PAKISTAN TOBACCO
COMPANY

EXCELLING BEYOND BORDERS

Annual Report 2019

EXCELLING BEYOND BORDERS

We have confidence to passionately pursue growth and new opportunities while building on our legacy as one of the most dynamic and forward-looking organizations in the Country. Keeping true to our Ethos, the bedrock element that guides us, in 2019 PTC took a bold decision and transcended into the global arena through exports of finished products, for the first time in its history envisioning prosperity beyond borders. Our outstanding products coupled with world class talent sets us apart from every market that our Group operates in.

PAKISTAN TOBACCO COMPANY

PROUD HERITAGE OF SUCCESS

Asia Money Award

Top Employer 2019

GDIB Award

34th MAP Award

PAKISTAN TOBACCO COMPANY LIMITED

Pakistan Tobacco Company Limited (PTC) was the first multinational to be incorporated in Pakistan, right after the partition of the Subcontinent in 1947. We are a subsidiary of the British American Tobacco Group (BAT) and we take pride in the fact that we started off with a single warehouse near Karachi port and over the course of time, became one of the biggest FMCG companies in the country. We currently hold more than 75% of the total legitimate cigarette market share in the country and over 50% of total cigarette sales nationwide.

Despite all the macro-economic challenges in 2019, PTC broke out of its traditional domestic business and took a leap in the global arena through exports of finished products, for the first time in its history, envisioning prosperity beyond borders. Aligned with the Government's ambition of reducing the balance of payments deficit, PTC exported Raw Tobacco and Finished goods to GCC and other Middle Eastern countries with an approximate worth of around $11 million. Overall in our first year of exports, PTC exported over 190+ Million Cigarettes and around 3 Million Kilograms of Raw Tobacco. These numbers have the potential to grow manifold in the years to come.

We are extremely positive about the strategic interventions that PTC team undertook during 2019. Our globally sought-after talent, prized product portfolio, our partnerships throughout our crop to consumer operations and world class manufacturing facilities is what sets us apart locally and globally.

While generating value for our shareholders, we are determined to support Pakistan not just by contributing one of the highest level of Federal Excise Duty to the Government exchequer but also through upscaling and increasing the outreach of our community welfare projects.

