
72nd Annual General Meeting scheduled for	April 22, 2019

2017	
1st Quarter Results issued on	April 20, 2017
2nd Quarter Results issued on	July 27, 2017
3rd Quarter Results issued on	October 19, 2017
Recommendation of Annual Results by the BoD	February 20, 2018
71st Annual General Meeting held on	April 20, 2018

Management's Responsibility Towards Financial Statements

The management of the Company is responsible for adopting sound accounting policies, establishing and maintaining a system of internal controls. The management is also responsible for preparation and presentation of the financial statements in conformity with the approved accounting standards and the requirements of the Companies Act, 2017.

Statement of Unreserved Compliance of International Financial Reporting Standards (IFRS)

Company's financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017. In case requirements differ, the provisions or directives of the Companies Act, 2017, shall prevail.

Note 6 of the financial statements specifies the standards and interpretations which are yet to be effective in Pakistan. The Company believes that the impact of these standards and interpretations does not have any material impact on the financial statements.

Statement of Adoption & Adherence with the Integrated Reporting Framework

The Company's history of 71 years is a testament of its strong foundation, leadership and resilience. Being the legal industry market leader, our remarkable success is a reflection that we hold true to our core business values, adhere to a robust governance framework and operate through a streamlined set of systems and processes. We engage and cooperate with our employees, suppliers, valued business partners and other key stakeholders to ensure integrated functioning and effective utilization of our resources across our value chain, to generate value for the Company, key stakeholders and our shareholders.

PTC adopts a similar integrated approach towards corporate reporting and thus, our Annual Report presents a fair, accurate, balanced and valuable overall assessment of the Company, particularly its strategy, performance, operations, brands, people and most importantly, its outlook in relation to the operating challenges faced by it. This report will enable the readers to swiftly and easily understand the material issues that impact our business and key stakeholders.

In the preparation of this report, the Company has tried to adhere to the guiding principles stipulated by the integrated reporting framework. These include.

1. Strategic focus and future orientation
2. Connectivity of information
3. Stakeholder relationships
4. Materiality
5. Conciseness
6. Reliability and completeness
7. Consistency and comparability

This report endeavours to provide key information about the below critical aspects of our business, thereby, enabling the reader to easily understand the key challenges faced by the Company in generating value for its shareholders and key stakeholders.

1. Organisational overview and external environment
2. Business model
3. Risks and opportunities
4. Strategy and resource allocation
5. Performance
6. Governance
7. Basis of presentation
8. Outlook

Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN that the Seventy Second (72nd) Annual General Meeting ("Meeting") of Pakistan Tobacco Company Limited ("the Company") will be held at the Serena Hotel, Khayaban-e-Suhrwardy, Islamabad on Monday, the 22nd day of April 2019, at 10.30 AM to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Company's Audited Financial Statements for the year ended 31st day of December 2018, together with the Reports of the Directors and Auditors thereon.

2. To approve and declare Final Dividend for the year 2018 on the Ordinary Shares of the Company as recommended by the Board.

3. To appoint Auditors and to fix their remuneration.

4. To elect 12 (twelve) Directors on the Company's Board of Directors as fixed by the Board for a period of three years' term commencing on the 22nd day of April 2019 (close of business). The term of the following nine (9) Directors will end on the 20th day of April 2019: Mr. Mueen Afzal, Syed Javed Iqbal, Mr. Michael Koest, Mr. Zafar Mahmood, Ms. Hae In Kim, Mr. Imran Maqbool, Mr. Tajamal Shah, Mr. Wael Sabra and a vacant position.

By the order of the Board

M. IDRIES AHMED
Company Secretary

Islamabad: March 29, 2019

NOTES

1. Closure of Share Transfer Books

Share Transfer Books of the Company will be closed from 16th April 2019 to 22nd April 2019 (both days inclusive) when no transfer of Company's shares will be accepted or registered. Transfers in good order, received at the office of the Company's Share Registrar FAMCO Associates (Private) Limited, 8-F, Near Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahrah-e-Faisal, Karachi-75400 ("the Share Registrar") by the close of business on Monday, the 15th April 2019, will be treated in time to be entitled to vote and for the entitlement of dividend.

2. Participation in the Annual General Meeting

All Members/Shareholders of the Company are entitled to attend and vote at the Meeting.

3. Attendance of Members

A. Attendance in Person

For those Members who attend the Meeting in person, their identity shall be required to be authenticated by either original valid CNIC or original valid Passport at the time of attending the Meeting.

B. Attendance through Proxy

A Member is entitled to appoint a proxy (who may not be a Member of the Company) who will have the right to attend, speak and vote in place of that appointing Member. The Proxy shall be appointed in the following manner:

(i) Proxy Form(s) must be deposited at Company's Share Registrar's office not less than forty-eight (48) hours (excluding holidays) before the time of the Meeting. Proxy Form(s) received after the said forty-eight (48) hours i.e. after 10:30 AM on 18th day of April 2019 Friday (as Saturday & Sunday will be excluded for being holidays), will not be treated as valid

(ii) Attested copies of valid CNIC or the valid Passport of the beneficial owners and the Proxy shall be furnished with the Proxy Form.

(iii) In case of a corporate entity, the Board of Directors' Resolution/Power of Attorney with specimen signatures and attested copy of valid CNIC of the person nominated by the corporate entity to represent and vote on its behalf, shall be submitted to the Company's Share Registrar

(iv) The Proxy shall produce his/her original valid CNIC or original valid Passport at the time of the Meeting

(v) A specimen Proxy Form is attached to this Notice and is also available on Company's website

C. Attendance by CDC Account Holders

Attendance of Members who have deposited their shares into the Central Depository Company of Pakistan Limited shall be in accordance with the following mandatory requirements:

(i) Individual Members must bring their "Participant's ID Number", together with their Account/Sub-account number and original valid Computerised National Identity Card (CNIC) or original valid Passport at the time of attending the Meeting

(ii) For corporate entity, presentation of a certified copy of the Board Resolution/ Power of Attorney with specimen signatures and attested copy of valid CNIC of the person nominated by the corporate entity to represent and vote on its behalf, shall be submitted

4. Submission of CNIC/NTN Details Mandatory

A. Members who have not yet submitted a copy of their valid CNIC or valid Passport to the Company, are once again reminded to send the same at the earliest either to the Company or to the Share Registrar. The CNIC number /NTN details is now mandatory and is required for checking the tax status as per the Active Tax Payers List (ATL) issued by the Federal Board of Revenue (FBR) from time to time.

B. Individual Members (including all joint holders) holding physical share certificates of the Company are therefore requested to submit a copy of their valid CNIC to the Company or its Share Registrar if not already provided. The shareholders while sending CNIC must quote their respective folio numbers.

C. In cases of non-receipt of the copy of a valid CNIC, the Company would be constrained under Section 243 (3) of the Companies Act, 2017 ("the Companies Act") to withhold divided of such shareholders.

5. Dividend, Electronic Credit Mandate Mandatory

Pursuant to the provisions of Section 242 of the Companies Act, it is mandatory for a listed company to pay cash dividend to its shareholders only through electronic mode by making direct remittance into their respective bank account designated by the entitled shareholder(s) ("the Bank Account"). Therefore, the Company will be remitting the dividend proceeds directly into the Bank Accounts of its Member, instead of issuing physical Dividend Warrants. In order to receive

Notice of the Annual General Meeting

dividends directly into your Bank Account, Members holding shares in physical form are requested to submit the "Electronic Credit Mandate Form", which is available on Company's website i.e. www.ptc.com.pk. Please printout the Form, fill and sign it, and send the completed Form along with a copy of a valid CNIC to the Share Registrar of the Company at the afore-stated postal address, which should reach the latest by 15th April, 2019. Members who hold shares in CDC accounts should provide their mandate to their respective participant or CDC Investor Account Services.

6. Deduction of Income Tax from Dividend Mandatory

A. Pursuant to the provisions of the Finance Act 2017 effective July 1, 2017, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:

(i) Rate of tax deduction for Filer of Income Tax Return: 15%

(ii) Rate of tax deduction for Non-Filers of Income Tax Return: 20%

To enable the Company to make tax deduction on the amount of cash dividend @ 15% instead of 20%, shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of Federal Board of Revenue (FBR), despite the fact that they are filers, are advised to immediately make sure that that their names are entered in ATL, otherwise tax on their cash dividend will be deducted @ 20% instead of 15%.

B. Withholding Tax exemption from the dividend income shall only be allowed if a copy of valid tax exemption certificate is made available to the Company's Share Registrar FAMCO Associates (Pvt) Ltd., by the first day of Book Closure.

C. Further, according to clarification received from FBR, Withholding Tax will be determined separately on 'Filer/Non-Filer' status of Principal Shareholder as well as joint-holder(s) based on their shareholding proportions, in case of joint accounts.

In this regard, all Members/Shareholders of the Company either holding shares in physical form or in CDC, who hold shares jointly are requested to provide shareholding proportions of Principal Shareholder and Joint-holder(s) in respect of shares held by them (only if not already provided) to our Share Registrar, in writing and in the following manner:

Company Name	Folio/CDC Account #	Total Shares	Principal Shareholder		Joint Shareholder	
			Name and CNIC #	Shareholding Proportion (No. of Shares)	Name and CNIC #	Shareholding Proportion (No. of Shares)

The required information must reach the Company's Share Registrar within ten (10) days of this notice; otherwise it will be assumed that the shares are equally held by Principal Shareholder and Joint Holder(s).

D. The corporate shareholders of the Company having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to either the Company or the Share Registrar. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

7. Zakat Deduction

To claim exemption from compulsory deduction of Zakat, shareholders are requested to submit a notarized copy of their Zakat Declaration Form "CZ-50" on NJSP of Rs. 50/- to the Share Registrar.

8. E-Voting

Members can exercise their right to demand a poll subject to meeting requirements under Sections 143-145 of Companies Act and applicable clauses of Companies (Postal Ballot) Regulation 2018.

9. Video-Link Facility

Pursuant to Section 134(1)(b) of the Companies Act and SECP's circular No 10 of 2014 dated May 21, 2014, if the Company receives consent from Members holding in aggregate 10% or more shareholding residing in a geographical location to participate in the Meeting through video conference at least ten (10) days prior to the date of the meeting. The Company will arrange video conference facility in that city, subject to availability of such facility in that city. To avail this facility, please provide the following information to the Share Registrar:

I/We, ____________________, being a member of Pakistan Tobacco Company Limited, holding _______ of Ordinary Shares (s) as per Register Folio No. ______________ hereby opt for the Video Conference Facility at (please insert name of the city).

10. Statement of Unclaimed or Unpaid Amounts U/S 244 of the Companies Act, 2017

The Securities & Exchange Commission of Pakistan has, pursuant to Section 244, read with Section 510 of the Companies Act 2017, directed all companies to submit a statement to the Commission through eServices portal (https://eservices.secp.gov.pk/eServices/) stating the number or amounts, as the case may be, which remain unclaimed or unpaid for a period of three (3) years from the date it is due and any other instrument or amount which remain unclaimed or unpaid, as may be specified.

11. Change of Address

A. Members are requested to notify any change in their notified addresses immediately. Members holding shares in physical form are requested to notify the Company's Share Registrar promptly of changes in their notified address.

B. Members holding shares in electronic form with CDC must notify change of address to their participants or CDC Investor Account Services with whom the account is being maintained.

12. Contact Details

Company Contact

Company Secretary
Pakistan Tobacco Company Limited
Serena Business Complex, Khayaban-e-Suhrwardy, Islamabad
Tel: + 92 51 2083200

Share Registrar

FAMCO Associates (Private) Limited
8-F, Near Hotel Faran, Nursery, Block-6, P.E.C.H.S.
Shahrah-e-Faisal, Karachi
Tel: + 92 21 34380101-5
Email: info.shares@famco.com.pk

Statement of Compliance
With the Code of Corporate Governance

Name of Company: Pakistan Tobacco Company Limited
Year ended: December 31, 2018

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are nine as per the following:
   a) Male: 8
   b) Female: 1

2. The composition of the Board is as follows:

   Independent Director
   Mr. Zafar Mahmood

   Non-Executive Directors
   Mr. Mueen Afzal
   Mr. Lt. Gen. (Retd) Ali Kuli Khan
   Ms. Hae In. KIM
   Mr. Michael Koest
   Mr. Imran Maqbool

   Executive Directors
   Syed Javed Iqbal
   Mr. Tajamal Shah
   Mr. Wael Sabra

3. The Directors have confirmed that none of them is serving as a director on more than five listed companies, including this Company (excluding the listed subsidiaries of listed holding companies, where applicable).

4. The Company has prepared a code of conduct namely the "Standard of Business Conduct" (SoBC) and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

5. 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 are being maintained.

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board / shareholders as empowered by the relevant provisions of the Companies Act, 2017 and the Regulations.

7. The Board meetings were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose. The Board has complied with the requirements of Companies Act, 2017 and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.

8. The Board of Directors has a formal policy and transparent procedure for remuneration of Directors in accordance with the Companies Act, 2017 and the Regulations.

9. Training of all Directors will be completed as per timelines given in the Regulations. The majority of the Board members have the prescribed qualification and experience required for exemption from the training programmes of Directors.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. CEO and CFO duly endorsed the financial statements before approval of the Board.

12. The Board has formed Committees consisting of members given below:

a) Audit Committee

Mr. Zafar Mahmood	Chairman
Mr. Lt. Gen. (Retd) Ali Kuli Khan Khattak	Member
Mr. Imran Maqbool	Member
Mr. Michael Koest	Member
Ms. Hae In Kim	Member

b) HR and Remuneration Committee

Mr. Lt. Gen. (Retd) Ali Kuli Khan Khattak	Chairman
Syed Javed Iqbal	Member
Mr. Imran Maqbool	Member

13. The terms of reference of the aforesaid Committees have been formed, documented and advised to the Committees for compliance.

14. The frequency of meetings of the Committees were as per the following:

a) The Audit Committee: Four (4) quarterly meetings were held during the year ended 31 December, 2018.

b) HR and Remuneration Committee: One (1) meeting was held during the year ended 31 December, 2018.

15. The Board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

16. 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 and registered with the Audit Oversight Board of Pakistan, 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 ICAP.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Companies Act, 2017, the Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with.

Mueen Afzal
Chairman

Syed Javed Iqbal
MD/CEO

Dated: 22 February 2019

Independent Auditors' Review Report

To the members of Pakistan Tobacco Company Limited

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Pakistan Tobacco Company Limited for the year ended December 31, 2018 in accordance with the requirements of regulation 40 of the Regulations.
The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the 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 of Directors' 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.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, 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 requirements contained in the Regulations as applicable to the Company for the year ended December 31, 2018.

KPMG Taseer Hadi & Co

KPMG Taseer Hadi & Co.
Chartered Accountants

Islamabad
22 February 2019

PAKISTAN TOBACCO COMPANY LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

Independent Auditor's Report

To the members of Pakistan Tobacco Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Pakistan Tobacco Company Limited (the Company), which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

S. No.	Key audit matters	How the matter was addressed in our audit
1	**Revenue recognition** *Refer notes 7.1 and 8 to the financial statements.* The Company is engaged in the production and sale of tobacco and tobacco products. The Company recognized net revenue from the sales of cigarettes of Rs. 53,112 million for the year ended 31 December 2018. We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicator of the Company and gives rise to an inherent risk that revenue could be subject to misstatement to meet expectations or targets.	Our audit procedures to assess the recognition of revenue, amongst others, included the following: • Obtaining an understanding of the process relating to recognition of revenue and testing the design, implementation and operating effectiveness of key internal controls over recording of revenue; • Comparing a sample of revenue transactions recorded during the year with sales orders, sales invoices, delivery documents and other relevant underlying documents; • Comparing a sample of revenue transactions recorded around the year- end with the sales orders, sales invoices, delivery documents and other relevant underlying documentation to assess if the related revenue was recorded in the appropriate accounting period; • Assessing whether the accounting policies for revenue recognition complies with the requirements of IFRS 15 'Revenue from Contracts with Customers'; and • Comparing the details of a sample of journal entries posted to revenue accounts during the year, which met certain specific risk-based criteria, with the relevant underlying documentation. We also considered the appropriateness of disclosures in the financial statements.
2	**Valuation of stock-in-trade** *Refer notes 7.12 and 20 to the financial statements.* As at 31 December 2018, stock-in-trade is stated at Rs. 18,489 million. Stock-in-trade is measured at the lower of cost and net realizable value. We identified existence and valuation of stock-in-trade as a key audit matter due to its size, representing 46% of total assets of the Company as at 31 December 2018, and the judgement involved in valuation.	Our audit procedures to assess the valuation of stock-in-trade, amongst others, included the following: • Assessing the design, implementation and operating effectiveness of key internal controls over valuation of stock-in-trade including determination of net realizable values; • Attending inventory counts and reconciling the count results to the inventory listings to test the completeness of data; • Assessing the net realizable value of stock-in-trade by comparing, on a sample basis, management's estimation of future selling prices for the products with committed sales contracts and selling prices achieved subsequent to the end of the reporting period; • Comparing the net realizable value to the cost of a sample of stock-in-trade and comparison to the associated provision to assess whether stock-in-trade provisions are complete; and • Assessing accuracy of inventory ageing reports and adequacy of provisions.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. Other information comprises the information included in the annual report for the year ended 31 December 2018, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) 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.

The engagement partner on the audit resulting in this independent auditors' report is Mr. Atif Zamurrad Malik.

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants

Islamabad
February 22, 2019

Statement of Profit or Loss

For the year ended December 31, 2018

	Note	2018 Rs '000	2017 Rs '000
			(Restated)
Gross turnover	8	137,115,757	111,485,277
Excise duties		(63,117,903)	(51,247,115)
Sales tax		(20,885,770)	(16,959,013)
Net turnover		53,112,084	43,279,149
Cost of sales	9	(29,828,556)	(23,075,361)
Gross profit		23,283,528	20,203,788
Selling and distribution costs	10	(4,950,293)	(3,762,202)
Administrative expenses	11	(2,558,072)	(2,663,970)
Other operating expenses	12	(1,381,858)	(1,186,191)
Other income	13	177,729	242,134
		(8,712,494)	(7,370,229)
Operating profit		14,571,034	12,833,559
Finance income		742,648	234,124
Finance cost	14	(33,828)	(56,338)
Net finance income		708,820	177,786
Profit before income tax		15,279,854	13,011,345
Income tax expense	15	(4,941,862)	(3,437,783)
Profit for the year		10,337,992	9,573,562
Earnings per share (basic and diluted) - (Rupees)	16	40.46	37.47

The annexed notes 1 to 42 form an integral part of these financial statements.

Syed Javed Iqbal
Chief Executive Officer

Wael Sabra
Chief Financial Officer / Director

Statement of Comprehensive Income

For the year ended December 31, 2018

	Note	2018 Rs '000	2017 Rs '000
Profit for the year		10,337,992	9,573,562
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
- Remeasurement loss on defined benefit pension and gratuity plans	33	(37,795)	(390,891)
- Tax credit related to remeasurement loss on defined benefit pension and gratuity plans	15.3	7,499	117,267
		(30,296)	(273,624)
Total comprehensive income for the year		10,307,696	9,299,938

The annexed notes 1 to 42 form an integral part of these financial statements.

Syed Javed Iqbal
Chief Executive Officer

Wael Sabra
Chief Financial Officer / Director

Statement of Financial Position

As at December 31, 2018

	Note	2018 Rs '000	2017 Rs '000
Non current assets			
Property, plant and equipment	17	9,130,827	8,339,695
Advances for capital expenditure		959,439	291,119
Long term investment in subsidiary company	18	5,000	5,000
Long term deposits and prepayments	19	32,112	32,319
		10,127,378	8,668,133
Current assets			
Stock-in-trade	20	18,489,390	14,460,890
Stores and spares	21	634,029	593,909
Trade debts	22	1,553	2,636
Loans and advances	23	97,960	72,685
Short term prepayments		249,935	212,747
Other receivables	24	1,859,684	968,996
Short term investments	25	8,699,508	6,763,842
Cash and bank balances	26	293,165	390,128
		30,325,224	23,465,833
Current liabilities			
Trade and other payables	27	18,621,368	10,532,562
Other liabilities	28	2,298,698	2,226,659
Short term running finance	29	75,542	–
Finance lease obligation	30	148,245	165,245
Unpaid dividend	31	200,188	184,852
Unclaimed dividend		81,268	79,451
Accrued interest / mark-up		5,331	3,414
Current income tax liabilities		382,417	662,310
		(21,813,057)	(13,854,493)
Net current assets		8,512,167	9,611,340
Non current liabilities			
Finance lease obligation	30	(284,845)	(260,050)
Deferred income tax liabilities	32	(589,076)	(1,108,225)
		(873,921)	(1,368,275)
Net assets		17,765,624	16,911,198
Share capital and reserves			
Share capital	34	2,554,938	2,554,938
Revenue reserve - Unappropriated profit		15,210,686	14,356,260
		17,765,624	16,911,198
Contingencies and commitments	35		

The annexed notes 1 to 42 form an integral part of these financial statements.

Syed Javed Iqbal
Chief Executive Officer

Wael Sabra
Chief Financial Officer / Director

Statement of Changes in Equity

For the year ended December 31, 2018

	Share capital Rs '000	Revenue reserve - Unappropriated profit Rs '000	Total Rs '000
Balance at January 1, 2017	2,554,938	10,421,692	12,976,630
Total comprehensive income for the year:			
Profit for the year	–	9,573,562	9,573,562
Other comprehensive income for the year	–	(273,624)	(273,624)
Total comprehensive income for the year	–	9,299,938	9,299,938
Transactions with owners of the Company:			
Final dividend of Rs 11.00 per share relating to the year ended December 31, 2016	–	(2,810,432)	(2,810,432)
Interim dividend of Rs 10.00 per share relating to the year ended December 31, 2017	–	(2,554,938)	(2,554,938)
Total transactions with owners of the Company	–	(5,365,370)	(5,365,370)
Balance at December 31, 2017	2,554,938	14,356,260	16,911,198
Balance at January 1, 2018	2,554,938	14,356,260	16,911,198
Total comprehensive income for the year:			
Profit for the year	–	10,337,992	10,337,992
Other comprehensive income for the year	–	(30,296)	(30,296)
Total comprehensive income for the year	–	10,307,696	10,307,696
Transactions with owners of the Company:			
Final dividend of Rs 20.00 per share relating to the year ended December 31, 2017	–	(5,109,876)	(5,109,876)
Interim dividend of Rs 7.00 per share relating to the year ended December 31, 2018	–	(1,788,456)	(1,788,456)
Interim dividend of Rs 10.00 per share relating to the year ended December 31, 2018	–	(2,554,938)	(2,554,938)
Total transactions with owners of the Company	–	(9,453,270)	(9,453,270)
Balance at December 31, 2018	2,554,938	15,210,686	17,765,624

The annexed notes 1 to 42 form an integral part of these financial statements.

Syed Javed Iqbal
Chief Executive Officer

Wael Sabra
Chief Financial Officer / Director

Statement of Cash Flows

For the year ended December 31, 2018

	Note	2018 Rs '000	2017 Rs '000
Cash flows from operating activities			
Cash generated from operations	39	18,833,556	16,977,916
Finance cost paid		(31,911)	(56,362)
Income tax paid		(5,725,015)	(4,297,752)
Contribution to retirement benefit funds		(267,012)	(344,134)
Net cash generated from operating activities		12,809,618	12,279,668
Cash flows from investing activities			
Purchases of property, plant and equipment		(1,606,818)	(902,484)
Advances for capital expenditure		(668,321)	(260,295)
Proceeds from sale of property, plant and equipment		154,543	207,953
Interest received		761,781	215,291
Net cash used in investing activities		(1,358,815)	(739,535)
Cash flows from financing activities			
Dividends paid		(9,436,117)	(5,179,246)
Finance lease payments		(251,525)	(238,805)
Net cash used in financing activities		(9,687,642)	(5,418,051)
Net increase in cash and cash equivalents		1,763,161	6,122,082
Cash and cash equivalents at beginning of year		7,153,970	1,031,888
Cash and cash equivalents at end of year		8,917,131	7,153,970
Cash and cash equivalents comprise:			
Cash and bank balances	26	293,165	390,128
Short term investments	25	8,699,508	6,763,842
Short term running finance	29	(75,542)	–
		8,917,131	7,153,970

The annexed notes 1 to 42 form an integral part of these financial statements.

Syed Javed Iqbal
Chief Executive Officer

Wael Sabra
Chief Financial Officer / Director

Notes to the Financial Statements

For the year ended December 31, 2018

1 Corporate and General Information

The Company and its operations

Pakistan Tobacco Company Limited (the Company) is a public limited company incorporated in Pakistan on November 18, 1947 under the Companies Act, 1913 (now the Companies Act, 2017) and its shares are quoted on the Pakistan Stock Exchange Limited. 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 Company is engaged in the manufacture and sale of cigarettes.

The registered office of the Company is situated at Serena Business Complex, Khayaban-e-Suharwardy, Islamabad, Pakistan. The Company has two manufacturing plants located at Akora Khattak and Jhelum.

These financial statements are the separate financial statements of the Company. Consolidated financial statements are prepared separately.

Capacity and production

Against an estimated manufacturing capacity of 51,330 million cigarettes (2017: 43,600 million cigarettes) actual production was 46,201 million cigarettes (2017: 35,307 million cigarettes). The split from each industrial unit is given below.

	Manufacturing Capacity	
Site	**2018 (Units in Millions)**	**2017 (Units in Millions)**
Akora Khattak Factory	28,490	24,774
Jhelum Factory	22,840	18,826
Total	51,330	43,600

	Actual Production	
Site	**2018 (Units in Millions)**	**2017 (Units in Millions)**
Akora Khattak Factory	24,404	21,165
Jhelum Factory	21,797	14,142
Total	46,201	35,307

Actual production is less than the installed capacity due to market demand.

Number of employees

Total number of employees as at December 31, 2018 were 1,109 (2017: 1,029). Out of the total number of employees, the number of factory employees as at December 31, 2018 were 456 (2017: 392). Average number of employees during the year were 1,097 (2017: 1,044), whereas average factory employees during the year were 451 (2017: 418).

Summary of significant transactions and events

Significant events and transactions affecting the Company's financial position and performance during the year are as follows:

- During the year, the Company experienced two excise increases, which led to portfolio wide consumer price increases, thereby, widening the price gap with lower priced duty evaded cigarettes.

- During the year, the Company has made additions of Rs 708 million to plant and machinery resulting in increased manufacturing capacity from 43,600 million to 51,330 million cigarettes.

2 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3 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 Functional and presentation currency

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

5 Use of estimates and judgements

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized, prospectively.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

- Note 8 – Nature and timing of satisfaction of performance obligation and revenue recognition
- Notes 7.9 and 17 – useful lives, residual values and depreciation method of property, plant and equipment
- Note 7.12, 7.13, 20 and 21 – Provision for obsolescence of stock-in-trade and stores and spares
- Notes 7.2, 15 and 32 – Provision for income tax and calculation of deferred tax
- Notes 7.7 and 33 – Retirement benefits
- Notes 7.14 and 36 – Financial instruments – fair values
- Notes 7.5, 7.6 and 35 – Contingencies

During the year, the Company changed its estimate with regards to the residual values and useful lives of property, plant and equipment. The change in estimate is applied prospectively. The Company changed residual values of vehicles from 35% to 20%, resulting in an increase of Rs 132 million depreciation expense with a corresponding decrease in carrying amount of vehicles as at December 31, 2018. The Company changed useful life of plant and machinery from 14.5 years to 20 years, resulting in a decrease of Rs 272 million depreciation expense with corresponding increase in carrying amount of property, plant and equipment as at December 31, 2018.

Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The management regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the management assesses the evidence obtained from the third parties to support its conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

When measuring fair value of an asset or a liability, the Company uses observable and available market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1, which are observable and available for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable and available market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level of input that is significant to the entire measurement. The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

6 New accounting standards, amendments and IFRIC interpretations that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 1 January 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment to be reflected in the measurement of current and deferred tax. The application of this interpretation is not likely to have an impact on Company's financial statements.
- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Company is currently in the process of analysing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's financial statements.
- Amendments to IAS 19 'Employee Benefits'- plan amendment, curtailment or settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Company's financial statements.
- Amendment to IFRS 3 'Business Combinations' – definition of a business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing general purpose financial statements in accordance with IFRS.
- Annual Improvements to IFRS 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:
    - IFRS 3 'Business Combinations' and IFRS 11 'Joint Arrangement' - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company re-measures its previously held interest in a joint operation when it obtains control of the business. A company does not re-measure its previously held interest in a joint operation when it obtains joint control of the business.

- IAS 12 'Income Taxes' - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

- IAS 23 'Borrowing Costs' - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have any impact on Company's financial statements.

7 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except for the changes in the accounting policy as explained below.

– The Companies Act, 2017 specifies certain disclosures to be included in the financial statements. Accordingly, the Company has presented the required disclosures in these financial statements and re-presented relevant comparatives. However, there has been no change in the reported figures of profit, other comprehensive income and the statement of financial position due to these re-presentations.

– The Company has early adopted IFRS 9 'Financial Instruments' from January 01, 2018. The adoption of this standard has no significant impact on the Company's financial statements. IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 'Financial Instruments: Recognition and Measurement'.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The following table explains the original measurement categories under IAS 39 and new measurement categories under IFRS 9 for each class of the Company's financial assets and liabilities.

	Original classification under IAS 39	New classification under IAS 39
Financial Assets		
Trade debts	Loans and receivable	Amortized cost
Other receivables	Loans and receivable	Amortized cost
Short term investments	Loans and receivable	Fair value through profit or loss
Cash and bank balances	Loans and receivable	Amortized cost
Financial Liabilities		
Trade and other payables	Other financial liabilities	Amortized cost
Other liabilities	Other financial liabilities	Amortized cost
Short term running finance	Other financial liabilities	Amortized cost

– The Company has early adopted IFRS 15 'Revenue from Contracts with Customers' from January 01, 2018. Accordingly, the Company has changed its accounting policy for revenue recognition in respect of certain marketing costs previously recognized as 'selling and distribution costs'. These costs are now recognized as a deduction from the gross amount of sales as required under IFRS 15. Moreover, there is no impact on the recognition of the revenues under this standard.

The change in accounting policy has been applied retrospectively and comparative figures in the statement of profit or loss are restated. The following table summarises the impacts of adopting IFRS 15 on the comparative figures as presented in the statement of profit or loss for each of the line items affected.

	As previously reported Rs '000	Effect of change in accounting policy Rs '000	Restated amount Rs '000
Revenue	112,523,770	(1,038,493)	111,485,277
Selling and distribution costs	(4,800,695)	1,038,493	(3,762,202)

There was no significant impact on the comparative figures presented in the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows. Further, the change in accounting policy has no impact on the reported amount of unappropriated profit as at 01 January 2017.

7.1 Revenue recognition

Revenue comprises the invoiced value for the sale of goods net of sales taxes, rebates and discounts. Certain marketing costs are deducted from the gross amount of sales. Revenue from the sale of goods is recognized when control of the goods passes to customers and the customers can direct the use of and substantially obtain all the benefits from the goods. Revenue is recognized when specific criteria have been met for each of the Company's activities as described below.

Revenue from contracts with customers

Sale of goods

The Company manufactures and sells cigarettes to its appointed distributors. Sale of goods is recognized when the Company has transferred control of the products to the distributor and there is no unfulfilled obligation that could affect the distributor's acceptance of the products.

Contract assets

Contract assets arise when the Company performs its performance obligations by transferring goods to a customer before the customer pays its consideration or before payment is due.

Contract liabilities

Contract liability is the obligation of the Company to transfer goods to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company transfers goods, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Company performs its performance obligations under the contract.

Income on bank deposits

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

Income on short term investments

Short term investments, classified as financial assets at fair value through profit or loss, are re-measured to fair value at each reporting date until the assets are de-recognized. The gains and losses arising from changes in fair value are included in the statement of profit or loss in the period in which they occur.

Others

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

7.2 Income tax

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

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. 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.

Deferred tax

Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax basis 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.

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

7.3 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 statement of financial position date and adjusted to reflect current best estimate.

7.4 Earnings per share

The Company presents earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

7.5 Contingent assets

Contingent assets are disclosed when the Company has a possible asset that arises from past events and whose existence will only be confirmed 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 certain.

7.6 Contingent liabilities

Contingent liability is disclosed when the Company has a possible obligation as a result of past events whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent liabilities are not recognized, only disclosed, unless the possibility of a future outflow of resources is considered remote. In the event that the outflow of resources associated with a contingent liability is assessed as probable, and if the size of the outflow can be reliably estimated, a provision is recognized in the financial statements.

7.7 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 up to the limit allowed as per 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 further legal or constructive obligation to pay contributions if the fund does not hold sufficient assets to pay all employees, the benefits relating to employees' 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 pension scheme. The liability recognized in the balance sheet in respect of pension and gratuity schemes is the present value of the defined benefit obligation of the Company 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 denominated in Pakistan rupee and have terms to maturity approximating to the terms of the related liability.

The current service cost of the defined benefit plan, recognized in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes curtailments and settlements. Past-service costs are recognized immediately in income.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity 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. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

(c) Medical benefits

The Company maintains a health insurance policy for its entitled employees and their dependents and pensioners and their spouses. The Company contributes premium to the policy annually. Such premium is recognized as an expense in the statement of profit or loss.

(d) Bonus plans

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 it is contractually obliged or where there is a past practice that has created a constructive obligation.

(e) Share-based payments

The Company has two cash-settled share-based compensation plans. Share options are granted to key management personnel which vest over a period of three years. A liability equal to the portion of the services received is recognized at its current fair value determined at each statement of financial position date.
Where applicable, the Company recognizes the impact of revisions to original estimates in the statement of profit or loss, with a corresponding adjustment to current liabilities for cash-settled schemes.

(i) Long Term Incentive Plan (LTIP)

Nil-cost option exercisable after three years from date of grant with a contractual life of ten years. Pay-out is subject to performance conditions based on earnings per share, operating cash flow, total shareholder return and net turnover of the British American Tobacco (BAT) group. Total shareholder return combines the share price and dividend performance of the BAT group by reference to one comparator group.

(ii) Deferred Share Bonus Scheme (DSBS)

Free ordinary shares released three years from date of grant and may be subject to forfeit if a participant leaves employment before the end of the three years holding period. Participants receive a separate payment equivalent to a proportion of the dividend payment during the holding period. Share options are granted in March each year.

7.8 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 corresponding rental obligations, net of finance charges, are included in other long-term payables. The finance cost is charged to the statement of profit or loss 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. The Company has entered into Ijarah arrangement with a financial institution in respect of vehicles. Islamic Financial Accounting Standard (IFAS) No.2 "Ijarah" was notified by SECP vide S.R.O 431 (I) /2007 on May 22, 2007. IFAS No.2 requires Ijarah payments under such arrangements to be recognized as an expense over the Ijarah terms. The Company intends to acquire such assets at the end of the lease term and management believes that this arrangement meets the conditions of finance lease and consequently, such arrangements have been accounted for under International Accounting Standard – 17 "Leases".

(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 the statement of profit or loss on a straight-line basis over the period of the lease.

7.9 Property, plant and equipment

These are stated at cost less accumulated depreciation and any accumulated impairment losses, except freehold land and capital work in progress which are stated at cost less impairment losses, if any. 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 expenses are recognized in the statement of profit or loss during the financial period in which they are incurred.

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

• Buildings on freehold and leasehold land	3%
• Plant and machinery	5%
• Air conditioners (included in plant and machinery)	20%
• Office and household equipment	20% to 33.3%
• Furniture and fittings	10% to 20%
• Vehicles – owned and leased	16%

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Gains and losses on disposals of operating fixed assets are recognized in the statement of profit of loss.

7.10 Impairment of non-financial asset

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment at each statement of financial position 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 (cash-generating units). 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 the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if impairment losses had not been recognized. An impairment loss or reversal of impairment loss is recognized in the statement of profit or loss.

7.11 Long term investment in subsidiary

The investment in subsidiary company is carried at cost less any 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.

7.12 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.

7.13 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 up to the statement of financial position date.

7.14 Financial Instruments

i. Recognition and de-recognition

The Company initially recognizes financial assets on the date when they are originated. Financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

ii. Classification

On initial recognition, a financial asset is classified as measured at:

- amortized cost;
- fair value through other comprehensive income (FVOCI); or
- fair value through profit or loss (FVTPL)

The classification of financial assets is based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

(a) Amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL: (i) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL: (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(c) Fair value through profit or loss (FVTPL)

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

iii. Subsequent measurement

Financial assets at FVTPL	Measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	Measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Subsequent to initial recognition, financial liabilities are measured at amortized cost using the effective interest method.

iv. De-recognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. Any gain / (loss) on the recognition and de-recognition of the financial assets and liabilities is included in the statement of profit or loss for the period in which it arises.

v. Impairment of financial assets

The Company recognizes loss allowance for Expected Credit Losses (ECLs) on financial assets measured at amortized cost and contract assets. The Company measures loss allowance at an amount equal to lifetime ECLs.

Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

At each reporting date, the Company assesses whether the financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial assets have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in statement of profit or loss. Any gain or loss on de-recognition is also included in profit or loss.

7.15 Borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of profit or loss 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 or loss.

7.16 Dividend distribution

Dividend distribution to the Company's shareholders is recognized 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 recognized in the period in which the dividends are declared by the Board of Directors.

7.17 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks and highly liquid investments with less than three months maturity from the date of acquisition. Short term finance facilities availed by the Company, which are repayable on demand and form an integral part of the Company's cash management are included as part of cash and cash equivalents in the statement of cash flows.

Notes to the Financial Statements
For the year ended December 31, 2018

7.18 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 statement of financial position 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 statement of profit of loss.

7.19 Fair value measurement

'Fair value' is the price that would be received by selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Company's accounting policies and disclosures require the measurement of fair values, both for financial and non-financial assets and liabilities (See Note 5). When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price i.e. the fair value of the consideration given or received.

	2018 Rs '000	2017 Rs '000 (Restated)
8 Gross turnover		
- Domestic	137,073,572	111,062,494
- Export	42,185	422,783
	137,115,757	111,485,277

Revenue is measured based on the consideration specified in a contract with a customer. The transaction prices are generally fixed as per the contract with customers. The payment terms are governed by the contractual rights and obligations as defined in the contracts with customers and payments are generally received in advance of delivering goods sold.

Revenue recognized during the year that was included in the contract liability balance at the beginning of year is Rs 150 thousand (2017: Rs 20,375 thousand).

	2018 Rs '000	2017 Rs '000
9 Cost of sales		
Raw material consumed		
Opening stock of raw materials and work in process	13,137,236	12,449,905
Raw material purchases and expenses - note 9.1	23,669,134	16,102,177
Closing stock of raw materials and work in process	(16,944,127)	(13,137,236)
	19,862,243	15,414,846
Government taxes and levies		
Customs duty and surcharges	2,318,625	407,705
Provincial and municipal taxes and other duties	396,327	271,152
Excise duty on royalty	47,349	53,348
	2,762,301	732,205
	22,624,544	16,147,051
Royalty - note 9.2	2,364,433	533,488
Severance benefits	172,446	2,168,043
Production overheads		
Salaries, wages and benefits	2,059,960	1,866,521
Stores, spares and machine repairs	803,768	553,303
Fuel and power	394,954	334,171
Insurance	16,859	18,342
Repairs and maintenance	653,622	491,752
Postage, telephone and stationery	17,312	11,908
Information technology	44,570	59,465
Depreciation	592,878	841,277
Provision for damaged stocks / stock written off	17,762	22,390
(Reversal of) / provision for slow moving items / stores written off	(64,091)	14,964
Sundries	341,638	159,803
	4,879,232	4,373,896
Cost of goods manufactured	30,040,655	23,222,478
Cost of finished goods		
Opening stock	1,336,318	1,189,201
Closing stock	(1,548,417)	(1,336,318)
	(212,099)	(147,117)
Cost of sales	29,828,556	23,075,361

9.1 Raw material purchases and expenses:

	2018 Rs '000	2017 Rs '000
Materials	20,966,816	13,818,839
Salaries, wages and benefits	1,175,786	1,088,693
Stores, spares and machine repairs	190,003	171,624
Fuel and power	326,631	306,148
Property rentals	121,346	91,963
Insurance	18,457	12,579
Repairs and maintenance	162,616	122,766
Postage, telephone and stationery	14,493	11,689
Depreciation	87,498	85,737
Sundries	605,488	392,139
	23,669,134	16,102,177

9.2 This represents royalty expense to the associated companies namely (i) BAT (Brands) Limited, (ii) Benson & Hedges (overseas) Limited and (iii) BAT (Holdings) Limited, all having registered office at Globe House, 1 Water Street, London WC2R 3LA, United Kingdom.