OUR FOOTPRINT

02

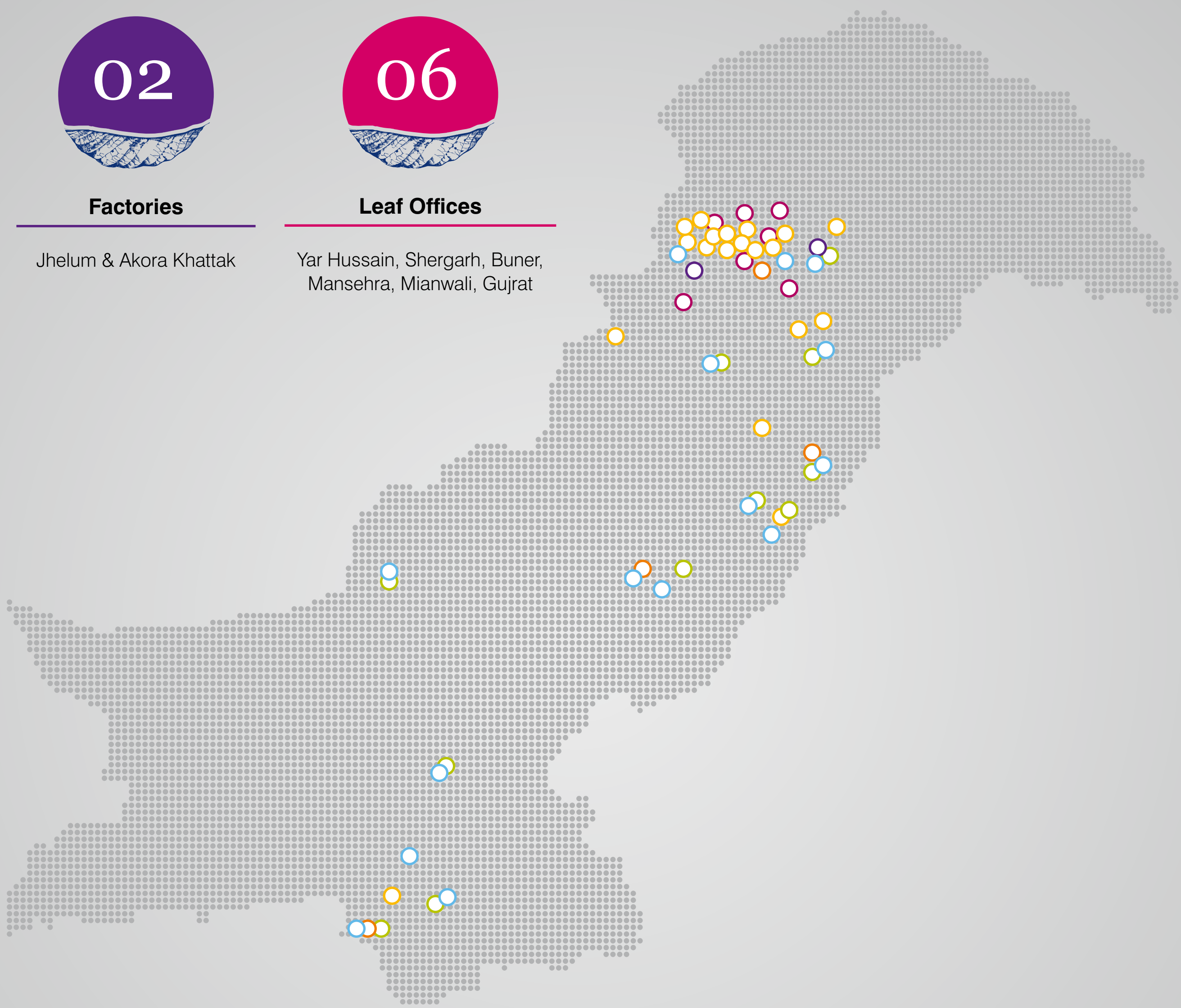
Factories

Jhelum & Akora Khattak

06

Leaf Offices

Yar Hussain, Shergarh, Buner, Mansehra, Mianwali, Gujrat



04

Regional Trade Offices

Lahore, Multan, Karachi & Rawalpindi

18

Leaf Depots

Shergarh, Takht Bhai, Jamal Garhi, Mandani, Sharifabad, Foujoon, Dagai, Firdousabad, Yar Hussain, Roshanpura, Buner, Chamla, Baffa, Bherkund, Paikhel, Fatehpur, Kunjah-Gujrat, Okara

11

Warehouses

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

17

Sales Offices

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

Excelling Beyond Borders
(Made in Pakistan)

Depressed macroeconomic conditions pushed Government of Pakistan to decrease its current account deficit by setting exports as one of its top priority. Rising to the occasion, PTC through its dynamic leadership realigned its strategy and embarked on the exports journey. Contemplating avenues for export, we earmarked Middle East as the best export opportunity. Once the potential for exports was realized Pakistan became the export hub for BAT world.

PTC embarked on the Made in Pakistan journey and celebrated its achievement in becoming a new export hub for the Group.

Finished goods and raw tobacco worth **$11** Million exported to 6 GCC Countries

In 2019, PTC embarked on the Made in Pakistan journey and celebrated its achievement in becoming a new export hub for the Group. This is with a view to exporting factory manufactured cigarettes & cut rag tobacco to GCC and other Middle East countries carrying an estimated worth of $11 million, with the potential to grow over the next few years. Investments were done on machinery for the Jhelum manufacturing plant to support regulatory and customer requirements of track and trace. Moreover, a change management program under the Made in Pakistan initiative was launched with change champions driving multiple sessions covering the entire population involved in the Exports process. The program enabled soft skill capability development, inculcated a sense of pride and it proved to be a key success driver.

What sets Pakistan apart from its competition is that it has a low cost of production and labor, strategic advantage due to its geographical location and priority of the Government to boost exports. So far, we have exported our finished goods to 6 members of Gulf Cooperation Council and Raw cut Tobacco to Yemen.

PTC holds it as a core belief to be a responsible partner with the Government and has a 72 year long history of being a key contributor to the local economy and national exchequer. Overall, PTC exported over 190+ Million cigarettes and around 3 Million KGs of tobacco in 2019.

Redefining Excellence in Trade Marketing

2019 was dedicated towards conducting a full strategy review of the current route-to-market model and proposing a robust fit for future model for the next 5 years and beyond. This will enable PTC to deliver on the agenda of volume sustenance and value growth

PTC delivered on its promise to customers to provide the right product at the right price in the right outlets and Pakistan's flagship trade loyalty programme 'Top Trader' enabled this. Top Trader is the most sought-after trade loyalty programme by the retail community as verified by the 'CUSTOMER VOICE', survey conducted by an independent market research agency.

Effective consumer engagement has always been our forte and we have been leveraging this platform to ensure the right registration of our brand message amongst our target consumers. The year 2019 saw us fully on-boarding a multi-national professional full-service single stop shop for recruitment, training, systems and monitoring.

In the current era of digitization, it was very important to leverage these advancements to ensure right monitoring and control of our execution in the field. Store Viz application (Tracking tool for our 3rd Party resources) provides improved visibility on field execution and merchandising control.

Transforming Our Brands

2019 marks the year when John Player Gold Leaf (JPGL) reached the milestone of achieving over 140 years of excellence. To honour this legacy of great taste and to reinforce the brand assets of JPGL, a campaign was executed to celebrate the history of John Player in Pakistan. Limited Edition Packs, utilizing modern hot foil technology, were introduced to the market for the first time ever. These initiatives have further propelled the JPGL brand to new heights in Pakistan.

The VFM segment witnessed Gold Flake's migration to Rothmans of London; a transition that has seen the brand enhance its equity and mix. This was a strategic intervention which has helped the brand significantly in building its imageries in one of the most dynamic consumer segments. Despite the heavy inflationary pressure, Capstan by Pall Mall has maintained its position as the biggest tobacco brand in Pakistan as a result of innovative and engaging "Always On" activations that leveraged various consumer moments.

Post the excise increase of 2019, consumer affordability in PTC's Value for Money (VFM) segment came under severe pressure alongside rapid growth of illicit cigarettes in the market. To remain competitive in the VFM segment, Pall Mall and Rothmans were launched at a price parity to duty-paid competition offers in selected high-risk markets to safeguard volumes and ensure value sustainability for the organization. The brands have received positive consumer traction in the pilot markets, with expansions into more markets planned in 2020.

In the Aspirational Premium segment, post successful pilot launch of John Player, a brand which built on the legacy of the House of John Player, the brand was piloted in four test markets, followed up by an expansion into the 13 biggest cities of Pakistan. Aided by a focused consumer activation campaign and retailer engagement, the launch was a success and quickly turned into the most promising brand launch in recent PTC history.