	2018 Rs '000	2017 Rs '000
10 Selling and distribution costs		
Salaries, wages and benefits	884,521	798,974
Selling expenses	3,498,834	2,528,615
Freight	169,787	130,190
Repairs and maintenance	72,904	20,052
Postage, telephone and stationery	10,693	12,996
Travelling	140,241	130,695
Property rentals	64,050	51,507
Insurance	11,613	12,260
Provision for damaged stocks	1,200	8,186
Finished goods / wrapping material stock written off	–	11,176
Depreciation	96,450	57,551
	4,950,293	3,762,202
11 Administrative expenses		
Salaries, wages and benefits	900,169	890,874
Fuel and power	8,991	9,418
Property rentals	185,907	156,224
Insurance	5,597	4,933
Repairs and maintenance	27,577	19,866
Postage, telephone and stationery	11,256	9,325
Legal and professional charges	118,403	101,550
Donations - note 11.1	8,400	400
Information technology	1,001,846	1,226,466
Travelling	79,659	67,645
Depreciation	148,952	127,777
Auditor's remuneration and expenses - note 11.2	14,626	6,745
Sundries	46,689	42,747
	2,558,072	2,663,970

11.1 Donations include an amount of Rs 8,000 thousand (2017: Nil) to Gottfried Thoma PTC Employees' Benevolent Trust. There were no donations in which the directors, or their spouses, had any interest.

	2018 Rs '000	2017 Rs '000
11.2 Auditor's remuneration and expenses include:		
- Statutory audit fee	2,450	1,905
- Group reporting, review of half-yearly accounts, audit of consolidated accounts, audit of staff retirement benefit funds and other certifications and review of Statement of Compliance with Code of Corporate Governance	11,623	4,098
- Out-of-pocket expenses	553	742
	14,626	6,745

		2018 Rs '000	2017 Rs '000
12	**Other operating expenses**		
	Workers' profit participation fund	820,615	698,783
	Workers' welfare fund	327,658	265,538
	Bank charges and fees	38,062	37,299
	Interest paid to workers' profit participation fund	–	11,732
	Loss on disposal of property, plant and equipment	–	25,872
	Foreign exchange loss	195,523	146,967
		1,381,858	1,186,191
13	**Other income**		
	Income from sales / services rendered to associated companies:		
	- BAT SAA Services (Private) Limited	124,153	29,191
	- BAT Bangladesh, BAT Holdings and BAT Myanmar and Ceylon Tobacco Co., Sri Lanka	3,928	7,940
	- BAT Marketing (Singapore) Ltd	–	5,477
	Recharges / other payable to associated companies written back:		
	-BAT (Holdings) Ltd / BAT (Investments) Ltd	–	86,714
	-BAT ASPAC Service Center Sdn Bhd - Malaysia	15,114	50,553
	-BAT Marketing (Singapore) Ltd and BAT Singapore (Pte) Ltd	–	35,477
	-BAT Asia-Pacific Region Ltd - Hong Kong	11,478	17,977
	Other liabilities written back - net	343	7,878
	Gain on disposal of property, plant and equipment	21,259	–
	Miscellaneous	1,454	927
		177,729	242,134
14	**Finance cost**		
	Interest expense on:		
	Bank borrowings	2,014	22,750
	Finance lease	31,814	33,588
		33,828	56,338
15	**Income tax expense**		
	Current:		
	For the year	4,700,006	3,810,818
	For prior years - 15.1	745,116	(390,718)
		5,445,122	3,420,100
	Deferred	(503,260)	17,683
		4,941,862	3,437,783

15.1 This represents provision for prior years and super tax @ 3% of taxable income levied through Finance Act, 2018.

15.2 Effective tax rate reconciliation:

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

	2018 %	2017 %
Applicable tax rate	29.00	30.00
Tax effect of:		
Prior year charge / (reversal)	2.93	(3.00)
Change in applicable tax rate	(1.57)	(0.28)
Income taxed at different rate	(0.02)	(0.26)
Super tax / others	2.00	(0.04)
Average effective tax rate	32.34	26.42

The applicable income tax rate was reduced from 30% to 29% during the year due to changes made to Income tax Ordinance, 2001 in 2016.

	2018 Rs '000	2017 Rs '000
15.3 Tax on items directly credited to statement of other comprehensive income		
Current tax charge / (credit) on defined benefit plans	8,390	(75,346)
Deferred tax (credit) on defined benefit plans	(15,889)	(41,921)
	(7,499)	(117,267)

	2017 Rs '000	2016 Rs '000	2015 Rs '000
15.4 Status of income tax assessment			
Income tax provision for the year - accounts	3,810,818	4,741,676	3,350,985
Income tax as per tax assessment	4,066,531	4,551,738	3,313,571

The Company computes tax provisions based on the generally accepted interpretations of the tax laws to ensure that sufficient provision for the purpose of taxation is available. Accordingly, the Company has assessed the sufficiency of the tax provisions and believes that the tax provisions are sufficient to reflect the actual tax liability of the Company.

16 Earnings per share

	2018	2017
Profit after tax (Rs '000)	10,337,992	9,573,562
Number of fully paid weighted average ordinary shares ('000)	255,494	255,494
Earnings per share - Basic (Rs)	40.46	37.47

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

17 Property, plant and equipment

	2018 Rs '000	2017 Rs '000
Operating assets - note 17.1	8,170,276	8,171,245
Capital work in progress - note 17.2	960,551	168,450
	9,130,827	8,339,695

17.1 Operating assets

	Free-hold land Rs '000	Buildings on free-hold land Rs '000	Buildings on leasehold land 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, 2017									
Cost	30,570	932,835	20,004	12,664,827	1,516,248	379,266	175,994	915,696	16,635,440
Accumulated Depreciation	–	(259,401)	(11,569)	(6,652,758)	(852,757)	(171,131)	(129,697)	(275,226)	(8,352,539)
Net book amount January 1, 2017	30,570	673,434	8,435	6,012,069	663,491	208,135	46,297	640,470	8,282,901
Year ended December 31, 2017									
Net book amount at January 1, 2017	30,570	673,434	8,435	6,012,069	663,491	208,135	46,297	640,470	8,282,901
Additions	–	64,328	–	747,226	171,617	6,500	683	244,157	1,234,511
Disposals	–	(15,252)	–	(164,723)	(1,586)	(353)	(4,682)	(47,229)	(233,825)
Depreciation charge	–	(17,701)	(409)	(710,794)	(200,826)	(49,777)	(2,492)	(130,343)	(1,112,342)
Net book amount at December 31, 2017	30,570	704,809	8,026	5,883,778	632,696	164,505	39,806	707,055	8,171,245
At December 31, 2017									
Cost	30,570	978,444	20,004	13,841,474	1,685,267	383,923	162,305	1,087,283	18,189,270
Accumulated depreciation	–	(273,635)	(11,978)	(7,957,696)	(1,052,571)	(219,418)	(122,499)	(380,228)	(10,018,025)
Net book amount at December 31, 2017	30,570	704,809	8,026	5,883,778	632,696	164,505	39,806	707,055	8,171,245
At January 1, 2018									
Cost	30,570	978,444	20,004	13,841,474	1,685,267	383,923	162,305	1,087,283	18,189,270
Accumulated Depreciation	–	(273,635)	(11,978)	(7,957,696)	(1,052,571)	(219,418)	(122,499)	(380,228)	(10,018,025)
Net book amount January 1, 2018	30,570	704,809	8,026	5,883,778	632,696	164,505	39,806	707,055	8,171,245
Year ended December 31, 2018									
Net book amount at January 1, 2018	30,570	704,809	8,026	5,883,778	632,696	164,505	39,806	707,055	8,171,245
Additions	–	–	–	708,020	71,361	35,337	–	259,320	1,074,038
Disposals	–	(4,211)	(74)	(29,735)	(440)	(40)	(6,459)	(92,324)	(133,283)
Depreciation charge	–	(18,882)	(409)	(428,144)	(211,339)	(50,996)	(7,352)	(208,656)	(925,778)
Impairment charge	–	–	–	(3,225)	(211)	–	(10,818)	(1,692)	(15,946)
Net book amount at December 31, 2018	30,570	681,716	7,543	6,130,694	492,067	148,806	15,177	663,703	8,170,276
At December 31, 2018									
Cost	30,570	970,153	19,888	15,044,250	1,727,721	418,532	124,172	1,151,619	19,486,905
Accumulated depreciation	–	(288,437)	(12,345)	(8,913,556)	(1,235,654)	(269,726)	(108,995)	(487,916)	(11,316,629)
Net book amount at December 31, 2018	30,570	681,716	7,543	6,130,694	492,067	148,806	15,177	663,703	8,170,276

17.1.1 Particulars of immovable property (land and building) in the name of the Company is as follows:

Location	Total Area
Production Plants	
Jhelum	58.3 Acres
Akora Khattak	61.0 Acres
Warehouses	
Faujoon - District Swabi	163,970 Sq ft.
Shergarh - District Mardan	65,227 Sq ft.
Takht Bhai - District Mardan	54,593 Sq ft.
Umerzai - District Charsadda	87,464 Sq ft.
Mianwali	878,694 Sq ft.
Okara	71,723 Sq ft.

		2018 Rs '000	2017 Rs '000
17.2	**Capital work in progress**		
	Carrying value at the beginning of the year	168,450	315,710
	Additions during the year	962,382	157,338
		1,130,832	473,048
	Transferred to operating fixed assets	(170,281)	(304,598)
	Carrying value at the end of the year - note 17.2.1	960,551	168,450
17.2.1	Plant and machinery - note 17.2.2	960,551	168,450
		960,551	168,450

17.2.2 Capital work in progress includes capital expenditure on projects relating to enhancement of already installed machinery.

		2018 Rs '000	2017 Rs '000
17.3	**Depreciation charge has been allocated as follows:**		
	Cost of sales	592,878	841,277
	Raw material purchases and expenses	87,498	85,737
	Selling and distribution expenses	96,450	57,551
	Administrative expenses	148,952	127,777
		925,778	1,112,342

17.4 Details of property, plant and equipment disposed off during the year, having book value of Rs 500,000 or more are as follows:

	Cost Rs '000	Book value Rs '000	Sale proceeds less selling expenses Rs '000	Gain/ (loss) on sale	Particulars of buyers	Relationship
Plant and machinery						
- by negotiation	74,007	19,962	19,962	–	BAT Fiji Ltd	Associate company
	27,537	5,554	5,554	–	BAT PNG Ltd	Associate company
Vehicles						
- as per Company's policy	1,691	592	338	(254)	Zarullah Khan	Ex Executive
	2,322	1,230	853	(377)	Umar Mansoor	Executive
	2,322	1,447	1,335	(112)	Ali Irfan	Executive
	2,047	1,157	1,107	(50)	Rizwan Zafar	Executive
	2,047	1,314	982	(332)	Mir Fraz	Executive
	2,092	1,709	1,576	(133)	Muneeba Haleem	Executive
	2,104	1,754	1,701	(53)	Qasim Tariq	Executive
	5,031	2,605	2,118	(487)	Sheraz Khan	Key management personnel
	13,500	8,820	2,464	(6,356)	Tajamal Shah	Key management personnel
	2,007	531	401	(130)	Shanas Khan	Executive
	2,047	1,276	1,074	(202)	Mirza Zubair	Ex Executive
	2,092	1,497	1,323	(174)	Hasan Ghaus	Executive
	2,402	1,609	1,409	(200)	Ahsen Altaf	Executive
	2,404	1,877	1,777	(100)	Khubaib Akram	Executive
	2,047	1,130	1,037	(93)	Amer Gondal	Executive
	2,322	1,246	552	(694)	Imran Sharif	Executive
	2,047	961	587	(374)	Farhan Mughal	Executive
	2,249	1,928	2,041	113	Muhammad Haris	Executive
	2,249	1,883	1,873	(10)	Ghazanfar Ali	Ex Executive
	5,204	1,041	1,155	114	Athar Baig	Key management personnel
	5,286	4,201	3,736	(465)	Waseem Hayat	Key management personnel
	5,031	2,249	1,880	(369)	Asad Shah	Key management personnel
	5,000	2,940	2,300	(640)	Nadeem Abbassi	Key management personnel
	5,031	2,381	1,846	(535)	Ahad Bilal	Key management personnel
Vehicles						
- auction	2,487	870	2,415	1,545	Through bidding in auction	Auction agent
	2,487	941	2,420	1,479	Through bidding in auction	Auction agent
	2,487	870	2,380	1,510	Through bidding in auction	Auction agent
	2,430	851	2,120	1,269	Through bidding in auction	Auction agent
	2,106	737	1,375	638	Through bidding in auction	Auction agent
	2,041	714	1,480	766	Through bidding in auction	Auction agent
	2,249	2,005	2,275	270	Through bidding in auction	Auction agent
	2,322	1,467	2,050	583	Through bidding in auction	Auction agent
	2,322	1,526	1,940	414	Through bidding in auction	Auction agent
	2,414	2,045	2,565	520	Through bidding in auction	Auction agent
	7,515	2,778	2,240	(538)	Through bidding in auction	Auction agent

	Cost Rs '000	Book value Rs '000	Sale proceeds less selling expenses Rs '000	Gain/ (loss) on sale	Particulars of buyers	Relationship
	5,204	1,407	3,260	1,853	Through bidding in auction	Auction agent
	5,774	1,561	3,465	1,904	Through bidding in auction	Auction agent
	5,774	1,704	3,360	1,656	Through bidding in auction	Auction agent
	5,774	1,704	3,375	1,671	Through bidding in auction	Auction agent
	4,781	2,475	3,505	1,030	Through bidding in auction	Auction agent
	9,785	3,462	5,205	1,743	Through bidding in auction	Auction agent
	1,440	504	1,120	616	Through bidding in auction	Auction agent
	1,575	551	1,460	909	Through bidding in auction	Auction agent
	2,322	988	1,835	847	Through bidding in auction	Auction agent
	2,047	1,032	1,590	558	Through bidding in auction	Auction agent
	2,047	1,158	1,635	477	Through bidding in auction	Auction agent
	2,092	1,576	1,760	184	Through bidding in auction	Auction agent
	2,249	1,822	2,420	598	Through bidding in auction	Auction agent
	3,197	640	2,465	1,825	Through bidding in auction	Auction agent
	5,774	1,155	3,055	1,900	Through bidding in auction	Auction agent
- by insurance claim						
	2,047	1,084	1,450	366	EFU General Insurance Ltd	Insurance agent
	2,107	1,027	1,458	431	EFU General Insurance Ltd	Insurance agent

18 Long term investment in subsidiary company

This represents 500,001 (2017: 500,001) fully paid ordinary shares of Rs 10 each in Phoenix (Private) Limited, a wholly owned subsidiary of the Company. The break up value of shares calculated by reference to net assets worked out to be Rs 10 per share (2017: Rs 10 per share) based on audited financial statements for the year ended December 31, 2018.

Phoenix (Private) Limited is dormant company and has not commenced commercial production. Investment in subsidiary has been made in accordance with the requirements under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017).

	2018 Rs '000	2017 Rs '000
19 Long term deposits and prepayments		
Security deposits	28,480	25,465
Prepayments	3,632	6,854
	32,112	32,319
20 Stock-in-trade		
Raw materials	16,053,378	12,694,176
Raw materials in transit	797,363	405,300
Work in process	93,386	37,760
Finished goods	1,548,417	1,336,318
	18,492,544	14,473,554
Provision for damaged stocks - note 20.1	(3,154)	(12,664)
	18,489,390	14,460,890
20.1 Movement in provision for damaged stocks is as follows:		
Balance as at January 1	12,664	20,576
Provision for the year	3,154	12,664
Written off during the year	(12,664)	(20,576)
Balance as at December 31	3,154	12,664

Notes to the Financial Statements

For the year ended December 31, 2018

	2018 Rs '000	2017 Rs '000
21 Stores and spares		
Stores and spares	699,741	723,712
Provision for slow moving items - note 21.1	(65,712)	(129,803)
	634,029	593,909

21.1 Movement in provision for slowing moving items is as follows:

	2018 Rs '000	2017 Rs '000
Balance as at January 1	129,803	165,381
Reversal of provision during the year	(64,091)	(6,460)
Written off during the year	–	(29,118)
Balance as at December 31	65,712	129,803

22 Trade debts

These are unsecured, considered good.

23 Loans and advances

	2018 Rs '000	2017 Rs '000
Related parties:		
Advances to key management personnel for house rent and expenses - note 23.1	4,536	7,701
Others:		
Advances to executives for house rent and expenses	32,692	34,252
Advances to other parties	60,732	30,732
	97,960	72,685

23.1 Advances were given to the following key management personnel

	2018 Rs '000
Mr Asif Khan	85
Mr Talat Mehmood	99
Mr Hussain Iqbal Jaffery	177
Mr Usman Zahur	478
Mr Khan Muhammad Mohmand	198
Mr Khurram Javaid	1,188
Mr Sami Zaman	23
Mr Syed Mohammad Ali	26
Mr Mohammad Idries Ahmed	132
Mr Muhammad Waqas Bhatti	767
Mr Aly-ud-din Ahmad Taseer	11
Mr Ahsen Altaf	1,058
Mr Ali Hassan Butt	294
	4,536

The maximum aggregate amount of advances to key management personnel outstanding at the end of any month during the year was Rs 4,536 thousand.

These loans and advances are unsecured and considered good. Advances extended to key management personnel, executives and other employees are deducted from the individuals' monthly payroll as per Company's policy.

	2018 Rs '000	2017 Rs '000
24 Other receivables		
Related parties - unsecured:		
Due from holding company / associated companies - note 24.1	169,006	52,145
Due from subsidiary company - note 24.1	20,021	20,021
Staff pension fund - note 33	787,677	765,618
Management provident fund	2,393	–
Staff pension fund - defined contribution	712	–
Workers' profit participation fund - note 24.2	159,385	101,217
Others:		
Claims against suppliers	6,576	6,576
Interest income on short term investment	–	19,133
Cash margin with banks - Imports	676,943	–
Others	36,971	4,286
	1,859,684	968,996

24.1 Ageing analysis of the amounts due from holding company / associated companies comprises:

	Upto 1 month Rs '000	1 to 6 month Rs '000	More than 6 month Rs '000	2018 Rs '000	2017 Rs '000
Ultimate Parent Company:					
British American Tobacco p.l.c. - UK	3,569	–	–	3,569	10,252
Associated companies:					
BAT SAA Services (Private) Limited - Pakistan	124,153	–	–	124,153	16,022
BAT Asia Pacific - Hong Kong	416	–	–	416	–
BAT Nigeria Ltd - Nigeria	21,542	–	–	21,542	–
PT Bentoel Prima - Indonesia	11,549	–	–	11,549	8,451
BAT Marketing (Singapore) Pte Ltd	3,588	–	–	3,588	4,396
BAT Myanmar Ltd - Myanmar	–	1,881	–	1,881	3,634
BAT Tutun Mamulleri - Turkey	1,458	–	–	1,458	1,322
BAT (Singapore) Pte Ltd - Singapore	706	–	–	706	2,437
BAT Romania Investment - Romania	144	–	–	144	–
BAT ASPAC Service Center Sdn Bhd - Malaysia	–	–	–	–	2,157
Tobacco Importers & Manufacturers - Malaysia	–	–	–	–	2,152
BAT PNG Ltd - Papua New Guinea	–	–	–	–	786
BAT Cambodia Ltd - Cambodia	–	–	–	–	468
BAT GLP Ltd - UK	–	–	–	–	68
	167,125	1,881	–	169,006	52,145
Subsidiary company:					
Phoenix (Pvt) Limited - Pakistan	–	–	20,021	20,021	20,021
Total	167,125	1,881	20,021	189,027	72,166

24.1.1 The maximum aggregate amount of receivable from related parties at the end of any month during the year was Rs 189,027 thousand (2017: Rs 209,485 thousand).

	2018 Rs '000	2017 Rs '000
24.2 Movement in Workers' Profit Participation Fund is as follows:		
Balance as at January 1	(101,217)	–
Allocation for the year	820,615	698,783
Payments during the year	(878,783)	(800,000)
Balance as at December 31	(159,385)	(101,217)

25 Short term investments

	2018 Rs '000	2017 Rs '000
At fair value through profit or loss (FVTPL):		
- Market treasury bills	8,699,508	6,763,842

This represents short term investment in treasury bills issued by the Government of Pakistan and carries effective interest rate of 9.82% (2017 : 5.58% and 5.75%) per annum and are held for trading. These treasury bills have less than three month's maturity from the date of acquisition and have been disposed off subsequent to the year-end.

26 Cash and bank balances

	2018 Rs '000	2017 Rs '000
Deposit account - note 26.1	8,863	9,460
Current accounts:		
Local currency	157,122	282,537
Foreign currency	122,175	96,741
	288,160	388,738
Cash in hand	5,005	1,390
	293,165	390,128

26.1 These are security deposits being kept in separate bank account.

27 Trade and other payables

	2018 Rs '000	2017 Rs '000
Related parties - unsecured:		
Due to ultimate parent company / associated companies - note 27.1	2,108,134	1,593,422
Others:		
Creditors	9,069,600	4,608,085
Federal excise duty - note 27.2	5,288,160	2,089,200
Sales tax	1,135,412	1,387,650
Workers' welfare fund - note 27.3	311,833	265,538
Other accrued liabilities	283,392	171,035
Employee incentive schemes - note 27.4	99,675	166,442
Employees' gratuity fund - note 33	210,278	139,736
Employees' provident fund	124	50
Tobacco excise duty / Tobacco development cess - note 27.5	103,884	94,509
Security deposits - note 27.6	8,863	9,460
Staff pension fund - defined contribution	–	7,285
Contract liability	2,013	150
	18,621,368	10,532,562

27.1 The amount due to ultimate parent company / associated companies comprises:

	2018 Rs '000	2017 Rs '000
Ultimate parent company:		
British American Tobacco p.l.c. - UK	162,839	164,654
Associated companies:		
BAT ASPAC Service Center Sdn Bhd - Malaysia	562,944	363,874
BAT Singapore (Pte) Ltd - Singapore	493,357	390,895
BAT GLP Ltd - UK	377,355	49,258
BAT GSD Ltd. - UK	196,043	216,385
BAT Marketing (Singapore) Pte Ltd	138,522	154,049
R.J Reynolds Tobacco Co - USA	43,253	–
BAT Bangladesh Co. Ltd - Bangladesh	42,278	73,258
BAT Myanmar Ltd - Myanmar - note 27.1.1	40,932	16,912
BAT Tutun Mamulleri - Turkey	10,618	–
BAT Cambodia Ltd - Cambodia	8,588	–
BAT Souza Cruz Ltd - Brazil	7,636	112
PT Bentoel Prima - Indonesia	5,670	–
BAT JSC-Spb - Russia	3,697	125,319
BAT Korea Manufacturing - South Korea	4,539	55
BAT Nigeria Ltd - Nigeria	2,475	–
BAT Prilucky - Ukraine	1,187	–
BAT South Africa (Pty) Ltd - South Africa	1,052	406
BAT Germany GmbH - Germany	599	199
BAT Chile Tobacco - Chile	431	–
BAT Mexico Ltd - Mexico	424	–
BAT Pecsi Dohanygyar Kft - Hungary	206	–
Ceylon Tobacco Company Ltd - Sri Lanka	182	–
BAT Argentina - Argentina	179	–
BAT Polska S.A - Poland	157	–
BAT Suisse - Switzerland	139	–
BAT Tabacalera - Honduras	138	
BAT Kenya Ltd - Kenya	71	–
BAT PNG Ltd - Papua New Guinea	51	11,270
BAT Niemeyer - Netherland	15	–
BAT Fiji Ltd - Fiji	–	16,070
BAT Asia-Pacific Region Ltd - Hong Kong	–	10,706
Other		
Tajamal Hussain Shah - ex-director	2,557	–
	2,108,134	1,593,422

27.1.1 Rs 40,932 thousand (2017: 16,912 thousand) relates to unsecured export advance.

		2018 Rs '000	2017 Rs '000
27.2	**Federal excise duty**		
	Balance as at January 1	2,089,200	1,001,669
	Charged during the year	63,117,903	51,247,115
	Payment to the Government during the year	(59,918,943)	(50,159,584)
	Balance as at December 31	5,288,160	2,089,200
27.3	**Movement in Workers' welfare fund is as follows:**		
	Balance as at January 1	265,538	313,922
	Allocation during the year	327,659	265,538
	Payment to Government during the year	(281,364)	(313,922)
	Balance as at December 31	311,833	265,538

27.4 Employee incentive schemes

These represent liability for unvested portion of cash-settled share-based payment schemes available to certain employees. Such schemes require the Company to pay the intrinsic value of these share based payments to the employee at the vesting date.

	2018 Rs '000	2017 Rs '000
Long Term Incentive Plan (LTIP) - note 27.4.1		
Balance as at January 1	90,307	114,138
Charge for the year	28,513	22,119
Share options exercised	(42,053)	(93,137)
Balance as at December 31	76,767	43,120
Deferred Share Bonus Scheme (DSBS) - note 27.4.2		
Balance as at January 1	76,135	111,101
Charge for the year	48,069	51,942
Share options exercised	(54,109)	(86,908)
Balance as at December 31	70,095	76,135
(Reversal)/Charge other employee benefit	(47,187)	47,187
	99,675	166,442

27.4.1 Long Term Incentive Plan (LTIP)

Details of the options movement for cash-settled LTIP scheme during the year were as follows:

	2018 Number of options	2017 Number of options
Outstanding as at January 1	14,592	20,697
Granted during the year	7,201	5,369
Exercised during the year	(9,635)	(11,474)
Outstanding as at December 31	12,158	14,592

There are no exercisable options as at December 31, 2018.

27.4.2 Deferred Share Bonus Scheme (DSBS)

Details of the options movement for cash-settled DSBS scheme during the year were as follows:

	2018	2017
	Number of options	
Outstanding as at January 1	17,440	23,485
Granted during the year	11,110	5,313
Exercised during the year	(9,151)	(11,358)
Outstanding as at December 31	19,399	17,440

There are no exercisable options as at December 31, 2018.

	2018	2017
	Rs '000	Rs '000
27.5 Tobacco excise duty / tobacco development cess:		
Balance as at January 1	94,509	154,242
Charge for the year	204,890	182,212
Payment to the Government during the year	(195,515)	(241,945)
Balance as at December 31	103,884	94,509

27.6 These represent amounts received as security deposits from dealers and suppliers, which are non-utilisable for the purpose of the business in accordance with their agreements. These security deposits are being held in a separate bank account.

28 Other liabilities

This relates to provisions for employee benefits, litigation and restructuring consequent to modernization of production processes. During the year, the Company has consumed amounts aggregating Rs. 505 million (2017: Rs 952 million) and recorded further obligations of Rs 577 million (Rs 2,005 million).

29 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 6,500 million (2017: Rs 6,500 million), out of which the amount unavailed at the year-end was Rs 6,424 million (2017: Rs 6,500 million). These facilities are secured by hypothecation of stock-in-trade and plant and machinery amounting to Rs 7,222 million (2017: Rs 7,222 million). The mark-up ranges between 6.40% and 10.50% (2017: 6.34% and 6.54%) per annum and is payable quarterly. The facilities are renewable on annual basis.

The amount availed at year-end amounting to Rs. 75,542 thousand relates to facility availed from MCB Bank Limited, an associated company.

(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 (2017: Rs 2,500 million) and Rs 420 million (2017: Rs 420 million) is available for letter of credit and letter of guarantee respectively, out of which the facility availed at the year-end is Rs 227 million (2017: Rs 387 million) and Rs 324 million (2017: Rs 276 million). The letter of credit and guarantee facility is secured by second ranking hypothecation charge over stock-in-trade amounting to Rs 670 million (2017: Rs 670 million).

30 Finance lease obligation

This represents finance lease agreements entered into with a leasing company for vehicles. Total lease rentals due under various lease agreements aggregate to Rs 510,848 thousand (2017: Rs 470,168 thousand) and are payable in equal monthly instalments latest by December 2023. Taxes, repairs, replacement and insurance costs are to be borne by the Company. Financing rates of 7.85% to 13.14% (2017: 7.30% to 7.40%) 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:

	2018 Rs '000	2017 Rs '000
Present value of minimum lease payments	433,090	425,295
Current maturity shown under current liabilities	(148,245)	(165,245)
	284,845	260,050
Minimum lease payments		
Not later than one year	182,441	188,989
Later than one year and not later than five years	328,407	281,179
	510,848	470,168
Future finance charges on finance leases	(77,758)	(44,873)
Present value of finance lease liabilities	433,090	425,295
Present value of finance lease liabilities		
Not later than one year	148,245	165,245
Later than one year and not later than five years	284,845	260,050
	433,090	425,295

31 Unpaid dividend

Unpaid dividend includes amount of Rs 166,660 thousand (2017: Rs 175,345 thousand), payable to British American Tobacco (Investments) Limited, parent company.

	2018 Rs '000	2017 Rs '000
32 Deferred income tax liability		
Deferred tax liability is in respect of:		
Accelerated tax depreciation	898,482	1,101,064
Leased assets	63,405	88,025
	961,887	1,189,089
Deferred tax asset is in respect of:		
Remeasurement loss arising on employees' retirement benefit	(57,810)	(41,921)
Provision for severance benefits	(296,600)	–
Provision for stock and stores	(18,401)	(38,943)
	589,076	1,108,225
The gross movement on deferred income tax account is as follows:		
At January 1	1,108,225	1,132,463
(Credit) / charge for the year - statement of profit or loss	(503,260)	17,683
(Credit) for the year - statement of comprehensive income	(15,889)	(41,921)
At December 31	589,076	1,108,225

Notes to the Financial Statements

For the year ended December 31, 2018

33 Retirement benefits

Investments in all contributory funds have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for that purpose.

	2018 Rs '000	2017 Rs '000
Staff pension fund - asset - note 24	(787,677)	(765,618)
Employees' gratuity fund - liability - note 27	210,278	139,736

The latest actuarial valuation of the defined benefit plans was conducted at December 31, 2018 using the projected unit credit method. Details of the defined benefit plans are:

		Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
		2018 Rs '000	2017 Rs '000	2018 Rs '000	2017 Rs '000
(a)	The amounts recognized in the balance sheet:				
	Present value of defined benefit obligations	4,628,109	4,759,609	1,474,653	1,416,319
	Fair value of plan assets	(5,415,786)	(5,525,227)	(1,264,375)	(1,276,583)
	Net (assets) / liability	(787,677)	(765,618)	210,278	139,736
(b)	Movement in the (asset) / liability recognized in the balance sheet is as follows:				
	Balance as at January 1	(765,618)	(855,329)	139,736	(52,951)
	Charge for the year - profit and loss	(4,364)	(17,047)	85,868	70,270
	Employer's contribution during the year	11,238	(54,133)	(82,054)	(107,583)
	Remeasurement loss/(gain) recognized in Other Comprehensive Income (OCI) during the year	(28,933)	160,891	66,728	230,000
	Balance as at December 31	(787,677)	(765,618)	210,278	139,736
(c)	The amounts recognized in the profit and loss account:				
	Current service cost	97,559	107,823	86,113	84,999
	Interest cost	437,944	427,176	133,716	132,118
	Expected return on plan assets	(507,451)	(502,871)	(121,030)	(136,804)
	Net interest	(69,507)	(75,695)	12,686	(4,686)
	Members' own contribution	(26,211)	(26,747)	–	–
	Secondees' own contribution	(6,205)	(7,457)	–	–
	Contribution by employer in respect of secondees	–	(14,971)	(12,931)	(10,043)
		(4,364)	(17,047)	85,868	70,270

		Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
		2018 Rs '000	2017 Rs '000	2018 Rs '000	2017 Rs '000
(d)	Re-measurements recognized in Other Comprehensive Income (OCI) during the year:				
	Actuarial (gain) / loss on obligation	(436,665)	(157,193)	(25,865)	116,246
	Net return on plan assets over interest income	407,732	318,084	92,593	113,754
	Total remeasurements loss / (gain) recognized in OCI	(28,933)	160,891	66,728	230,000
(e)	Movement in the present value of defined benefit obligation:				
	Present value of defined benefit obligation at January 1	4,759,609	4,654,000	1,416,319	1,433,183
	Current service cost	97,559	107,823	86,113	84,999
	Interest cost	437,944	427,176	133,716	132,118
	Actual benefits paid during the year	(230,338)	(272,197)	(135,630)	(350,227)
	Remeasurements: Actuarial (gain)/loss on obligation	(436,665)	(157,193)	(25,865)	116,246
	Present value of defined benefit obligation at December 31	4,628,109	4,759,609	1,474,653	1,416,319
(f)	Movement in the fair value of plan assets:				
	Fair value of plan assets at January 1	5,525,227	5,509,329	1,276,583	1,486,134
	Interest income	507,451	502,871	121,030	136,804
	Contribution by employer in respect of members	(11,238)	54,133	82,054	107,583
	Members' own contribution	26,211	26,747	–	–
	Secondees' own contribution	6,205	7,457	–	–
	Contribution by employer in respect of secondees	–	14,971	12,931	10,043
	Actual benefits paid during the year	(230,338)	(272,197)	(135,630)	(350,227)
	Return on plan assets, excluding amounts included in interest income	(407,732)	(318,084)	(92,593)	(113,754)
	Fair value of plan assets at December 31	5,415,786	5,525,227	1,264,375	1,276,583
	Actual return on plan assets	135,063	200,019	27,768	38,908

The Company expects to credit Rs 51 million for pension plan and charge Rs 110 million for gratuity plan for the year ending December 31, 2019.

		Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
		2018 Rs '000	2017 Rs '000	2018 Rs '000	2017 Rs '000
(g)	The major categories of plan assets:				
	Investment in listed equities	1,134,619	1,158,693	230,671	263,733
	Investment in bonds	2,226,922	4,211,797	483,015	951,836
	Cash and other assets	2,054,245	154,737	550,689	61,014
		5,415,786	5,525,227	1,264,375	1,276,583

	Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
	2018 Rs '000	2017 Rs '000	2018 Rs '000	2017 Rs '000
(h) Significant actuarial assumptions at the balance sheet date:				
Discount rate	13.75%	9.50%	13.75%	9.50%
Pension increase rate	7.50%	6.50%	–	–
Expected rate of increase in salary:				
First year	9.00%	10.50%	9.00%	10.50%
Second year onwards	12.50%	8.25%	12.50%	8.25%

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 Rs '000	1 percent decrease Rs '000	1 percent increase Rs '000	1 percent decrease Rs '000
Discount rate	(528,810)	652,544	(118,716)	136,057
Salary increase	170,712	(154,154)	129,265	(114,895)
Increase in post-retirement pension	481,219	(400,678)	–	–

If life expectancy increases by 1 year, the obligation of the Pension Fund increases by Rs 256,706 thousand (2017: 319,781 thousand).

Expected maturity profile

Following are the expected distribution and timing of benefits payments at the year-end.

	Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
	2018	2017	2018	2017
Weighted average duration of the PBO (Years)	11.43	12.62	8.05	8.37

Risks associated with defined benefit plan

Longevity risk

The risk arises when the actual lifetime of retiree is longer than the estimate of future employee lifetime expectation. This risk is measured at the plan level over the entire retiree population.

Salary increase risk

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than the expectations and impacts the liability accordingly.

Withdrawal risk

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

	Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
	Present value of defined benefit obligation	Net liability at the end of the year	Present value of defined benefit obligation	Net liability at the end of the year
	Rs '000	Rs '000	Rs '000	Rs '000
2018	4,628,109	(787,677)	1,474,653	210,278
2017	4,759,609	(765,618)	1,416,319	139,736
2016	4,654,000	(855,329)	1,433,183	(52,951)
2015	4,506,581	(346,701)	1,458,102	415,493
2014	4,034,421	(319,535)	1,257,137	308,042

33.1 Salaries, wages and benefits as appearing in note 9, 10 and 11 include amounts in respect of the following:

	2018 Rs '000	2017 Rs '000
Defined Contribution Provident Fund	91,296	88,198
Defined Benefit Pension Fund	(4,364)	(17,047)
Defined Contribution Pension Fund	95,803	77,173
Defined Benefit Gratuity Fund	85,868	70,270
	268,603	218,594

33.2 Defined Contribution Plan

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

		Un-audited	Un-audited
(a)	Size of the fund - total assets	1,768,572	1,712,406
	Cost of investments made	1,562,298	1,455,250
	Percentage of investments made	88%	85%
	Fair value of investments made	1,599,719	1,580,291

		2018 Rs '000	2018 % age	2017 Rs '000	2017 % age
(b)	Breakup of investments at cost				
	Pakistan Investment Bonds	352,345	20%	305,196	18%
	Investment plus deposit certificates	509,600	29%	499,600	29%
	Investment in savings account with bank	145,922	8%	144,859	8%
	Investment in securities	297,887	17%	286,734	17%
	Accrued interest	256,544	15%	218,861	13%
		1,562,298	88%	1,455,250	85%

34 Share capital

34.1 Authorized share capital

2018 Number of shares	2017 Number of shares		2018 Rs '000	2017 Rs '000
300,000,000	300,000,000	Ordinary shares of Rs 10 each	3,000,000	3,000,000

34.2 Issued, subscribed and paid-up capital

2018 Number of shares	2017 Number of shares		2018 Rs '000	2017 Rs '000
230,357,068	230,357,068	Issued for cash	2,303,571	2,303,571
25,136,724	25,136,724	Issued as 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 (2017: 241,045,141) ordinary shares at the year-end and 12,274 (2017:12,274) and 798,282 (2017:798,282) ordinary shares are held by the directors and associated company respectively.

All ordinary shares rank equally with regard to the Company's residual assets. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

	2018 Rs '000	2017 Rs '000
35 Contingencies and commitments		
35.1 Contingencies		
Claims and guarantees		
(i) Claims against the Company not acknowledged as debt - Note 35.1.1	75,706	72,474
(ii) Guarantees issued by banks on behalf of the Company	323,587	276,051

35.1.1 Litigation

a) In the year 1979, the Market Committee Jhelum ("the Committee"), constituted under the Punjab Agriculture Produce Market Ordinance of 1978 demanded the Company to obtain licence and pay marketing fee on all tobacco that is transported into the Jhelum factory of the Company. Since tobacco is not an agricultural produce and no transaction of any sale or purchase of tobacco takes place in Jhelum, the Company refused to apply for the licence. In 1986, the Committee proceeded against the Company which resulted in protracted litigation, culminating in filing of a Review before the Supreme Court of Pakistan, which was decided against the Company on technical grounds in 2010. Meanwhile, the Committee made their own fictitious calculation and levied fee and penalties aggregating Rs 64.9 million relating to years 1982 to 2010 against which the Company filed a Writ Petition before the Lahore High Court, Rawalpindi Bench. The Lahore High Court granted a stay order suspending demand of penalties amounting to Rs 60 Million and directed the Company to deposit Rs 6 Million (being the principal amount) with the court in the shape of National Saving Certificates. The matter is since then pending before the Lahore High Court, Rawalpindi Bench.

b) In 2009, the Punjab Employees Social Security Institution (PESSI) demanded payment of social security contribution effective October 2007, from the Company for the non-permanent workers hired at its Jhelum factory hired through third party contractors. The Company has filed a complaint before the Director PESSI, which was kept pending till 2018 when an order was passed against the Company. Thereafter, PESSI demanded payment of Rs 2,306,513/- for the period from October 2007 till May 2010.

In 2018, the Company filed an appeal before the Judge Punjab Social Security Court, Labour Complex, Lahore, and the matter is since then pending.

c) Tobacco Development Cess (TDC) is a tax levied and collected by the KPK pursuant to Section. 11 of the KPK Finance Act, 1996 ("the Act"). The term "tobacco" was however not defined by the Act. Each year the Pakistan Tobacco Board (PTB), on the demand of each tobacco buyer, fix Quota (i.e. the quantity of tobacco) to be purchased by each such tobacco buyer from the farmers. The calculation of quantum of TDC to be paid by each tobacco buyer is based on the quantities indicated and purchased in terms of Quota. Till 2002, TDC was collected from the tobacco buyers directly by Excise & Taxation Depart (ETD). However, in 2003, the provincial government, through an amendment in law, imposed TDC also on the surplus tobacco purchased by tobacco buyers (i.e. purchase of tobacco beyond the Quota amount) ("the Surplus"). Additionally, the amended law also stipulated that while the TDC on Quota shall be collected by ETD, TDC levied on the Surplus shall be collected by a contractor to whom ETD has leased the collection through a public tender.

Contract for the year 2005/6 was awarded to Malik Tilla Muhammad ("the Contractor") by PTB. The Contractor demanded payment of Rs 8.8 Million from the Company on account of TDC, which claim was rejected by the Company. The Contractor then filed a suit for recovery of Rs 8.8 Million before a civil judge but the matter was referred to arbitration, with Chairman PTB as the Arbitrator. The Arbitrator passed an award whereby the Company was to pay Rs 8 million to the Contractor. The matter is now pending before the Additional District Judge Peshawar.

d) Employees' Old-Age Benefits Institution (EOBI) constituted under the Employees' Old-Age Benefits Act, 1976 ("the Act") requires contributions to be made by industries and establishments against workers employed by it. The Company has been making prompt contributions under the Act. The Company has contractual arrangements with logistics service providers for the shipment of its raw material and finished goods. In the year 2015, the EOBI Jhelum issued a show cause notice dated March 04, 2015, demanding payment of Rs 3 million against non-payment of contribution of 200 hundred employees. These employees were in fact employees of five transport concerns with which the Company had contractual arrangements. The Company filed complaint against the said show cause before Adjudicating Authority – III, EOBI Islamabad and raised the objection that this liability is of the five transport concerns who are independent entities. The Adjudicating Authority, however, passed an order against the Company on February 14, 2017, upholding the demand earlier raised by the EOBI Jhelum. The Company has filed an appeal in May 2017 against the order before the Board of Trustees, EOBI Head Quarter at Karachi which is pending adjudication.

e) The Company hired the services of Tariq & Saad Associates ("T&S") for providing consultancy services for the construction of "Mianwali Mega Barn Project". T&S started the work. Thereafter, during a meeting between the Company and T&S, it was verbally agreed that T&S would charge @ 2.25 % of estimated cost of the project. However, payments to T&S were delayed due to some issues in the Company's approval process. Consequently, declaring inordinate delay in payment, T&S served notice of Termination. T&S subsequently filed a civil suit for recovery in the district court of Islamabad, where the matter is pending adjudication.

The Company expects favourable outcome in these matters and accordingly, no provision is recognized in the financial statements.

35.2 Commitments

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

	2018 Rs '000	2017 Rs '000
Not later than one year	99,777	124,824
Later than one year and not later than five years	375,899	473,930
Later than five years	285,199	45,765

(b) Letters of credit outstanding at December 31, 2018 were Rs 227,427 thousand (2017: Rs 386,925 thousand).

36 Financial Instruments - Fair values and risk management

36.1 Accounting classification and fair value

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

		December 31, 2018			Fair value		
		Fair value through profit or loss	Amortized cost	Total	Level 1	Level 2	Level 3
		Rs '000			Rs '000		
Financial assets measured at fair value							
Short-term investments	25	8,699,508	–	8,699,508	–	8,699,508	–
Financial assets not measured at fair value							
Deposits	19	–	28,480	28,480	–	–	–
Trade debts	22	–	1,553	1,553	–	–	–
Other receivables	24	–	1,859,684	1,859,684	–	–	–
Cash and bank balances	26	–	293,165	293,165	–	–	–
		8,699,508	2,182,882	10,882,390	–	8,699,508	–
Financial liabilities not measured at fair value							
Trade and other payables	27	–	(11,851,120)	(11,851,120)	–	–	–
Short-term running finance	29	–	(75,542)	(75,542)	–	–	–
Finance lease obligation	30	–	(433,090)	(433,090)	–	–	–
Accrued interest/mark-up		–	(5,331)	(5,331)	–	–	–
		–	(12,365,083)	(12,365,083)	–	–	–

		December 31, 2017			Fair value		
		Fair value through profit or loss	Amortized cost	Total	Level 1	Level 2	Level 3
		Rs '000			Rs '000		
Financial assets measured at fair value							
Financial assets not measured at fair value							
Deposits	19	25,465	–	25,465	–	–	–
Trade debts	22	2,636	–	2,636	–	–	–
Other receivables	24	968,996	–	968,996	–	–	–
Short-term investments	25	6,763,842	–	6,763,842	–	–	–
Cash and bank balances	26	390,128	–	390,128	–	–	–
		8,151,067	–	8,151,067	–	–	–
Financial liabilities not measured at fair value							
Trade and other payables	27	–	(6,624,273)	(6,624,273)	–	–	–
Finance lease obligation	30	–	(425,295)	(425,295)	–	–	–
Accrued interest/mark-up		–	(3,414)	(3,414)	–	–	–
		–	(7,052,982)	(7,052,982)	–	–	–

36.2 Financial risk management

The Company has exposure to the following risks from financial instruments:
- credit risk
- liquidity risk
- market risk

36.2.1 Risk management framework

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 Committee under policies approved by 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.

36.2.2 Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations that arise principally from trade debts, other receivables, deposits with banks and investment in treasury bills issued by the Government of Pakistan. The carrying amount of financial assets represents the maximum credit exposure.

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly, the credit risk is minimal.

Financial assets amounting to Rs 10,882 million (2017: Rs 8,151 million) do not include any amounts which are past due or impaired. The table below shows bank balances and short term investments held with counterparties at the statement of financial position date.

Counterparty	Rating		Rating agency		
	Short term	Long term		2018 Rs '000	2017 Rs '000
MCB Bank Ltd	A1+	AAA	PACRA	47,133	136,990
Habib Bank Limited	A-1+	AAA	JCR-VIS	3,192	125,790
Deutsche Bank AG	P2	A3	Moody's	130,795	117,610
MCB Islamic Bank	A1	A	PACRA	3,433	4,224
National Bank of Pakistan	A1+	AAA	PACRA	101,113	1,720
Standard Chartered Bank	A1+	AAA	PACRA	2,181	1,927
Citibank N.A.	P-1	A1	Moody's	313	477
				288,160	388,738
Short term investments:					
Government of Pakistan	B3-		Moody's	8,699,508	6,763,842
				8,987,668	7,152,580

As at December 31, 2018, all deposits, trade debts, short-term investments and bank balances are held in Pakistan whereas maximum exposure to credit risk for other receivables by geographic was as follows:

	Carrying amount	
	2018 Rs '000	2017 Rs '000
Pakistan	1,814,831	932,873
United Kingdom	3,569	10,320
Asia & other	41,284	25,803
	1,859,684	968,996

The ageing of other receivables was as follows:

	Carrying amount	
	2018 Rs '000	2017 Rs '000
Not past due	1,831,206	932,338
Past due 1-30 days	1,881	8,585
Past due 31-90 days	–	1,407
Past due 90 days	26,597	26,666
	1,859,684	968,996

36.2.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking to the Company's reputation.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of the netting arrangements:

	Carrying amount	Contractual cash flows		
	Rs '000	Total Rs '000	12 months or less Rs '000	1 to 5 years Rs '000
December 31, 2018				
Financial liabilities				
Trade and other payables	11,851,120	(11,851,120)	(11,851,120)	–
Finance lease obligation	433,090	(510,848)	(182,441)	(328,407)
Short-term running finance	75,542	(75,542)	(75,542)	–
Accrued interest/mark-up	5,331	(5,331)	(5,331)	–
	12,365,083	(12,442,841)	(12,114,434)	(328,407)
December 31, 2017				
Financial liabilities				
Trade and other payables	6,624,273	(6,624,273)	(6,624,273)	–
Finance lease obligation	425,295	(470,168)	(188,989)	(281,179)
Accrued interest/mark-up	3,414	(3,414)	(3,414)	–
	7,052,982	(7,097,855)	(6,816,676)	(281,179)

Cash flows included in the maturity analysis are not expected to occur significantly earlier or at significantly different amounts.

36.2.4 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates will affect the Company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. This exists due to the Company's exposure resulting from outstanding payments on account of import of goods and services. The currencies in which these transactions are primarily denominated are euro, sterling and US dollars.

The summary quantitative data about the Company's exposure to currency risk is as follows:

	December 31, 2018			December 31, 2017		
	Euro	Sterling	US dollars	Euro	Sterling	US dollars
Other receivables	–	48,361	21,638	–	53,831	207,282
Cash and bank balances	–	–	880,230	–	–	876,674
Trade and other payables	(1,310,664)	(1,551,586)	(15,899,171)	(1,224,386)	(660,177)	(11,484,601)
Net exposure	(1,310,664)	(1,503,225)	(14,997,303)	(1,224,386)	(606,346)	(10,400,645)

The following significant exchange rates have been applied:

	Average rate		Year-end spot rate	
	2018	2017	2018	2017
Euro 1	143.24	119.05	158.67	132.51
Sterling 1	161.90	135.81	176.78	149.28
US dollar 1	121.51	105.36	138.80	110.35

A 10 percent strengthening (weakening) of the Rupee against euro, sterling and US dollar at the reporting date would have affected the measurement of financial instruments denominated in a foreign currency and affected the equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remains constant and ignores any impact of forecast sales and purchases.

	Profit or loss		Equity, net of tax	
	Strengthening Rs '000	Weakening Rs '000	Strengthening Rs '000	Weakening Rs '000
December 31, 2018				
Euro	20,398	(20,398)	13,801	(13,801)
Sterling	25,958	(25,958)	17,563	(17,563)
US dollar	188,485	(188,485)	127,529	(127,529)
December 31, 2017				
Euro	15,902	(15,902)	11,701	(11,701)
Sterling	9,407	(9,407)	6,922	(6,922)
US dollar	116,838	(116,838)	85,969	(85,969)

Interest rate risk

This represents the risk that the fair value of 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 does not have any significant long-term interest-bearing financial assets or financial liabilities whose fair value or future cash flows will fluctuate because of changes in market interest rates.

Financial liabilities include balances of Rs 433,090 thousand (2017: Rs 425,295 thousand) which are subject to interest rate risk. Applicable interest rates for these financial liabilities have been indicated in respective notes.

At statement of financial position date, if interest rates had been 1% higher/lower, with all other variables remain constant, profit for the year would have been Rs 4.331 million (2017: Rs 4.252 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

37 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			
	2018 Rs '000	2017 Rs '000	2018 Rs '000	2017 Rs '000	2018 Rs '000	2017 Rs '000	2018 Rs '000	2017 Rs '000	2018 Rs '000	2017 Rs '000
Managerial remuneration	35,784	36,827	84,360	64,035	209,323	203,718	597,664	439,385	927,131	743,965
Corporate bonus	29,812	38,441	43,393	41,141	173,928	139,071	219,145	149,853	466,278	368,506
Leave fare assistance	1,279	1,254	3,138	2,870	8,950	9,452	–	3,041	13,367	16,617
Housing and utilities	11,696	7,686	7,333	9,972	78,208	71,821	262,188	185,020	359,425	274,499
Medical expenses	1,084	1,212	1,507	1,782	10,097	10,048	46,804	35,938	59,492	48,980
Post-employment benefits	13,475	6,560	4,199	4,145	40,575	32,795	131,483	97,149	189,732	140,649
	93,130	91,980	143,930	123,945	521,081	466,905	1,257,284	910,386	2,015,425	1,593,216
Number of persons	1	1	2	2	26	25	247	154	276	182

Comparative figures have been restated to reflect changes in description of executives as per Companies Act, 2017.

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

37.2 The aggregate amounts charged in the financial statements of the year for remuneration including all benefits to six (2017: six) Non-Executive Directors of the Company amounted to Rs 5,555 thousand (2017: Rs 6,643 thousand).

38 Transactions with related parties

British American Tobacco (Investments) Limited (BAT-IL) holds 94.34% (2017: 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 significant 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 37 to the financial statements. Transactions with employee funds and associated payable/receivable balances are provided in note 33 to the financial statements.

As MCB Bank Limited is an associated company under the Companies Act 2017 due to common directorship, yet does not fall under the definition of related party as interpreted from IAS 24 "Related Party Disclosures". Accordingly, transactions and balances with MCB Bank Limited and its subsidiary company that includes transactions and balances relating to leasing, short term running finance and bank accounts have not been disclosed in the related party disclosure.

	2018 Rs '000	2017 Rs '000
Purchase of goods and services from:		
Holding company	967,868	739,713
Associated companies	2,284,782	1,718,660
Sale of goods and services to:		
Holding company	–	30,330
Associated companies	156,265	622,479
Dividend paid to:		
Holding company	8,948,577	5,078,922
Royalty charged by:		
Associate companies *	2,364,433	533,488
Expenses reimbursed to:		
Holding company	22,749	2,803
Associated companies	25,785	1,368
Expenses reimbursed by:		
Holding company	41,797	9,378
Associated companies	222,950	130,676
Payment under employee incentive schemes:		
Key management personnel	82,460	54,928
Other income (recharges written back):		
Associated companies	26,592	190,721

* The balance payable to BAT (Holdings) Limited at year-end amounting to Rs 1,714 thousand (2017: Rs nil) is included in creditors (note 27).

38.1 Following are the names of associated companies, related parties and associated undertakings with whom the Company had entered into transactions or had agreements and arrangements in place during the year. Names of associated companies, related parties and associated undertakings, incorporated outside Pakistan are included in note 38.2.

Associated company	Basis of relationship	Aggregate % of shareholding
Phoenix (Private) Limited	Subsidiary	Nil
BAT SAA Service (Private) Limited	Common Directorship	Nil
MCB Bank Limited	Common Directorship	Nil
Retirement benefit funds:		
Pension Funds	Post-employment benefits	Nil
Provident Funds	Post-employment benefits	Nil
Gratuity Fund	Post-employment benefits	Nil
Mueen Afzal	Director	0.000831%
Syed Javed Iqbal	Director	0.000978%
Zafar Mahmood	Director	0.000020%
Tajamal Shah	Director	0.000978%
Lt. Gen. (Retd.) Ali Kuli Khan	Director	0.000039%
Wael Sabra	Director	0.000978%
Imran Maqbool	Director	0.000196%
Hae In Kim	Director	0.000391%
Michael Koest	Director	0.000391%
Usman Zahur	Key management personnel	Nil
Aly-ud-din Ahmad Taseer	Key management personnel	Nil
Syed Asad Ali Shah	Key management personnel	Nil
Husain Iqbal Jaffery	Key management personnel	Nil
Waqas Bhatti	Key management personnel	Nil
Nadeem Ahmad Abbasi	Key management personnel	Nil
Muhammad Asif Khan	Key management personnel	Nil
Athar Baig	Key management personnel	Nil
Talat Mahmood	Key management personnel	Nil
Usman Zahur	Key management personnel	Nil
Sheraz Khan	Key management personnel	Nil
Khan Muhammad Mohmand	Key management personnel	Nil
Khurram Javaid	Key management personnel	Nil
Syed Hammad Ali Naqvi	Key management personnel	Nil
Waseem Hayat	Key management personnel	Nil
Muhammad Asim	Key management personnel	Nil
Sami Zaman	Key management personnel	Nil
Mohammad Ali Khan	Key management personnel	Nil
Syed Muhammad Ali	Key management personnel	Nil
Mohammad Idries Ahmed	Key management personnel	Nil
Sadaf Saeed Alam	Key management personnel	Nil
Ahad Bilal Khan	Key management personnel	Nil
Ahsen Altaf	Key management personnel	Nil
Sergio Ricardo Pinto Pereira	Key management personnel	Nil
Qadeer Hussain	Key management personnel	Nil
Ali Hassan Butt	Key management personnel	Nil

38.2 Following particulars relate to associated companies incorporated outside Pakistan with whom the Company had entered into transactions during the year or have arrangement / agreement in place.

Associated company	Basis of relationship	Aggregate % of Shareholding	Registered Address	Country of incorporation	Name of CEO/ Principal officer/ Executive agent	Operational status	Audit Opinion
British American Tobacco (Investments) Limited	Holding Company	94.35%	Globe House,1 Water Street, London,WC2R 3LA,United Kingdom	United Kingdom	Steven Glyn Dale	Active	Unqualified
British American Tobacco p.l.c	Ultimate Parent Company	0.00%	Globe House,1 Water Street, London,WC2R 3LA,United Kingdom	United Kingdom	Nicandro Durante	Active	Unqualified
Rothmans International	Holding Company	0.31%	Globe House,1 Water Street, London,WC2R 3LA,United Kingdom	United Kingdom	Robert Fergus Heaton	Active	Unqualified
Ceylon Tobacco Company Limited	Common Directorship	0.00%	178, Srimath Ramanadan Mawatha, Colombo 15, Sri Lanka	Sri Lanka	Micheal Koest	Active	Unqualified
British American Tobacco Myanmar Limited	Common Directorship	0.00%	Plot No. (55/56), Survey Ward No. (14) Shwe Than Lwin IZ, Hlaing Tharyar Township, Yangon	Myanmar	Dominique Silvarelli	Active	Unqualified
British American Tobacco Argentina	Fellow Subsidiary	0.00%	Córdoba 3201 (B1640GWM) Martínez – San Isidro Prov. de Buenos Aires – República Argentina	Argentina	Marcelo Guimaraes	Active	Unqualified
British American Tobacco Australia	Fellow Subsidiary	0.00%	166 William St, Woolloomooloo NSW 2011, Sydney, Australia	Australia	Guy Meldrum	Active	Unqualified
BAT Bangladesh Company Limited	Fellow Subsidiary	0.00%	New D.O.H.S. Road, Mohakhali, Dhaka- 1206 P.O. Box 6069 Bangladesh	Bangladesh	Shehzad Munim	Active	Unqualified
Souza Cruz Ltd.	Fellow Subsidiary	0.00%	Rua da Candelária, 66, Centro, RJ, Brazil	Brazil	Liel Miranda	Active	Unqualified
BAT Switzerland SA	Fellow Subsidiary	0.00%	Route de France 17, 2926 Boncourt, Suisse	Switzerland	Mads Larsen	Active	Unqualified
British American Tobacco Chile	Fellow Subsidiary	0.00%	Camino la Rotonda S/N Ruta 68 Casablanca, Chile	Chile	Jorge Irribarra	Active	Unqualified

Associated company	Basis of relationship	Aggregate % of Shareholding	Registered Address	Country of incorporation	Name of CEO/ Principal officer/ Executive agent	Operational status	Audit Opinion
BAT Germany GmbH	Fellow Subsidiary	0.00%	Alsterufer 4 20354 Hambuer Germany	Germany	Ralf Wittenberg	Active	Unqualified
BAT (Brands) Limited	Fellow Subsidiary	0.00%	Globe House,1 Water Street, London,WC2R 3LA, United Kingdom	United Kingdom	Paul McCrory	Active	Unqualified
Benson & Hedges (Overseas) Limited	Fellow Subsidiary	0.00%	Globe House,1 Water Street, London,WC2R 3LA, United Kingdom	United Kingdom	Paul McCrory	Active	Unqualified
BAT (Holdings) Limited	Fellow Subsidiary	0.00%	Globe House,1 Water Street, London,WC2R 3LA, United Kingdom	United Kingdom	John Benedict Stevens	Active	Unqualified
British American Tobacco Western Europe	Fellow Subsidiary	0.00%	Southampton, Regents Park Road	United Kingdom	Sandeep De Alwis	Active	Unqualified
BASS (GSD) Limited	Fellow Subsidiary	0.00%	1 Water Street Globe House WC2R 3LA London.	United Kingdom	Irina Rybakova	Active	Unqualified
British American Tobacco	Fellow Subsidiary	0.00%	Globe House, 1 Water Street, London, WC2R 3LA	United Kingdom	Paul Ogborn	Active	Unqualified
British American Tobacco Asia Pacific Region Ltd	Fellow Subsidiary	0.00%	Level 30, Three Pacific Place, 1 Queen's Rd East, Hong Kong	Hong Kong	Michael Dijanosic	Active	Unqualified
BAT Pecsi Dohanygyar KFT	Fellow Subsidiary	0.00%	Budapest csorsz utca 49-51	Hungary	Zoltan Ferenc Orosz	Active	Unqualified
PT Bentoel Prima	Fellow Subsidiary	0.00%	Jalan Raya Karanglo, Singosari, Malang, Jawa Timur	Indonesia	Jason Fitzgerald Murphy	Active	Unqualified
British American Tobacco Kenya Ltd	Fellow Subsidiary	0.00%	Industrial Area, Likoni road Nairobi, Kenya	Kenya	Beverley Spencer-Obatoyinbo	Active	Unqualified
BAT Korea Manufacturing Ltd	Fellow Subsidiary	0.00%	Jinsa Industrial Complex Block 4 889 Yucheon-li, Sanam-myun Sacheon, Gyeongsangnamdo 664-942 South Korea	South Korea	Matthieu Juery	Active	Unqualified

Associated company	Basis of relationship	Aggregate % of Shareholding	Registered Address	Country of incorporation	Name of CEO/ Principal officer/ Executive agent	Operational status	Audit Opinion
British American Tobacco Mexico	Fellow Subsidiary	0.00%	Av. Fco. I. Madero 2750 Pte, Monterrey, N.L. Mexico. CP 64000	Mexico	Leonardo Senra	Active	Unqualified
BAT AsPac Service Centre Sdn Bhd	Fellow Subsidiary	0.00%	Level 11, Sunway Geo Tower Jalan Lagoon Selatan, Sunway South Quay 47500 Bandar Sunway, Subang Jaya, Selangor,Malaysia	Malaysia	Stephen Rush	Active	Unqualified
BAT Nigeria Ltd	Fellow Subsidiary	0.00%	1 Tobacco Road, Oluyole Toll Gate, Ibadan, Oyo-State, Nigeria	Nigeria	Chris McAllister	Active	Unqualified
British American Tobacco Niemeyer	Fellow Subsidiary	0.00%	Paterswoldseweg 43 in Groningen (Netherlands)	Netherlands	Monja Kaminski	Active	Unqualified
British-American Tobacco Polska S.A	Fellow Subsidiary	0.00%	Tytoniowa 16, 16-300 Augustów, Poland	Poland	Volcan Oruk	Active	Unqualified
BAT Romania Investment	Fellow Subsidiary	0.00%	Ploiesti, 17-19 Laboratorului St.	Romania	Michael Adamson	Active	Unqualified
JSC BAT-Spb	Fellow Subsidiary	0.00%	St.Petersburg, 3-ya Konnaya lahta str. 38	Russia	Erik De Vries	Active	Unqualified
British-American Tobacco (Singapore) Pte Ltd	Fellow Subsidiary	0.00%	15 Senoko Loop Sinapore 758168	Singapore	Kenneth George Allen	Active	Unqualified
BAT Marketing (S) Pte Ltd	Fellow Subsidiary	0.00%	15 Senoko Loop Sinapore 758168	Singapore	Kenneth George Allen	Active	Unqualified
British American Tobacco Tutun Mamulleri	Fellow Subsidiary	0.00%	Orjin Maslak Is Merkezi, Eski Büyükdere Cad. No:27 K:9-10 Maslak Sarıyer /Istanbul	Turkey	Gökhan Bilgiç	Active	Unqualified
West Indian Tobacco Co. Ltd	Fellow Subsidiary	0.00%	PORT OF SPAIN, Corner Eastern Main Road & Mt Dor R	Trinidad & Tobago	Jean Pierre du Coudray	Active	Unqualified
PJSC A/T B.A.T Prilucky Tobacco Co.	Fellow Subsidiary	0.00%	Prilucky Chernihiv Oblast, Nezalezhnosti str., 21	Ukraine	Artem Skrypka	Active	Unqualified
R J Reynolds Tobacco Company	Fellow Subsidiary	0.00%	401 North Main Street, Winston-Salem NC 27101	United States	Ricardo Oberlander	Active	Unqualified

Associated company	Basis of relationship	Aggregate % of Shareholding	Registered Address	Country of incorporation	Name of CEO/ Principal officer/ Executive agent	Operational status	Audit Opinion
British American Tobacco South Africa	Fellow Subsidiary	0.00%	3 Dock Road, Waterway House South, Cape Town, 8000	South Africa	Soraya Benchikh	Active	Unqualified
British American Tobacco ME DMCC	Fellow Subsidiary	0.00%	Jumeirah Lakes Towers, JBC 3 Unit 3801, Postal code 337222, Dubai, United Arab Emirates	United Arab Emirates	Mycroft Croisdale Appleby	Active	Unqualified
BAT GCC DMCC	Fellow Subsidiary	0.00%	Jumeirah Lakes Towers, JBC 3 Unit 3701, Postal code 337222, Dubai, United Arab Emirates	United Arab Emirates	Mycroft Croisdale Appleby	Active	Unqualified
Central Manufacturing Company Ltd	Fellow Subsidiary	0.00%	Lady Maraia Road, Nabua, Suva, Fiji.	Fiji	Alexander Ivakhov	Active	Unqualified
PT Bentoel International Investama	Fellow Subsidiary	0.00%	Capital Place, Office Tower, 6th Floor, Jl Gatot Subroto Kav 18, 12710 Jakarta	Indonesia	Jason Fitzgerald Murphy	Active	Unqualified
British American Tobacco (Malaysia)	Fellow Subsidiary	0.00%	Level 19, Guoco Tower, Damansara City, No.6 Jalan Damanlela, Bukit Damansara 50490 Kuala Lumpur, Malaysia	Malaysia	Hendrik Stoel	Active	Unqualified
Tobacco Importers and Manufacturers	Fellow Subsidiary	0.00%	Level 19, Guoco Tower, Damansara City, No.6 Jalan Damanlela, Bukit Damansara 50490 Kuala Lumpur, Malaysia	Malaysia	Hendrik Stoel	Active	Unqualified
British American Tobacco (PNG) Ltd	Fellow Subsidiary	0.00%	C / - Ashurst PNG Level 11, MRDC Haus, Cnr Musgrave Street & Champion Parade, Port Moresby, National Capital District	Papua New Guinea	Stephanus Duvenage	Active	Unqualified
British American Tobacco Vranje AD	Fellow Subsidiary	0.00%	Kralja Stefana Prvovencanog 209, 17500 Vranje	Serbia	Richard Vredenberg	Active	Unqualified
BAT Services Ltd., Taiwan Branch	Fellow Subsidiary	0.00%	13F, No. 36, Song Ren Road, Xin-Yi District, Taipei 110	Taiwan	Kentaro Hayashi	Active	Unqualified
Tabacalera Hondurena S.A.	Fellow Subsidiary	0.00%	Boulevard del Sur Zona del Cacao, San Pedro Sula	Honduras	Leonardo Senra	Active	Unqualified
British American Tobacco (Cambodia)	Fellow Subsidiary	0.00%	# 1121, National Road 2, Chak Angre Leu, Phnom Penh	Cambodia	Daniel Hsu	Active	Unqualified

		2018 Rs '000	2017 Rs '000
39	**Cash generated from operations**		
	Profit before taxation	15,279,854	13,011,345
	Adjustment for non-cash items:		
	- Depreciation / impairment	941,723	1,112,342
	- (Gain) / Loss on disposal of property, plant and equipment	(21,259)	25,872
	- Finance cost	33,828	56,338
	- Finance income	(742,648)	(234,124)
	- Foreign exchange loss	195,523	146,967
	- (Reversal of) / provision for slow moving stores and spares	(64,091)	(35,578)
	- (Reversal of) / provision for stock-in-trade	(9,510)	(7,912)
	- Provision for staff retirement benefit plans	266,205	235,641
		599,771	1,299,546
	Changes in working capital:		
	- Stock-in-trade	(4,018,990)	(834,448)
	- Stores and spares	23,971	11,893
	- Trade debts	1,083	(797)
	- Loans and advances	(25,275)	105,876
	- Short term prepayments	(37,188)	(28,889)
	- Other receivables	(884,657)	(43,577)
	- Trade and other payables	7,695,567	2,402,505
	- Other liabilities	199,213	1,053,210
		2,953,724	2,665,773
	Changes in long term deposits and prepayments	207	1,252
		18,833,556	16,977,916

40 Reconciliation of movement of liabilities to cash flows arising from financing activities

	Liabilities	Equity	Total
	Finance lease obligations Rs '000	Revenue reserves Rs '000	Rs '000
Balance at January 1, 2017	479,333	10,421,692	10,901,025
Changes from financing cash flows:			
Finance lease payments	(238,805)	–	(238,805)
Dividend paid	–	(5,179,246)	(5,179,246)
Total changes from financing cash flows	(238,805)	(5,179,246)	(5,418,051)
Other changes:			
New finance leases	184,767	–	184,767
Total liability-related other changes	184,767	–	184,767
Total equity-related other changes	–	9,113,814	9,113,814
Balance at December 31, 2017	425,295	14,356,260	14,781,555

	Liabilities	Equity	Total
	Finance lease obligations Rs '000	Revenue reserves Rs '000	Rs '000
Balance at January 1, 2018	425,295	14,356,260	14,781,555
Changes from financing cash flows:			
Finance lease payments	(251,525)	–	(251,525)
Dividend paid	–	(9,436,117)	(9,436,117)
Total changes from financing cash flows	(251,525)	(9,436,117)	(9,687,642)
Other changes:			
New finance leases	259,320	–	259,320
Total liability-related other changes	259,320	–	259,320
Total equity-related other changes	–	10,290,543	10,290,543
Balance at December 31, 2018	433,090	15,210,686	15,643,776

41 Post balance sheet event

In respect of the year ended December 31, 2018 final dividend of Rs 22.00 (2017: Rs 20.00) per share amounting to a total dividend of Rs 5,620,863 thousand (2017: Rs 5,109,876 thousand) has been proposed at the Board of Directors meeting held on February 22, 2019. These financial statements do not reflect this proposed dividend.

42 General

42.1 Corresponding figures

Corresponding figures have been rearranged and reclassified, wherever considered necessary, for the purposes of comparison and to reflect the substance of the transactions. Following major reclassifications have been made during the year:

	Reclassified		Amount
	From	To	Rs '000
Unpaid dividend	Trade and other payables	Unpaid dividend	184,852
Unclaimed dividend	Trade and other payables	Unclaimed dividend	79,451
Advance for capital expenditure	Property, plant and equipment	Advance for capital expenditure	291,119

42.2 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 22, 2019.

Syed Javed Iqbal
Chief Executive Officer

Wael Sabra
Chief Financial Officer / Director

PAKISTAN TOBACCO COMPANY LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

Chairman's Review
(Consolidated Accounts)

I am pleased to share the Annual Report for the year 2018.

2018 Performance:

The policy reforms of Budget 17/18, enacted due to the illicit sector reaching alarming levels (41.2%) and Government revenues falling sharply, helped the revival of the legit industry and, consequently, set Government revenues back on the growth trajectory. For the first nine months of the year, consumers gradually shifted from duty not paid cigarettes to legal brands during which time, the Company was able to regain some of its volume base and share in the overall cigarette market. By capitalising on this opportunity and mitigating the impacts of inflationary increases and a devaluing currency, the Company delivered an EPS growth of around 8%. Fiscal intervention not only supported the recovery of the legal industry but also led to substantially increased tax revenues from the tobacco industry.

Though fiscal measures taken in 2017 helped in reducing the illicit sector to some extent, the excise led price increases in 2018 continued to widen the price differential between legal brands and duty not paid brands. This created severe imbalances in the market place by encouraging consumers to down trade to cheaper illegal products. Currently, the illicit sector continues to operate at a very high level, hovering around 33.2% of the total market. In the absence of strong Government enforcement, there is always a potential for the illicit sector to start increasing again. Most importantly, a huge opportunity to expand the Government revenue base still remains uncapitalised. Therefore, it is imperative that stringent action continues to be taken by law enforcing authorities to curb the duty not paid sector.

Corporate Governance

Good governance and robust internal controls are embedded across the Organisation. A comprehensive system of controls, governance and risk management is in place to ensure that the Company's assets and the interests of the shareholders are always protected. With the acquisition of Reynolds American Inc. by the BAT Group, PTC is now required to adhere to Sarbanes-Oxley regulations (SOx) as well. In its journey towards compliance with SOx requirements, PTC has expanded its controls framework and augmented its processes with more elaborate documentation regimes. This has further strengthened the overall control and governance environment of the Company.

The Company not only ensures strict adherence to the laws of the country but goes beyond by inculcating values that require its employees to operate and deliver with integrity. The Company's SoBC makes it categorical that corrupt practices are unacceptable. This message is cascaded and internalised across the Company through face to face and online trainings conducted throughout the year. Furthermore, channels have been established and made available for anyone working in or with the Company to raise their concerns in confidence and without fear of reprisal. PTC's corporate procedures and guidelines have been expanded to include Anti-Bribery and Corruption protocols that are globally led.

Corporate Social Responsibility

The Company recognises the importance for any corporate organisation to operate and act responsibly. Under its flagship afforestation program, which was initiated in 1981, the Company has planted and distributed, free of cost, a total of more than 78 million saplings of various species, since the inception of the program. This year alone, the free of cost sapling plantation and distribution number was more than 3.5 million. We have signed MoU's with National Rural Support Program (NRSP), National Highways Authority (NHA), Federal Ministry of Climate Change and the Capital Development Authority (CDA) all in pursuit to further the agenda of a greener and environment-friendly Pakistan.

PTC strongly believes in contributing towards the economic development of the communities with which it interacts. To address the issue of water scarcity, a new initiative was undertaken to train the local tobacco farming communities to use highly effective water conservation techniques and irrigation systems. Company maintained water filtration plants continued to benefit numerous communities by providing them access to clean drinking water. Additionally, Mobile Doctor Units provided free medical treatment to more than 82,000 patients in tobacco growing areas.

In 2018, PTC supported the launch of "Teach For Pakistan (TFP)" operations in Islamabad, a non-profit company with the mission to create leadership to end educational poverty in Pakistan. This was achieved with a diverse group of 16 Fellows teaching 800 students in 8 government and non-profit schools in Islamabad's rural subdivisions. This group of Fellows also boasts diversity in education with Fellows having qualifications in pure sciences, liberal arts and business. These people are pursuing their motivation to develop their leadership through an immersive two-year experience.

Business Sustainability

Despite the numerous challenges faced by the Company, PTC remains focused on the long-term sustainability of the business. Though, the Company remains highly focused on building its capacity to operate effectively in its future business landscape, presence of a large illicit sector remains an area of concern, as it continues to create major sustainability issues for the legal industry, while causing huge revenue losses for the Government. Thus, it is in the best interest of all stakeholders that stringent action is taken by the relevant law enforcing authorities to eradicate the illicit sector.

With a consumer centric strategy, the Company has developed a multi-category portfolio of products that is capable of not only meeting the evolving preferences of it consumers but also of continuously outperforming the competition in the long run. The Company's operations have become highly efficient enabling it to effectively respond to the changing industry demands. Above all, having a highly skilled and committed workforce significantly adds to our advantage.

Our business is built on a very strong foundation and supplemented with the right capabilities that is not only able to sustain its business but also deliver reliable long-term growth in the future. I am confident that the Company will continue to deliver good value for its shareholders in the future.

Mueen Afzal
Chairman

Director's Report
(Consolidated Accounts)

The Directors present the Annual Report of Pakistan Tobacco Company Limited along with the audited financial statements of the Company for the year ended December 31, 2018.

1 Business Review

1.1 Industry Overview

During the year 2018, operating environment for legitimate tobacco industry remained challenging due to the persistent high level of the illicit sector, which stood at 33.2% (Retail Audit) for the year, indicating weak enforcement by relevant authorities. Illicit segment, being one-third of the overall tobacco industry, is thriving on the back of non-tax paid cigarettes, retailing at below the legal minimum price. This results in not only significant revenue losses to the National Exchequer but also creates major sustainability issues for the legitimate industry players.

The Illicit sector reached its highest level 41.2% (Jun 2017), causing a rapid erosion of legitimate industry volumes and, consequently, a steep decline in Government revenue collections. To address this situation, the Government introduced fiscal reforms in Budget 17/18, which helped in reviving revenues from the tobacco industry and in shifting consumption from cheap duty evaded brands to duty paid products. This resulted in recovery of the legitimate industry volumes and most importantly, a significant growth in Government's revenue collection. In the first six months of the current fiscal year, the tobacco industry paid Rs. 40.3 billion in the form of FED and sales tax, an increase of 26% vs last year.

During 2018, the industry experienced two excise increases that led the legitimate sector to increase prices across portfolio. These price increases further widened the price gap between legitimate industry brands and duty evaded products, thereby, encouraging downtrading from legitimate sector brands to duty not paid cigarettes. As per law, the minimum price set at national level is Rs. 47.39 per pack of 20 cigarettes, below which no cigarette pack can sell in the market. Whereas, while the local tax evaded cigarettes manufacturers state higher prices on their packs, these usually sell at an average price point of Rs. 26.00, which is well below the minimum tax applicable on a pack of cigarettes (i.e. Rs. 33.00 per pack). Strict enforcement against such tax evasion will lead to recording of undocumented economic activity, thereby, increasing Government revenues.

Apart from fiscal non-compliance, the illicit sector openly violates tobacco product advertising and promotion regulations, enacted by the Government. This trend not only puts the legitimate industry at a serious disadvantage compared to the illicit sector but also adversely affects the Government's regulatory agenda related to tobacco control.

Historical industry data indicates that aggressive excise led price increases create consumer affordability issues and accelerate consumer down trading to cheap duty not paid cigarettes available in the market. Therefore, it is imperative for the Government authorities to drive a balanced and evidence based fiscal agenda along with effective enforcement measures to curtail the illicit sector. The reduction in share of the illicit sector from 41.2% of the market to 33.2% is still above the historical sustainable base of about 15%. The formation of a task force by the Government against the illicit sector led to heavy confiscation and raids of illicit brands. Such enforcement measures not only act as a deterrence for these illicit players but also cause major disruptions in their supply. Therefore, the Government needs to intensify policies supplemented with reinvigorated enforcement measures to further reduce the illicit sector.

The major impediment to enforcement, post the shift of some illicit units to non-tariff areas such as Azad Jammu & Kashmir (AJK), imply that there is a need for the Government authorities to work out appropriate arrangements with the AJK Government to avoid leakages of revenues.

1.2 Company Performance

In 2018, the Company delivered a growth in sales volumes. During the first nine months of the year, the Company was able to increase its market share due to a shift in consumption from cheap duty not paid cigarettes to legitimate sector brands, which was largely facilitated by last year's fiscal intervention and supplemented by the Company's endeavours to offer products that addressed its consumers' evolving preferences. As a result, the Company's overall market share grew by 3.7ppts (Retail Audit).

Within the legitimate market, the Company retained its leadership of the industry, maintaining a market share of 71.3% (Retail Audit). The strong performance was delivered on the back of a robust and differentiated brand portfolio developed in line with the Company's strategy. Moreover, significant investments were made throughout the year with the aim of not only delivering the best product but also a product that addressed the evolving consumer preferences. This was delivered on the back of a strong cooperation between PTC and its trading partners within Pakistan.