Our People Our Pride

Employees have always been at the heart of PTC's strategy formulation. It is because of its world class talent and passion that the Company has been able to reach unprecedented heights. PTC is the net talent exporter to the BAT group. We hire the crème de la crème from various parts of Pakistan, with diverse backgrounds, who bring their variety of experience in the workplace and further strengthen our inclusive culture. PTC provides its talent with a wide variety of opportunities to learn, develop their potential and help grow within the organization by multiple programs. Moreover, the idea is to incorporate the essence of BAT's guiding principles within the workforce. Therefore, we give our employees the freedom through responsibility to be bold and innovative. We also encourage our talent to pursue opportunities within and outside Pakistan, grooming them professionally and personally to combat any challenge in a work environment. This "Made in Pakistan" talent is sought after globally by the BAT Group and other multinationals. In 2019, we seconded 28 employees on international assignments.

PTC continues to improve and enhance the policies to facilitate employees. Our aim is to shift gears and transform the reward and recognition process to fit the needs and requirements of our people. These continuous improvements in rewards and policy frameworks help us not only attract the best talent but also to improve the retention rate.

Being an employee centric organization is necessary to achieve success and PTC believes in a people-first approach where we focus on the training & development of our employees, provide them with the right kind of development interventions and further enhance their capabilities. In 2019 we have invested 56,000+ training hours to build leadership and functional competencies in our employees.

The rich history of PTC, spanning over a period of more than 72 years, is a testament to great leadership and resilience of its people. Over the years, we have evolved & transformed our business while also transforming our HR practices to make this Company more employee centric. PTC has also been awarded the global certification of Top Employer for the second year in a row that further cements our commitment towards the world-class talent development. PTC is a part of the global community of forward-thinking organizations that continue to strive for only the best people practices.

AWARDS AND ACCOLADES

GDIB Award

Global Diversity and Inclusion Benchmark (GDIB) Awards are conducted by Diversity Hub Pakistan on an annual basis. The GDIB award's core objective is to recognize organizations that fulfil GDIB rigorous standards and benchmarks in Diversity & Inclusion (D&I) across 14 categories.

GDIB has awarded Pakistan Tobacco Company Limited the progressive learning award in Learning category in 2019. The award was presented by Ms. Kashmala Tariq, Federal Ombudsperson for Protection against Harassment of Women at Workplaces, to Mr. Aly Taseer, then Area Director Human Resources, South Asia Cluster of BAT.

Top Employer 2019

Established more than 25 years ago, Top Employer Institute is a global certification Company recognizing excellence in people practices. Top Employers Institute has certified over 1500 organisations in 118 countries/regions. Pakistan Tobacco Company Limited (PTC) has been awarded the Top Employer certification 2019 by the Top Employers Institute for excellence in employee conditions.

Asia-Money Award

Asia-Money Awards are considered as one of the most prestigious awards globally and are designed to acknowledge listed companies that have excelled in areas such as financial performance, management team excellence, IR activities and CSR initiatives.

Pakistan Tobacco Company Limited (PTC) was awarded as the "Most Outstanding Company in Pakistan" in Tobacco Sector by the Euro-Money – Asia-Money Asia's Outstanding Companies Poll 2019.

The award was received by then Managing Director and CEO, PTC, Syed Javed Iqbal and then Deputy Managing Director Usman Zahur, now the Managing Director and CEO.

Management Association of Pakistan

Founded in 1964, MAP is a professional and non-political association with a not-for-profit agenda, and it pursues the vision to lead change processes towards best Management Practices. Management Association of Pakistan is committed to excellence in management through human capital development, creating awareness and recognizing best management practices to enhancing competitiveness. In 2019 PTC was awarded the 34th corporate excellence award in the Tobacco sector.

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.
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 Wellbeing** 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.

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 characterized 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 globally followed highly effective 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 are aimed at safeguarding shareholders' investment, the Company's assets as well as to evaluate and manage risks that may impede the Company's objectives.

As part of the risk governance and overall good corporate governance stipulated in the Code of Corporate Governance 2019, several Directors of the Company have been appropriately certified under the Directors' Training Program from SECP approved institutions in accordance with the time frame set out in the Code. Owing to changes in the Board's composition, six members of the Board are yet to obtain the requisite certification which is scheduled during the current year to ensure certification of PTC's entire Board.

Names of Directors who have obtained certification from SECP approved institutions are provided below:

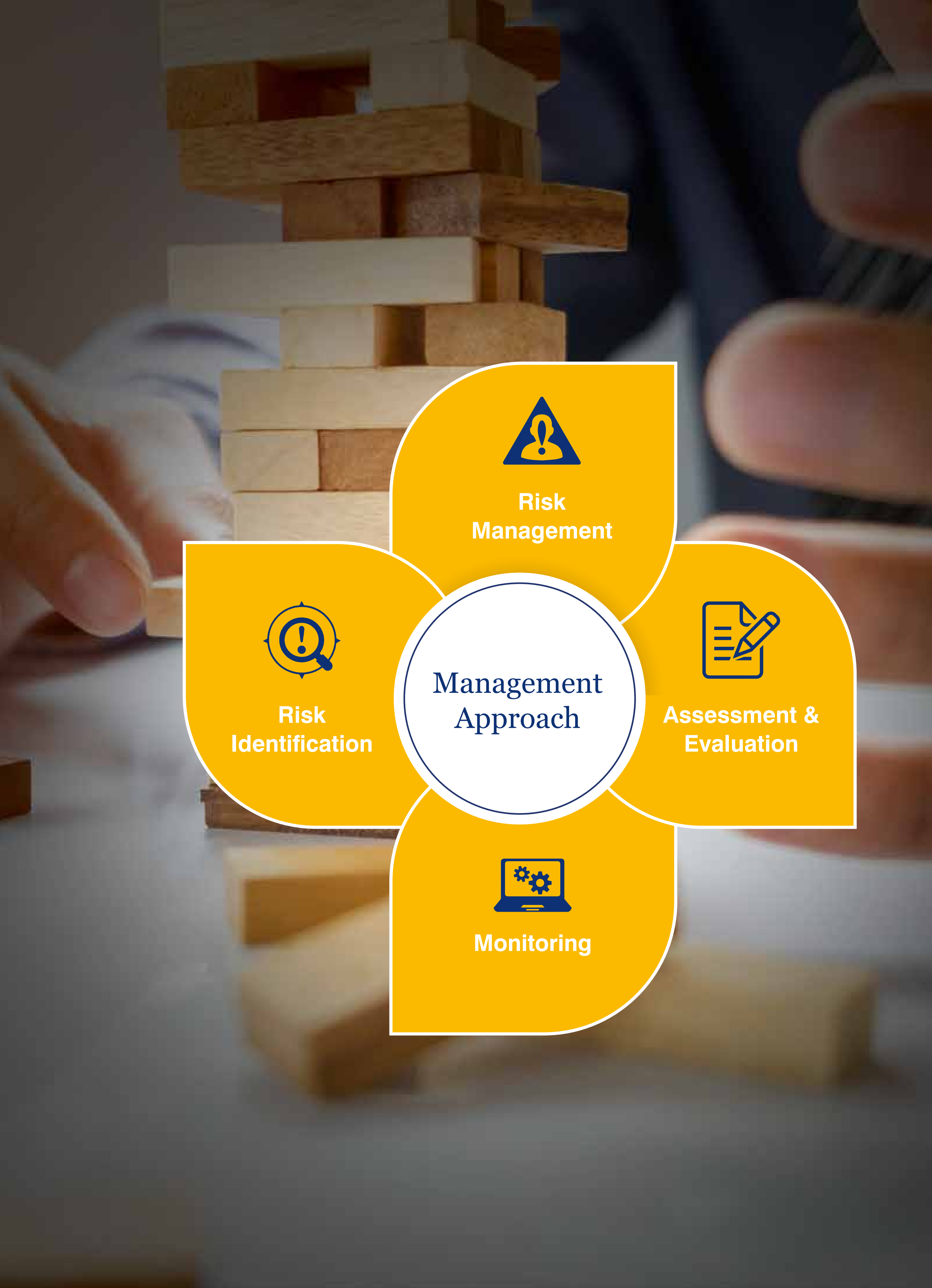
1. Syed Javed Iqbal
2. Asif Jooma
3. Tajamal Shah
4. Zafar Mahmood
5. Lt. Gen. (R) M. Masood Aslam
6. Usman Zahur

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 and the Board Audit Committee regularly reviews the effectiveness of the Company's risk management processes and internal control systems. A dedicated Risk Management Committee (RMC), comprising 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 its 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.


Risk Management
Management Approach
Risk Identification
Assessment & Evaluation
Monitoring

Assessment and Evaluation

Elaborate risk registers are used to assess and evaluate the risks in detail. Each identified risk is assessed and then categorized at 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 by 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 organization including at functional level, by the 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. Furthermore, the Company is also fully compliant to all the requirements of Sarbanes Oxley Act (SOx) which has further strengthened the internal controls of the Company.

Materiality Approach Adopted by the Management

Materiality levels, other than those provided under regulations, are judgmental 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. Authorizations 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 the BoD each year.