In its operations, the Company continued its journey towards manufacturing excellence by delivering the highest level of operating efficiency, comparable to and in some cases even exceeding global benchmark of the BAT Group.

During the year, the Company focused on cost control and efficient resource allocation. As a result, the Company delivered several cost savings and efficiency improvement projects. However, the increasing inflationary pressures in the economy, caused by a substantial devaluation of the Rupee and the increase in import and regulatory duties, exerted pressures on the cost base of the Company.

PTC remained committed to the development of its most valuable asset, its people. The Company focused on attracting and retaining the best talent by offering international careers, market competitive remuneration packages and international & local training opportunities. Going forward, talent development will remain at the core of the Company's strategy to increase its competitive advantage, enabling it to operate effectively in a highly regulated and competitive industry.

Strength from diversity is one of the key guiding principles of the Company. Diversity and inclusion is about respecting and celebrating each other's differences and enjoying working together. The Company values what makes each of its employees unique and believes in harnessing diversity through the inclusion of people, cultures, viewpoints, brands, markets and ideas to ultimately strengthen its business. In its drive to support gender diversity, the Company not only encouraged female employees but also supported them through various initiatives to work in the most critical roles across the Company. Overall, the management remained committed in driving the diversity agenda across the Company to deliver a fit for future organisation.

In 2018, the Company actively supported the Government's 'Plant for Pakistan' campaign and the 10 billion tree tsunami program. In addition to this, modern water conservation techniques and irrigation systems were introduced to the local tobacco farming communities. Tobacco farmers were educated on improving water efficiency through innovative techniques such as "irrigation scheduling", "laser land levelling" and high efficiency irrigation systems, such as "Drip & Sprinkler irrigation systems".

2 Financial Review

Provided below are the key financial indicators for the year 2018:

	Rs. (million) Jan-Dec, 2018	Rs. (million) Jan-Dec, 2017
Gross Turnover	137,116	111,485
FED/Sales Tax	84,004	68,206
Net Turnover	53,112	43,279
Cost of Sales	29,829	23,075
Gross Profit	23,284	20,204
Operating Profit	14,571	12,834
Profit Before Tax – PBT	15,280	13,011
Profit After Tax – PAT	10,338	9,574
Earnings Per Share – EPS (Rs.)	40.46	37.47

2.1 Profit & Loss Analysis

Net Turnover increased due to growth in sales volumes, which was driven by last year's fiscal reforms that facilitated consumers to shift from duty evaded products to legal industry brands.

Cost of sales increased primarily due to higher sales volumes. However, the cost base was impacted by the rapid devaluation of local currency against the US dollar and the increase in import and regulatory duties. The increase in cost was partially mitigated through savings delivered by various operational efficiency and productivity enhancement initiatives.

Going forward, inflationary pressures in the economy driven by currency devaluation pose a serious challenge for the Company, especially, in the absence of currency hedging products in the local financial market.

Selling and distribution costs increase is a testament of the Company's commitment to continue investing in its brands. The idea is to build a strong brand equity and image among its consumers through quality product offerings, innovative marketing activities and effective consumer engagements. At the same time, the Company continued its journey towards sales automation and enhancement of its trade marketing capabilities.

Other Operating expenses increased due to higher WPPF (Workers Profit Participation Fund)/ WWF (Workers Welfare Fund) statutory charges, determined on the basis of profit numbers.

Net Finance Income recorded a large increase, as the Company capitalized on the availability of surplus cash becoming available due to higher sales inflows, the investment of surplus funds at market competitive rates and efficient working capital management.

Income Tax Expense increased in line with higher profit recorded for the year.

2.2 Financial Position Analysis

Property, Plant & Equipment: During the year, the Company made capital investments to add manufacturing capacity as well as upgrade its machinery and infrastructure to support product innovations, improve product quality, enhance operating efficiencies and, to comply with local regulations and EH&S requirements.

Stock in trade increase was attributable to finished goods and raw material stock build-up to support higher production demand and to mitigate the adverse impact of future currency devaluation.

Other receivables recorded a substantial increase versus last year, mainly due to introduction of new import regulations, which mandated 100% cash margin against arrangements/contracts for the import of raw materials used in the manufacturing of cigarettes.

Short term investments in Government Treasury Bills increased due to availability of surplus funds from higher sales cash inflows and efficient liquidity management.

Current Liabilities increased primarily due to higher Government levies payables because of higher sales in December. At the same time, trade payables also increased due to growth in business operations and activities, especially those relating to selling and distribution expenditure.

Share Capital & Reserves increased due to profits retained after paying out dividends, declared during the year.

2.3 Liquidity Analysis

PTC's Treasury function is responsible for raising finances for the Company as required, managing its cash resources and mitigating the financial risks that arise during its business operations. Clear parameters have been established, including levels of authority as well as the type and use of financial instruments. All Treasury related activities are executed as per defined policies, procedures and limits. These are reviewed and approved by the Board or the delegated authority to the Finance Director/Treasury Committee. A detailed review of the Company's liquidity management and financing arrangements is provided separately in Note 35 of the 2018 financial statements.

2.4 Contribution to the National Exchequer

PTC is one of the largest tax contributors amongst the private sector of Pakistan. In 2018, the Company contributed a total of Rs. 92.2 billion (up by Rs. 19.8 billion vs 2017) to the National Exchequer in the form of excise duty, sales tax, custom duties, surcharges and income tax.

The presence of a large illicit sector is reflective of the huge amount of revenue lost by the Government due to weak enforcement. Thus, it is necessary that the illicit sector is curtailed, and tax evasion checked by the relevant authorities through the use of both fiscal and administrative measures available to them. By addressing this issue, the Government will pave the way for sustainable revenue growth in the future.

Director's Report
(Consolidated Accounts)

2.5 Profit Distribution & Reserve Analysis

The Company carried Rs. 14.3 billion of reserves at the start of the year of which, final dividend of Rs. 20/share and total amount of Rs. 5.1 billion relating to 2017 was approved by the shareholders. In 2018, the Company earned a net profit of Rs. 10.3 billion and declared two interim dividends of Rs. 7/share and Rs. 10/share, with a total of Rs. 4.3 billion outflow from the reserves. At year-end, the reserves of the Company stood at Rs. 15.2 billion, as detailed in the "Appropriations" table below:

	Rs. (million)	Rs. Per Share
Opening Reserves	14,356	
Final Dividend 2017	(5,110)	20.00
Net Profit 2018	10,338	40.46
Other Comprehensive Income	(30)	
Available for Appropriation	19,554	
Appropriations:		
Interim Dividends 2018	(4,343)	17.00
Closing Reserves	15,211	

2.6 Final Dividend

The Board of Directors of PTC in its meeting held on February 22, 2019 recommended a final cash dividend of Rs. 22.0/share for the year ended December 31, 2018 (2017: Rs. 20.0 per share). This recommendation will be subject to approval of the shareholders in the Annual General Meeting, scheduled on April 22, 2019.

2.7 Consolidated Financial Statements and Segmental Review

Consolidated financial statements, as included in this Annual Report, combine performance of Pakistan Tobacco Company Limited and its wholly owned subsidiary, Phoenix (Private) Limited ("the Subsidiary Company"). The Subsidiary Company is dormant and has not commenced commercial operations.

2.8 Subsequent Events Review

The Management has assessed events arising subsequent to end of financial year of the Company till the date of the report and hereby, confirms that no material changes and commitments affecting the financial position of the Company have occurred during this period.

3. Operations Review

PTC, a full seed to smoke operation, has two factories and one of the largest leaf operations in the BAT Group. During the year, the Company remained focused on enhancing productivity across its value chain. This was achieved through effective cost management, transition to a leaner operation and continuous modernisation of its machinery footprint.

The Operations function supported business turn around by delivering "On Time & In Full" (OTIF) quality products. In 2018, our factories achieved 78.5% Overall Equipment Efficiency (OEE), the second highest in the BAT Group. The function also delivered various cost saving initiatives that helped PTC in delivering one of the lowest manufacturing cost among BAT Group companies.

The Company aims to constantly modernise its operations by introducing innovative concepts, optimal processes and latest technology.
The Company continued its journey towards manufacturing excellence by implementing the Integrated Work System (IWS) program with one of its factories achieving IWS Phase-1 certification, which was achieved by only two other factories in the BAT Group.

Furthermore, a renewed focus on improving consumer centric quality of the product has led to a significant reduction in consumer complaints. The Company's manufacturing capability and the outstanding results delivered through the drive for excellence have earned recognition globally, across the BAT Group.

3.1 EH&S – Environment, Health & Safety

Along with the above-mentioned achievements, significant awareness and infrastructural improvements have been achieved in relation to Environment, Health and Safety (EH&S) processes and procedures at the Company's factory premises. The Company places a very strong emphasis on EH&S standards and has established comprehensive systems and processes to ensure awareness and full adherence across the organisation, including Company contractors and external stakeholders. In addition to this, the Company has taken other initiatives like trainings on health and safety, incident reporting processes and systems, EH&S audits and maintenance programs to inculcate EH&S, as a mind-set and a way of working across all levels within the organisation.

PTC places a strong emphasis on operating as a responsible corporate entity and strives to maintain the highest standards of environmental safety. The Company's factories continue to be compliant with the local environmental regulations. As part of its internal policy, the Company also conducts periodic reviews of its factory processes through third parties to ensure compliance to not only local environmental regulations but also to its internal BAT Group standards.

4. Marketing Review

2018 was a momentous year for the Company, recording unprecedented sales of 46.1 billion sticks. The volumes were supported by fiscal reforms introduced in Budget 17/18, which facilitated shift of consumption from illicit products to duty paid legitimate industry brands.

In the premium segment, the Company invested heavily to build Dunhill's brand equity. The brand went through a transformational upgrade, introducing Reloc packaging for the first time in Pakistan and becoming the only brand to offer tube filter to its consumers. This enabled Dunhill to register a growth of 89% vs SPLY.

PTC's flagship brand, John Player Gold Leaf, yet again proved to be the leading premium offer, achieving a legitimate market share of 91.6% (FY'18) in the premium segment. John Player Gold Leaf Special was also upgraded by introducing Reloc packaging, along with a new and improved pack.

The Company also activated the Aspirational Premium segment, where it launched John Player to further strengthen its brand portfolio. John Player outperformed all previous new product launches in Pakistan and is currently positioned to become a key brand for the Company in the future.

In the Value for Money (VFM) segment, Pall Mall went through a pack upgrade and achieved the highest ever volume by any brand, capturing the largest legitimate market share of 49.5% (FY'18). This further strengthened Pall Mall's position, as the bestselling brand in Pakistan.

The Company's trade team harmoniously deployed simultaneous marketing campaigns while ensuring excellence in their execution. Apart from world-class market execution, the Company revamped its biggest retail loyalty program and automated its entire Sales and Distribution operations, which entailed training of more than 2,000 field force personnel and automation of 164 distribution sites.

5. Risk Management & Internal Controls

The Board is responsible for managing the risks and challenges faced by the Company in the course of its operations, while maintaining a strong controlled environment. The Company's risk management and internal controls framework is aimed at safeguarding the shareholders' investment and the Company's assets, while minimising the impact of the risks that may impede the delivery of the Company's objectives. Details of this are captured in the section on Risk & Opportunity of the Annual Report.

Comprehensive policies and procedures, structured governance mechanisms and a conducive organisational culture have facilitated a strong compliance and control environment across the Company. All heads of functions are required to carry out a comprehensive assessment of globally defined key controls that are expected to be in place and operating effectively. Any non-compliances and material weaknesses are reported along with action plans to address them. Additionally, all employees are required to sign off an annual Statement of Compliance to the Company's Standards of Business Conduct.

On acquisition of RAI - Reynolds American Inc. by the BAT Group, PTC being its subsidiary, is required to comply with the requirements of Sarbanes-Oxley (SOx), which has further strengthened the internal controls of the Company.

6. Corporate Governance

6.1 Good Corporate Governance

The Directors confirm compliance with the Corporate and Financial Reporting Framework of the Securities and Exchange Commission of Pakistan's Listed Companies (Code of Corporate Governance) Regulations, 2017 ("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 the accounting estimates are based on reasonable and prudent judgement.

d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departures therefrom have been adequately disclosed and explained.

e) The system of internal controls is sound in design and has been effectively implemented and monitored.

f) There are no significant 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 Code of Corporate Governance and Pakistan Stock Exchange's listing requirements.

h) All major Government levies in the normal course of business, payable as at December 31, 2018 have been disclosed in the notes to the financial statements.

i) Key operating and financial data for last six years in summarised form is provided separately in this Annual Report.

j) Values of investments in employee's retirement funds for the year ended December 31, 2017 are as follows.

Fund Name	Rs. (million)
Staff Pension Fund	4,724
Employees' Gratuity Fund	1,187
Management Provident Fund	1,012
Pakistan Tobacco Company Limited Provident Fund	701
Staff Defined Contribution Pension Fund	371

6.2 Composition of the Board

The Board comprises of a total of 9 Directors: 6 non-executive directors, one of whom is an independent director and 3 executive directors.

Current composition of the Board is as below.

	Name of Director	No. of Directors
•	Male Directors	8
•	Female Director	1
a.	*Independent Director*	*1*
(i)	Mr. Zafar Mahmood	
b.	*Non- Executive Directors*	*5*
(i)	Mr. Mueen Afzal	
(ii)	Lt. Gen.(Retd.) Ali Kuli Khan Khattak	
(iii)	Ms. Hae In KIM	
(iv)	Mr. Michael Koest	
(v)	Mr. Imran Maqbool	
c.	*Executive Directors*	*3*
(i)	Syed Javed Iqbal	
(ii)	Mr. Wael Sabra	
(iii)	Mr. Tajamal Shah	

There is female representation on the Board in compliance with the regulatory requirement.

The overall effectiveness of the Board is enhanced by the diversity and breadth of perspective of its members, who combine professional and academic skills and experience, local and international, and collectively the Board also has sufficient financial acumen and knowledge. PTC conforms to the regulatory requirements on the composition and qualification of the Board of Directors.

Directors' detailed profiles including their names, status (independent, executive, non-executive), in addition to industry experience and directorship of other companies, have been provided separately in this Annual Report. The status of directorship (independent, executive, non-executive) is indicated in the Statement of Compliance with the Code of Corporate Governance.

6.3 Changes in the Board

The Board was reconstituted through an election on April 20, 2016. There has been no change in the Board in 2018. As the term of the Directors will expire on April 20, 2019, the elections will be held at the forthcoming AGM, when the Board will also be reconstituted in terms of the requirements of Code of Corporate Governance.

6.4 Meetings of the Board

Under the applicable regulatory framework, the Board is legally required to meet at least once in every quarter to ensure transparency, accountability and monitoring of the Company's performance. Special meetings are also held during the year to discuss important matters, as and when required. In 2018, 05 Board meetings were held, notices / agendas of which were circulated in advance, in a timely manner and in compliance with applicable laws. All meetings of the Board held during the year surpassed the minimum quorum requirements of attendance, as prescribed by the applicable regulations.

Company Secretary acts as the Secretary to the Board. All decisions made by the Board during the meetings were clearly documented in the minutes of the meetings register maintained by the Company Secretary, and were duly circulated to all the Directors for endorsement and were approved in the subsequent Board meetings.

Name of Director	Attendance
Mr. Mueen Afzal *Chairman and Non-Executive Director*	4/5
Syed Javed Iqbal *Managing Director / CEO & Executive Director*	5/5
Ms. Hae In KIM *Non-Executive Director*	0/5
Mr. Wael Sabra *Director Finance & IT, & Executive Director*	4/5
Mr. Tajamal Shah *Executive Director*	5/5
Lt. Gen. (Retd.) Ali Kuli Khan Khattak *Non-Executive Director*	3/5
Mr. Imran Maqbool *Non-Executive Director*	2/5
Mr. Zafar Mahmood *Independent Director*	4/5
Mr. Michael Koest *Non-Executive Director*	3/5

6.5 Board Meetings Held Outside Pakistan

In 2018, PTC conducted all its Board meetings in Pakistan.

6.6 Committees of the Board

The Board has four committees, which assist the Board in performance of its functions. Details of all Board Committees, including attendance and their functions are provided separately in this Annual Report on page 42.

6.7 Directors' Remuneration

As per the requirements of Code of Corporate Governance, there is a formal and transparent procedure in place for fixing the remuneration packages of individual Directors. No Director is involved in deciding his/her own remuneration.

These remuneration packages are approved as per requirements of the regulatory framework and internal procedures, while ensuring that they are not at a level that could be perceived to compromise the independence of non-executive directors.

The remuneration of Executive Directors including the CEO, key management personnel and other executives is given in note 36 to the financial statements.

6.8 Evaluation of Board's Performance

The Company has designed an "Evaluation Tool" to assist the Board to:

- Understand and recognise what is working well;
- Identify areas for improvement;
- Discuss and agree on priorities for change, which can be addressed in the short and long-term;
- Agree on an action plan.

The Evaluation Tool comprises an evaluation questionnaire, which is circulated to all the Directors in which each of the Director must evaluate self as well as the Board. In order to encourage open and frank evaluations, as well as to ensure anonymity, the evaluation process is directed by the Company Secretary, who mails the questionnaire to each Director and then collates the results into a report including a summary of the results, and recommendations to the Board. The Report is then discussed in the next Board Meeting to address the areas of concern and improve the Board's performance.

6.9 Offices of the Chairman & CEO

To promote transparency and good governance, offices of the Chairman of the Board of Directors and the Chief Executive Officer are held by separate individuals with clear segregation of roles and responsibilities.

6.10 Brief Roles & Responsibilities of the Chairman & CEO

Roles and responsibilities of the Chairman and the CEO have been clearly and distinctly defined by the Board.

The Chairman is basically a leader and mediator to head the meeting of the Board of Directors effectively and take decisions after a free and open sharing of views within a limited time, quickly and efficiently. The Chairman is responsible for the overall discharge of the Board's duties.

The CEO is the executive head of the Company, who heads all facets of the Company through respective heads of functions and manages the day to day operations of the Company and provides leadership towards the achievement of the Corporate Plan. The CEO is responsible for leading, developing and executing the Company's short and long term strategies with a view to enhance shareholders' value. The CEO liaises with the Board and communicates on behalf of the Management.

6.11 CEO's Performance Evaluation by the Board

The Board appoints the CEO for a term of 3 years, in compliance with applicable laws. His or her performance is reviewed annually, based on the yearly corporate plan, besides his or her responsibilities under the regulatory framework.

His performance for the year 2018 is demonstrated by achievement of corporate plan and compliance with the applicable regulatory requirements.

6.12 Formal Orientation at Induction

Newly inducted Board members are taken through an Induction Plan for their orientation and familiarisation towards the Company's vision, organisational structure, roles and responsibilities of senior executives, major pending or threatened litigation, policies relating to dividends, whistleblowing, summary of Company's major assets, liabilities and noteworthy contracts etc.

As part of the Induction Plan, senior executives of the Company present the performance of their respective department to the newly inducted Directors.

6.13 Directors' Training Program

PTC has ensured compliance with the applicable regulatory requirements regarding directors training. More than half of the Directors have obtained certification under Directors' Training Program (DTP) approved by SECP.

6.14 Last AGM

The Company's 71st- AGM (Annual General Meeting) was held on April 20, 2018. All shareholders, including minority shareholders, were proactively sent out invites informing them about the time and place of the meeting, well in advance. High quality and comfortable arrangements, aimed at facilitating the shareholders of the Company, were made to conduct the AGM.

During the meeting, general clarifications on the published financial statements and the impact of illicit trade were sought by the shareholders and investors but no issues were reported in that meeting.

6.15 Auditors

Statutory Audit for the Company for the financial year ended December 31, 2018 has 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 Messers KPMG Taseer Hadi & Co. shall retire at the conclusion of the Annual General Meeting, and they have indicated their willingness to continue as Auditors for PTC. They have confirmed to have achieved 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 appointment as Auditors for the financial year ending December 31, 2019 on the recommendation of the Audit Committee. This shall be subject to the approval of the shareholders in their meeting scheduled for April 22, 2019.

6.16 Pattern of Shareholding

British American Tobacco (Investments) Limited (BAT-IL) incorporated in United Kingdom holds 94.34% shares of the Company at the year-end. The pattern of shareholding as at December 31, 2018 alongside the disclosure as required under Code of Corporate Governance is provided separately in this Annual Report.

6.17 Trading in Shares by Directors and Executives

The Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouses and minors have reportedly not performed any trading in the shares of the Company.

6.18 Review of Business Continuity Planning (BCP)

PTC recognises the importance of Business Continuity Management (BCM) as the means to ensure that the business can continue to succeed in times of crisis and during the recovery process. To this end, the Company has established a BCM Manual as per International Standards which enables the Company to:

- Proactively plan and prepare in the case of an incident
- Understand how to respond should an incident occur
- Know how to manage the situation effectively
- Return to Business as Usual (BAU) as quickly as possible to minimise the negative impact on the business

The process has received recognition within the BAT Group as on one of the best in the Group. The Board reviews compliance with the BCM Manual on an annual basis. Responsibility and accountability for ensuring compliance with the Standards and for the implementation of the BCM process has been delegated to the Managing Director. Operational management of BCM is delegated to the Head of Security who is the lead for BCM in the Company. Heads of Functions are the risk owners and are responsible for enabling and maintaining an effective BCM capability within their respective functions. The Business Continuity Manager facilitates and coordinates the BCM process in the Company.

By implementing a BCM process, the Company ensures that:

- its people, assets and information are protected. Employees receive adequate support and communications in the event of a disruption
- the relationships with other organisations, relevant regulators or government departments, local authorities and the emergency services are properly developed and documented. Stakeholder requirements are understood and can be delivered
- The Company has an enhanced capacity to protect its reputation and remains compliant with its legal and regulatory obligations

For and behalf of the Board

Mueen Afzal
Chairman

Syed Javed Iqbal
MD/CEO

Independent Auditor's Report

(Consolidated Accounts)

To the members of Pakistan Tobacco Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed consolidated financial statements of Pakistan Tobacco Company Limited (PTC) and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and (of) its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

S. No.	Key audit matters	How the matter was addressed in our audit
1	**Revenue recognition** *Refer notes 7.2 and 8 to the consolidated financial statements.* The Group is engaged in the production and sale of tobacco and tobacco products. The Group recognized net revenue from the sales of cigarettes of Rs. 53,112 million for the year ended 31 December 2018. We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicator of the Group and gives rise to an inherent risk that revenue could be subject to misstatement to meet expectations or targets.	Our audit procedures to assess the recognition of revenue, amongst others, included the following: • Obtaining an understanding of the process relating to recognition of revenue and testing the design, implementation and operating effectiveness of key internal controls over recording of revenue; • Comparing a sample of revenue transactions recorded during the year with sales orders, sales invoices, delivery documents and other relevant underlying documents; • Comparing a sample of revenue transactions recorded around the year- end with the sales orders, sales invoices, delivery documents and other relevant underlying documentation to assess if the related revenue was recorded in the appropriate accounting period; • Assessing whether the accounting policies for revenue recognition complies with the requirements of IFRS 15 'Revenue from Contracts with Customers'; and • Comparing the details of a sample of journal entries posted to revenue accounts during the year, which met certain specific risk-based criteria, with the relevant underlying documentation. We also considered the appropriateness of disclosures in the consolidated financial statements.
2	**Valuation of stock-in-trade** *Refer notes 7.12 and 19 to the consolidated financial statements.* As at 31 December 2018, stock-in-trade is stated at Rs. 18,489 million. Stock-in-trade is measured at the lower of cost and net realizable value. We identified existence and valuation of stock-in-trade as a key audit matter due to its size, representing 46% of total assets of the Group as at 31 December 2018, and the judgement involved in valuation.	Our audit procedures to assess the valuation of stock-in-trade, amongst others, included the following: • Assessing the design, implementation and operating effectiveness of key internal controls over valuation of stock-in-trade including determination of net realizable values; • Attending inventory counts and reconciling the count results to the inventory listings to test the completeness of data; • Assessing the net realizable value of stock-in-trade by comparing, on a sample basis, management's estimation of future selling prices for the products with committed sales contracts and selling prices achieved subsequent to the end of the reporting period; • Comparing the net realizable value to the cost of a sample of stock-in-trade and comparison to the associated provision to assess whether stock-in-trade provisions are complete; and • Assessing accuracy of inventory ageing reports and adequacy of provisions.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. Other information comprises the information included in the annual report for the year ended 31 December 2018, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Mr. Atif Zamurrad Malik.

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants

Islamabad
February 22, 2019

Consolidated Statement of Profit or Loss

For the year ended December 31, 2018

	Note	2018 Rs '000	2017 Rs '000
			(Restated)
Gross turnover	8	137,115,757	111,485,277
Excise duties		(63,117,903)	(51,247,115)
Sales tax		(20,885,770)	(16,959,013)
Net turnover		53,112,084	43,279,149
Cost of sales	9	(29,828,556)	(23,075,361)
Gross profit		23,283,528	20,203,788
Selling and distribution costs	10	(4,950,293)	(3,762,202)
Administrative expenses	11	(2,558,072)	(2,663,970)
Other operating expenses	12	(1,381,858)	(1,186,191)
Other income	13	177,729	242,134
		(8,712,494)	(7,370,229)
Operating profit		14,571,034	12,833,559
Finance income		742,648	234,124
Finance cost	14	(33,828)	(56,338)
Net finance income		708,820	177,786
Profit before income tax		15,279,854	13,011,345
Income tax expense	15	(4,941,862)	(3,437,783)
Profit for the year		10,337,992	9,573,562
Earnings per share (basic and diluted) - (Rupees)	16	40.46	37.47

The annexed notes 1 to 41 form an integral part of these consolidated financial statements.

Syed Javed Iqbal
Chief Executive Officer

Wael Sabra
Chief Financial Officer / Director

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2018

	Note	2018 Rs '000	2017 Rs '000
Profit for the year		10,337,992	9,573,562
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
- Remeasurement loss on defined benefit pension and gratuity plans	32	(37,795)	(390,891)
- Tax credit related to remeasurement loss on defined benefit pension and gratuity plans	15.3	7,499	117,267
		(30,296)	(273,624)
Total comprehensive income for the year		10,307,696	9,299,938

The annexed notes 1 to 41 form an integral part of these consolidated financial statements.

Syed Javed Iqbal
Chief Executive Officer

Wael Sabra
Chief Financial Officer / Director

Consolidated Statement of Financial Position

As at December 31, 2018

	Note	2018 Rs '000	2017 Rs '000
Non current assets			
Property, plant and equipment	17	9,155,875	8,364,743
Advances for capital expenditure		959,439	291,119
Long term deposits and prepayments	18	32,112	32,319
		10,147,426	8,688,181
Current assets			
Stock-in-trade	19	18,489,390	14,460,890
Stores and spares	20	634,029	593,909
Trade debts	21	1,553	2,636
Loans and advances	22	97,960	72,685
Short term prepayments		249,935	212,747
Other receivables	23	1,839,663	948,975
Short term investments	24	8,699,508	6,763,842
Cash and bank balances	25	293,165	390,128
		30,305,203	23,445,812
Current liabilities			
Trade and other payables	26	18,621,395	10,532,589
Other liabilities	27	2,298,698	2,226,659
Short term running finance	28	75,542	–
Finance lease obligation	29	148,245	165,245
Unpaid dividend	30	200,188	184,852
Unclaimed dividend		81,268	79,451
Accrued interest / mark-up		5,331	3,414
Current income tax liabilities		382,417	662,310
		(21,813,084)	(13,854,520)
Net current assets		8,492,119	9,591,292
Non current liabilities			
Finance lease obligation	29	(284,845)	(260,050)
Deferred income tax liabilities	31	(589,076)	(1,108,225)
		(873,921)	(1,368,275)
Net assets		17,765,624	16,911,198
Share capital and reserves			
Share capital	33	2,554,938	2,554,938
Revenue reserve - Unappropriated profit		15,210,686	14,356,260
		17,765,624	16,911,198
Contingencies and commitments	34		

The annexed notes 1 to 41 form an integral part of these consolidated financial statements.

Syed Javed Iqbal
Chief Executive Officer

Wael Sabra
Chief Financial Officer / Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2018

	Share capital Rs '000	Revenue reserve - Unappropriated profit Rs '000	Total Rs '000
Balance at January 1, 2017	2,554,938	10,421,692	12,976,630
Total comprehensive income for the year:			
Profit for the year	–	9,573,562	9,573,562
Other comprehensive income for the year	–	(273,624)	(273,624)
Total comprehensive income for the year	–	9,299,938	9,299,938
Transactions with owners of the Company:			
Final dividend of Rs 11.00 per share relating to the year ended December 31, 2016	–	(2,810,432)	(2,810,432)
Interim dividend of Rs 10.00 per share relating to the year ended December 31, 2017	–	(2,554,938)	(2,554,938)
Total transactions with owners of the Company	–	(5,365,370)	(5,365,370)
Balance at December 31, 2017	2,554,938	14,356,260	16,911,198
Balance at January 1, 2018	2,554,938	14,356,260	16,911,198
Total comprehensive income for the year:			
Profit for the year	–	10,337,992	10,337,992
Other comprehensive income for the year	–	(30,296)	(30,296)
Total comprehensive income for the year	–	10,307,696	10,307,696
Transactions with owners of the Company:			
Final dividend of Rs 20.00 per share relating to the year ended December 31, 2017	–	(5,109,876)	(5,109,876)
Interim dividend of Rs 7.00 per share relating to the year ended December 31, 2018	–	(1,788,456)	(1,788,456)
Interim dividend of Rs 10.00 per share relating to the year ended December 31, 2018	–	(2,554,938)	(2,554,938)
Total transactions with owners of the Company	–	(9,453,270)	(9,453,270)
Balance at December 31, 2018	2,554,938	15,210,686	17,765,624

The annexed notes 1 to 41 form an integral part of these consolidated financial statements.

Syed Javed Iqbal
Chief Executive Officer

Wael Sabra
Chief Financial Officer / Director

Consolidated Statement of Cash Flows

For the year ended December 31, 2018

	Note	2018 Rs '000	2017 Rs '000
Cash flows from operating activities			
Cash generated from operations	38	18,833,556	16,977,916
Finance cost paid		(31,911)	(56,362)
Income tax paid		(5,725,015)	(4,297,752)
Contribution to retirement benefit funds		(267,012)	(344,134)
Net cash generated from operating activities		12,809,618	12,279,668
Cash flows from investing activities			
Purchases of property, plant and equipment		(1,606,818)	(902,484)
Advances for capital expenditure		(668,321)	(260,295)
Proceeds from sale of property, plant and equipment		154,543	207,953
Interest received		761,781	215,291
Net cash used in investing activities		(1,358,815)	(739,535)
Cash flows from financing activities			
Dividends paid		(9,436,117)	(5,179,246)
Finance lease payments		(251,525)	(238,805)
Net cash used in financing activities		(9,687,642)	(5,418,051)
Net increase in cash and cash equivalents		1,763,161	6,122,082
Cash and cash equivalents at beginning of year		7,153,970	1,031,888
Cash and cash equivalents at end of year		8,917,131	7,153,970
Cash and cash equivalents comprise:			
Cash and bank balances	25	293,165	390,128
Short term investments	24	8,699,508	6,763,842
Short term running finance	28	(75,542)	–
		8,917,131	7,153,970

The annexed notes 1 to 41 form an integral part of these consolidated financial statements.

Syed Javed Iqbal
Chief Executive Officer

Wael Sabra
Chief Financial Officer / Director

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

1 Corporate and General Information

The Group and its operations

Pakistan Tobacco Company Limited (the Company) is a public limited company incorporated in Pakistan on November 18, 1947 under the Companies Act, 1913 (now the Companies Act, 2017) and its shares are quoted on the Pakistan Stock Exchange Limited. 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 Company is engaged in the manufacture and sale of cigarettes.

The registered office of the Company is situated at Serena Business Complex, Khayaban-e-Suharwardy, Islamabad, Pakistan. The Company has two manufacturing plants located at Akora Khattak and Jhelum.

Phoenix (Private) Limited (PPL) is a private limited company incorporated on March 9, 1992 in Azad Jammu and Kashmir under the Companies Ordinance, 1984 (now the Companies Act, 2017. The registered office of PPL is situated at Bin Khurma, Chichian Road, Mirpur, Azad Jammu and Kashmir. The object for which the PPL has been incorporated is to operate and manage an industrial undertaking in Azad Jammu and Kashmir to deal in tobacco products. PPL is dormant and has not commenced its commercial operations.

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

Capacity and production

Against an estimated manufacturing capacity of 51,330 million cigarettes (2017: 43,600 million cigarettes) actual production was 46,201 million cigarettes (2017: 35,307 million cigarettes). The split from each industrial unit is given below.

	Manufacturing Capacity	
Site	**2018 (Units in Millions)**	**2017 (Units in Millions)**
Akora Khattak Factory	28,490	24,774
Jhelum Factory	22,840	18,826
Total	51,330	43,600

	Actual Production	
Site	**2018 (Units in Millions)**	**2017 (Units in Millions)**
Akora Khattak Factory	24,404	21,165
Jhelum Factory	21,797	14,142
Total	46,201	35,307

Actual production is less than the installed capacity due to market demand.

Number of employees

Total number of employees as at December 31, 2018 were 1,109 (2017: 1,029). Out of the total number of employees, the number of factory employees as at December 31, 2018 were 456 (2017: 392). Average number of employees during the year were 1,097 (2017: 1,044), whereas average factory employees during the year were 451 (2017: 418).

Summary of significant transactions and events

Significant events and transactions affecting the Group's financial position and performance during the year are as follows:

- During the year, the Group experienced two excise increases, which led to portfolio wide consumer price increases, thereby, widening the price gap with lower priced duty evaded cigarettes.

- During the year, the Group has made additions of Rs 708 million to plant and machinery resulting in increased manufacturing capacity from 43,600 million to 51,330 million cigarettes.

2 Statement of compliance

These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3 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 Functional and presentation currency

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

5 Use of estimates and judgements

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized, prospectively.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 8 – Nature and timing of satisfaction of performance obligation and revenue recognition
- Notes 7.10 and 17 – useful lives, residual values and depreciation method of property, plant and equipment
- Note 7.12, 7.13, 19 and 20 – Provision for obsolescence of stock in trade and stores and spares
- Notes 7.3, 15 and 31 – Provision for income tax and calculation of deferred tax
- Notes 7.8 and 32 – Retirement benefits
- Notes 7.14 and 35 – Financial instruments – fair values
- Notes 7.6, 7.7 and 34 – Contingencies

During the year, the Group changed its estimate with regards to the residual values and useful lives of property, plant and equipment. The change in estimate is applied prospectively. The Group changed residual values of vehicles from 35% to 20%, resulting in an increase of Rs 132 million depreciation expense with a corresponding decrease in carrying amount of vehicles as at December 31, 2018. The Group changed useful life of plant and machinery from 14.5 years to 20 years, resulting in a decrease of Rs 272 million depreciation expense with corresponding increase in carrying amount of property, plant and equipment as at December 31, 2018.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair vales, for both financial and non-financial assets and liabilities.

The management regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the management assesses the evidence obtained from the third parties to support its conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

When measuring fair value of an asset or a liability, the Group uses observable and available market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1, which are observable and available for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable and available market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level of input that is significant to the entire measurement. The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

6 New accounting standards, amendments and IFRIC interpretations that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 1 January 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment to be reflected in the measurement of current and deferred tax. The application of this interpretation is not likely to have an impact on Group's consolidated financial statements.

- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Group is currently in the process of analysing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard.

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Group's consolidated financial statements.

- Amendments to IAS 19 'Employee Benefits'- plan amendment, curtailment or settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a Group now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Group's consolidated financial statements.

- Amendment to IFRS 3 'Business Combinations' – definition of a business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past consolidated financial statements.

- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing general purpose consolidated financial statements in accordance with IFRS.

- Annual Improvements to IFRS 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

    - IFRS 3 'Business Combinations' and IFRS 11 'Joint Arrangement' - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company re-measures its previously held interest in a joint operation when it obtains control of the business. A company does not re-measure its previously held interest in a joint operation when it obtains joint control of the business.

    - IAS 12 'Income Taxes' - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

    - IAS 23 'Borrowing Costs' - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

  The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have any impact on Group's consolidated financial statements.

7 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements except for the changes in the accounting policy as explained below.

– The Companies Act, 2017 specifies certain disclosures to be included in the consolidated financial statements. Accordingly, the Group has presented the required disclosures in these consolidated financial statements and re-presented relevant comparatives. However, there has been no change in the reported figures of profit, other comprehensive income and the statement of financial position due to these re-presentations.

– The Group has early adopted IFRS 9 'Financial Instruments' from January 01, 2018. The adoption of this standard has no significant impact on the Group's consolidated financial statements. IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 'Financial Instruments: Recognition and Measurement'.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The following table explains the original measurement categories under IAS 39 and new measurement categories under IFRS 9 for each class of the Group's financial assets and liabilities.

	Original classification under IAS 39	**New classification under IFRS 9**
Financial Assets		
Trade debts	Loans and receivable	Amortized cost
Other receivables	Loans and receivable	Amortized cost
Short term investments	Loans and receivable	Fair value through profit or loss
Cash and bank balances	Loans and receivable	Amortized cost

Financial Liabilities		
Trade and other payables	Other financial liabilities	Amortized cost
Other liabilities	Other financial liabilities	Amortized cost
Short term running finance	Other financial liabilities	Amortized cost

– The Group has early adopted IFRS 15 'Revenue from Contracts with Customers' from January 01, 2018. Accordingly, the Group has changed its accounting policy for revenue recognition in respect of certain marketing costs previously recognized as 'selling and distribution costs'. These costs are now recognized as a deduction from the gross amount of sales as required under IFRS 15. Moreover, there is no impact on the recognition of the revenues under this standard.

The change in accounting policy has been applied retrospectively and comparative figures in the statement of profit or loss are restated. The following table summarizes the impacts of adopting IFRS 15 on the comparative figures as presented in the statement of profit or loss for each of the line items affected.

	As previously reported Rs '000	Effect of change in accounting policy Rs '000	Restated amount Rs '000
Revenue	112,523,770	(1,038,493)	111,485,277
Selling and distribution costs	(4,800,695)	1,038,493	(3,762,202)

There was no significant impact on the comparative figures presented in the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows. Further, the change in accounting policy has no impact on the reported amount of unappropriated profit as at 01 January 2017.

7.1 Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its wholly owned subsidiary company i.e. PPL, collectively called "the Group".

Subsidiaries are all entities over which the Group has the control or a shareholding of more than half of the voting rights. The Group controls an entity when it is expose to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which the control is transferred to the Group. They are derecognized from the date the control ceases.

7.2 Revenue recognition

Revenue comprises the invoiced value for the sale of goods net of sales taxes, rebates and discounts. Certain marketing costs are deducted from the gross amount of sales. Revenue from the sale of goods is recognized when control of the goods passes to customers and the customers can direct the use of and substantially obtain all the benefits from the goods. Revenue is recognized when specific criteria have been met for each of the Group's activities as described below.

Revenue from contracts with customers

Sale of goods

The Group manufactures and sells cigarettes to its appointed distributors. Sale of goods is recognized when the Group has transferred control of the products to the distributor and there is no unfulfilled obligation that could affect the distributor's acceptance of the products.

Contract assets

Contract assets arise when the Group performs its performance obligations by transferring goods to a customer before the customer pays its consideration or before payment is due.

Contract liabilities

Contract liability is the obligation of the Group to transfer goods to a customer for which the Group has received consideration from the customer. If a customer pays consideration before the Group transfers goods, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Group performs its performance obligations under the contract.

Income on bank deposits

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

Income on short term investments

Short term investments, classified as financial assets at fair value through profit or loss, are re-measured to fair value at each reporting date until the assets are de-recognized. The gains and losses arising from changes in fair value are included in the statement of profit or loss in the period in which they occur.

Others

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

7.3 Income tax

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

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. 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.

Deferred tax

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 consolidated 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.

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

7.4 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 statement of financial position date and adjusted to reflect current best estimate.

7.5 Earnings per share

The Group presents earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

7.6 Contingent assets

Contingent assets are disclosed when the Group has a possible asset that arises from past events and whose existence will only be confirmed 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 certain.

7.7 Contingent liabilities

Contingent liability is disclosed when the Group has a possible obligation as a result of past events whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent liabilities are not recognized, only disclosed, unless the possibility of a future outflow of resources is considered remote. In the event that the outflow of resources associated with a contingent liability is assessed as probable, and if the size of the outflow can be reliably estimated, a provision is recognized in the consolidated financial statements.

7.8 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 up to the limit allowed as per 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 further legal or constructive obligation to pay contributions if the fund does not hold sufficient assets to pay all employees, the benefits relating to employees' 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 pension scheme. The liability recognized in the balance sheet in respect of pension and gratuity schemes is the present value of the defined benefit obligation of the Group 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 denominated in Pakistan rupee and have terms to maturity approximating to the terms of the related liability.

The current service cost of the defined benefit plan, recognized in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes curtailments and settlements. Past-service costs are recognized immediately in income.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity 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. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

(c) Medical benefits

The Group maintains a health insurance policy for its entitled employees and their dependents and pensioners and their spouses. The Group contributes premium to the policy annually. Such premium is recognized as an expense in the statement of profit or loss.

(d) Bonus plans

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 it is contractually obliged or where there is a past practice that has created a constructive obligation.

(e) Share-based payments

The Group has two cash-settled share-based compensation plans. Share options are granted to key management personnel which vest over a period of three years. A liability equal to the portion of the services received is recognized at its current fair value determined at each statement of financial position date.

Where applicable, the Group recognizes the impact of revisions to original estimates in the statement of profit or loss, with a corresponding adjustment to current liabilities for cash-settled schemes.

(i) Long Term Incentive Plan (LTIP)

Nil-cost option exercisable after three years from date of grant with a contractual life of ten years. Pay-out is subject to performance conditions based on earnings per share, operating cash flow, total shareholder return and net turnover of the British American Tobacco (BAT) group. Total shareholder return combines the share price and dividend performance of the BAT group by reference to one comparator group.

(ii) Deferred Share Bonus Scheme (DSBS)

Free ordinary shares released three years from date of grant and may be subject to forfeit if a participant leaves employment before the end of the three years holding period. Participants receive a separate payment equivalent to a proportion of the dividend payment during the holding period. Share options are granted in March each year.

7.9 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 corresponding rental obligations, net of finance charges, are included in other long-term payables. The finance cost is charged to the statement of profit or loss 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. The Group has entered into Ijarah arrangement with a financial institution in respect of vehicles. Islamic Financial Accounting Standard (IFAS) No.2 "Ijarah" was notified by SECP vide S.R.O 431 (I) /2007 on May 22, 2007. IFAS No.2 requires Ijarah payments under such arrangements to be recognized as an expense over the Ijarah terms. The Group intends to acquire such assets at the end of the lease term and management believes that this arrangement meets the conditions of finance lease and consequently, such arrangements have been accounted for under International Accounting Standard – 17 "Leases".

(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 the statement of profit or loss on a straight-line basis over the period of the lease.

7.10 Property, plant and equipment

These are stated at cost less accumulated depreciation and any accumulated impairment losses, except freehold land and capital work in progress which are stated at cost less impairment losses, if any. 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 expenses are recognized in the statement of profit or loss during the financial period in which they are incurred.

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

• Buildings on freehold and leasehold land	3%
• Plant and machinery	5%
• Air conditioners (included in plant and machinery)	20%
• Office and household equipment	20% to 33.3%
• Furniture and fittings	10% to 20%
• Vehicles – owned and leased	16%

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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

7.11 Impairment of non-financial asset

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment at each statement of financial position 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 (cash-generating units). 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 the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if impairment losses had not been recognized. An impairment loss or reversal of impairment loss is recognized in the statement of profit or loss.

7.12 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.

7.13 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 up to the statement of financial position date.

7.14 Financial Instruments

i. Recognition and de-recognition

The Group initially recognizes financial assets on the date when they are originated. Financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

ii. Classification

On initial recognition, a financial asset is classified as measured at:

- amortized cost;
- fair value through other comprehensive income (FVOCI); or
- fair value through profit or loss (FVTPL)

The classification of financial assets is based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

(a) Amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL: (i) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL: (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(c) Fair value through profit or loss (FVTPL)

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

iii. Subsequent measurement

Financial assets at FVTPL	Measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	Measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Subsequent to initial recognition, financial liabilities are measured at amortized cost using the effective interest method.

iv. De-recognition

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Group is recognized as a separate asset or liability.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. Any gain / (loss) on the recognition and de-recognition of the financial assets and liabilities is included in the statement of profit or loss for the period in which it arises.

v. Impairment of financial assets

The Group recognizes loss allowance for Expected Credit Losses (ECLs) on financial assets measured at amortized cost and contract assets. The Group measures loss allowance at an amount equal to lifetime ECLs.

Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

At each reporting date, the Group assess whether the financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial assets have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in statement of profit or loss. Any gain or loss on de-recognition is also included in profit or loss.

7.15 Borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of profit or loss 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 or loss.

7.16 Dividend distribution

Dividend distribution to the Group's shareholders is recognized as a liability in the consolidated 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 recognized in the period in which the dividends are declared by the Board of Directors.

7.17 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks and highly liquid investments with less than three months maturity from the date of acquisition. Short term finance facilities availed by the Group, which are repayable on demand and form an integral part of the Group's cash management are included as part of cash and cash equivalents in the statement of cash flows.

7.18 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 statement of financial position 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 statement of profit of loss.

7.19 Fair value measurement

Fair value' is the price that would be received by selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group's accounting policies and disclosures require the measurement of fair values, both for financial and non-financial assets and liabilities (See Note 5). When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. If there is no quoted price in an active market, then the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price i.e. the fair value of the consideration given or received.

	2018 Rs '000	2017 Rs '000 (Restated)
8 Gross turnover		
- Domestic	137,073,572	111,062,494
- Export	42,185	422,783
	137,115,757	111,485,277

Revenue is measured based on the consideration specified in a contract with a customer. The transaction prices are generally fixed as per the contract with customers. The payment terms are governed by the contractual rights and obligations as defined in the contracts with customers and payments are generally received in advance of delivering goods sold.

Revenue recognized during the year that was included in the contract liability balance at the beginning of year is Rs 150 thousand (2017: Rs 20,375 thousand).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

	2018 Rs '000	2017 Rs '000
9 Cost of sales		
Raw material consumed		
Opening stock of raw materials and work in process	13,137,236	12,449,905
Raw material purchases and expenses - note 9.1	23,669,134	16,102,177
Closing stock of raw materials and work in process	(16,944,127)	(13,137,236)
	19,862,243	15,414,846
Government taxes and levies		
Customs duty and surcharges	2,318,625	407,705
Provincial and municipal taxes and other duties	396,327	271,152
Excise duty on royalty	47,349	53,348
	2,762,301	732,205
	22,624,544	16,147,051
Royalty - note 9.2	2,364,433	533,488
Severance benefits	172,446	2,168,043
Production overheads		
Salaries, wages and benefits	2,059,960	1,866,521
Stores, spares and machine repairs	803,768	553,303
Fuel and power	394,954	334,171
Insurance	16,859	18,342
Repairs and maintenance	653,622	491,752
Postage, telephone and stationery	17,312	11,908
Information technology	44,570	59,465
Depreciation	592,878	841,277
Provision for damaged stocks / stock written off	17,762	22,390
(Reversal of) / provision for slow moving items / stores written off	(64,091)	14,964
Sundries	341,638	159,803
	4,879,232	4,373,896
Cost of goods manufactured	30,040,655	23,222,478
Cost of finished goods		
Opening stock	1,336,318	1,189,201
Closing stock	(1,548,417)	(1,336,318)
	(212,099)	(147,117)
Cost of sales	29,828,556	23,075,361

9.1 Raw material purchases and expenses:

	2018 Rs '000	2017 Rs '000
Materials	20,966,816	13,818,839
Salaries, wages and benefits	1,175,786	1,088,693
Stores, spares and machine repairs	190,003	171,624
Fuel and power	326,631	306,148
Property rentals	121,346	91,963
Insurance	18,457	12,579
Repairs and maintenance	162,616	122,766
Postage, telephone and stationery	14,493	11,689
Depreciation	87,498	85,737
Sundries	605,488	392,139
	23,669,134	16,102,177

9.2 This represents royalty expense to the associated companies namely (i) BAT (Brands) Limited, (ii) Benson & Hedges (overseas) Limited and (iii) BAT (Holdings) Limited, all having registered office at Globe House, 1 Water Street, London WC2R 3LA, United Kingdom.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2018

	2018 Rs '000	2017 Rs '000
10 Selling and distribution costs		
Salaries, wages and benefits	884,521	798,974
Selling expenses	3,498,834	2,528,615
Freight	169,787	130,190
Repairs and maintenance	72,904	20,052
Postage, telephone and stationery	10,693	12,996
Travelling	140,241	130,695
Property rentals	64,050	51,507
Insurance	11,613	12,260
Provision for damaged stocks	1,200	8,186
Finished goods / wrapping material stock written off	–	11,176
Depreciation	96,450	57,551
	4,950,293	3,762,202
11 Administrative expenses		
Salaries, wages and benefits	900,169	890,874
Fuel and power	8,991	9,418
Property rentals	185,907	156,224
Insurance	5,597	4,933
Repairs and maintenance	27,577	19,866
Postage, telephone and stationery	11,256	9,325
Legal and professional charges	118,403	101,550
Donations - note 11.1	8,400	400
Information technology	1,001,846	1,226,466
Travelling	79,659	67,645
Depreciation	148,952	127,777
Auditor's remuneration and expenses - note 11.2	14,626	6,745
Sundries	46,689	42,747
	2,558,072	2,663,970

11.1 Donations include an amount of Rs 8,000 thousand (2017: Nil) to Gottfried Thoma PTC Employees' Benevolent Trust. There were no donations in which the directors, or their spouses, had any interest.

	2018 Rs '000	2017 Rs '000
11.2 Auditor's remuneration and expenses include:		
- Statutory audit fee	2,450	1,905
- Group reporting, review of half-yearly accounts, audit of consolidated accounts, audit of staff retirement benefit funds and other certifications and review of Statement of Compliance with Code of Corporate Governance	11,623	4,098
- Out-of-pocket expenses	553	742
	14,626	6,745

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

		2018 Rs '000	2017 Rs '000
12	**Other operating expenses**		
	Workers' profit participation fund	820,615	698,783
	Workers' welfare fund	327,658	265,538
	Bank charges and fees	38,062	37,299
	Interest paid to workers' profit participation fund	–	11,732
	Loss on disposal of property, plant and equipment	–	25,872
	Foreign exchange loss	195,523	146,967
		1,381,858	1,186,191
13	**Other income**		
	Income from sales / services rendered to associated companies:		
	- BAT SAA Services (Private) Limited	124,153	29,191
	- BAT Bangladesh, BAT Holdings and BAT Myanmar and Ceylon Tobacco Co., Sri Lanka	3,928	7,940
	- BAT Marketing (Singapore) Ltd	–	5,477
	Recharges / other payable to associated companies written back:		
	-BAT (Holdings) Ltd / BAT (Investments) Ltd	–	86,714
	-BAT ASPAC Service Center Sdn Bhd - Malaysia	15,114	50,553
	-BAT Marketing (Singapore) Ltd and BAT Singapore (Pte) Ltd	–	35,477
	-BAT Asia-Pacific Region Ltd - Hong Kong	11,478	17,977
	Other liabilities written back - net	343	7,878
	Gain on disposal of property, plant and equipment	21,259	–
	Miscellaneous	1,454	927
		177,729	242,134
14	**Finance cost**		
	Interest expense on:		
	Bank borrowings	2,014	22,750
	Finance lease	31,814	33,588
		33,828	56,338
15	**Income tax expense**		
	Current:		
	For the year	4,700,006	3,810,818
	For prior years - 15.1	745,116	(390,718)
		5,445,122	3,420,100
	Deferred	(503,260)	17,683
		4,941,862	3,437,783

15.1 This represents provision for prior years and super tax @ 3% of taxable income levied through Finance Act, 2018.

15.2 Effective tax rate reconciliation:

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

	2018 %	2017 %
Applicable tax rate	29.00	30.00
Tax effect of:		
Prior year charge / (reversal)	2.93	(3.00)
Change in applicable tax rate	(1.57)	(0.28)
Income taxed at different rate	(0.02)	(0.26)
Super tax / others	2.00	(0.04)
Average effective tax rate	32.34	26.42

The applicable income tax rate was reduced from 30% to 29% during the year due to changes made to Income tax Ordinance, 2001 in 2016.

	2018 Rs '000	2017 Rs '000
15.3 Tax on items directly credited to statement of other comprehensive income		
Current tax charge / (credit) on defined benefit plans	8,390	(75,346)
Deferred tax (credit) on defined benefit plans	(15,889)	(41,921)
	(7,499)	(117,267)

	2017 Rs '000	2016 Rs '000	2015 Rs '000
15.4 Status of income tax assessment			
Income tax provision for the year - accounts	3,810,818	4,741,676	3,350,985
Income tax as per tax assessment	4,066,531	4,551,738	3,313,571

The Company computes tax provisions based on the generally accepted interpretations of the tax laws to ensure that sufficient provision for the purpose of taxation is available. Accordingly, the Company has assessed the sufficiency of the tax provisions and believes that the tax provisions are sufficient to reflect the actual tax liability of the Company.

16 Earnings per share

	2018	2017
Profit after tax (Rs '000)	10,337,992	9,573,562
Number of fully paid weighted average ordinary shares ('000)	255,494	255,494
Earnings per share - Basic (Rs)	40.46	37.47

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

17 Property, plant and equipment

	2018 Rs '000	2017 Rs '000
Operating assets - note 17.1	8,173,640	8,174,609
Capital work in progress - note 17.2	982,235	190,134
	9,155,875	8,364,743

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

17.1 Operating assets

	Free-hold land Rs '000	Buildings on free-hold land Rs '000	Buildings on leasehold land 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, 2017									
Cost	33,934	932,835	20,004	12,664,827	1,516,248	379,266	175,994	915,696	16,638,804
Accumulated Depreciation	–	(259,401)	(11,569)	(6,652,758)	(852,757)	(171,131)	(129,697)	(275,226)	(8,352,539)
Net book amount January 1, 2017	33,934	673,434	8,435	6,012,069	663,491	208,135	46,297	640,470	8,286,265
Year ended December 31, 2017									
Net book amount at January 1, 2017	33,934	673,434	8,435	6,012,069	663,491	208,135	46,297	640,470	8,286,265
Additions	–	64,328	–	747,226	171,617	6,500	683	244,157	1,234,511
Disposals	–	(15,252)	–	(164,723)	(1,586)	(353)	(4,682)	(47,229)	(233,825)
Depreciation charge	–	(17,701)	(409)	(710,794)	(200,826)	(49,777)	(2,492)	(130,343)	(1,112,342)
Net book amount at December 31, 2017	33,934	704,809	8,026	5,883,778	632,696	164,505	39,806	707,055	8,174,609
At December 31, 2017									
Cost	33,934	978,444	20,004	13,841,474	1,685,267	383,923	162,305	1,087,283	18,192,634
Accumulated depreciation	–	(273,635)	(11,978)	(7,957,696)	(1,052,571)	(219,418)	(122,499)	(380,228)	(10,018,025)
Net book amount at December 31, 2017	33,934	704,809	8,026	5,883,778	632,696	164,505	39,806	707,055	8,174,609
At January 1, 2018									
Cost	33,934	978,444	20,004	13,841,474	1,685,267	383,923	162,305	1,087,283	18,192,634
Accumulated Depreciation	–	(273,635)	(11,978)	(7,957,696)	(1,052,571)	(219,418)	(122,499)	(380,228)	(10,018,025)
Net book amount January 1, 2018	33,934	704,809	8,026	5,883,778	632,696	164,505	39,806	707,055	8,174,609
Year ended December 31, 2018									
Net book amount at January 1, 2018	33,934	704,809	8,026	5,883,778	632,696	164,505	39,806	707,055	8,174,609
Additions	–	–	–	708,020	71,361	35,337	–	259,320	1,074,038
Disposals	–	(4,211)	(74)	(29,735)	(440)	(40)	(6,459)	(92,324)	(133,283)
Depreciation charge	–	(18,882)	(409)	(428,144)	(211,339)	(50,996)	(7,352)	(208,656)	(925,778)
Impairment charge	–	–	–	(3,225)	(211)	–	(10,818)	(1,692)	(15,946)
Net book amount at December 31, 2018	33,934	681,716	7,543	6,130,694	492,067	148,806	15,177	663,703	8,173,640
At December 31, 2018									
Cost	33,934	970,153	19,888	15,044,250	1,727,721	418,532	124,172	1,151,619	19,490,269
Accumulated depreciation	–	(288,437)	(12,345)	(8,913,556)	(1,235,654)	(269,726)	(108,995)	(487,916)	(11,316,629)
Net book amount at December 31, 2018	33,934	681,716	7,543	6,130,694	492,067	148,806	15,177	663,703	8,173,640

17.1.1 Particulars of immovable property (land and building) in the name of the Company is as follows:

Location	Total Area
Production Plants	
Jhelum	58.3 Acres
Akora Khattak	61.0 Acres
Warehouses	
Faujoon - District Swabi	163,970 Sq ft.
Shergarh - District Mardan	65,227 Sq ft.
Takht Bhai - District Mardan	54,593 Sq ft.
Umerzai - District Charsadda	87,464 Sq ft.
Mianwali	878,694 Sq ft.
Okara	71,723 Sq ft.
Industrial Land	
Mirpur - Azad Jammu & Kashmir	178,324 Sq ft.

		2018 Rs '000	2017 Rs '000
17.2	**Capital work in progress**		
	Carrying value at the beginning of the year	190,134	337,394
	Additions during the year	962,382	157,338
		1,152,516	494,732
	Transferred to operating fixed assets	(170,281)	(304,598)
	Carrying value at the end of the year - note 17.2.1	982,235	190,134
17.2.1	Plant and machinery - note 17.2.2	982,235	190,134
		982,235	190,134

17.2.2 Capital work in progress includes capital expenditure on projects relating to enhancement of already installed machinery.

		2018 Rs '000	2017 Rs '000
17.3	**Depreciation charge has been allocated as follows:**		
	Cost of sales	592,878	841,277
	Raw material purchases and expenses	87,498	85,737
	Selling and distribution expenses	96,450	57,551
	Administrative expenses	148,952	127,777
		925,778	1,112,342

17.4 Details of property, plant and equipment disposed off during the year, having book value of Rs 500,000 or more are as follows:

	Cost Rs '000	Book value Rs '000	Sale proceeds less selling expenses Rs '000	Gain/ (loss) on sale	Particulars of buyers	Relationship
Plant and machinery						
- by negotiation	74,007	19,962	19,962	–	BAT Fiji Ltd	Associate company
	27,537	5,554	5,554	–	BAT PNG Ltd	Associate company
Vehicles						
- as per Company's policy	1,691	592	338	(254)	Zarullah Khan	Ex Executive
	2,322	1,230	853	(377)	Umar Mansoor	Executive
	2,322	1,447	1,335	(112)	Ali Irfan	Executive
	2,047	1,157	1,107	(50)	Rizwan Zafar	Executive
	2,047	1,314	982	(332)	Mir Fraz	Executive
	2,092	1,709	1,576	(133)	Muneeba Haleem	Executive
	2,104	1,754	1,701	(53)	Qasim Tariq	Executive
	5,031	2,605	2,118	(487)	Sheraz Khan	Key management personnel
	13,500	8,820	2,464	(6,356)	Tajamal Shah	Key management personnel
	2,007	531	401	(130)	Shanas Khan	Executive
	2,047	1,276	1,074	(202)	Mirza Zubair	Ex Executive
	2,092	1,497	1,323	(174)	Hasan Ghaus	Executive
	2,402	1,609	1,409	(200)	Ahsen Altaf	Executive
	2,404	1,877	1,777	(100)	Khubaib Akram	Executive
	2,047	1,130	1,037	(93)	Amer Gondal	Executive
	2,322	1,246	552	(694)	Imran Sharif	Executive
	2,047	961	587	(374)	Farhan Mughal	Executive
	2,249	1,928	2,041	113	Muhammad Haris	Executive
	2,249	1,883	1,873	(10)	Ghazanfar Ali	Ex Executive
	5,204	1,041	1,155	114	Athar Baig	Key management personnel
	5,286	4,201	3,736	(465)	Waseem Hayat	Key management personnel
	5,031	2,249	1,880	(369)	Asad Shah	Key management personnel
	5,000	2,940	2,300	(640)	Nadeem Abbassi	Key management personnel
	5,031	2,381	1,846	(535)	Ahad Bilal	Key management personnel
Vehicles						
- auction	2,487	870	2,415	1,545	Through bidding in auction	Auction agent
	2,487	941	2,420	1,479	Through bidding in auction	Auction agent
	2,487	870	2,380	1,510	Through bidding in auction	Auction agent
	2,430	851	2,120	1,269	Through bidding in auction	Auction agent
	2,106	737	1,375	638	Through bidding in auction	Auction agent
	2,041	714	1,480	766	Through bidding in auction	Auction agent
	2,249	2,005	2,275	270	Through bidding in auction	Auction agent
	2,322	1,467	2,050	583	Through bidding in auction	Auction agent
	2,322	1,526	1,940	414	Through bidding in auction	Auction agent
	2,414	2,045	2,565	520	Through bidding in auction	Auction agent
	7,515	2,778	2,240	(538)	Through bidding in auction	Auction agent

	Cost Rs '000	Book value Rs '000	Sale proceeds less selling expenses Rs '000	Gain/ (loss) on sale	Particulars of buyers	Relationship
	5,204	1,407	3,260	1,853	Through bidding in auction	Auction agent
	5,774	1,561	3,465	1,904	Through bidding in auction	Auction agent
	5,774	1,704	3,360	1,656	Through bidding in auction	Auction agent
	5,774	1,704	3,375	1,671	Through bidding in auction	Auction agent
	4,781	2,475	3,505	1,030	Through bidding in auction	Auction agent
	9,785	3,462	5,205	1,743	Through bidding in auction	Auction agent
	1,440	504	1,120	616	Through bidding in auction	Auction agent
	1,575	551	1,460	909	Through bidding in auction	Auction agent
	2,322	988	1,835	847	Through bidding in auction	Auction agent
	2,047	1,032	1,590	558	Through bidding in auction	Auction agent
	2,047	1,158	1,635	477	Through bidding in auction	Auction agent
	2,092	1,576	1,760	184	Through bidding in auction	Auction agent
	2,249	1,822	2,420	598	Through bidding in auction	Auction agent
	3,197	640	2,465	1,825	Through bidding in auction	Auction agent
	5,774	1,155	3,055	1,900	Through bidding in auction	Auction agent
- by insurance claim						
	2,047	1,084	1,450	366	EFU General Insurance Ltd	Insurance agent
	2,107	1,027	1,458	431	EFU General Insurance Ltd	Insurance agent

	2018 Rs '000	2017 Rs '000
18 Long term deposits and prepayments		
Security deposits	28,480	25,465
Prepayments	3,632	6,854
	32,112	32,319
19 Stock-in-trade		
Raw materials	16,053,378	12,694,176
Raw materials in transit	797,363	405,300
Work in process	93,386	37,760
Finished goods	1,548,417	1,336,318
	18,492,544	14,473,554
Provision for damaged stocks - note 19.1	(3,154)	(12,664)
	18,489,390	14,460,890
19.1 Movement in provision for damaged stocks is as follows:		
Balance as at January 1	12,664	20,576
Provision for the year	3,154	12,664
Written off during the year	(12,664)	(20,576)
Balance as at December 31	3,154	12,664

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

		2018 Rs '000	2017 Rs '000
20	**Stores and spares**		
	Stores and spares	699,741	723,712
	Provision for slow moving items - note 20.1	(65,712)	(129,803)
		634,029	593,909
20.1	**Movement in provision for slowing moving items is as follows:**		
	Balance as at January 1	129,803	165,381
	Reversal of provision during the year	(64,091)	(6,460)
	Written off during the year	–	(29,118)
	Balance as at December 31	65,712	129,803

21 Trade debts

These are unsecured, considered good.

22 Loans and advances

	2018 Rs '000	2017 Rs '000
Related parties:		
Advances to key management personnel for house rent and expenses - note 22.1	4,536	7,701
Others:		
Advances to executives for house rent and expenses	32,692	34,252
Advances to other parties	60,732	30,732
	97,960	72,685

22.1 Advances were given to the following key management personnel

	2018 Rs '000
Mr Asif Khan	85
Mr Talat Mehmood	99
Mr Hussain Iqbal Jaffery	177
Mr Usman Zahur	478
Mr Khan Muhammad Mohmand	198
Mr Khurram Javaid	1,188
Mr Sami Zaman	23
Mr Syed Mohammad Ali	26
Mr Mohammad Idries Ahmed	132
Mr Muhammad Waqas Bhatti	767
Mr Aly-ud-din Ahmad Taseer	11
Mr Ahsen Altaf	1,058
Mr Ali Hassan Butt	294
	4,536

The maximum aggregate amount of advances to key management personnel outstanding at the end of any month during the year was Rs 4,536 thousand.

These loans and advances are unsecured and considered good. Advances extended to key management personnel, executives and other employees are deducted from the individuals' monthly payroll as per Company's policy.

	2018 Rs '000	2017 Rs '000
23 Other receivables		
Related parties - unsecured:		
Due from holding company / associated companies - note 23.1	169,006	52,145
Staff pension fund - note 32	787,677	765,618
Management provident fund	2,393	–
Staff pension fund - defined contribution	712	–
Workers' profit participation fund - note 23.2	159,385	101,217
Others:		
Claims against suppliers	6,576	6,576
Interest income on short term investment	–	19,133
Cash margin with banks - Imports	676,943	–
Others	36,971	4,286
	1,839,663	948,975

23.1 Ageing analysis of the amounts due from holding company / associated companies comprises:

	Upto 1 month Rs '000	1 to 6 month Rs '000	More than 6 month Rs '000	2018 Rs '000	2017 Rs '000
Ultimate Parent Company:					
British American Tobacco p.l.c. - UK	3,569	–	–	3,569	10,252
Associated companies:					
BAT SAA Services (Private) Limited - Pakistan	124,153	–	–	124,153	16,022
BAT Asia Pacific - Hong Kong	416	–	–	416	–
BAT Nigeria Ltd - Nigeria	21,542	–	–	21,542	–
PT Bentoel Prima - Indonesia	11,549	–	–	11,549	8,451
BAT Marketing (Singapore) Pte Ltd	3,588	–	–	3,588	4,396
BAT Myanmar Ltd - Myanmar	–	1,881	–	1,881	3,634
BAT Tutun Mamulleri - Turkey	1,458	–	–	1,458	1,322
BAT (Singapore) Pte Ltd - Singapore	706	–	–	706	2,437
BAT Romania Investment - Romania	144	–	–	144	–
BAT ASPAC Service Center Sdn Bhd - Malaysia	–	–	–	–	2,157
Tobacco Importers & Manufacturers - Malaysia	–	–	–	–	2,152
BAT PNG Ltd - Papua New Guinea	–	–	–	–	786
BAT Cambodia Ltd - Cambodia	–	–	–	–	468
BAT GLP Ltd - UK	–	–	–	–	68
	167,125	1,881	–	169,006	52,145

23.1.1 The maximum aggregate amount of receivable from related parties at the end of any month during the year was Rs 189,027 thousand (2017: Rs 209,485 thousand).

	2018 Rs '000	2017 Rs '000
23.2 Movement in Workers' Profit Participation Fund is as follows:		
Balance as at January 1	(101,217)	–
Allocation for the year	820,615	698,783
Payments during the year	(878,783)	(800,000)
Balance as at December 31	(159,385)	(101,217)

24 Short term investments

	2018 Rs '000	2017 Rs '000
At fair value through profit or loss (FVTPL):		
- Market treasury bills	8,699,508	6,763,842

This represents short term investment in treasury bills issued by the Government of Pakistan and carries effective interest rate of 9.82% (2017 : 5.58% and 5.75%) per annum and are held for trading. These treasury bills have less than three month's maturity from the date of acquisition and have been disposed off subsequent to the year-end.

25 Cash and bank balances

	2018 Rs '000	2017 Rs '000
Deposit account - note 25.1	8,863	9,460
Current accounts:		
Local currency	157,122	282,537
Foreign currency	122,175	96,741
	288,160	388,738
Cash in hand	5,005	1,390
	293,165	390,128

25.1 These are security deposits being kept in separate bank account.

26 Trade and other payables

	2018 Rs '000	2017 Rs '000
Related parties - unsecured:		
Due to ultimate parent company / associated companies - note 26.1	2,108,134	1,593,422
Others:		
Creditors	9,069,627	4,608,112
Federal excise duty - note 26.2	5,288,160	2,089,200
Sales tax	1,135,412	1,387,650
Workers' welfare fund - note 26.3	311,833	265,538
Other accrued liabilities	283,392	171,035
Employee incentive schemes - note 26.4	99,675	166,442
Employees' gratuity fund - note 32	210,278	139,736
Employees' provident fund	124	50
Tobacco excise duty / Tobacco development cess - note 26.5	103,884	94,509
Security deposits - note 26.6	8,863	9,460
Staff pension fund - defined contribution	–	7,285
Contract liability	2,013	150
	18,621,395	10,532,589

26.1 The amount due to ultimate parent company / associated companies comprises:

	2018 Rs '000	2017 Rs '000
Ultimate parent company:		
British American Tobacco p.l.c. - UK	162,839	164,654
Associated companies:		
BAT ASPAC Service Center Sdn Bhd - Malaysia	562,944	363,874
BAT Singapore (Pte) Ltd - Singapore	493,357	390,895
BAT GLP Ltd - UK	377,355	49,258
BAT GSD Ltd. - UK	196,043	216,385
BAT Marketing (Singapore) Pte Ltd	138,522	154,049
R.J Reynolds Tobacco Co - USA	43,253	–
BAT Bangladesh Co. Ltd - Bangladesh	42,278	73,258
BAT Myanmar Ltd - Myanmar - note 26.1.1	40,932	16,912
BAT Tutun Mamulleri - Turkey	10,618	–
BAT Cambodia Ltd - Cambodia	8,588	–
BAT Souza Cruz Ltd - Brazil	7,636	112
PT Bentoel Prima - Indonesia	5,670	–
BAT JSC-Spb - Russia	3,697	125,319
BAT Korea Manufacturing - South Korea	4,539	55
BAT Nigeria Ltd - Nigeria	2,475	–
BAT Prilucky - Ukraine	1,187	–
BAT South Africa (Pty) Ltd - South Africa	1,052	406
BAT Germany GmbH - Germany	599	199
BAT Chile Tobacco - Chile	431	–
BAT Mexico Ltd - Mexico	424	–
BAT Pecsi Dohanygyar Kft-Hungary	206	–
Ceylon Tobacco Company Ltd - Sri Lanka	182	–
BAT Argentina - Argentina	179	–
BAT Polska S.A - Poland	157	–
BAT Suisse - Switzerland	139	–
BAT Tabacalera - Honduras	138	
BAT Kenya Ltd - Kenya	71	–
BAT PNG Ltd - Papua New Guinea	51	11,270
BAT Niemeyer-Netherland	15	–
BAT Fiji Ltd - Fiji	–	16,070
BAT Asia-Pacific Region Ltd - Hong Kong	–	10,706
Other		
Tajamal Hussain Shah - Ex-Director	2,557	–
	2,108,134	1,593,422

26.1.1 Rs 40,932 thousand (2017: 16,912 thousand) relates to unsecured export advance.

	2018 Rs '000	2017 Rs '000
26.2 Federal excise duty		
Balance as at January 1	2,089,200	1,001,669
Charged during the year	63,117,903	51,247,115
Payment to the Government during the year	(59,918,943)	(50,159,584)
Balance as at December 31	5,288,160	2,089,200
26.3 Movement in Workers' welfare fund is as follows:		
Balance as at January 1	265,538	313,922
Allocation during the year	327,659	265,538
Payment to Government during the year	(281,364)	(313,922)
Balance as at December 31	311,833	265,538

26.4 Employee incentive schemes

These represent liability for unvested portion of cash-settled share-based payment schemes available to certain employees. Such schemes require the Company to pay the intrinsic value of these share based payments to the employee at the vesting date.

	2018 Rs '000	2017 Rs '000
Long Term Incentive Plan (LTIP) - note 26.4.1		
Balance as at January 1	90,307	114,138
Charge for the year	28,513	22,119
Share options exercised	(42,053)	(93,137)
Balance as at December 31	76,767	43,120
Deferred Share Bonus Scheme (DSBS) - note 26.4.2		
Balance as at January 1	76,135	111,101
Charge for the year	48,069	51,942
Share options exercised	(54,109)	(86,908)
Balance as at December 31	70,095	76,135
(Reversal)/Charge other employee benefit	(47,187)	47,187
	99,675	166,442

26.4.1 Long Term Incentive Plan (LTIP)

Details of the options movement for cash-settled LTIP scheme during the year were as follows:

	2018 Number of options	2017 Number of options
Outstanding as at January 1	14,592	20,697
Granted during the year	7,201	5,369
Exercised during the year	(9,635)	(11,474)
Outstanding as at December 31	12,158	14,592

There are no exercisable options as at December 31, 2018.

26.4.2 Deferred Share Bonus Scheme (DSBS)

Details of the options movement for cash-settled DSBS scheme during the year were as follows:

	2018	2017
	Number of options	
Outstanding as at January 1	17,440	23,485
Granted during the year	11,110	5,313
Exercised during the year	(9,151)	(11,358)
Outstanding as at December 31	19,399	17,440

There are no exercisable options as at December 31, 2018.

	2018	2017
	Rs '000	Rs '000
26.5 Tobacco excise duty / tobacco development cess:		
Balance as at January 1	94,509	154,242
Charge for the year	204,890	182,212
Payment to the Government during the year	(195,515)	(241,945)
Balance as at December 31	103,884	94,509

26.6 These represent amounts received as security deposits from dealers and suppliers, which are non-utilisable for the purpose of the business in accordance with their agreements. These security deposits are being held in a separate bank account.

27 Other liabilities

This relates to provisions for employee benefits, litigation and restructuring consequent to modernization of production processes. During the year, the Company has consumed amounts aggregating Rs. 505 million (2017: Rs 952 million) and recorded further obligations of Rs 577 million (Rs 2,005 million).

28 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 6,500 million (2017: Rs 6,500 million), out of which the amount unavailed at the year-end was Rs 6,424 million (2017: Rs 6,500 million). These facilities are secured by hypothecation of stock-in-trade and plant and machinery amounting to Rs 7,222 million (2017: Rs 7,222 million). The mark-up ranges between 6.40% and 10.50% (2017: 6.34% and 6.54%) per annum and is payable quarterly. The facilities are renewable on annual basis.

The amount availed at year-end amounting to Rs. 75,542 thousand relates to facility availed from MCB Bank Limited, an associated company.

(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 (2017: Rs 2,500 million) and Rs 420 million (2017: Rs 420 million) is available for letter of credit and letter of guarantee respectively, out of which the facility availed at the year-end is Rs 227 million (2017: Rs 387 million) and Rs 324 million (2017: Rs 276 million). The letter of credit and guarantee facility is secured by second ranking hypothecation charge over stock-in-trade amounting to Rs 670 million (2017: Rs 670 million).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

29 Finance lease obligation

This represents finance lease agreements entered into with a leasing company for vehicles. Total lease rentals due under various lease agreements aggregate to Rs 510,848 thousand (2017: Rs 470,168 thousand) and are payable in equal monthly instalments latest by December 2023. Taxes, repairs, replacement and insurance costs are to be borne by the Company. Financing rates of 7.85% to 13.14% (2017: 7.30% to 7.40%) 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:

	2018 Rs '000	2017 Rs '000
Present value of minimum lease payments	433,090	425,295
Current maturity shown under current liabilities	(148,245)	(165,245)
	284,845	260,050
Minimum lease payments		
Not later than one year	182,441	188,989
Later than one year and not later than five years	328,407	281,179
	510,848	470,168
Future finance charges on finance leases	(77,758)	(44,873)
Present value of finance lease liabilities	433,090	425,295
Present value of finance lease liabilities		
Not later than one year	148,245	165,245
Later than one year and not later than five years	284,845	260,050
	433,090	425,295

30 Unpaid dividend

Unpaid dividend includes amount of Rs 166,660 thousand (2017: Rs 175,345 thousand), payable to British American Tobacco (Investments) Limited, parent company.

	2018 Rs '000	2017 Rs '000
31 Deferred income tax liability		
Deferred tax liability is in respect of:		
Accelerated tax depreciation	898,482	1,101,064
Leased assets	63,405	88,025
	961,887	1,189,089
Deferred tax asset is in respect of:		
Remeasurement loss arising on employees' retirement benefit	(57,810)	(41,921)
Provision for severance benefits	(296,600)	–
Provision for stock and stores	(18,401)	(38,943)
	589,076	1,108,225
The gross movement on deferred income tax account is as follows:		
At January 1	1,108,225	1,132,463
(Credit) / charge for the year - statement of profit or loss	(503,260)	17,683
(Credit) for the year - statement of comprehensive income	(15,889)	(41,921)
At December 31	589,076	1,108,225

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

32 Retirement benefits

Investments in all contributory funds have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for that purpose.

	2018 Rs '000	2017 Rs '000
Staff pension fund - asset - note 23	(787,677)	(765,618)
Employees' gratuity fund - liability - note 26	210,278	139,736

The latest actuarial valuation of the defined benefit plans was conducted at December 31, 2018 using the projected unit credit method. Details of the defined benefit plans are:

		Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
		2018 Rs '000	2017 Rs '000	2018 Rs '000	2017 Rs '000
(a)	The amounts recognized in the balance sheet:				
	Present value of defined benefit obligations	4,628,109	4,759,609	1,474,653	1,416,319
	Fair value of plan assets	(5,415,786)	(5,525,227)	(1,264,375)	(1,276,583)
	Net (assets) / liability	(787,677)	(765,618)	210,278	139,736
(b)	Movement in the (asset) / liability recognized in the balance sheet is as follows:				
	Balance as at January 1	(765,618)	(855,329)	139,736	(52,951)
	Charge for the year - profit and loss	(4,364)	(17,047)	85,868	70,270
	Employer's contribution during the year	11,238	(54,133)	(82,054)	(107,583)
	Remeasurement loss/(gain) recognized in Other Comprehensive Income (OCI) during the year	(28,933)	160,891	66,728	230,000
	Balance as at December 31	(787,677)	(765,618)	210,278	139,736
(c)	The amounts recognized in the profit and loss account:				
	Current service cost	97,559	107,823	86,113	84,999
	Interest cost	437,944	427,176	133,716	132,118
	Expected return on plan assets	(507,451)	(502,871)	(121,030)	(136,804)
	Net interest	(69,507)	(75,695)	12,686	(4,686)
	Members' own contribution	(26,211)	(26,747)	–	–
	Secondees' own contribution	(6,205)	(7,457)	–	–
	Contribution by employer in respect of secondees	–	(14,971)	(12,931)	(10,043)
		(4,364)	(17,047)	85,868	70,270

		Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
		2018 Rs '000	2017 Rs '000	2018 Rs '000	2017 Rs '000
(d)	Re-measurements recognized in Other Comprehensive Income (OCI) during the year:				
	Actuarial (gain) / loss on obligation	(436,665)	(157,193)	(25,865)	116,246
	Net return on plan assets over interest income	407,732	318,084	92,593	113,754
	Total remeasurements loss / (gain) recognized in OCI	(28,933)	160,891	66,728	230,000
(e)	Movement in the present value of defined benefit obligation:				
	Present value of defined benefit obligation at January 1	4,759,609	4,654,000	1,416,319	1,433,183
	Current service cost	97,559	107,823	86,113	84,999
	Interest cost	437,944	427,176	133,716	132,118
	Actual benefits paid during the year	(230,338)	(272,197)	(135,630)	(350,227)
	Remeasurements: Actuarial (gain)/loss on obligation	(436,665)	(157,193)	(25,865)	116,246
	Present value of defined benefit obligation at December 31	4,628,109	4,759,609	1,474,653	1,416,319
(f)	Movement in the fair value of plan assets:				
	Fair value of plan assets at January 1	5,525,227	5,509,329	1,276,583	1,486,134
	Interest income	507,451	502,871	121,030	136,804
	Contribution by employer in respect of members	(11,238)	54,133	82,054	107,583
	Members' own contribution	26,211	26,747	–	–
	Secondees' own contribution	6,205	7,457	–	–
	Contribution by employer in respect of secondees	–	14,971	12,931	10,043
	Actual benefits paid during the year	(230,338)	(272,197)	(135,630)	(350,227)
	Return on plan assets, excluding amounts included in interest income	(407,732)	(318,084)	(92,593)	(113,754)
	Fair value of plan assets at December 31	5,415,786	5,525,227	1,264,375	1,276,583
	Actual return on plan assets	135,063	200,019	27,768	38,908

The Company expects to credit Rs 51 million for pension plan and charge Rs 110 million for gratuity plan for the year ending December 31, 2019.

		Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
		2018 Rs '000	2017 Rs '000	2018 Rs '000	2017 Rs '000
(g)	The major categories of plan assets:				
	Investment in listed equities	1,134,619	1,158,693	230,671	263,733
	Investment in bonds	2,226,922	4,211,797	483,015	951,836
	Cash and other assets	2,054,245	154,737	550,689	61,014
		5,415,786	5,525,227	1,264,375	1,276,583

	Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
	2018 Rs '000	2017 Rs '000	2018 Rs '000	2017 Rs '000
(h) Significant actuarial assumptions at the balance sheet date:				
Discount rate	13.75%	9.50%	13.75%	9.50%
Pension increase rate	7.50%	6.50%	–	–
Expected rate of increase in salary:				
First year	9.00%	10.50%	9.00%	10.50%
Second year onwards	12.50%	8.25%	12.50%	8.25%

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 Rs '000	1 percent decrease Rs '000	1 percent increase Rs '000	1 percent decrease Rs '000
Discount rate	(528,810)	652,544	(118,716)	136,057
Salary increase	170,712	(154,154)	129,265	(114,895)
Increase in post-retirement pension	481,219	(400,678)	–	–

If life expectancy increases by 1 year, the obligation of the Pension Fund increases by Rs 256,706 thousand (2017: 319,781 thousand).

Expected maturity profile

Following are the expected distribution and timing of benefits payments at the year-end.

	Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
	2018	2017	2018	2017
Weighted average duration of the PBO (Years)	11.43	12.62	8.05	8.37

Risks associated with defined benefit plan

Longevity risk

The risk arises when the actual lifetime of retiree is longer than the estimate of future employee lifetime expectation. This risk is measured at the plan level over the entire retiree population.

Salary increase risk

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than the expectations and impacts the liability accordingly.

Withdrawal risk

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

	Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
	Present value of defined benefit obligation	Net liability at the end of the year	Present value of defined benefit obligation	Net liability at the end of the year
	Rs '000	Rs '000	Rs '000	Rs '000
2018	4,628,109	(787,677)	1,474,653	210,278
2017	4,759,609	(765,618)	1,416,319	139,736
2016	4,654,000	(855,329)	1,433,183	(52,951)
2015	4,506,581	(346,701)	1,458,102	415,493
2014	4,034,421	(319,535)	1,257,137	308,042

32.1 Salaries, wages and benefits as appearing in note 9, 10 and 11 include amounts in respect of the following:

	2018 Rs '000	2017 Rs '000
Defined Contribution Provident Fund	91,296	88,198
Defined Benefit Pension Fund	(4,364)	(17,047)
Defined Contribution Pension Fund	95,803	77,173
Defined Benefit Gratuity Fund	85,868	70,270
	268,603	218,594

32.2 Defined Contribution Plan

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

		Un-audited	Un-audited
(a)	Size of the fund - total assets	1,768,572	1,712,406
	Cost of investments made	1,562,298	1,455,250
	Percentage of investments made	88%	85%
	Fair value of investments made	1,599,719	1,580,291

		2018 Rs '000	2018 % age	2017 Rs '000	2017 % age
(b)	Breakup of investments at cost				
	Pakistan Investment Bonds	352,345	20%	305,196	18%
	Investment plus deposit certificates	509,600	29%	499,600	29%
	Investment in savings account with bank	145,922	8%	144,859	8%
	Investment in securities	297,887	17%	286,734	17%
	Accrued interest	256,544	15%	218,861	13%
		1,562,298	88%	1,455,250	85%

33 Share capital

33.1 Authorized share capital

2018 Number of shares	2017 Number of shares		2018 Rs '000	2017 Rs '000
300,000,000	300,000,000	Ordinary shares of Rs 10 each	3,000,000	3,000,000

33.2 Issued, subscribed and paid-up capital

2018 Number of shares	2017 Number of shares		2018 Rs '000	2017 Rs '000
230,357,068	230,357,068	Issued for cash	2,303,571	2,303,571
25,136,724	25,136,724	Issued as 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 (2017: 241,045,141) ordinary shares at the year-end and 12,274 (2017:12,274) and 798,282 (2017:798,282) ordinary shares are held by the directors and associated company respectively.

All ordinary shares rank equally with regard to the Company's residual assets. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

	2018 Rs '000	2017 Rs '000
34 Contingencies and commitments		
34.1 Contingencies		
Claims and guarantees		
(i) Claims against the Company not acknowledged as debt - Note 34.1.1	75,706	72,474
(ii) Guarantees issued by banks on behalf of the Company	323,587	276,051

34.1.1 Litigation

a) In the year 1979, the Market Committee Jhelum ("the Committee"), constituted under the Punjab Agriculture Produce Market Ordinance of 1978 demanded the Company to obtain licence and pay marketing fee on all tobacco that is transported into the Jhelum factory of the Company. Since tobacco is not an agricultural produce and no transaction of any sale or purchase of tobacco takes place in Jhelum, the Company refused to apply for the licence. In 1986, the Committee proceeded against the Company which resulted in protracted litigation, culminating in filing of a Review before the Supreme Court of Pakistan, which was decided against the Company on technical grounds in 2010. Meanwhile, the Committee made their own fictitious calculation and levied fee and penalties aggregating Rs 64.9 million relating to years 1982 to 2010 against which the Company filed a Writ Petition before the Lahore High Court, Rawalpindi Bench. The Lahore High Court granted a stay order suspending demand of penalties amounting to Rs 60 Million and directed the Company to deposit Rs 6 Million (being the principal amount) with the court in the shape of National Saving Certificates. The matter is since then pending before the Lahore High Court, Rawalpindi Bench.

b) In 2009, the Punjab Employees Social Security Institution (PESSI) demanded payment of social security contribution effective October 2007, from the Company for the non-permanent workers hired at its Jhelum factory hired through third party contractors. The Company has filed a complaint before the Director PESSI, which was kept pending till 2018 when an order was passed against the Company. Thereafter, PESSI demanded payment of Rs 2,306,513/- for the period from October 2007 till May 2010.

In 2018, the Company filed an appeal before the Judge Punjab Social Security Court, Labour Complex, Lahore, and the matter is since then pending.

c) Tobacco Development Cess (TDC) is a tax levied and collected by the KPK pursuant to Section. 11 of the KPK Finance Act, 1996 ("the Act"). The term "tobacco" was however not defined by the Act. Each year the Pakistan Tobacco Board (PTB), on the demand of each tobacco buyer, fix Quota (i.e. the quantity of tobacco) to be purchased by each such tobacco buyer from the farmers. The calculation of quantum of TDC to be paid by each tobacco buyer is based on the quantities indicated and purchased in terms of Quota. Till 2002, TDC was collected from the tobacco buyers directly by Excise & Taxation Depart (ETD). However, in 2003, the provincial government, through an amendment in law, imposed TDC also on the surplus tobacco purchased by tobacco buyers (i.e. purchase of tobacco beyond the Quota amount) ("the Surplus"). Additionally, the amended law also stipulated that while the TDC on Quota shall be collected by ETD, TDC levied on the Surplus shall be collected by a contractor to whom ETD has leased the collection through a public tender.

Contract for the year 2005/6 was awarded to Malik Tilla Muhammad ("the Contractor") by PTB. The Contractor demanded payment of Rs 8.8 Million from the Company on account of TDC, which claim was rejected by the Company. The Contractor then filed a suit for recovery of Rs 8.8 Million before a civil judge but the matter was referred to arbitration, with Chairman PTB as the Arbitrator. The Arbitrator passed an award whereby the Company was to pay Rs 8 million to the Contractor. The matter is now pending before the Additional District Judge Peshawar.

d) Employees' Old-Age Benefits Institution (EOBI) constituted under the Employees' Old-Age Benefits Act, 1976 ("the Act") requires contributions to be made by industries and establishments against workers employed by it. The Company has been making prompt contributions under the Act. The Company has contractual arrangements with logistics service providers for the shipment of its raw material and finished goods. In the year 2015, the EOBI Jhelum issued a show cause notice dated March 04, 2015, demanding payment of Rs 3 million against non-payment of contribution of 200 hundred employees. These employees were in fact employees of five transport concerns with which the Company had contractual arrangements. The Company filed complaint against the said show cause before Adjudicating Authority – III, EOBI Islamabad and raised the objection that this liability is of the five transport concerns who are independent entities. The Adjudicating Authority, however, passed an order against the Company on February 14, 2017, upholding the demand earlier raised by the EOBI Jhelum. The Company has filed an appeal in May 2017 against the order before the Board of Trustees, EOBI Head Quarter at Karachi which is pending adjudication.

e) The Company hired the services of Tariq & Saad Associates ("T&S") for providing consultancy services for the construction of "Mianwali Mega Barn Project". T&S started the work. Thereafter, during a meeting between the Company and T&S, it was verbally agreed that T&S would charge @ 2.25 % of estimated cost of the project. However, payments to T&S were delayed due to some issues in the Company's approval process. Consequently, declaring inordinate delay in payment, T&S served notice of termination. T&S subsequently filed a civil suit for recovery in the district court of Islamabad, where the matter is pending adjudication.

The Company expects favourable outcome in these matters and accordingly, no provision is recognized in the financial statements.

34.2 Commitments

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

	2018 Rs '000	2017 Rs '000
Not later than one year	99,777	124,824
Later than one year and not later than five years	375,899	473,930
Later than five years	285,199	45,765

(b) Letters of credit outstanding at December 31, 2018 were Rs 227,427 thousand (2017: Rs 386,925 thousand).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

35 Financial Instruments - Fair values and risk management

35.1 Accounting classification and fair value

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

		December 31, 2018			Fair value		
		Fair value through profit or loss	Amortized cost	Total	Level 1	Level 2	Level 3
		Rs '000			Rs '000		
Financial assets measured at fair value							
Short-term investments	24	8,699,508	–	8,699,508	–	8,699,508	–
Financial assets not measured at fair value							
Deposits	18	–	28,480	28,480	–	–	–
Trade debts	21	–	1,553	1,553	–	–	–
Other receivables	23	–	1,839,663	1,839,663	–	–	–
Cash and bank balances	25	–	293,165	293,165	–	–	–
		8,699,508	2,162,861	10,862,369	–	8,699,508	–
Financial liabilities not measured at fair value							
Trade and other payables	26	–	(11,851,147)	(11,851,147)	–	–	–
Short-term running finance	28	–	(75,542)	(75,542)	–	–	–
Finance lease obligation	29	–	(433,090)	(433,090)	–	–	–
Accrued interest/mark-up		–	(5,331)	(5,331)	–	–	–
		–	(12,365,110)	(12,365,110)	–	–	–

		December 31, 2017			Fair value		
		Fair value through profit or loss	Amortized cost	Total	Level 1	Level 2	Level 3
		Rs '000			Rs '000		
Financial assets measured at fair value							
Financial assets not measured at fair value							
Deposits	18	25,465	–	25,465	–	–	–
Trade debts	21	2,636	–	2,636	–	–	–
Other receivables	23	948,975	–	948,975	–	–	–
Short-term investments	24	6,763,842	–	6,763,842	–	–	–
Cash and bank balances	25	390,128	–	390,128	–	–	–
		8,131,046	–	8,131,046	–	–	–
Financial liabilities not measured at fair value							
Trade and other payables	26	–	(6,624,300)	(6,624,300)	–	–	–
Finance lease obligation	29	–	(425,295)	(425,295)	–	–	–
Accrued interest/mark-up		–	(3,414)	(3,414)	–	–	–
		–	(7,053,009)	(7,053,009)	–	–	–

35.2 Financial risk management

The Company has exposure to the following risks from financial instruments:
- credit risk
- liquidity risk
- market risk

35.2.1 Risk management framework

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 Committee under policies approved by 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.

35.2.2 Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations that arise principally from trade debts, other receivables, deposits with banks and investment in treasury bills issued by the Government of Pakistan. The carrying amount of financial assets represents the maximum credit exposure.

Due to the Company's long-standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly, the credit risk is minimal.

Financial assets amounting to Rs 10,862 million (2017: Rs 8,131 million) do not include any amounts which are past due or impaired. The table below shows bank balances and short term investments held with counterparties at the statement of financial position date.

Counterparty	Rating		Rating agency		
	Short term	Long term		2018 Rs '000	2017 Rs '000
MCB Bank Ltd	A1+	AAA	PACRA	47,133	136,990
Habib Bank Limited	A-1+	AAA	JCR-VIS	3,192	125,790
Deutsche Bank AG	P2	A3	Moody's	130,795	117,610
MCB Islamic Bank	A1	A	PACRA	3,433	4,224
National Bank of Pakistan	A1+	AAA	PACRA	101,113	1,720
Standard Chartered Bank	A1+	AAA	PACRA	2,181	1,927
Citibank N.A.	P-1	A1	Moody's	313	477
				288,160	388,738
Short term investments:					
Government of Pakistan	B3-		Moody's	8,699,508	6,763,842
				8,987,668	7,152,580

As at December 31, 2018, all deposits, trade debts, short-term investments and bank balances are held in Pakistan whereas maximum exposure to credit risk for other receivables by geographic was as follows:

	Carrying amount	
	2018 Rs '000	2017 Rs '000
Pakistan	1,794,810	912,852
United Kingdom	3,569	10,320
Asia & other	41,284	25,803
	1,839,663	948,975

The ageing of other receivables was as follows:

	Carrying amount	
	2018 Rs '000	2017 Rs '000
Not past due	1,831,206	932,338
Past due 1-30 days	1,881	8,585
Past due 31-90 days	–	1,407
Past due 90 days	6,576	6,645
	1,839,663	948,975

35.2.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking to the Company's reputation.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of the netting arrangements:

	Carrying amount	Contractual cash flows		
		Total	12 months or less	1 to 5 years
	Rs '000	Rs '000	Rs '000	Rs '000
December 31, 2018				
Financial liabilities				
Trade and other payables	11,851,147	(11,851,147)	(11,851,147)	–
Finance lease obligation	433,090	(510,848)	(182,441)	(328,407)
Short-term running finance	75,542	(75,542)	(75,542)	–
Accrued interest/mark-up	5,331	(5,331)	(5,331)	–
	12,365,110	(12,442,868)	(12,114,461)	(328,407)
December 31, 2017				
Financial liabilities				
Trade and other payables	6,624,300	(6,624,300)	(6,624,300)	–
Finance lease obligation	425,295	(470,168)	(188,989)	(281,179)
Accrued interest/mark-up	3,414	(3,414)	(3,414)	–
	7,053,009	(7,097,882)	(6,816,703)	(281,179)

Cash flows included in the maturity analysis are not expected to occur significantly earlier or at significantly different amounts.

35.2.4 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates will affect the Company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. This exists due to the Company's exposure resulting from outstanding payments on account of import of goods and services. The currencies in which these transactions are primarily denominated are euro, sterling and US dollars.

The summary quantitative data about the Company's exposure to currency risk is as follows:

	December 31, 2018			December 31, 2017		
	Euro	Sterling	US dollars	Euro	Sterling	US dollars
Other receivables	–	48,361	21,638	–	53,831	207,282
Cash and bank balances	–	–	880,230	–	–	876,674
Trade and other payables	(1,310,664)	(1,551,586)	(15,899,171)	(1,224,386)	(660,177)	(11,484,601)
Net exposure	(1,310,664)	(1,503,225)	(14,997,303)	(1,224,386)	(606,346)	(10,400,645)

The following significant exchange rates have been applied:

	Average rate		Year-end spot rate	
	2018	2017	2018	2017
Euro 1	143.24	119.05	158.67	132.51
Sterling 1	161.90	135.81	176.78	149.28
US dollar 1	121.51	105.36	138.80	110.35

A 10 percent strengthening (weakening) of the Rupee against euro, sterling and US dollar at the reporting date would have affected the measurement of financial instruments denominated in a foreign currency and affected the equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remains constant and ignores any impact of forecast sales and purchases.

	Profit or loss		Equity, net of tax	
	Strengthening Rs '000	Weakening Rs '000	Strengthening Rs '000	Weakening Rs '000
December 31, 2018				
Euro	20,398	(20,398)	13,801	(13,801)
Sterling	25,958	(25,958)	17,563	(17,563)
US dollar	188,485	(188,485)	127,529	(127,529)
December 31, 2017				
Euro	15,902	(15,902)	11,701	(11,701)
Sterling	9,407	(9,407)	6,922	(6,922)
US dollar	116,838	(116,838)	85,969	(85,969)

Interest rate risk

This represents the risk that the fair value of 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 does not have any significant long-term interest-bearing financial assets or financial liabilities whose fair value or future cash flows will fluctuate because of changes in market interest rates.

Financial liabilities include balances of Rs 433,090 thousand (2017: Rs 425,295 thousand) which are subject to interest rate risk. Applicable interest rates for these financial liabilities have been indicated in respective notes.

At statement of financial position date, if interest rates had been 1% higher/lower, with all other variables remain constant, profit for the year would have been Rs 4.331 million (2017: Rs 4.252 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

36 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			
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Managerial remuneration	35,784	36,827	84,360	64,035	209,323	203,718	597,664	439,385	927,131	743,965
Corporate bonus	29,812	38,441	43,393	41,141	173,928	139,071	219,145	149,853	466,278	368,506
Leave fare assistance	1,279	1,254	3,138	2,870	8,950	9,452	–	3,041	13,367	16,617
Housing and utilities	11,696	7,686	7,333	9,972	78,208	71,821	262,188	185,020	359,425	274,499
Medical expenses	1,084	1,212	1,507	1,782	10,097	10,048	46,804	35,938	59,492	48,980
Post-employment benefits	13,475	6,560	4,199	4,145	40,575	32,795	131,483	97,149	189,732	140,649
	93,130	91,980	143,930	123,945	521,081	466,905	1,257,284	910,386	2,015,425	1,593,216
Number of persons	1	1	2	2	26	25	247	154	276	182

Comparative figures have been restated to reflect changes in description of executives as per Companies Act, 2017.

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

36.2 The aggregate amounts charged in the financial statements of the year for remuneration including all benefits to six (2017: six) non-executive directors of the Company amounted to Rs 5,555 thousand (2017: Rs 6,643 thousand).

37 Transactions with related parties

British American Tobacco (Investments) Limited (BAT-IL) holds 94.34% (2017: 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 significant 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 37 to the financial statements. Transactions with employee funds and associated payable/receivable balances are provided in note 33 to the financial statements.

As MCB Bank Limited is an associated company under the Companies Act 2017 due to common directorship, yet does not fall under the definition of related party as interpreted from IAS 24 "Related Party Disclosures". Accordingly, transactions and balances with MCB Bank Limited and its subsidiary company that includes transactions and balances relating to leasing, short term running finance and bank accounts have not been disclosed in the related party disclosure.

	2018 Rs '000	2017 Rs '000
Purchase of goods and services from:		
Holding company	967,868	739,713
Associated companies	2,284,782	1,718,660
Sale of goods and services to:		
Holding company	–	30,330
Associated companies	156,265	622,479
Dividend paid to:		
Holding company	8,948,577	5,078,922
Royalty charged by:		
Associate companies *	2,364,433	533,488
Expenses reimbursed to:		
Holding company	22,749	2,803
Associated companies	25,785	1,368
Expenses reimbursed by:		
Holding company	41,797	9,378
Associated companies	222,950	130,676
Payment under employee incentive schemes:		
Key management personnel	82,460	54,928
Other income (recharges written back):		
Associated companies	26,592	190,721

* The balance payable to BAT (Holdings) Limited at year-end amounting to Rs 1,714 thousand (2017: Rs nil) is included in creditors (note 26).

37.1 Following are the names of associated companies, related parties and associated undertakings with whom the Company had entered into transactions or had agreements and arrangements in place during the year. Names of associated companies, related parties and associated undertakings, incorporated outside Pakistan are included in note 38.2.

Associated company	Basis of relationship	Aggregate % of shareholding
BAT SAA Service (Private) Limited	Common Directorship	Nil
MCB Bank Limited	Common Directorship	Nil
Retirement benefit funds:		
Pension Funds	Post-employment benefits	Nil
Provident Funds	Post-employment benefits	Nil
Gratuity Fund	Post-employment benefits	Nil
Mueen Afzal	Director	0.000831%
Syed Javed Iqbal	Director	0.000978%
Zafar Mahmood	Director	0.000020%
Tajamal Shah	Director	0.000978%
Lt. Gen. (Retd.) Ali Kuli Khan	Director	0.000039%
Wael Sabra	Director	0.000978%
Imran Maqbool	Director	0.000196%
Hae In Kim	Director	0.000391%
Michael Koest	Director	0.000391%
Usman Zahur	Key management personnel	Nil
Aly-ud-din Ahmad Taseer	Key management personnel	Nil
Syed Asad Ali Shah	Key management personnel	Nil
Husain Iqbal Jaffery	Key management personnel	Nil
Waqas Bhatti	Key management personnel	Nil
Nadeem Ahmad Abbasi	Key management personnel	Nil
Muhammad Asif Khan	Key management personnel	Nil
Athar Baig	Key management personnel	Nil
Talat Mahmood	Key management personnel	Nil
Usman Zahur	Key management personnel	Nil
Sheraz Khan	Key management personnel	Nil
Khan Muhammad Mohmand	Key management personnel	Nil
Khurram Javaid	Key management personnel	Nil
Syed Hammad Ali Naqvi	Key management personnel	Nil
Waseem Hayat	Key management personnel	Nil
Muhammad Asim	Key management personnel	Nil
Sami Zaman	Key management personnel	Nil
Mohammad Ali Khan	Key management personnel	Nil
Syed Muhammad Ali	Key management personnel	Nil
Mohammad Idries Ahmed	Key management personnel	Nil
Sadaf Saeed Alam	Key management personnel	Nil
Ahad Bilal Khan	Key management personnel	Nil
Ahsen Altaf	Key management personnel	Nil
Sergio Ricardo Pinto Pereira	Key management personnel	Nil
Qadeer Hussain	Key management personnel	Nil
Ali Hassan Butt	Key management personnel	Nil

37.2 Following particulars relate to associated companies incorporated outside Pakistan with whom the Company had entered into transactions during the year or have arrangement / agreement in place.

Associated company	Basis of relationship	Aggregate % of Shareholding	Registered Address	Country of incorporation	Name of CEO/ Principal officer/ Executive agent	Operational status	Audit Opinion
British American Tobacco (Investments) Limited	Holding Company	94.35%	Globe House,1 Water Street, London,WC2R 3LA,United Kingdom	United Kingdom	Steven Glyn Dale	Active	Unqualified
British American Tobacco p.l.c	Ultimate Parent Company	0.00%	Globe House,1 Water Street, London,WC2R 3LA,United Kingdom	United Kingdom	Nicandro Durante	Active	Unqualified
Rothmans International	Holding Company	0.31%	Globe House,1 Water Street, London,WC2R 3LA,United Kingdom	United Kingdom	Robert Fergus Heaton	Active	Unqualified
Ceylon Tobacco Company Limited	Common Directorship	0.00%	178, Srimath Ramanadan Mawatha, Colombo 15, Sri Lanka	Sri Lanka	Micheal Koest	Active	Unqualified
British American Tobacco Myanmar Limited	Common Directorship	0.00%	Plot No. (55/56), Survey Ward No. (14) Shwe Than Lwin IZ, Hlaing Tharyar Township, Yangon	Myanmar	Dominique Silvarelli	Active	Unqualified
British American Tobacco Argentina	Fellow Subsidiary	0.00%	Córdoba 3201 (B1640GWM) Martínez – San Isidro Prov. de Buenos Aires – República Argentina	Argentina	Marcelo Guimaraes	Active	Unqualified
British American Tobacco Australia	Fellow Subsidiary	0.00%	166 William St, Woolloomooloo NSW 2011, Sydney, Australia	Australia	Guy Meldrum	Active	Unqualified
BAT Bangladesh Company Limited	Fellow Subsidiary	0.00%	New D.O.H.S. Road, Mohakhali, Dhaka- 1206 P.O. Box 6069 Bangladesh	Bangladesh	Shehzad Munim	Active	Unqualified
Souza Cruz Ltd.	Fellow Subsidiary	0.00%	Rua da Candelária, 66, Centro, RJ, Brazil	Brazil	Liel Miranda	Active	Unqualified
BAT Switzerland SA	Fellow Subsidiary	0.00%	Route de France 17, 2926 Boncourt, Suisse	Switzerland	Mads Larsen	Active	Unqualified
British American Tobacco Chile	Fellow Subsidiary	0.00%	Camino la Rotonda S/N Ruta 68 Casablanca, Chile	Chile	Jorge Irribarra	Active	Unqualified

Associated company	Basis of relationship	Aggregate % of Shareholding	Registered Address	Country of incorporation	Name of CEO/ Principal officer/ Executive agent	Operational status	Audit Opinion
BAT Germany GmbH	Fellow Subsidiary	0.00%	Alsterufer 4 20354 Hambuer Germany	Germany	Ralf Wittenberg	Active	Unqualified
BAT (Brands) Limited	Fellow Subsidiary	0.00%	Globe House,1 Water Street, London,WC2R 3LA, United Kingdom	United Kingdom	Paul McCrory	Active	Unqualified
Benson & Hedges (Overseas) Limited	Fellow Subsidiary	0.00%	Globe House,1 Water Street, London,WC2R 3LA, United Kingdom	United Kingdom	Paul McCrory	Active	Unqualified
BAT (Holdings) Limited	Fellow Subsidiary	0.00%	Globe House,1 Water Street, London,WC2R 3LA, United Kingdom	United Kingdom	John Benedict Stevens	Active	Unqualified
British American Tobacco Western Europe	Fellow Subsidiary	0.00%	Southampton, Regents Park Road	United Kingdom	Sandeep De Alwis	Active	Unqualified
BASS (GSD) Limited	Fellow Subsidiary	0.00%	1 Water Street Globe House WC2R 3LA London.	United Kingdom	Irina Rybakova	Active	Unqualified
British American Tobacco	Fellow Subsidiary	0.00%	Globe House, 1 Water Street, London, WC2R 3LA	United Kingdom	Paul Ogborn	Active	Unqualified
British American Tobacco Asia Pacific Region Ltd	Fellow Subsidiary	0.00%	Level 30, Three Pacific Place, 1 Queen's Rd East, Hong Kong	Hong Kong	Michael Dijanosic	Active	Unqualified
BAT Pecsi Dohanygyar KFT	Fellow Subsidiary	0.00%	Budapest csorsz utca 49-51	Hungary	Zoltan Ferenc Orosz	Active	Unqualified
PT Bentoel Prima	Fellow Subsidiary	0.00%	Jalan Raya Karanglo, Singosari, Malang, Jawa Timur	Indonesia	Jason Fitzgerald Murphy	Active	Unqualified
British American Tobacco Kenya Ltd	Fellow Subsidiary	0.00%	Industrial Area, Likoni road Nairobi, Kenya	Kenya	Beverley Spencer-Obatoyinbo	Active	Unqualified
BAT Korea Manufacturing Ltd	Fellow Subsidiary	0.00%	Jinsa Industrial Complex Block 4 889 Yucheon-li, Sanam-myun Sacheon, Gyeongsangnamdo 664-942 South Korea	South Korea	Matthieu Juery	Active	Unqualified

Associated company	Basis of relationship	Aggregate % of Shareholding	Registered Address	Country of incorporation	Name of CEO/ Principal officer/ Executive agent	Operational status	Audit Opinion
British American Tobacco Mexico	Fellow Subsidiary	0.00%	Av. Fco. I. Madero 2750 Pte, Monterrey, N.L. Mexico. CP 64000	Mexico	Leonardo Senra	Active	Unqualified
BAT AsPac Service Centre Sdn Bhd	Fellow Subsidiary	0.00%	Level 11, Sunway Geo Tower Jalan Lagoon Selatan, Sunway South Quay 47500 Bandar Sunway, Subang Jaya, Selangor,Malaysia	Malaysia	Stephen Rush	Active	Unqualified
BAT Nigeria Ltd	Fellow Subsidiary	0.00%	1 Tobacco Road, Oluyole Toll Gate, Ibadan, Oyo-State, Nigeria	Nigeria	Chris McAllister	Active	Unqualified
British American Tobacco Niemeyer	Fellow Subsidiary	0.00%	Paterswoldseweg 43 in Groningen (Netherlands)	Netherlands	Monja Kaminski	Active	Unqualified
British-American Tobacco Polska S.A	Fellow Subsidiary	0.00%	Tytoniowa 16, 16-300 Augustów, Poland	Poland	Volcan Oruk	Active	Unqualified
BAT Romania Investment	Fellow Subsidiary	0.00%	Ploiesti, 17-19 Laboratorului St.	Romania	Michael Adamson	Active	Unqualified
JSC BAT-Spb	Fellow Subsidiary	0.00%	St.Petersburg, 3-ya Konnaya lahta str. 38	Russia	Erik De Vries	Active	Unqualified
British-American Tobacco (Singapore) Pte Ltd	Fellow Subsidiary	0.00%	15 Senoko Loop Sinapore 758168	Singapore	Kenneth George Allen	Active	Unqualified
BAT Marketing (S) Pte Ltd	Fellow Subsidiary	0.00%	15 Senoko Loop Sinapore 758168	Singapore	Kenneth George Allen	Active	Unqualified
British American Tobacco Tutun Mamulleri	Fellow Subsidiary	0.00%	Orjin Maslak Is Merkezi, Eski Büyükdere Cad. No:27 K:9-10 Maslak Sarıyer /Istanbul	Turkey	Gökhan Bilgiç	Active	Unqualified
West Indian Tobacco Co. Ltd	Fellow Subsidiary	0.00%	PORT OF SPAIN, Corner Eastern Main Road & Mt Dor R	Trinidad & Tobago	Jean Pierre du Coudray	Active	Unqualified
PJSC A/T B.A.T Prilucky Tobacco Co.	Fellow Subsidiary	0.00%	Prilucky Chernihiv Oblast, Nezalezhnosti str., 21	Ukraine	Artem Skrypka	Active	Unqualified
R J Reynolds Tobacco Company	Fellow Subsidiary	0.00%	401 North Main Street, Winston-Salem NC 27101	United States	Ricardo Oberlander	Active	Unqualified

Associated company	Basis of relationship	Aggregate % of Shareholding	Registered Address	Country of incorporation	Name of CEO/ Principal officer/ Executive agent	Operational status	Audit Opinion
British American Tobacco South Africa	Fellow Subsidiary	0.00%	3 Dock Road, Waterway House South, Cape Town, 8000	South Africa	Soraya Benchikh	Active	Unqualified
British American Tobacco ME DMCC	Fellow Subsidiary	0.00%	Jumeirah Lakes Towers, JBC 3 Unit 3801, Postal code 337222, Dubai, United Arab Emirates	United Arab Emirates	Mycroft Croisdale Appleby	Active	Unqualified
BAT GCC DMCC	Fellow Subsidiary	0.00%	Jumeirah Lakes Towers, JBC 3 Unit 3701, Postal code 337222, Dubai, United Arab Emirates	United Arab Emirates	Mycroft Croisdale Appleby	Active	Unqualified
Central Manufacturing Company Ltd	Fellow Subsidiary	0.00%	Lady Maraia Road, Nabua, Suva, Fiji.	Fiji	Alexander Ivakhov	Active	Unqualified
PT Bentoel International Investama	Fellow Subsidiary	0.00%	Capital Place, Office Tower, 6th Floor, Jl Gatot Subroto Kav 18, 12710 Jakarta	Indonesia	Jason Fitzgerald Murphy	Active	Unqualified
British American Tobacco (Malaysia)	Fellow Subsidiary	0.00%	Level 19, Guoco Tower, Damansara City, No.6 Jalan Damanlela, Bukit Damansara 50490 Kuala Lumpur, Malaysia	Malaysia	Hendrik Stoel	Active	Unqualified
Tobacco Importers and Manufacturers	Fellow Subsidiary	0.00%	Level 19, Guoco Tower, Damansara City, No.6 Jalan Damanlela, Bukit Damansara 50490 Kuala Lumpur, Malaysia	Malaysia	Hendrik Stoel	Active	Unqualified
British American Tobacco (PNG) Ltd	Fellow Subsidiary	0.00%	C / - Ashurst PNG Level 11, MRDC Haus, Cnr Musgrave Street & Champion Parade, Port Moresby, National Capital District	Papua New Guinea	Stephanus Duvenage	Active	Unqualified
British American Tobacco Vranje AD	Fellow Subsidiary	0.00%	Kralja Stefana Prvovencanog 209, 17500 Vranje	Serbia	Richard Vredenberg	Active	Unqualified
BAT Services Ltd., Taiwan Branch	Fellow Subsidiary	0.00%	13F, No. 36, Song Ren Road, Xin-Yi District, Taipei 110	Taiwan	Kentaro Hayashi	Active	Unqualified
Tabacalera Hondurena S.A.	Fellow Subsidiary	0.00%	Boulevard del Sur Zona del Cacao, San Pedro Sula	Honduras	Leonardo Senra	Active	Unqualified
British American Tobacco (Cambodia)	Fellow Subsidiary	0.00%	# 1121, National Road 2, Chak Angre Leu, Phnom Penh	Cambodia	Daniel Hsu	Active	Unqualified

		2018 Rs '000	2017 Rs '000
38	**Cash generated from operations**		
	Profit before taxation	15,279,854	13,011,345
	Adjustment for non-cash items:		
	- Depreciation / impairment	941,723	1,112,342
	- (Gain) / Loss on disposal of property, plant and equipment	(21,259)	25,872
	- Finance cost	33,828	56,338
	- Finance income	(742,648)	(234,124)
	- Foreign exchange loss	195,523	146,967
	- (Reversal of) / provision for slow moving stores and spares	(64,091)	(35,578)
	- (Reversal of) / provision for stock-in-trade	(9,510)	(7,912)
	- Provision for staff retirement benefit plans	266,205	235,641
		599,771	1,299,546
	Changes in working capital:		
	- Stock-in-trade	(4,018,990)	(834,448)
	- Stores and spares	23,971	11,893
	- Trade debts	1,083	(797)
	- Loans and advances	(25,275)	105,876
	- Short term prepayments	(37,188)	(28,889)
	- Other receivables	(884,657)	(43,577)
	- Trade and other payables	7,695,567	2,402,505
	- Other liabilities	199,213	1,053,210
		2,953,724	2,665,773
	Changes in long term deposits and prepayments	207	1,252
		18,833,556	16,977,916

39 Reconciliation of movement of liabilities to cash flows arising from financing activities

	Liabilities	Equity	Total
	Finance lease obligations Rs '000	Revenue reserves Rs '000	Rs '000
Balance at January 1, 2017	479,333	10,421,692	10,901,025
Changes from financing cash flows:			
Finance lease payments	(238,805)	–	(238,805)
Dividend paid	–	(5,179,246)	(5,179,246)
Total changes from financing cash flows	(238,805)	(5,179,246)	(5,418,051)
Other changes:			
New finance leases	184,767	–	184,767
Total liability-related other changes	184,767	–	184,767
Total equity-related other changes	–	9,113,814	9,113,814
Balance at December 31, 2017	425,295	14,356,260	14,781,555

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

	Liabilities	Equity	Total
	Finance lease obligations Rs '000	Revenue reserves Rs '000	Rs '000
Balance at January 1, 2018	425,295	14,356,260	14,781,555
Changes from financing cash flows:			
Finance lease payments	(251,525)	–	(251,525)
Dividend paid	–	(9,436,117)	(9,436,117)
Total changes from financing cash flows	(251,525)	(9,436,117)	(9,687,642)
Other changes:			
New finance leases	259,320	–	259,320
Total liability-related other changes	259,320	–	259,320
Total equity-related other changes	–	10,290,543	10,290,543
Balance at December 31, 2018	433,090	15,210,686	15,643,776

40 Post balance sheet event

In respect of the year ended December 31, 2018 final dividend of Rs 22.00 (2017: Rs 20.00) per share amounting to a total dividend of Rs 5,620,863 thousand (2017: Rs 5,109,876 thousand) has been proposed at the Board of Directors meeting held on February 22, 2019. These financial statements do not reflect this proposed dividend.

41 General

41.1 Corresponding figures

Corresponding figures have been rearranged and reclassified, wherever considered necessary, for the purposes of comparison and to reflect the substance of the transactions. Following major reclassifications have been made during the year:

	Reclassified		Amount
	From	To	Rs '000
Unpaid dividend	Trade and other payables	Unpaid dividend	184,852
Unclaimed dividend	Trade and other payables	Unclaimed dividend	79,451
Advance for capital expenditure	Property, plant and equipment	Advance for capital expenditure	291,119

41.2 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 22, 2019.