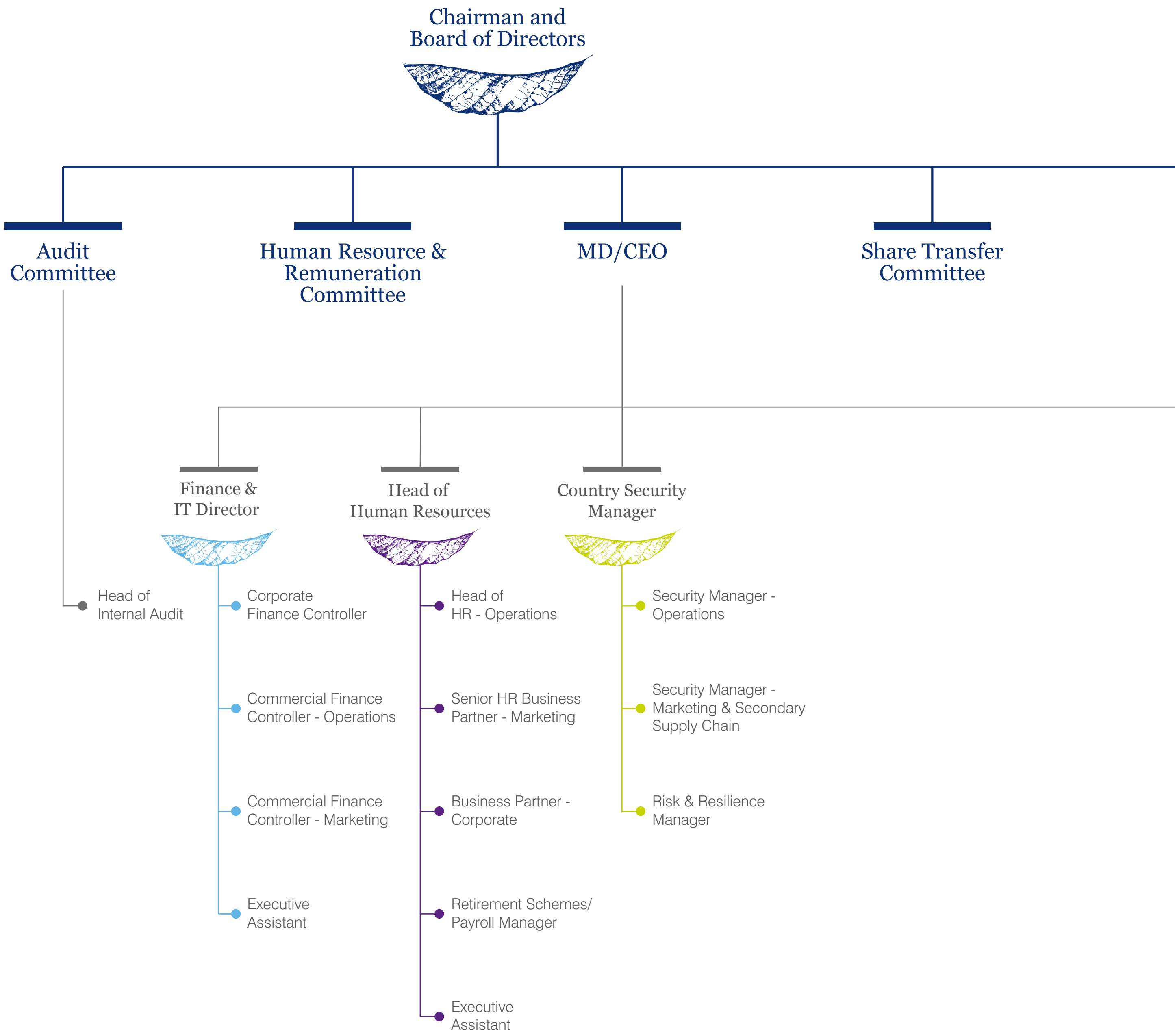
Key Sources of Uncertainity and Risks & Mitigating Strategies

Key sources of uncertainty emanate from challenging environments 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 proactively 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 Description	Level	Impact	Mitigating Strategy
Strategic Risks			
Illicit and Counterfeit 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 • Reduced Government Revenue	• 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	• Physical Hedging • Operational synergies across value chain • Cost savings initiatives
Material Price Sensitivity	Moderate	• Increased cost base • Lower operating margins • Pressure on profit growth	• Productivity initiatives • Substitutes • Alternative suppliers
Operational Risks			
Pandemics	Moderate	• Employee absenteeism • Business Interruption • Damaging employee morale • Reduced operational effectiveness	• Strict compliance with EHS regulations, standards and protocols • EH&S Trainings • EH&S Audits • Safety equipment • Incident reporting
Accidents at workplace	Low	• Injury to employees or contractor workforce • Damage to Company reputation • Employee dissatisfaction • Business Interruption	• Strict compliance with EHS 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 • Favorable employee policies
Natural disasters	Low	• Business Interruption • Property Loss • Employee safety • Financial Loss	• Business interruption plans. • Evacuation Plans and drills. • Safety Equipment

ORGANISATIONAL STRUCTURE

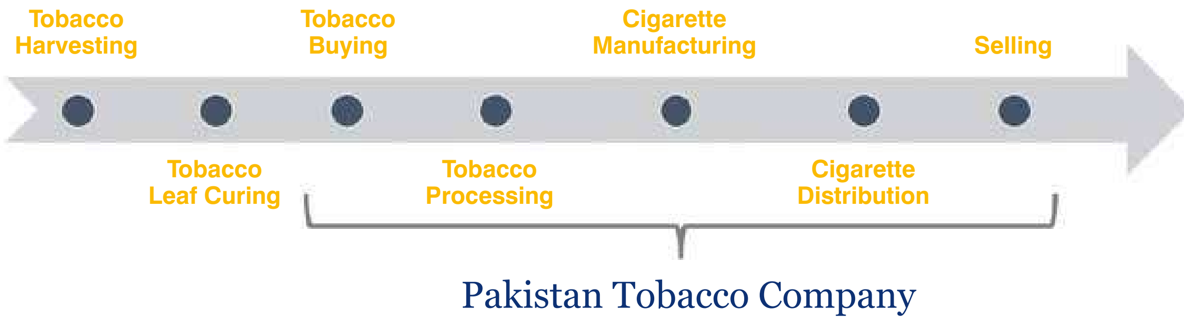


As at 31st December 2019

Executive Committee (ExCo)

- **Legal & External Affairs Director**
  - Head of Legal
  - Head of External Affairs & Company Secretary
  - Executive Assistant
- **Marketing Director**
  - Head of Brands
  - Head of Strategy, Planning & Insights
  - Head of Consumer Product
  - Head of Activations & Trade Marketing Distribution
  - Executive Assistant
- **Head of 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 the majority of its tobacco from local farmers that grow tobacco crop in areas of KPK and Punjab province. 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 commercially with the Company.