Syed Javed Iqbal
Chief Executive Officer

Wael Sabra
Chief Financial Officer / Director

Pattern of Shareholding

As at December 31, 2018

No. of Shareholders		Categories			Total Shares
1,366	From	1	To	100	42,807
1,081	From	101	To	500	302,699
353	From	501	To	1,000	247,637
241	From	1,001	To	5,000	513,267
29	From	5,001	To	10,000	197,058
6	From	10,001	To	15,000	73,114
3	From	15,001	To	20,000	54,223
6	From	20,001	To	25,000	140,019
1	From	25,001	To	30,000	27,000
1	From	30,001	To	35,000	31,978
1	From	35,001	To	40,000	37,000
1	From	40,001	To	45,000	44,402
1	From	45,001	To	50,000	49,280
3	From	55,001	To	60,000	172,390
1	From	60,001	To	65,000	60,961
2	From	165,001	To	170,000	335,714
1	From	190,001	To	195,000	191,000
1	From	300,001	To	305,000	300,752
1	From	385,001	To	390,000	386,800
1	From	795,001	To	800,000	798,282
1	From	1,770,001	To	1,775,000	1,771,133
1	From	8,670,001	To	8,675,000	8,671,135
1	From	241,045,001	To	241,050,000	241,045,141
3,103					255,493,792

Pattern of Shareholding

As at December 31, 2018

	No. of Shares
Associated Companies, Undertakings and Related Parties	241,843,423
NIT and ICP	515
Directors, CEO and their spouse and minor children	12,785
Executives	34
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance companies, Modaraba and Mutual Funds	2,104,474
Individuals	2,401,224
Others	9,131,337
	255,493,792

Categories of Shareholders	Number	Shares Held	%
Directors, CEO and their spouse and minor children	9	12,785	0.0
Executives	3	34	0.0
Associated Companies, Undertakings and Related Parties	2	241,843,423	94.7
Investment Companies	1	515	0.0
Modarabas & Mutual Funds	3	1,774,073	0.7
Insurance Companies	3	327,119	0.1
Banks, Development and other Financial Institutions	8	3,282	0.0
Individuals	3,031	2,401,224	0.9
Others	43	9,131,337	3.6
Total	3,103	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
NIT and ICP (name wise details)	
National Bank of Pakistan	515
Directors, CEO and their spouse and minor children (name wise details)	
Mueen Afzal	2,635
Syed Javed Iqbal	2,500
Tajamal Shah	2,500
Wael Sabra	2,500
Hae In Kim	1,000
Michael Kost	1,000
Imran Maqbool	500
Ali Kuli Khan Khattak	100
Zafar Mehmood	50
Executives	
Awais Hussain Kazi	15
Mirza Zubair Ahmed	10
Shahid Yamin	9
Shareholders holding 10% or more voting interest	
British American Tobacco (Investments) Limited	241,045,141

اس طریقہ کار کو ایک سوالنامے کی شکل دی گئی ہے جو کہ بورڈ ممبران کو بھیجا جاتا ہے جس پر وہ اپنی اور بورڈ کی کارکردگی کا تعین کرتے ہیں۔ شفافیت اور آزادانہ تشخیص کو مدنظر رکھتے ہوئے یہ کام کمپنی سیکرٹری کے حوالے کیا گیا ہے، تمام بورڈ ممبران یہ سوالنامے کمپنی سیکرٹری کو واپس بھیجتے ہیں جو کہ نتائج کی خلاصے سمیت ان کے جوابات کے مطابق ایک رپورٹ بناتا ہے۔ یہ رپورٹ اگلی میٹنگ میں بورڈ کے سامنے پیش کی جاتی ہے اس پر بحث کی جاتی ہے ممبران کے خدشات کو سنا جاتا ہے اور بورڈ کی کارکردگی بہتر بنانے کی کوشش کی جاتی ہے۔

6.9- چیئرمین اور CEO کے عہدے:

بہتر گورننس اور شفافیت کو فروغ دینے کے لئے چیئرمین اور CEO کے عہدے الگ رکھے گئے ہیں۔ ان کی ذمہ داریاں الگ متعین کی گئی ہیں اور دو الگ افراد ان عہدوں پر فائز کئے گئے ہیں۔

6.10- چیئرمین اور CEO کا مختصر کردار اور ذمہ داریاں:

بورڈ نے چیئرمین اور CEO کا کردار اور ان کی ذمہ داریاں صریحاً علیحدہ علیحدہ متعین کی ہیں۔ چیئرمین بورڈ کے رہنما اور میٹنگز میں ثالث کا کردار ادا کرتے ہیں تا کہ ایک آزاد بحث کے بعد کم سے کم وقت میں فوراً جامع فیصلے کئے جا سکیں۔ چیئرمین بورڈ کی ذمہ داریاں نبھانے کے لئے ذمہ دار ہیں۔

CEO کمپنی کے سربراہ ہیں جو کہ تمام اداروں کی ان کے سربراہان کے ہمراہ کمپنی کے روزمرہ کاموں کی تکمیل کے لئے بھی ذمہ دار ہیں۔ یہ کمپنی کے سالانہ مقاصد کے حصول کے لئے بھی رہنمائی فراہم کرتے ہیں۔ یہ کمپنی کی قلیل مدتی اور طویل مدتی حکمت عملی بناتے اور اس کو جامہ عمل پہنانے کے لئے پوری ٹیم کی رہنمائی کرتے ہیں تا کہ حصہ داران کے لئے منافع کو زیادہ سے زیادہ بڑھایا جا سکے۔ یہ مینجمنٹ کی جانب کی طرف سے بورڈ آف ڈائریکٹرز اور چیئرمین سے رابطہ رکھتے ہیں۔

6.11- بورڈ کی طرف سے CEO کی کارکردگی کا تعین:

قانون کے مطابق بورڈ CEO کو تین سال کی مدت کے لئے مقرر کرتا ہے۔ اس کی کارکردگی کو کمپنی کے سالانہ پلان کے ساتھ جانچا جاتا ہے۔ اس کے علاوہ قانون کے مطابق ذمہ داریاں نبھانا بھی ضروری ہے۔ 2018 کے لئے CEO کی کارکردگی کا مظہر یہ ہے کہ کمپنی نے اپنا سالانہ پلان حاصل کیا ہے اور اپنی تمام قانونی ذمہ داریاں پوری کی ہیں۔

6.12- انڈکشن کے وقت رسمی واقفیت:

نئے بورڈ ممبرز کو تعیناتی کے وقت ایک انڈکشن پلان سے گزارا جاتا ہے جس میں ان کو کمپنی کا وژن، مشن اور اسٹریکچر، تجربہ کار افسران کے کردار اور ذمہ داریاں، اہم مقدمات اور کمپنی کی اہم پالیسوں سے متعلق آگاہی دی جاتی ہے۔ انڈکشن پلان کے حصے کے طور پر تجربہ کار افسران ان ڈائریکٹرز کو اپنے ڈپارٹمنٹس کی کارکردگی سے متعلق تفصیلات بتاتے ہیں۔

6.13- ڈائریکٹرز کا تربیتی پروگرام:

PTC نے ڈائریکٹرز ٹریننگ کے بارے میں قابل عمل ریگولیٹری فریم ورک کی تعمیل کی ہوئی ہے۔ آدھے سے زیادہ ڈائریکٹرز نے SECP سے تصدیق شدہ ڈائریکٹرز ٹریننگ پروگرام کے تحت سرٹیفکیٹس حاصل کئے ہوئے ہیں۔

6.14- گذشتہ AGM:

کمپنی کا اکہتّرواں سالانہ عام اجلاس 20 اپریل 2018 کو منعقد کیا گیا تھا۔ اقلیتی حصہ داران سمیت تمام حصہ داران کو ملاقات کی دعوت دی گئی تھی اور انہیں پیشگی ملاقات کے وقت اور جگہ کے بارے میں آگاہ کیا گیا تھا۔ کمپنی کے حصہ داران کو سہولت فراہم کرنے کے لئے سالانہ اجلاس عام میں اعلیٰ معیار، آرام دہ اور پرسکون انتظامات کو یقینی بنایا گیا تھا۔ حصہ داران نے کمپنی کی فنانشل اسٹیٹمنٹس اور غیر قانونی ٹوبیکو انڈسٹری کے اثرات کے حوالے سے کچھ عام سوالات کئے اس کے علاوہ اجلاس میں کوئی اور مسئلہ پیش نہیں کیا گیا۔

6.15- آڈیٹرز:

31 دسمبر 2018 کو ختم ہونے والے مالی سال کے لئے کمپنی کا آڈٹ مکمل کر لیا گیا ہے اور آڈیٹرز نے کمپنی کی مالیاتی تفاصیل، جامع مالیاتی تفاصیل اور ضابطہ برائے کارپوریٹ گورننس سے تعمیل کی سٹیٹمنٹ جاری کر دی گئی ہے۔ KMPG کے آڈیٹر میسرز Taseer Hadi & Co سالانہ اجلاس عام کے بعد ریٹائر ہو جائے گی تاہم کمپنی بڑا نے پاکستان ٹوبیکو کمپنی کے لئے بطور آڈیٹر خدمات جاری رکھنے پر آمادگی ظاہر کی ہے۔ KMPG نے ICAP سے تسلی بخش ریٹنگ حاصل ہونے اور ICAP کے قبول کردہ IFAC کے رہنما اصول برائے ضابطہ اخلاق سے تعمیل کی تصدیق بھی کی ہے۔ بورڈ آڈٹ کمیٹی کی سفارش پر 31 دسمبر 2018 کو ختم ہونے والے مالی سال کے لئے مذکورہ بالا کمپنی بطور آڈیٹر تقرری کی تجویز دیتا ہے۔ تاہم اس کی حتمی منظوری 22 اپریل 2019 کو حصہ داران کے سالانہ اجلاس عام میں دی جائے گی۔

6.16- شیئر ہولڈنگ کا پیٹرن:

ہماری ہولڈنگ کمپنی برٹش امریکن ٹوبیکو (انویسٹمنٹ) لمیٹڈ جو کہ یونائیٹڈ کنگڈم میں موجود ہے اس سال کے آخر تک کمپنی میں 94.34% حصص کی مالک ہے۔ 31 دسمبر 2018 پر شیئر ہولڈنگ پیٹرن ضابطہ برائے کارپوریٹ گورننس کی شرائط کے مطابق اس سالانہ رپورٹ میں الگ سے دیا گیا ہے۔

6.17- ڈائریکٹرز اور ایگزیکٹیوز کی حصص میں خرید و فروخت:

کمپنی کے ڈائریکٹرز، چیف ایگزیکٹیو آفیسر، چیف فنانشل آفیسر، کمپنی سیکرٹری، ان کے اہلیان اور بچوں نے مبینہ طور پر کمپنی کے حصص میں کوئی خرید و فروخت نہیں کی ہے۔

6.18- کاروباری تسلسل پلان کا جائزہ

PTC کاروباری تسلسل کو یقینی بنانے کے عمل کی اہمیت کا مکمل ادراک رکھتی ہے اور یہ چاہتی ہے کہ کاروبار کسی بھی قسم کے بحران اور مشکل حالات میں بھی ایسے چلے جیسے عام دنوں میں چلتا ہے۔ اس مقصد کی خاطر کمپنی نے عالمی معیار کے عین مطابق ایک مکمل لائحہ عمل ترتیب دیا ہے۔ جس سے یہ یقینی بنایا جاتا ہے کہ

اگر کوئی واقع ہو تو اس سے نمٹنے کی پہلے سے تیاری کی ہو۔
کوئی بھی واقع رونما ہونے کی صورت میں اس کا سامنا کرنے کی سمجھ ہو۔
حالات پر قابو پانے کی سمجھ بوجھ ہو اور
کاروبار پر منفی اثرات کو کم کرنے کے لئے کم سے کم وقت میں کاروبار کو عام دنوں کی حالت پر لایا جا سکے۔

اس لائحہ عمل کو BAT گروپ آف کمپنیز میں کافی پذیرائی ملی ہے جو کہ ایک بہترین گروپ ہے۔ بورڈ آف ڈائریکٹرز ہر سال BCM کا جائزہ لیتے ہیں۔ BCM کے عمل کو معیار کے ساتھ پایہ تکمیل تک پہنچانے اور اس پر عمل کروانے کی ذمہ داری MD کے سپرد ہے۔ BCM کی آپریشنل مینجمنٹ ہی تفویض شدہ سیکیورٹی کے سربراہ کی ہے جو کہ پاکستان ٹوبیکو کمپنی میں BCM کی قیادت کرتی ہے۔ تمام اداروں کے سربراہان اپنے ادارے سے نکلنے والے خطرات کو جاننے اور BCM کو موثر بنانے اور اسے برقرار رکھنے کی ذمہ دار ہیں۔

بزنس کنٹینیوٹی منیجر پاکستان ٹوبیکو کمپنی میں BCM کے عمل کو مربوط بناتا اور اس کی سہولیات فراہم کرتا ہے۔

BCM کے عمل کو نافذ کر کے کمپنی اس بات کو یقینی بناتی ہے کہ:
کمپنی کے لوگوں کے اثاثے اور تمام معلومات محفوظ ہیں۔ ملازمین کو کسی بھی قسم کے انتشار کی صورت میں مکمل آگاہی اور مدد ملتی ہے۔

دیگر اداروں، متعلقہ ریگولیٹرز، سرکاری محکموں، مقامی حکام اور ایمرجنسی سروسز کے ساتھ تعلقات مناسب طریقے سے استوار اور مستقد ہیں۔ اسٹیک ہولڈرز کی ضروریات کو سمجھا جاتا ہے اور اسے سہولیات فراہم کی جاتی ہیں۔

کمپنی کو یہ صلاحیت حاصل ہے کہ اپنی تمام قانونی اور انتظامی ذمہ داریوں کو مدنظر رکھتے ہوئے اپنی ساکھ کی حفاظت بہتر طریقے سے کر سکتی ہے۔

معین افضل
چیئرمین اور نان ایگزیکٹیو ڈائریکٹر

سید جاوید اقبال
MD/CEO

6.2- بورڈ کی تشکیل:

بورڈ کُل 9 ڈائریکٹرز، 6 نان ایگزیکٹیو ڈائریکٹرز جن میں سے ایک آزاد ڈائریکٹر ہیں اور 3 ایگزیکٹیو ڈائریکٹرز پر مشتمل ہے۔

بورڈ کی موجودہ درجہ بندی درج ذیل ہے۔

ڈائریکٹر کا نام	ڈائریکٹرز کی تعداد
مرد ڈائریکٹرز	8
خواتین ڈائریکٹر	1
آزاد ڈائریکٹر	1
مسٹر ظفر محمود	
نان ایگزیکٹیو ڈائریکٹرز	5
مسٹر معین افضل	
لیفٹیننٹ جنرل (ریٹائرڈ) علی قلی خان خٹک	
مس ہائے ان کم	
مسٹر مائیکل کوسٹ	
مسٹر عمران مقبول	
ایگزیکٹیو ڈائریکٹرز	3
سید جاوید اقبال	
مسٹر وائل صابرہ	
مسٹر تجمل شاہ	

ریگولیٹری ضروریات کے پیش نظر بورڈ کی نمائندگی خواتین بھی کرتی ہیں۔ پیشہ وارانہ، تعلیمی مہارت اور تجربے کو یکجا کرتے ہوئے بورڈ کے مجموعی تاثر کو اس کے اراکین کے نقطہ نظر کے مطابق بڑھایا جاتا ہے۔ مقامی اور بین الاقوامی اور مجموعی طور پر بورڈ میں کافی مالیاتی شعور اور علم موجود ہے۔ PTC ریگولیٹری ضروریات کے مطابق بورڈ آف ڈائریکٹرز کی اہلیت و قابلیت کی تائید کرتی ہے۔

ڈائریکٹرز سے متعلق تمام معلومات سالانہ رپورٹ میں الگ سے دی گئی ہیں۔ اس میں ان کا نام سٹیٹس (آزاد، ایگزیکٹیو، نان ایگزیکٹیو) تجربہ اور دوسری کمپنیوں میں ان کی ڈائریکٹر شپ شامل ہے۔ ڈائریکٹر شپ کے سٹیٹس کی تفصیل (آزاد، آزاد، ایگزیکٹیو، نان ایگزیکٹیو)

کوڈ آف کارپوریٹ گورننس کی تشکیل سے متعلق بیان میں دی گئی ہے۔

6.3- بورڈ میں تبدیلیاں

20 اپریل 2016 کو الیکشن کے ذریعے بورڈ تشکیل دیا گیا تھا۔ 2018 میں بورڈ میں کوئی تبدیلی نہیں آئی۔ جیسا کہ 20 اپریل 2019 کو ڈائریکٹرز کی مدت ختم ہو جائے گی اور انتخابات آئندہ ہونے والی AGM میں منعقد ہوں گے جبکہ بورڈ کارپوریٹ گورننس کی ضروریات کے لحاظ سے دوبارہ تشکیل دیا جائے گا۔

6.4- بورڈ کی میٹنگز:

قابل عمل ریگولیٹری فریم ورک کے مطابق بورڈ کا سال میں کم سے کم 4 مرتبہ ملنا ضروری ہے تاکہ شفافیت، احتساب اور کمپنی کی کارکردگی کی مانیٹرنگ کو یقینی بنایا جا سکے۔ ضرورت کے مطابق انتہائی اہم معاملات پر بات کرنے کے لئے خاص میٹنگز سال کے دوران کسی بھی وقت بلائی جاتی ہیں۔ 2018 میں 5 میٹنگز ہوئیں جن کے نوٹس / ایجنڈا قانون کے مطابق میٹنگ سے پہلے بروقت بھجوا دیے گئے تھے۔ اس سال کے دوران منعقد ہونے والی بورڈ کی میٹنگز میں قابل عمل قوانین کے مطابق کم سے کم کورم کی حاضری کو پورا کیا گیا تھا۔

کمپنی سیکرٹری بورڈ کے سیکرٹری کے طور پر کام کرتے ہیں۔ بورڈ کی طرف سے میٹنگز کے دوران لئے گئے تمام فیصلے انتہائی شفاف انداز میں میٹنگ منٹس کے طور پر لکھے جاتے ہیں اور بورڈ کے تمام ممبران کو بھیج دیئے جاتے ہیں اور بورڈ اگلی میٹنگ میں پچھلی میٹنگ کے منٹس کی منظوری دیتا ہے۔

ڈائریکٹر کا نام	حاضری
معین افضل	4/5
چیئرمین اور نان ایگزیکٹیو ڈائریکٹر	
سید جاوید اقبال	5/5
MD/CEO اور ایگزیکٹیو ڈائریکٹر	
ہائے ان کم	0/5
نان ایگزیکٹیو ڈائریکٹر	
وائل صابرہ	4/5
ڈائریکٹر فنانس اور آئی ٹی اور ایگزیکٹیو ڈائریکٹر	
تجمل شاہ	5/5
ایگزیکٹیو ڈائریکٹر	
لیفٹیننٹ (ریٹائرڈ) علی قلی خان خٹک	3/5
نان ایگزیکٹیو ڈائریکٹر	
عمران مقبول	2/5
نان ایگزیکٹیو ڈائریکٹر	
ظفر محمود	4/5
آزاد ڈائریکٹر	
مائیکل کوسٹ	3/5
نان ایگزیکٹیو ڈائریکٹر	

6.5- بورڈ میٹنگز جو پاکستان سے باہر منعقد کی گئیں

2018 میں PTC نے اپنی تمام بورڈ میٹنگز کا انعقاد پاکستان میں کیا۔

6.6- بورڈ کی کمیٹیاں:

بورڈ نے چار کمیٹیاں تشکیل دی ہوئی ہیں جو بورڈ کو مختلف کاموں میں معاونت دیتی ہیں۔ ان کمیٹیوں کی تمام تر تفصیلات جس میں کمیٹی ممبران اور ان کی حاضری شامل ہے اس سالانہ رپورٹ میں علیحدہ سے صفحہ نمبر 42 پر دی گئی ہیں۔

6.7- ڈائریکٹرز کا معاوضہ

کوڈ آف کارپوریٹ گورننس کے مطابق ڈائریکٹرز کے معاوضے کے تعین کے لئے ایک باقاعدہ نظام تشکیل دیا گیا ہے۔ کوئی بھی ڈائریکٹر اپنے معاوضے کا فیصلہ خود کرنے کا مجاز نہیں ہے۔ یہ معاوضے قانون کے مطابق اور کمپنی کی اندرونی پالیسوں کے مطابق متعین کئے جاتے ہیں تاکہ نان ایگزیکٹیو ڈائریکٹر کی آزادی متاثر نہ ہو۔ ایگزیکٹیو ڈائریکٹرز، CEO اور مینجمنٹ کے اہلکاروں سمیت دیگر ایگزیکٹیوز کا معاوضہ مالیاتی تفاصیل کے نوٹ 37 میں دیا گیا ہے۔

6.8- بورڈ کی کارکردگی کی جانچ:

کمپنی نے بورڈ کی کارکردگی جانچنے کے لئے ایک طریقہ کار ترتیب دیا ہے تاکہ

☆ یہ اخذ کیا جا سکے کہ کون سے کام اچھے چل رہے ہیں

☆ کن ایریاز میں بہتری کی گنجائش ہے

☆ ایک قلیل مدتی یا طویل مدتی لائحہ عمل بنا کر بحث کر کے اور سارا کر تر جہات کا تعین کیا جاتا ہے

☆ کاروائی کی منصوبہ بندی پر متفق ہیں

مزید برآں صارفین کی خواہشات کے عین مطابق مصنوعات کی کوالٹی کو بہتر بنانے پر خصوصی توجہ کی بدولت صارفین کی شکایات میں خاطر خواہ کمی واقع ہوئی کمپنی کی پیداواری صلاحیت اور اعلیٰ معیار کی طرف کوشاں شاندار حاصل کردہ نتائج نے بین الاقوامی طور پر پورے BAT گروپ میں شہرت حاصل کی۔

3.1- ماحول، صحت اور تحفظ EH&S:

مندرجہ بالا کامیابیوں کے ساتھ ساتھ PTC نے فیکٹری کی حدود میں ماحول، صحت اور تحفظ سے متعلق عوامل اور طریقہ کار سے قابل قدر آگاہی اور بنیادی بہتری حاصل کر لی ہے۔ کمپنی ماحول، صحت اور تحفظ کے اعلیٰ معیارات پر خصوصی توجہ دیتی ہے اور ان کی پوری کمپنی بشمول اس کے ٹھیکیدار اور بیرونی تعلق داروں پر مکمل عمل درآمد کی طرف کوشاں ہے۔ اس کے علاوہ کمپنی نے مزید اقدامات مثلاً تربیت برائے صحت و تحفظ حادثہ کی اطلاع کے نظام و طریقہ کار، آڈٹ، ماحول، صحت و تحفظ تعمیری پروگرام برائے ذہن نشینی ماحول صحت و تحفظ اور کمپنی کے ہر درجے پر اٹھائے ہیں۔ PTC خاص طور پر ایک ذمہ دار کاروباری ادارہ بننے پر توجہ دیتی ہے۔

اور ماحول صحت و تحفظ کے بلند ترین معیارات برقرار رکھنے پر ان تھک محنت کرتی ہے۔ کمپنی کی فیکٹریاں مقامی ماحولیاتی ضوابط کی تکمیل کرتی رہتی ہیں۔ اپنی اندرونی پالیسی کے حصے کے طور پر کمپنی آزاد ادارے سے فیکٹری کے طریقہ کار پر وقتاً فوقتاً جائزے کرواتی رہتی ہے تاکہ نہ صرف مقامی ماحولیاتی ضوابط کی تکمیل ہو بلکہ BAT کے اندرونی گروپ معیارات کی بھی تکمیل ہو۔

4- مارکیٹنگ کا جائزہ:

سال 2018 میں پہلی مرتبہ ہونے والی 46.1 ارب سگریٹ کی فروخت نے کمپنی کے لئے اس سال کو یادگار بنا دیا۔ بجٹ 2018-2017 میں متعارف ہونے والی مالی اصلاحات نے فروخت کے اس حجم کو مدد فراہم کی جسکی بدولت غیر قانونی مصنوعات سے ڈیوٹی ادا شدہ قانونی صنعت کی طرف منتقلی کے رجحان کو فروغ حاصل ہوا۔

اعلیٰ ترین درجہ بندی میں کمپنی نے DUNHILL برانڈ کی وقعت بڑھانے میں بھرپور سرمایہ کاری کی۔ یہ برانڈ اپنی تاریخی بہتر تبدیلی سے گزرا جس میں پاکستان میں پہلی مرتبہ ازخود بند ہونے والی پیکنگ متعارف کروائی گئی اور یہ صرف واحد برانڈ بنا جو صارفین کو ٹیوب فلٹر پیش کرتا ہے۔ اس نے DUNHILL برانڈ کی 89% ترقی (پچھلے سال کے مقابلے میں) کو ممکن بنایا۔

جان پلیئر گولڈ لیف جو کہ PTC کی پہچان برانڈ ہے اس نے ایک مرتبہ پھر اعلیٰ ترین درجہ بندی میں 82% (پورا سال 2018) مارکیٹ کے حصے کے ساتھ اپنے آپ کو سب سے زیادہ مانی جانے والی اعلیٰ ترین درجہ بندی کی پیشکش ثابت کیا۔ جان پلیئر گولڈ لیف سپیشل بہتر تبدیلی سے گزرا جس میں ازخود بند ہونے والی پیکنگ متعارف کروائی گئی اور نیا اور بہتر پیکٹ پیش کیا گیا۔

کمپنی نے خالی مصنوعاتی اعلیٰ ترین درجہ بندی کے درجے پر بھی کام کیا جہاں اس نے اپنے برانڈ پورٹ فولیو کو مزید مضبوط بنانے کے لئے جان پلیئر پیش کیا۔ جان پلیئر نے اس سے پہلے پاکستان میں ہونے والی تمام پیشکشوں کو پچھاڑ دیا اور اس وقت یہ کمپنی کے مستقبل میں ایک اہم برانڈ بننے والے مقام پر موجود ہے۔

رقم کی قدر کی درجہ بندی کے درجے میں پال مال پیک کی بہتر تبدیلی سے گزارا اور اب تک کسی بھی برانڈ کو سب سے زیادہ فروخت کا حجم دے کر سب سے زیادہ مارکیٹ کا حصہ 27.2% (پورا سال 2018) حاصل کیا۔

کمپنی کی تجارتی ٹیم نے اس کے ساتھ ساتھ بھرپور ہم آہنگ مارکیٹنگ کی مہم یقینی طور پر اعلیٰ کارکردگی کے ساتھ ساتھ مامور کیں۔ عالمی مارکیٹ کی کارکردگی کے علاوہ کمپنی نے اپنے سب سے بڑے پرچون وفاداری پروگرام کو نئے خطوط پر استوار کیا اور اپنے تمام تر فروخت اور تقسیم کار کے نظام کو خودکار بنا دیا جس میں دو ہزار سے زائد تجارتی کمک کے افراد اور 164 تقسیم کار مقامات کو خودکار بنایا۔

5- خطرے سے بچاؤ کے انتظامات اور اندرونی تدابیر:

بورڈ آف ڈائریکٹرز کمپنی کے معاملات خطرات اور مشکلات کو سنبھالنے اور اس کے ساتھ ساتھ مضبوط احتیاطی تدابیر کو برقرار رکھنے کا ذمہ دار ہے۔ کمپنی کے انتظامات برائے بچاؤ خطرہ اور اندرونی احتیاطی تدابیر کے انتظام و انصرام کا مقصد کمپنی کے حصہ داروں کی سرمایہ کاری اور اس کے اثاثہ جات کا تحفظ کرنا ہے تاکہ خطرے کے اثرات کو کم سے کم کیا جاسکے جو کہ کمپنی کے مقاصد تکمیل میں رکاوٹ بنتے ہوں۔ ان سب کی تفاصیل سالانہ رپورٹ خطرے اور مواقع کے سیکشن میں درج ہے۔

جامع ضوابط اور پالیسیاں، مرتب انتظامی طریقہ کار اور موافق ادارہ جاتی ثقافت نے پوری کمپنی میں مضبوط احتیاطی تدابیر اور ان کی تعمیل میں معاونت فراہم کی۔ تمام شعبہ جات کے سربراہان کے لئے لازم ہے کہ عالمی مروجہ اہم احتیاطی تدابیر کی جامع جانچ مرتب کریں جو کہ موجود بھی ہوں اور پُر اثر بھی کوئی بھی عدم پیروی اور مخصوص کمزوری بمعہ اصلاحی اقدامات رپورٹ کی جاتی ہیں۔ اضافی طور پر تمام ملازمین کے لئے لازم ہے کہ سالانہ تکمیل رپورٹ برائے کمپنی معیارات کاروباری عوامل کو دستخط کریں۔

رینالڈ امریکن RAI کے BAT گروپ PTC میں ان کی ذیلی کمپنی کے انضمام نے Sarbanes-Oxley (SOx) کی ضروریات کا پابند بنایا جسکی بدولت کمپنی کی اندرونی احتیاطی تدابیر کو مضبوط بنانے میں مدد ملی۔

6- ادارہ جاتی انتظام:

6.1- بہتر ادارہ جاتی انتظام

کمپنی کے ڈائریکٹرز پاکستان کی لسٹڈ کمپنیز کے بارے میں سیکیورٹی ایکسچینج کمیشن کے ضوابط برائے ادارہ جاتی انتظام 2017 (کوڈ آف کارپوریٹ گورننس) کے ادارہ جاتی اور مالیاتی رپورٹنگ کے نظام کی مندرجہ ذیل حوالوں سے تصدیق کرتے ہیں۔

1 مالیاتی رپورٹس جو کمپنی کی انتظامیہ نے تیار کی ہیں وہ کمپنی کے معاملات اس کے آپریشنز کے نتائج، کیش فلو اور تبدیلی وقت کو مناسب طور پر ظاہر کرتے ہیں۔

2 کمپنی کے تمام کھاتہ جات کی مناسب کتابیں ہمہ وقت مرتب رہتی ہیں۔

3 مالیاتی رپورٹ کے بنانے میں مناسب کھاتہ جاتی ضوابط پر عمل کیا جاتا ہے اور کھاتہ جاتی تخمینے مناسب اور عقل مندانہ تجزیات پر مبنی ہوتے ہیں۔

4 مالیاتی رپورٹ کی تیاری میں بین الاقوامی مالیاتی رپورٹنگ معیارات (جو پاکستان میں لاگو ہیں) پر عمل کیا گیا ہے اور اس سے کوئی بھی اجتناب مناسب طور پر وضاحت کے ساتھ ظاہر کیا گیا ہے۔

5 اندرونی احتیاط کا نظام پر اثر طور پر مرتب و کنٹرول اور اس پر عمل درآمد کیا گیا ہے۔

6 کمپنی کے جاری کاروبار کی حیثیت سے چلتے رہنے میں کوئی شک و شبہ نہیں۔

7 بہترین ادارہ جاتی انتظام جو تفصیلاً کوڈ آف ادارہ جاتی انتظام اور مروجہ ضوابط میں درج ہے اس سے کوئی خصوصی اجتناب نہیں ہے۔

8 تمام مخصوص واجب الادا سرکاری واجبات دوران کاروبار مورخہ 31 دسمبر 2018 کمپنی کی مالیاتی رپورٹس کے نوٹس میں دکھائے گئے ہیں۔

9 پچھلے چھ سالوں کے خاص کاروباری اور مالیاتی اعداد و شمار خلاصے کے طور پر سالانہ رپورٹ میں علیحدگی سے درج ہیں۔

10 ملازمین کی مختص ایمپلائزمنٹ فنڈز کی سرمایہ کاری کی رقوم برائے اختتامی سال 31 دسمبر 2018 مندرجہ ذیل ہیں جس کی مزید تفصیل مالیاتی رپورٹس کے حصہ نمبر 33 میں دی گئی ہے۔

فنڈ کا نام	(روپے ملین میں)
سٹاف پنشن فنڈ	4,724
ملازمین کا گریجویٹی فنڈ	1,187
مینجمنٹ کا پراویڈنٹ فنڈ	1,012
PTC کا پراویڈنٹ فنڈ	701
سٹاف کا متعین کردہ کنٹری بیوشن پنشن فنڈ	371

مستقبل میں مشکلات درپیش ہیں اور خاص طور پر جبکہ مقامی مالیاتی مارکیٹ میں کرنسی کی قدر میں مستحکم کر سکنے والی مصنوعات موجود نہ ہوں۔

لاگت برائے فروخت اور تقسیم کار میں ہونے والا اضافہ اس بات کا مظہر ہے کہ کمپنی اپنے برانڈز کی مضبوط وقعت اور شناخت بذریعہ پیشکش کوالٹی مصنوعات، متنوع مارکیٹنگ سرگرمیاں اور موثر صارف وابستگی بنانے میں پوری طرح پر عزم ہے۔ اس کے ساتھ ساتھ کمپنی کا سفر بطرف فروخت خودکاری اور تجارتی مارکیٹنگ قابلیت میں اضافے کی جانب گامزن ہے۔

دیگر کاروباری اخراجات میں اضافے کی بنیادی وجہ ملازمین منافع شمولیتی فنڈ (WPPF) اور ملازمین فلاح فنڈ (WWF) جیسے سرکاری واجبات میں ہونے والا اضافہ ہے جو کہ منافع کی بنیاد پر مقرر ہوتے ہیں۔

خالص مالیاتی آمدنی میں ہوتے والا خطیر اضافہ فروخت کے حجم میں اضافے کی بدولت حاصل شدہ اضافی نقد رقم کی بہتر منافع بخش سرمایہ کاری اسکیم اور بہتر کاروباری سرمائے کے انتظام کی بدولت ہوا۔ انکم ٹیکس اخراجات میں ہونے والا اضافہ رواں سال میں خطیر منافع کے عین مطابق ہے۔

2.2- مالیاتی پوزیشن کا تجزیہ

جائیداد، پلانٹ اور آلات: اس سال کے دوران کمپنی نے پیداوار کی قوت بڑھانے، مشینری اور بنیادی ڈھانچے کو بہتر بنانے، مصنوعات میں جدت کو فروغ دینے، مصنوعات کے معیار کو بہتر بنانے، آپریٹنگ صلاحیتوں کو بڑھانے اور ماحول، صحت اور تحفظ کے مقامی ضوابط کی پیروی میں سرمایہ کاری کی ہے۔ مال تجارت میں اضافے کا تعلق خام مال اور تیار شدہ مال کی اضافی پیداواری مانگ کو پورا کرنے اور زرِ قدر کی مستقبل میں ممکنہ کمی کے منفی اثرات کے بچاؤ سے ہے۔ دیگر قابل وصولیات میں پچھلے سال کے مقابلے میں ہونے والے خطیر اضافے کی بنیادی وجہ درآمدات کے نئے ضوابط متعارف کروانے کی وہ شرط ہے جس کے مطابق سگریٹ کی پیداوار میں استعمال ہونے والے درآمدی خام مال کے معاہدات کے ساتھ 100% نقد رقم دینا ضروری ہے۔ قلیل المدتی سرمایہ کاری حکومتی خزانے کے بلز میں زیادہ ہوئی جس کی وجہ اضافی فروخت کی وجہ سے حاصل ہونے والی اضافی رقم اور مواقع فراہم کرنے کے موثر اقدامات ہیں۔

جاری ذمہ داریوں میں اضافہ ہونے کی بنیادی وجہ دسمبر کے مہینے میں اضافی فروخت کی بدولت واجب الادا حکومتی ٹیکسز ہیں۔ اس کے ساتھ ساتھ تجارتی ادائیگیوں میں بھی اضافہ ہوا جس کا تعلق فروخت اور تقسیم کار اخراجات سے وابستہ کاروباری سرگرمیوں اور اقدامات میں اضافے سے ہے۔

سرمایہ حصص اور ذخائر میں اضافہ رواں سال کے دوران منقسمہ کی ادائیگی کے بعد باقی ماندہ منافع کی بدولت ہوا۔

2.3- رقم کی دستیابی کا جائزہ

PTC کا خزانے کا محکمہ کمپنی کے لئے پیسوں کی دستیابی کا ذمہ دار ہے۔ اس محکمے کے لئے بہت واضح لائحہ عمل ترتیب دیا گیا ہے جس میں اختیارات کی تفصیل بھی ہے اور سرمایہ کاری کے طریقے بھی بتائے گئے ہیں۔ تمام خزانے سے متعلقہ سرگرمیوں کو مقرر کردہ پالیسیوں، طریقہ کار اور حدود کے مطابق ان پر عمل درآمد کیا جاتا ہے۔ یہ لائحہ عمل اور طریقہ کار بورڈ آف ڈائریکٹرز سے منظور شدہ ہے۔ روزمرہ فیصلوں کے لئے فنانس ڈائریکٹر اور خزانے کی کمیٹی کو اختیارات دیئے گئے ہیں۔ کمپنی کے تمام مالی اور رقم کی دستیابی کے انتظامات کا تفصیلی جائزہ 2018 کی مالی تفاصیل کے نکتہ 36 میں علیحدہ سے فراہم کیا گیا ہے۔

2.4- قومی خزانے میں شراکت:

PTC پاکستان میں نجی شعبوں میں سب سے زیادہ ٹیکس دینے والا ادارہ ہے۔ 2018 کے لئے کمپنی نے ایکسائز ڈیوٹی، سیلز ٹیکس، انکم ٹیکس، اور کسٹم ڈیوٹیز کی مد میں قومی خزانے میں ٹوٹل 92.2 ارب روپے جمع کرائے۔ غیر قانونی شعبے کی موجودگی قوانین کے کمزور نفاذ کے باعث بڑے پیمانے پر حکومتی نقصان کی عکاسی کرتی ہے۔ چنانچہ یہ ضروری ہے کہ غیر قانونی شعبے کو محدود کیا جائے اور متعلقہ حکام اپنی مالی اور انتظامی تدابیر استعمال کرتے ہوئے ٹیکس چوری کی مکمل روک تھام کریں۔ اس مسئلے کو حل کرنے سے حکومت مستقبل میں مسلسل آمدن میں اضافے کے لئے راہ ہموار کرے گی۔

2.5- منافع کی تقسیم اور ذخائر کا تجزیہ

سال کے شروع میں کمپنی کے لئے مختص منافع 14.3 ارب روپے تھا۔ 2017 کے لئے حصہ داران کو دیا جانے والا منافع 20 روپے فی حصص یعنی 5.1 ارب روپے تھا۔ 2018 میں کمپنی نے مجموعی طور پر 10.3 ارب روپے کمائے اور دو عبوری منافع منقسمہ 7 روپے فی حصص اور 10 روپے فی حصص کے حساب سے مجموعی طور پر 4.3 ارب روپے حصہ داران میں تقسیم کئے۔ اس سال کے اختتام پر کمپنی کے لئے مختص منافع 15.2 ارب روپے تھا۔ منافع کی تقسیم کی تمام تر تفصیلات ذیل میں دی گئی ہیں۔

	روپے ملین میں	روپے فی حصص
ابتدائی ذخائر	14,356	
2017 کا حتمی منافع منقسمہ	(5,110)	20.00
2018 کا کل منافع	10,338	40.46
دیگر مجموعی آمدنی	(30)	
منافع کی تقسیم کے لئے دستیاب	19,554	
منافع کی تقسیم:		
2018 کے لئے عبوری منافع منقسمہ	(4,343)	17.00
اختتامی ذخائر	15,211	

2.6- حتمی منافع منقسمہ

بورڈ آف ڈائریکٹرز کی میٹنگ 22 فروری 2019 کو ہوئی۔ بورڈ انتہائی مسرت سے یہ بات بتانا چاہتا ہے کہ 31 دسمبر 2018 کو ختم ہونے والے سال کے لئے حصہ داران کی منظوری کے بعد ان کے لئے 22 روپے فی حصص کے حساب سے منافع کی تقسیم تجویز کی گئی ہے (2017: 20 روپے فی حصص)۔ یہ تجویز 22 اپریل 2019 کو ہونے والے سالانہ اجلاس عام میں حصہ داران کی منظوری سے مشروط ہے۔

2.7- جامع مالی تفاصیل اور تعلقات کا جائزہ

پاکستان ٹوبیکو کمپنی لمیٹڈ اور اس کی ملکیتی ذیلی کمپنی فینکس پرائیویٹ لمیٹڈ Phoenix (Private) Limited کی جامع مالی تفاصیل اس سالانہ رپورٹ میں موجود ہیں جس کے مطابق ذیلی ملکیتی کمپنی ابھی کوئی کاروبار نہیں کر رہی۔

2.8- بعد از سال واقعات کا جائزہ

انتظامیہ نے رپورٹ کی تاریخ تک کمپنی کے مالی سال کے اختتام کے بعد اگلے واقعات کا جائزہ لیا اور اس بات کی تصدیق کی ہے کہ اس عرصے میں کمپنی کی مالی حیثیت کو کوئی تبدیلی یا عہد و پیمان متاثر نہیں کرے گا۔

3- پیداواری شعبے کا جائزہ:

PTC کے کاروبار میں تمباکو کو اگانے سے لیکر سگریٹ بنانے تک کے تمام مراحل شامل ہیں، دو فیکٹریاں ہیں اور BAT گروپ کے سب سے بڑے تمباکو کے شعبہ جات میں سے ایک ہے۔ سال رواں کے دوران پیداوار کے تمام مراحل میں پیداواری کارکردگی بڑھانے پر کمپنی کی توجہ مرکوز رہی اور یہ کارکردگی لاگت کے موثر انتظام کم سے کم افرادی قوت والی پیداوار کی طرف پیش قدمی اور مسلسل جدت سے بھرپور نئی مشینوں کے متعارف کروانے کی بدولت حاصل ہوئی۔ پیداواری شعبے نے بروقت معیاری مصنوعات کی فراہمی سے کاروبار کی ترقی میں معاونت کی۔ سال 2018 میں ہماری فیکٹریوں نے مجموعی آلات کے موثر ہونے میں (OEE) نے 78.5% کارکردگی دکھائی جو کہ BAT گروپ میں دوسرے نمبر پر ہے۔ اس شعبے نے لاگت میں بچت کے مختلف اقدامات کئے۔ جس نے PTC کو BAT گروپ کی کمپنیز کے مابین کم سے کم پیداواری لاگت والی کمپنیز میں سے ایک کر دیا۔ کمپنی کا مقصد ہے کہ جدید تجربات کو متعارف کروا کر مستند طریقہ کار اور جدید ٹیکنالوجی کے ذریعے مستقل طور پر اپنے پیداواری شعبے کو جدید تر بنائے۔ کمپنی پروگرام برائے مربوط نظام کار (IWS) پر عمل درآمد کرتے ہوئے جس میں اسکی ایک فیکٹری نے IWS فیز I کی سند حاصل کی جو کہ BAT گروپ میں صرف دو فیکٹریوں کے پاس ہے۔ کمپنی اپنا سفر پیداواری اعلیٰ معیار کی بلندی کی طرف جاری و ساری رکھے ہوئے ہے۔

ڈائریکٹرز رپورٹ

پاکستان ٹوبیکو کمپنی لمیٹڈ کے منتظمین/ڈائریکٹرز کی جانب سے 31 دسمبر 2018 کو اختتام پذیر ہونے والے سال کے لئے کمپنی کی سالانہ رپورٹ اور آڈٹ شدہ مالیاتی گوشوارے پیش خدمت ہیں۔

1- کاروباری جائزہ

1.1- صنعتی جائزہ

سال 2018 میں غیر قانونی شعبے کا تسلسل کے ساتھ بلند سطح پر قائم رہنا قانونی تمباکو کی صنعت کے عملی ماحول کو مشکلات سے مزین کرتا رہا جو کہ اس سال 33.2% (ریٹیل آڈٹ) پر رہا۔ یہ متعلقہ حکام کی جانب سے قانون کے کمزور نفاذ کو ظاہر کرتا ہے۔ غیر قانونی شعبہ جو تمباکو کی مجموعی صنعت کا تقریباً ایک تہائی ہے۔ اس کی بنیادی وجہ غیر ٹیکس ادا شدہ سگریٹ کا کم سے کم متعین کردہ قانونی قیمت سے نیچے فروخت ہونا ہے۔ یہ نہ صرف قومی خزانے میں خاطر خواہ نقصان کا باعث بنتا ہے بلکہ قانونی صنعت کے تسلسل و استحکام میں بنیادی مسائل پیدا کرتا ہے۔

سال 2018 میں تمباکو صنعت کے لئے ایکسائز میں دو مرتبہ ہونے والے اضافے نے قانونی کمپنیوں کو اپنی تمام مصنوعات پر قیمت برائے صارفین کو بڑھانے پر مجبور کر دیا۔ قیمت کے اس اضافے نے قانونی صنعت کے برانڈز اور غیر ڈیوٹی ادا شدہ مصنوعات کے درمیان قیمتوں کے تفاوت کو مزید وسیع کر دیا ہے جس کی بدولت قانونی صنعت کے برانڈز سے غیر ڈیوٹی ادا شدہ مصنوعات کی طرف کاروباری تنزلی کی حوصلہ افزائی ہوئی۔ مالیاتی قانونی عدم پیروی کے علاوہ غیر قانونی صنعتی طبقہ تمباکو کی مصنوعات کی تشہیر و ترویج کے قوانین کی آزادانہ خلاف ورزی کرتا ہے۔ یہ طرز عمل قانونی صنعت کو بمقابلہ غیر قانونی صنعت شدید کاروباری نقصان سے دوچار کرتا ہے جو کہ حکومتی محصولات اور تمباکو کے کنٹرول سے متعلق حکومتی انضباطی شرائط پر معکوس اثر ڈالتا ہے۔ صنعت کے تاریخی اعداد و شمار ظاہر کرتے ہیں کہ ایکسائز کی بدولت قیمتوں میں کیا جانے والا جارحانہ اضافہ صارف کے لئے استطاعت کے مسائل پیدا کرتا ہے اور صارف کے مارکیٹ میں موجود سستی غیر ڈیوٹی ادا شدہ سگریٹ کی طرف رجحان کو بڑھاتا ہے۔ لہٰذا حکومتی اداروں کے لئے ضروری ہے کہ ایک مساواتی و مشاہداتی مالیاتی ایجنڈے پر عمل کرنے کے ساتھ ساتھ موثر عملی اقدامات کے ذریعے غیر قانونی طبقے کو محدود کریں۔ غیر قانونی شعبے کے مارکیٹ حصے میں 41.2% سے 33.2% تک ہونے والی کمی ابھی بھی 15% کی تاریخی بنیاد سے کافی زیادہ ہے۔ حکومت کے لئے ضروری ہے کہ غیر قانونی طبقے کو مزید کم کرنے کے لئے تیز ترین اقدامات کرے۔

بجٹ 18-17 میں حکومتی مالیاتی اقدامات نے تمباکو کی صنعت سے محصولات کی وصولی کے احیاء میں اور غیر ڈیوٹی ادا شدہ سستے برانڈز سے ڈیوٹی ادا شدہ مصنوعات کے استعمال کی طرف رجحان میں مدد دی اس کی بدولت قانونی صنعت کے حجم میں اضافہ ہوا اور اس سے زیادہ ضروری حکومتی محصولات کی وصولی میں خاطر خواہ اضافہ ہوا۔ اس مالیاتی سال کی پہلی ششماہی میں تمباکو کی صنعت نے 40.3 ارب روپے ادا کئے جو کہ پچھلے سال کے اسی عرصے کے مقابلے میں 26 فیصد زائد ہے۔

1.2- کمپنی کی کارکردگی

سال 2018 میں کمپنی کے حجم ہائے فروخت (سیلز والیومز) میں صحتمندانہ اضافہ ہوا۔ سال کے پہلے نو مہینوں کے دوران کمپنی اپنے مارکیٹ شیئر میں اضافہ کرنے کے قابل ہوئی جس کا سب سے بڑا سبب صارفین کا ڈیوٹی ادا نہ کرنے والے سستے سگریٹس کو چھوڑ کر قانونی صنعت کے برانڈز کے استعمال کی طرف آنا تھا جسے پچھلے سال کی مالیاتی اقدامات نے خاطر خواہ سہولت فراہم کی اور اس کی مزید مدد کمپنی نے ایسے پروڈکٹس کی پیشکش کے ذریعے کی جو صارفین کی ترجیحات اور پسند کے مطابق ہوں۔ اس کا نتیجہ یہ نکلا کہ کمپنی نے اپنے مجموعی مارکیٹ شیئر میں 3.7 پوائنٹس تک کا (ریٹیل آڈٹ) اضافہ کیا۔

کمپنی قانونی صنعت کی مارکیٹ میں اپنی برتری قائم رکھے ہوئے ہے اور 71.3% کے مارکیٹ شیئر (ریٹیل آڈٹ) کی حامل ہے۔ اس مستحکم کارکردگی کی سب سے بڑی وجہ ایک مضبوط برانڈ پورٹفولیو کا قیام ہے جو کمپنی کی حکمت عملی سے ہم آہنگ ہے۔ مزید برآں بہترین پروڈکٹس کی فراہمی کے ساتھ ساتھ صارف کی ترجیحات کو پورا کرنیوالی پروڈکٹ میں سال بھر قابل ذکر سرمایہ کاری بھی اس کی ایک وجہ ہے۔ یہ کامیابی PTC اور پاکستان بھر میں پھیلے اس کے تجارتی ساتھیوں کے درمیان مضبوط باہمی تعاون کی وجہ سے ہی ممکن ہوئی۔

پیداواری شعبے میں کمپنی اپنا سفر بہترین پیداواری استعداد کار بذریعہ پیداواری صلاحیتوں کی بلند ترین سطح پر جاری رکھے ہے جو کہ نہ صرف BAT گروپ کے عالمی معیارات سے مطابقت رکھتے ہیں بلکہ بسا اوقات ان سے بھی بڑھ کر ہیں۔

سال بھر کے دوران کمپنی کے تمام تر توجہ اخراجات کو قابو میں رکھنے اور وسائل کی صحیح استعمال پر رہی جس کا نتیجہ یہ نکلا کہ کمپنی نے کئی اخراجات میں بچت اور منصوبوں کی کارکردگی میں مستعدی ظاہر کی۔ تاہم معیشت میں افراط زر کا بڑھتا ہوا دباؤ جو روپے کی قدر میں کمی اور درآمدات اور ریگولیٹری ڈیوٹیز میں اضافے کے سبب تھا اس نے کمپنی کی اخراجاتی اساس کو بھی بے بہا دباؤ میں رکھا۔

PTC اپنے سب سے قیمتی اثاثے یعنی اپنے افراد کی تعمیر و ترقی کیلئے ہمیشہ کوشاں رہی ہے اور کمپنی نے تیز تر بین الاقوامی روزگار کے مواقع، مارکیٹ سے کہیں زیادہ تنخواہ و مراعات اور بین الاقوامی/مقامی طور پر ترقیاتی مواقع کی فراہمی کے ذریعے بہترین قابلیت کے حامل افراد کو اپنے دھارے میں شامل کرنے اور انہیں اپنی ترقی کے سفر کا حصہ بنائے رکھنے پر خاص توجہ مرکوز کی ہے۔ منزل کی جانب بڑھتے ہوئے صلاحیت و قابلیت کو بڑھاوا دینا کمپنی کی حکمتِ عملی کا سب سے اہم جز ہے تا کہ دوسروں کے مقابلے میں کمپنی کے مفادات میں اضافہ کیا جا سکے اور اسے اس قابل بنایا جا سکے کہ یہ انتہائی منظم اور صنعتی مسابقت میں موثر طور پر اپنے امور انجام دیتی رہے۔ مزید یہ کہ انتظامیہ نے تمام امور کار میں متعدد ایجنڈے میں معاونت کی ہے تا کہ وہ اسباب فراہم کیے جائیں جو مستقبل میں ادارے کے حق میں موزوں اور بہتر ہوں۔ خواتین ملازمین کی بھی معاونت کی گئی اور کمپنی کے تمام تر انتہائی اہم کرداروں میں اُن کی کارکردگی پر اُن کا حوصلہ بھی بڑھایا گیا تا کہ ایک انتہائی متنوع اور مسابقانہ قابلیت کا پول قائم کیا جا سکے۔

سال 2018ء میں کمپنی نے مکمل طور پر فعال رہتے ہوئے حکومت کی "شجر برائے پاکستان" مہم میں بھرپور تعاون کیا اور "10 ارب درخت سونامی پروگرام" میں بھی معاونت کی۔ مزید یہ کہ مقامی تمباکو کو کاشت کرنے والی آبادیوں میں پانی کی بچت کیلئے جدید تکنیک اور آب پاشی کا جامع نظام بھی متعارف کروایا۔ تمباکو کے کاشتکاروں کو آب پاشی کی شیڈولنگ، لیزر لینڈ لیولنگ اور ڈرپ اینڈ اسپرنکلر اریگیشن سسٹمز جیسے انتہائی مستعد آب پاشی نظاموں جیسی جدید تکنیک کے ذریعے پانی کی کارگزاری کو بہتر بنانے کیلئے تربیت اور آگہی فراہم کی۔

2- مالیاتی جائزہ:

سال 2018 کے لئے اہم مالیاتی اشارے درج ذیل ہیں۔

	روپے ملین 31 دسمبر 2018	روپے ملین 31 دسمبر 2017
کل وصولیات	137,116	111,485
فیڈرل ایکسائز ڈیوٹی/سیلز ٹیکس	84,004	68,206
خالص وصولیات	53,112	43,279
لاگت برائے فروخت	29,829	23,075
مجموعی منافع	23,284	20,204
کاروباری منافع	14,571	12,834
قبل از ٹیکس منافع	15,280	13,011
بعد از ٹیکس منافع	10,338	9,574
آمدنی فی حصص (روپے)	40.46	37.47

2.1- نفع اور نقصان کا تجزیہ

فروخت کے حجم کی مد میں اضافے کی وجہ سے خالص وصولیات میں اضافہ ہوا جسکی بنیادی وجہ پچھلے سال کی وہ مالیاتی اصلاحات ہیں جنہوں نے صارفین کو غیر ڈیوٹی ادا شدہ مصنوعات سے قانونی صنعت کے برانڈز پر منتقل ہونے میں مدد فراہم کی۔

لاگت برائے فروخت میں اضافے کی بنیادی وجہ فروخت کے حجم میں ہونے والا اضافہ ہے تاہم امریکی ڈالر کے مقابلے میں مقامی کرنسی کی قدر میں تیزی سے ہونے والی کمی نے سطح لاگت کو متاثر کیا جس کی بدولت درآمدی اخراجات اور اس سے وابستہ ٹیکسز میں اضافہ ہوا۔ لاگت میں ہونے والا یہ اضافہ جزوی طور پر مختلف بہتر عوامل اور پیداوار بڑھانے والے اقدامات کے سبب کم کیا گیا۔ ملکی معیشت میں کرنسی کی قدر میں کمی کی وجہ سے پیدا ہونے والے افراط زر کے دباؤ کی وجہ سے کمپنی کو

6۔ ڈیویڈنڈ سے انکم ٹیکس کی کٹوتی (لازمی)

(اے) فنانس ایکٹ 2017، لاگو بتاریخ یکم جولائی 2017 کے مطابق انکم ٹیکس آرڈیننس کے تحت ڈیویڈنڈ پر انکم ٹیکس کی کٹوتی کی شرح میں نظر ثانی کی گئی ہے:

1 انکم ٹیکس ریٹرن فائل کرنے والوں کے لیے ٹیکس کٹوتی کی شرح 15%

2 انکم ٹیکس ریٹرن فائل نہ کرنے والوں کے لیے ٹیکس کٹوتی کی شرح 20%

کیش ڈیویڈنڈ پر 20% کی بجائے 15% کی شرح سے انکم ٹیکس کی کٹوتی کے لیے، ایسے شیئر ہولڈرز جن کا نام ایف بی آر کی ویب سائٹ پر دستیاب ایکٹیو ٹیکس پیئرز لسٹ (Active Tax-Payers List - ATL) میں موجود نہیں، چاہے وہ ٹیکس ریٹرن فائلر ہیں، ATL میں اپنے نام کی شمولیت یقینی بنائیں، بصورت دیگر ان کے ڈیویڈنڈ سے 15% کی بجائے 20% کی شرح سے انکم ٹیکس کی کٹوتی کی جائے گی۔

(بی) ڈیویڈنڈ کی آمدن ود ہولڈنگ ٹیکس سے اسی صورت مستثنیٰ ہوگی جب ٹیکس سے استثنیٰ کا سرٹیفکیٹ بک کی بندش کے پہلے دن تک FAMCO ایسوسی ایٹس (پرائیویٹ) لمیٹڈ کے دفتر جمع کرایا جائے۔

(سی) مزید براں، فیڈرل بورڈ آف ریونیو (FBR) کی طرف سے موصول ہونے والی وضاحت کے مطابق ود ہولڈنگ ٹیکس کی شرح کا تعین پرنسپل شیئر ہولڈر اور جوائنٹ ہولڈرز کی صورت میں شیئر ہولڈرز کے حصے کے تناسب سے "فائلر / نان فائلر" کی بنیاد پر علیحدہ علیحدہ کیا جائے گا۔

اس حوالے سے، تمام کمپنی کے تمام جوائنٹ ممبران / شیئر ہولڈرز جو اپنے شیئرز فزیکل شکل میں رکھتے ہوں یا CDC میں، سے گزارش ہے کہ پرنسپل شیئر ہولڈر اور جوائنٹ ہولڈر(ز) کی شیئر کی تفصیل ہمارے شیئر رجسٹرار کو تحریری طور پر مندرجہ ذیل ترتیب کے ساتھ فراہم کریں (بصورت کہ پہلے یہ تفصیل فراہم نہ کی گئی ہو):

کمپنی کا نام ______________________

فولیو/CDC اکاؤنٹ نمبر ______________________

کُل شیئر ______________________

پرنسپل شیئر ہولڈر ______________________

نام اور شناختی کارڈ نمبر ______________________

شیئرز کا تناسب (شیئرز کی تعداد) ______________________

جوائنٹ شیئر ہولڈر ______________________

نام اور شناختی کارڈ نمبر ______________________

شیئرز کا تناسب (شیئرز کی تعداد) ______________________

مذکورہ بالا معلومات ہمارے شیئر رجسٹرار کے دفتر میں اس نوٹس کے بعد 10 دن کے اندر پہنچ جانی چاہییں؛ بصورت دیگر یہ تصور کیا جائے گا کہ تمام شیئرز پرنسپل شیئر ہولڈر اور جوائنٹ ہولڈر(ز) میں مساوی تقسیم کیے گئے ہیں۔

(ڈی) CDC اکاؤنٹس کے حامل کارپوریٹ شیئر ہولڈرز اپنے متعلقہ شریک کے ساتھ اپنا نیشنل ٹیکس نمبر (NTN) اپ ڈیٹ رکھیں، جبکہ کارپوریٹ فزیکل شیئر ہولڈرز اپنے این ٹی این سرٹیفکیٹ کی نقل کمپنی یا اس کے شیئر رجسٹرار کو جمع کرائیں۔ شیئر ہولڈرز اپنا این ٹی این یا این ٹی این سرٹیفکیٹ، جو بھی لاگو ہے، بھیجتے ہوئے کمپنی کا نام اور اپنا فولیو نمبر درج کریں۔

7۔ زکوٰۃ کی کٹوتی

زکوٰۃ کی لازمی کٹوتی سے استثنیٰ کے لیے شیئر ہولڈرز زکوٰۃ سے استثنیٰ کا فارم (Zakat Declaration Form) "CZ-50" 50 روپے کے سٹیمپ پیپر پر نوٹری پبلک سے تصدیق کروا کر کمپنی کے شیئر رجسٹرار کو جمع کرائیں۔

8۔ ای ووٹنگ

ممبر کمپنیز ایکٹ 2017 کی شق 143-145 اور کمپنیز ریگولیشن 2018 کی متعلقہ شقوں (پوسٹل بیلٹ) کے تحت ووٹنگ کا مطالبہ کرنے کا حق استعمال کر سکتے ہیں۔

9۔ ویڈیو لنک کی سہولت

کمپنیز ایکٹ کی شق (b)(1)134 اور SECP کے 2014 کے سرکلر نمبر 10 بتاریخ 21 مئی 2014 کے تحت اگر کمپنی کو سالانہ اجلاس عام سے کم از کم دس (10) روز قبل کسی جغرافیائی مقام پر موجود ایسے ممبران سے جو مجموعی طور پر 10% یا اس سے زائد شیئرز رکھتے ہوں، ویڈیو کانفرنس کے ذریعے اجلاس میں شریک ہونے کی درخواست موصول ہو تو کمپنی اس شہر میں ویڈیو کانفرنس کی سہولت مہیا کرے گی، بشرطیکہ شہر میں یہ سہولت موجود ہو۔ اس سہولت سے فائدہ اٹھانے کے لیے مندرجہ ذیل معلومات شیئر رجسٹرار کو فراہم کی جائیں:

"میں / ہم، بحیثیت ممبر پاکستان ٹوبیکو کمپنی لمیٹڈ، ملکیتی عام شیئر(ز) رجسٹرڈ فولیو نمبر ____________ شہر (شہر کا نام) میں ویڈیو کانفرنس کی سہولت فراہم کیے جانے کا / کے خواہشمند ہوں / ہیں۔"

10۔ کمپنیز ایکٹ 2017 کی شق 244 کے تحت غیر کلیم شدہ یا غیر ادا شدہ ڈیویڈنڈ

کمپنیز ایکٹ کی سیکشن 244، جسے سیکشن 510 کے ساتھ ملا کر پڑھا جائے، کے تحت سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان نے تمام کمپنیز کو ہدایات جاری کی ہیں کہ ایسے ڈیویڈنڈ کی رقم کی تفصیل کمیشن کے ای پورٹل (ویب ایڈریس) کے ذریعے کمیشن کو فراہم کی جائے جو اپنی تاریخ ادائیگی کے بعد گزشتہ تین (3) برس سے غیر کلیم شدہ یا غیر ادا شدہ ہیں۔

11۔ پتے میں تبدیلی

(اے) ممبرز سے درخواست کی جاتی ہے کہ اپنے پتے میں تبدیلی کی صورت میں فی الفور آگاہ کریں۔ فزیکل شیئرز رکھنے والے ممبران پتے میں تبدیلی کی اطلاع کمپنی کے شیئر رجسٹرار کو دیں۔

(بی) CDC کے ساتھ الیکٹرانک فارم میں شیئرز رکھنے والے ممبرز سے گزارش ہے کہ شرکا یا CDC انویسٹر اکاؤنٹ سروسز کے پتے میں تبدیلی کی اطلاع اکاؤنٹ چلانے والے (فرد یا ادارے) کو دیں۔

12۔ رابطے کی معلومات:

کمپنی دفتر کا پتہ: کمپنی سیکرٹری، پاکستان ٹوبیکو کمپنی لمیٹڈ، سرینا بزنس کمپلیکس، خیابانِ سہروردی، اسلام آباد فون 051-2083200

شیئر رجسٹرار: FAMCO ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، 8۔ایف، متصل ہوٹل فاران، نرسری، بلاک 6، پی ای سی ایچ ایس، شاہراہِ فیصل، کراچی۔ فون 021-34380101-5۔ ای میل ایڈریس: info.shares@famco.com.pk

اطلاع برائے سالانہ اجلاس عام

یہ اطلاع دی جاتی ہے کہ پاکستان ٹوبیکو کمپنی لمیٹڈ (''کمپنی'') کا بہتر واں (72واں) سالانہ اجلاس عام (اینول جنرل میٹنگ) بروز پیر، 22 اپریل 2019 صبح 10:30 سرینا ہوٹل، خیابان سہروردی، اسلام آباد میں منعقد ہوگا۔ اجلاس کا ایجنڈا ذیل میں دیا جا رہا ہے:

معمول کے معاملات:

1۔ 31 دسمبر 2018 کو ختم ہونے والے سال کے آڈٹ کردہ اکاؤنٹس اور ان پر ڈائریکٹرز اور آڈیٹرز کی رپورٹ وصول کرنا، ان پر غور کرنا اور منظور کرنا

2۔ بورڈ کی طرف سے سال 2018 کے لیے حتمی طور پر تجویز کردہ ڈیویڈنڈ منظور کرنا

3۔ آڈیٹرز کی تقرری اور ان کے لیے معاوضے کا تعین

4۔ بورڈ کے مقررہ قاعدے کے مطابق، کمپنی کے بورڈ آف ڈائریکٹرز میں تین سالہ مدت کے لیے 12 (بارہ) نئے ڈائریکٹرز منتخب کرنا جن کی مدت 22 اپریل 2019 (کاروباری دن کے اختتام) سے شروع ہوگی۔ مندرجہ ذیل نو (9) ڈائریکٹرز کی مدت 20 اپریل 2019 کو مکمل ہو جائے گی: جناب معین افضل، جناب سید جاوید اقبال، جناب مائیکل کوئیسٹ، جناب ظفر محمود، مس ہائی ان کم، جناب عمران مقبول، جناب تجمل شاہ، جناب وائل صابر اور ایک خالی نشست۔

بحکم بورڈ

ایم اوریس احمد
کمپنی سیکریٹری

اسلام آباد: 29 مارچ 2019

نوٹ:

1۔ شیئرز ٹرانسفر بکس کی بندش

کمپنی کی شیئرز ٹرانسفر بکس 16 اپریل 2019 سے 22 اپریل 2019، بشمول دو دن، بند رہیں گی جس کے دوران کمپنی کے شیئرز کی ٹرانسفر قبول یا رجسٹر نہیں کی جائے گی۔ کمپنی کے شیئر رجسٹرار FAMCO ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، 8۔ایف، متصل ہوٹل فاران، نرسری، بلاک 6، پی ای سی ایچ ایس، شاہراہ فیصل، کراچی کو 15 اپریل 2019، کو کاروباری یوم کے اختتام سے قبل وصول ہونے والے ٹرانسفر آرڈر بروقت قرار پاتے ہوئے ووٹ دینے اور ڈیویڈنڈ موصول کرنے کے اہل ہوں گے۔

2۔ سالانہ اجلاس عام میں شرکت

کمپنی کے تمام ممبران / شیئر ہولڈرز اجلاس میں شامل ہونے اور ووٹ دینے کے اہل ہیں۔

3۔ ممبران کی حاضری

بذات خود: کمپنی کے اجلاس میں بذات خود شرکت کرنے والے ممبران کی شناخت کی تصدیق ان کے اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا اصل پاسپورٹ سے کی جائے گی

(بی) نمائندے کی صورت میں: کمپنی کا کوئی بھی رکن اجلاس میں شرکت کے لیے اپنا نمائندہ مقرر کر سکتا ہے (نمائندے کے لیے کمپنی کا رکن ہونا لازمی نہیں)۔ یہ نمائندہ ممبر کی طرف سے اجلاس میں شرکت کرنے، رائے کا اظہار کرنے اور ووٹ دینے کا اختیار رکھتا ہے۔ نمائندہ مقرر کرنے کا طریقہ مندرجہ ذیل ہے:

i نمائندہ مقرر کرنے کے لیے پراکسی فارم اجلاس کے مقررہ وقت سے کم از کم 48 (اڑتالیس) گھنٹے پہلے (چھٹیوں کے علاوہ) کمپنی کے شیئر رجسٹرار کے دفتر میں جمع کرانا لازمی ہے۔ 48 (اڑتالیس) گھنٹوں کی مدت یعنی جمعہ (ہفتہ اور اتوار کو چھٹی تصور نہیں کیا جاتا)، 18 اپریل 2019 صبح 10:30 بجے، کے بعد وصول ہونے والے پراکسی فارم قبول نہیں کیے جائیں گے۔

ii پراکسی فارم کے ہمراہ کمپنی کے رکن اور مقرر کردہ نمائندہ کے کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی نقل فراہم کرنا لازمی ہے۔

iii کاروباری ادارہ ہونے کی صورت میں دستخط شدہ بورڈ آف ڈائریکٹرز کی قرارداد / پاور آف اٹارنی اور مقرر کردہ نمائندے کے قومی شناختی کارڈ کی تصدیق شدہ نقل کمپنی کے شیئر رجسٹرار کو جمع کرانا ہوگی۔

iv مقرر کردہ نمائندے کو اجلاس میں شرکت کے موقع پر اپنا اصل قومی شناختی کارڈ یا اصل پاسپورٹ دکھانا ہوگا۔

v پراکسی فارم کمپنی کی ویب سائٹ پر دستیاب ہونے کے علاوہ اس رپورٹ کے ساتھ بھی منسلک ہے۔

(سی) CDC اکاؤنٹ ہولڈرز کی طرف سے حاضری: ایسے ممبران جنہوں نے اپنے شیئر سینٹرل ڈیپازٹری کمپنی آف پاکستان لمیٹڈ میں جمع کروا رکھے ہیں، اجلاس میں ان کی شرکت مندرجہ ذیل قواعد و ضوابط کے تحت ہوگی:

i انفرادی ممبران کو اپنا ''شرکت کنندہ کا شناختی نمبر (Participant's ID Number)'' اکاؤنٹ / سب اکاؤنٹ نمبر اور اصل کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) یا اصل پاسپورٹ ہمراہ لانا ہوگا۔

ii کاروباری ادارہ ہونے کی صورت میں دستخط شدہ بورڈ کی قرارداد / پاور اٹارنی اور ادارے کی طرف سے اجلاس میں شرکت کرنے، رائے کا اظہار کرنے اور ووٹ دینے کے لیے مقرر کردہ نمائندے کا اصل کمپیوٹرائزڈ قومی شناختی کارڈ ہمراہ لایا جائے۔

4۔ CNIC / این ٹی این کی تفصیل جمع کرانا (لازمی)

(اے) ایسے ممبران جنہوں نے تا حال اپنے کمپیوٹرائزڈ قومی شناختی یا پاسپورٹ کی نقل کمپنی کو جمع نہیں کرائی، ان سے گزارش ہے کہ مطلوبہ دستاویزات جلد از جلد کمپنی رجسٹرار کو ارسال کریں۔ براہ مہربانی یاد رکھیں کہ ممبران کے لیے اپنا قومی شناختی کارڈ / این ٹی این کمپنی کو جمع کرانا لازمی ہے کہ ایف بی آر (FBR) ایکٹیو ٹیکس پیئر لسٹ (ATL) کے مطابق ممبران کے ٹیکس سٹیٹس کی تصدیق کر سکے۔

(بی) انفرادی ممبران (بشمول جوائنٹ ہولڈرز) جو اپنے پاس کمپنی فزیکل شیئر سرٹیفکیٹ رکھتے ہیں، سے گزارش ہے کہ اگر انہوں نے اپنے کمپیوٹرائزڈ قومی شناختی کارڈ کی نقل کمپنی رجسٹرار کو جمع نہیں کرائی تو جلد از جلد اپنی ذمہ داری نبھاتے ہوئے مطلوبہ دستاویز کمپنی رجسٹرار کو ارسال کریں۔

(سی) ممبران کے قومی شناختی کارڈ کی نقل وصول نہ ہونے کی صورت میں کمپنیز ایکٹ (''کمپنیز ایکٹ'') 2017 کی سیکشن (3)243 کے تحت کمپنی ایسے شیئر ہولڈرز کا ڈیویڈنڈ روکنے کا اختیار رکھتی ہے۔

5۔ ڈیویڈنڈ ۔ الیکٹرانک کریڈٹ مینڈیٹ (لازمی)

کمپنیز ایکٹ 2017 کی شق 242 کے مطابق لسٹڈ کمپنی اپنے شیئر ہولڈرز کو ڈیویڈنڈ الیکٹرانک ٹرانزیکشن کی صورت میں شیئر ہولڈر(ز) کے فراہم کردہ بینک اکاؤنٹ (''بینک اکاؤنٹ'') میں ادا کرنے کی پابند ہے۔ پس، کمپنی فزیکل ڈیویڈنڈ وارنٹ جاری کرنے کی بجائے ڈیویڈنڈ شیئر ہولڈرز کے بینک اکاؤنٹ میں منتقل کرے گی۔ لہذا، ڈیویڈنڈ براہ راست اپنے بینک اکاؤنٹ میں وصول کرنے کے لیے، فزیکل شیئرز رکھنے والے شیئر ہولڈرز سے گزارش ہے کہ ہماری ویب سائٹ (www.ptc.com.pk) پر موجود ''الیکٹرانک کریڈٹ مینڈیٹ فارم'' پُر کر کے اپنے قابل استعمال CNIC کے ہمراہ 15 اپریل 2019 تک کمپنی کے شیئر رجسٹرار کے مذکورہ بالا پتے پر فراہم کریں۔ CDC اکاؤنٹ میں شیئرز رکھنے والے ممبران اپنے مینڈیٹ اپنے متعلقہ شریک یا CDC انویسٹر اکاؤنٹ سروسز میں جمع کرائیں۔

Glossary and Definitions

Acid Test Ratio
The ratio of liquid assets to current liabilities.

AGM
Annual General Meeting

AJK
Azad Jummu and Kashmir

Amortisation
To charge a regular portion of an expenditure over a fixed period of time.

AmSSA
Americas & Sub-Saharan Africa

APME
Pacific & Middle East

APL
Approved Product List

ATL
Active Taxpayers List

BA
Bachelors in Arts

BAT
British American Tobacco

BCP
Business Continuity Planning

BOM
Battle of Minds

CDC
Central Depository Company

CEO
Chief Executive Officer

CFO
Chief Financial Officer

CGS
Chief of General Staff

CMA
Certified Management Accountant

CNIC
Computerized National Identity Card

COO
Chief Operating Officer

CSR
Corporate Social Responsibility

CTC
Ceylon Tobacco Company

Current Ratio
The current ratio indicates a company's ability to meet short-term debt obligations.

Debt-to-Equity Ratio
The ratio found by dividing total debt by the equity (all assets minus debts) held in stock (This is a measure of financial risk).

Dividend Payout Ratio
The ratio found by dividing the annual dividends per share by the annual earnings per share.

DNA
Deoxyribonucleic Acid

Earnings Per Share
Earnings found by dividing the net income of the Company by the number of shares of common outstanding stock.

EBITDA
Earnings before Interest, Taxes, Depreciation and Amortization.

EH&S
Environment, Health & Safety

ENA
Europe & North Africa

ExCo
Executive Committee

FBR
Federal Board of Revenue

FED
Federal Excise Duty

Fiscal Deficit
Fiscal deficit occurs when a government's total expenditure exceeds the revenue that it generates, excluding money from borrowings.

FMCG
Fast Moving Consumer Goods

FTSE
Financial Times Stock Exchange

FX
Foreign Exchange

GB
Gilgit-Baltistan

Gearing Ratio
Compares some form of owner's equity (or capital) to borrow funds.

GG
Global Graduate

GLT
Green Leaf Threshing

HI
Hilal-i-Imtiaz

HR & RC
Human Resource and Remuneration Committee.

HR
Human Resource

IBM
International Business Machines

ICAP
Institute of Chartered Accountants of Pakistan

IFAC
International Federation of Accountants

IT
Information Technology

ITIL
Information Technology Infrastructure Library

IWS
Integrated Work System

JV
Joint Venture

KPIs
Key Performance Indicators

KPK
Khyber Pakhtunkhwa

LLB
Bachelor of Laws

M.A
Masters in Arts

MBA
Masters in Business Administration

MCB
Muslim Commercial Bank

MD
Managing Director

MIS
Management Information Systems

MoU
Memorandum of Understanding

MS
Masters in Sciences

NEBOSH
National Examination Board in Occupational Safety and Health

Net Working Capital:
Current assets minus current liabilities.

NRSP
National Rural Support Programme

NTN
National Tax Number

Operating Cycle
The average time between purchasing or acquiring inventory and receiving cash proceeds from its sale.

ORA
Overall Risk Assessment

P.l.c
Public Limited Company

Price-Earnings Ratio (P/E)
The ratio found by dividing market price per share by earnings per share (This ratio indicates what investors think of the firm's earnings' growth and risk prospects).

PPEs
Personal Protective Equipments

PTC
"Pakistan Tobacco Company Limited" or "The Company"

QRP
Quick Risk Prediction

RAI
Reynolds American Incorporated

Return on Equity (ROE)
The value found by dividing the Company's net income by its net assets (ROE measures the amount a company earns on investments).

RMC
Risk Management Committee

SECP
Securities Exchange Commission of Pakistan

SfD
Strength from Diversity

SoBC
Standards of Business Conduct

SOx
Sarbanes-Oxley

SPLY
Same Period Last Year

TFP
Teach For Pakistan

TSS
Technical Security Standards

UK
United Kingdom

USA
United States of America

VFM
Value for Money

vs.
Versus

Form of Proxy

Pakistan Tobacco Company Limited

I/We ____________________

of ____________________

being a member(s) of Pakistan Tobacco Company Limited ("Company"), holding ____________________

Ordinary Share(s) as per Register Folio No. ____________________

hereby appoint Mr./Ms. ____________________

Folio No. (if member) ____________________ of ____________________

or failing him/her, Mr./Ms. ____________________

Folio No. (if member) ____________________

as my/our proxy in my/our absence to attend and vote for me/us, and on my/our behalf at the 72nd Annual General Meting of the Company to be held on the 22nd day of April 2019 and at any and every adjournment thereof.

Signed by ____________________

Signed under my/our hand this the __________ day of ____________________, 2019.

WITNESS – 1

Name: ____________________

CNIC: ____________________

Address: ____________________

____

WITNESS – 2

Name: ____________________

CNIC: ____________________

Address: ____________________

____

NOTE:

a. The signature should match with the specimen signature registered with the Company.
b. A Proxy need not be a member of the Company.
c. 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, PECHS, Shahrah-e-Faisal, Karachi, not later than 48 hours (excluding closed days) 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 must be met:

a. Attested copies of valid 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 (excluding closed days) before the Meeting.
b. The Proxy Form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the Form.
c. The Proxy shall produce his/her original and valid CNIC or Passport at the time of the Meeting.
d. 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.

PAKISTAN TOBACCO COMPANY

پراکسی فارم

میں / ہم ____________________

از ____________________

بطور رکن (ارکان) پاکستان ٹوبیکو کمپنی لمیٹڈ (''کمپنی'') جو کہ ____________ عدد

معمولی حصص بمطابق رجسٹر فولیو نمبر ____________ کے حامل ہیں،

بذریعہ ہذا محترم / محترمہ ____________________

فولیو نمبر (اگر رکن ہو) ____________ از ____________

یا ان کے نہ ہونے کی صورت میں محترم / محترمہ ____________________

فولیو نمبر (اگر رکن ہو) ____________________

کو بتاریخ 22 اپریل 2019 کو منعقد ہونے والے کمپنی کے 72 ویں سالانہ اجلاس عام اور اس کے کسی بھی التوا پر ہونے والے اجلاس میں اپنی غیر حاضری پر اپنے نائب کے طور پر شرکت کرنے اور اپنی جگہ ووٹ دینے کے لئے مقرر کرتے ہیں۔

دستخط شدہ ____________________

ٹکٹ
مبلغ 5.00 روپے

بدست میرے مورخہ ____________ سال 2019 کو دستخط کیا گیا۔

گواہ نمبر 1

نام: ____________________

کمپیوٹرائزڈ قومی شناختی کارڈ: ____________________

پتہ: ____________________

گواہ نمبر 2

نام: ____________________

کمپیوٹرائزڈ قومی شناختی کارڈ: ____________________

پتہ: ____________________

نوٹ:

a. دستخط کمپنی کے پاس رجسٹرڈ نمونہ دستخط کے مطابق ہونے چاہئیں۔

b. نائب کے لئے کمپنی کا رکن ہونا ضروری نہیں۔

c. نیابت کا فارم مناسب طریقے سے پر کر کے کمپنی کے شیئر رجسٹرار، FAMCO ایسوسی ایٹس پرائیویٹ لمیٹڈ، 8-ایف، نزد ہوٹل فاران، نرسری، بلاک 6-، شاہراہ فیصل، کراچی کو اجلاس یا التوا ہونے پر اجلاس کے انعقاد سے 48 گھنٹے پہلے ماسوائے تعطیلات جمع کرا دیا جائے اور ایسا نہ کرنے کی صورت میں نیابت کے فارم کو درست تصور نہیں کیا جائے گا۔

برائے بینیفشل مالکان بمطابق سی ڈی سی فہرست

مذکورہ بالا کے علاوہ درج ذیل شرائط پوری کرنا ہوں گی:

a. بینیفشل مالکان اور نائب کے کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقول کمپنی کے شیئر رجسٹرار کو اجلاس کے انعقاد سے 48 گھنٹے پہلے (ماسوائے تعطیلات) جمع کرائی جائیں۔

b. نیابت کے فارم کے لئے دو گواہان کا ہونا ضروری ہے جن کے نام، پتے اور کمپیوٹرائزڈ قومی شناختی کارڈ نمبر فارم پر درج کئے جائیں۔

c. نائب کو اجلاس کے وقت اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ پیش کرنا ہوگا۔

d. کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد / پاور آف اٹارنی مع نمونہ دستخط، نیابت کے فارم کے ہمراہ کمپنی کے شیئر رجسٹرار کو جمع کرائی جائیں۔

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