Manufacturing

1. Tobacco Processing

Prior to being used in the manufacturing of cigarettes, tobacco undergoes processing first in the GLT (Green Leaf Threshing) Plant and then in the PMD (Primary Manufacturing Department). 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.

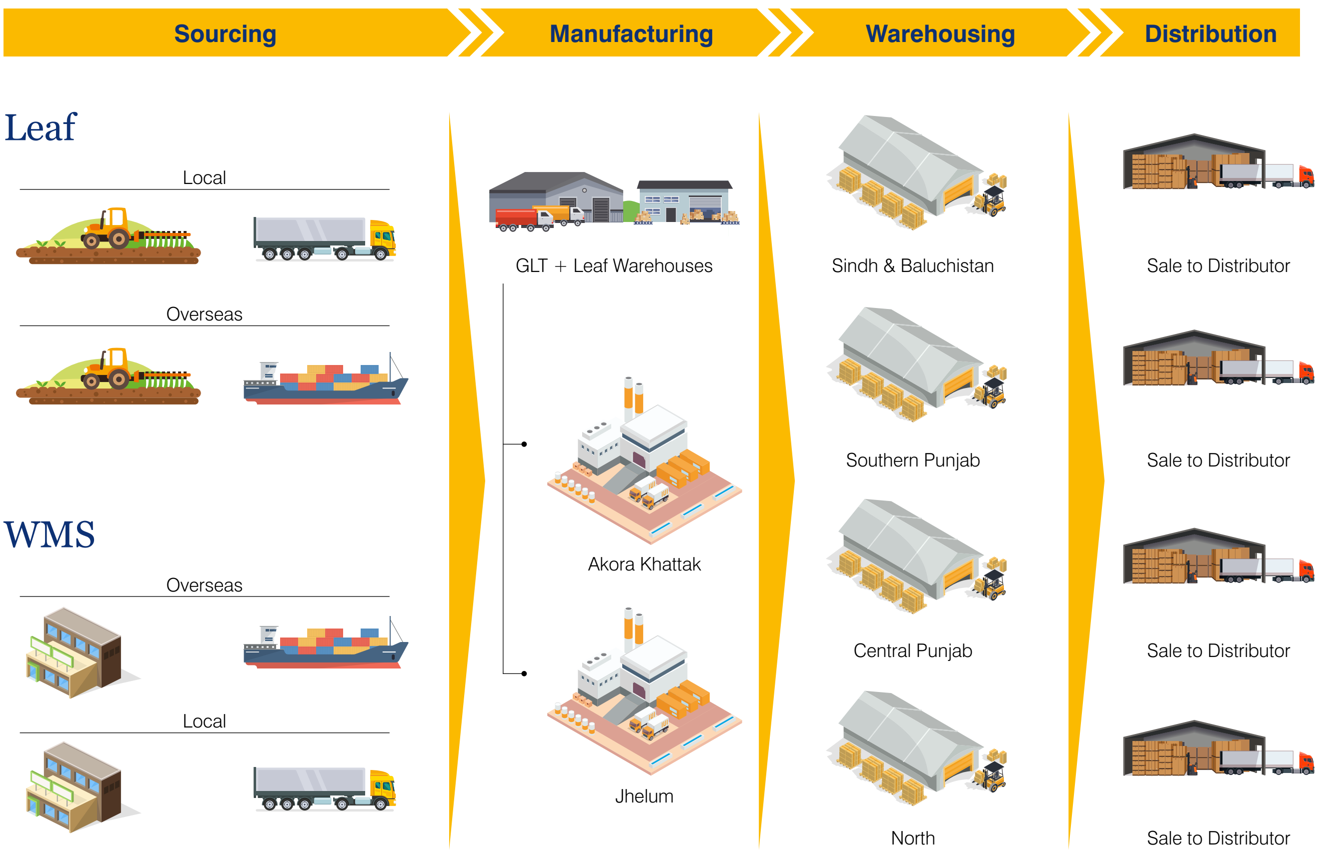
Warehousing and Distribution

Following production, the finished products are then transported from the factories to warehouses located in various parts of the country. In the final step, the finished goods are sold to our appointed distributors operating across the country. These distributors sell the product 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 utilizes the services of Logistics Service Providers for the 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 consumer preferences and perceptions, especially those related to the Company's brands. In executing these activities, the Company utilizes 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:



ILLICIT TRADE

In the global scheme of things, illicit trade has been acknowledged by different stakeholders as a serious threat to legitimate businesses including the tobacco industry. Illicit trade in cigarettes comprises three major components, which are local tax evaded cigarettes, smuggled cigarettes and counterfeit cigarettes infringing upon the trademarks of legitimate brand owners.

In Pakistan, the trends are similar and reflective of the global scenario. As each country has its own flavor, so does Pakistan, and that distinguishes its issues from other countries. The biggest contribution to the illicit trade in cigarettes is made by the local duty-not-paid sector, which comes to approximately 27% of the total consumption annually. Since excise duty and sales tax have been evaded on these products, they are sold lower than the Government. prescribed minimum price of PKR 63 rupees per pack and even lower than the minimum duties and taxes payable per pack, hence causing a loss to the national exchequer in terms of valuable revenue.

Local tax evaded cigarettes are followed by the smuggled cigarettes which make their way into the country through illegal channels. These cigarettes are legally not allowed to be sold in Pakistan as the applicable duties and taxes have not been paid and additionally, these products do not conform with the laws of the land as they do not carry the prescribed health warnings mandatory for allowing a product to be sold in Pakistan.

Counterfeit cigarettes are not manufactured by the rightful trademark owner and neither do these fake products conform to the specifications of the original products. Such products not only give a poor experience to our customers but also cause a loss to the Government in revenue collection. After the 2019-20 Finance Bill was approved by the parliament, the price increase further added to the woes of the legitimate cigarette manufacturers and the year witnessed a spike in the availability of counterfeit cigarettes.

We are at a precipice, and if the Government does not act against the illicit players at this point in time, the legitimate industry will suffer heavily at the hands of the violators of the law. The recent surge in counterfeit is worrisome as it is nibbling away the market share of the legitimate industry.

In 2017, the Government had set up the Inland Revenue Enforcement Network (IREN) to curb illicit trade in the tobacco sector and it yielded positive results with seizures of over 1.6 billion sticks worth of raw material and cigarettes, however, IREN was rendered dysfunctional in 2018. Late in 2019, the Government again issued a notification to formally set up IREN, which has again resulted in seizures of illicit stock. However, it is felt that if the Government provides financial, logistical and human resources to IREN, it can deliver long term dividends and also contribute to the tax collection efforts of the Government.

Provided IREN is given the resources that it requires, illicit trade can be curbed in Pakistan and the illicit players can be brought into the legitimate fold. The provincial and district administrations will have to play a role to offer a level playing field to the legitimate tobacco players, as they have the biggest network of law enforcement officials in the country. There is also a need to strengthen legislation and make it difficult for potential illicit players to operate beyond the realm of the law. If the Government decides to deal with the illicit sector with an iron hand, illicit trade will be curbed in the future.

CORPORATE INFORMATION

Registered Office

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www.ptc.com.pk

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Khyber Pakhtunkhwa
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F: +92 (923) 561502

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F: +92 (544) 646524

Company Secretary

Yusuf Zaman
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
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F: +92 (51) 2822671

Share Registrar

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T: +92 (62) 2877576

House No. 313, Street No. 3 Hameed Ullah Mocal Colony, Sahiwal
T: +92 (40) 4503107

North
1st Floor, Faran-101, Civic Centre,
Phase IV, Bahria Town, Islamabad
T: +92 (51) 5734207-10

Cigarette Factory, G.T Road, Jhelum
T: +92 (544) 646500-11
F: +92 (541) 646529

House No. 108-A, Aziz Bhatti Town,
Khushab Road, Sargodha
T: +92 (483) 838699

House No. 3, 4 Jhandagal, New IT Marhaba Tower, University Road,
Peshawar
T: +92 (91) 5700731

Sindh & Balochistan
Office No. 903, 9th Floor,
Emerald Tower (Plot No. G - 19),
Main Clifton Road, Clifton Block 5,
Karachi 75600
T: +92 (21) 35147690-94

Banglow No. 05, Block B, Unit No. 05,
Near Bhittai Hospital Latifabad, Hyderabad
T: +92 (22) 3813636

Bunglow No. A-17, Housing Society,
Nawabshah, (Near SSGE Regional Office).
Nawabshah
T: +92 (244) 364463-364458

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

Zafar Mahmood

(CHAIRMAN)

Mr. Zafar Mahmood holds an MA in Economics and an LL.B, as well a Post Graduate Diploma in Development Administration from Manchester University, UK. He served the Government of Pakistan for 38 years in multiple important roles, including Secretary Textiles, Secretary Industries, Secretary Water & Power, Secretary Petroleum & Natural Resources, Secretary Commerce and Secretary Cabinet. During his distinguished career, he also held the positions of Consul General in Istanbul, Vice Chairman Export Promotion Bureau and Chairman Punjab Public Service Commission. He retired from public service while holding the critical role of Chairman WAPDA. He joined the PTC Board in 2016.

Usman Zahur

(MANAGING DIRECTOR / CEO)

Mr. Usman Zahur joined PTC 22 years ago and since then, he has held various senior Marketing positions in Brands, Trade and SP&I across different geographies. In 2012, he was assigned as the Head of Marketing – Bangladesh, where he led the marketing team in achieving unprecedented growth in a very complex and competitive environment. He returned to Pakistan in 2017 as Area Marketing Director for South Asia Cluster including Sri Lanka and Myanmar. He was appointed as the Managing Director / CEO of the Company in November 2019.

William Pegel

(FINANCE & IT DIRECTOR)

Mr. William Pegel joined PTC as Area Head of Finance for South Asia Cluster in 2019. He has over 23 years of experience in various BAT companies and successfully performed the role of Finance Director in various end markets including New Zealand, Papua New Guinea, Ghana and Bangladesh. He has also held various senior finance roles at BAT Australia and BAT South Africa since 1996. Prior to joining PTC, he was an integral member of the BAT Bangladesh Leadership Team, displaying strong leadership and business acumen. He is a Certified Chartered Accountant from the South African Institute of Chartered Accountancy. He joined the Board in September 2019.

Syed Asad Ali Shah

(LEGAL & EXTERNAL AFFAIRS DIRECTOR)

Syed Asad Ali Shah has more than 17 years of experience with the Company. He has worked in several managerial roles in Marketing, Supply Chain and Corporate & Regulatory Affairs Functions in Pakistan, United Kingdom and North America. He has previously served as the Head of Government Affairs and in August 2018, he was appointed as the Area Head of Legal and External Affairs for South Asia Cluster. He holds a master's degree from Cranfield University School of Management, UK. He joined the Board in April 2019.

Syed Ali Akbar

(MARKETING DIRECTOR)

Syed Ali Akbar became a part of PTC in May 2019 as the Marketing Director, holding a strong legacy with over two decades of experience of working with various MNC's and Fortune 500 companies in senior leadership roles of General Management, M&A and Business Development. He has served as a director in different organisations, both in public and commercial sectors; not just in Pakistan but also the Middle East, North Africa and North America. He embarked on this outstanding career journey as a Management Trainee at Unilever Bestfoods and very quickly grew, taking up senior leadership roles in Engro Corporation, BAT and Coca-Cola. Whilst leading large diverse teams across countries in notable positions, he has received various local & global honours for his strategic vision; one of the most coveted accolades being in recognition of his ground-breaking strategy of driving innovation at Coca-Cola where he was awarded the Global Award 2018 – the Zenith of recognition by the Chairman & the Board. He joined the Board in November 2019.

Syed Javed Iqbal

(NON-EXECUTIVE DIRECTOR)

Syed Javed Iqbal has been with the BAT Group for the last 22 years. He joined as a Management Trainee and has held various key positions in the Finance function within PTC as well as with British American Tobacco Group. He has served in BAT South Korea as the Finance Controller and later in Global Headquarters in London as the Finance Manager for Global Marketing. In 2011, he was appointed as the Finance Director for Swiss Business Unit. He returned to Pakistan in 2014 as Director Finance & IT. In July 2016, he became the Managing Director /CEO of PTC and Area Director of South Asia Cluster. He is currently the Area Director for Middle East & South Asia business in BAT with effect from November 2019.

BOARD OF DIRECTORS

Tajamal Hussain Shah

(NON-EXECUTIVE DIRECTOR)

Mr. Tajamal Hussain Shah is a legal professional with extensive experience in the public and private sector. Before joining BAT in 2000, he worked for various organisations based in England including as a regulator of the financial services industry with UK's department of trade and industry and in the banking department of the international law firm DLA Piper. In this period of his life, he specialised in general banking, asset and aircraft financing. He spent over 18 years with BAT, occupying various senior legal and management roles. He retired in July 2018 from the role of Area Head of Legal and External Affairs for South Area Cluster to become a non-executive director on the board of PTC. Currently, he is heading the legal and business consultancy firm THS & Co., which specialises in telecommunication and technology law, constitution and tax as well as compliance. He is a UK qualified Barrister and a Solicitor for England and Wales.

Belinda Joy Ross

(NON-EXECUTIVE DIRECTOR)

Ms. Belinda Joy Ross completed her LL.B. and B. Com at the University of Otago, New Zealand and is registered as a Barrister and Solicitor of the High Court of New Zealand. Before joining BAT, she has worked as a private practitioner at one of Auckland's leading firms and has also provided advisory services to various New Zealand and South Pacific Businesses. Belinda has over 20 years of experience within British American Tobacco (BAT) and her current role encompasses Legal Affairs, Corporate Affairs and Security matters across Asia Pacific and Middle East regions. She is a member of the leadership teams of Asia Pacific and Middle East regions as well as the Global Legal and External Affairs team. She joined the Board in April 2019.

Asif Jooma

(INDEPENDENT DIRECTOR)

Mr. Asif Jooma started his career in the corporate sector with ICI Pakistan Limited in 1983 and has over 37 years of extensive experience in senior commercial and leadership roles. Following his early years with ICI Pakistan Limited and subsequently Pakistan PTA Limited, he was appointed Managing Director of Abbott Laboratories Pakistan Limited in 2007. After serving there for nearly six years, he returned to ICI Pakistan Limited as Chief Executive in February 2013. He has previously served as President of the American Business Council, President of the Overseas Investors Chamber of Commerce and Industry (OICCI) and Chairman of the Pharma Bureau. He has also served as a Director on NIB Bank Limited, Engro Fertilisers Limited and Director and Member Executive Committee of the Board of Investment (BOI) – Government of Pakistan. He currently serves on the Board of Systems Limited and is the Chief Executive of NutriCo Morinaga (Private) Limited.

Mr. Jooma is on the Board of Governors of the Lahore University of Management Sciences (LUMS) and a Trustee of the Duke of Edinburgh's Awards Programme whilst previously also serving on the Board of Indus Valley School of Art and Architecture (IVSAA). He graduated Cum Laude from Boston University with a Bachelor of Arts in Development Economics. He has attended Executive Development Programmes at INSEAD and Harvard Business School. He joined the Board in April 2019.

Mohammad Riaz

(INDEPENDENT DIRECTOR)

Mr. Mohammad Riaz started his distinguished 37 year career of Government Service as the Secretary / Chief Budget of FBR in 1981. He later served overseas as Commercial and Economic Counselor in Paris and Counsel General, Istanbul. Due to his active involvement in Public Affairs, he was posted as DG Social Sector at the Prime Minister's Secretariat. Later he also served as the Member Customs of FBR and DG Customs Intelligence for 4 years. He retired after serving as Federal Secretary National Assembly/Parliament for 2.5 years. After retirement, he was appointed as a member of the Board of Governors of the State Bank of Pakistan (SBP) in 2016. He has also served as a Member, Monetary Policy Committee of the Ministry of Finance/SBP. He joined the Board in April 2019.

Lt. Gen. (R) M. Masood Aslam

(INDEPENDENT DIRECTOR)

Lt. General (R) M. Masood Aslam has special expertise in countering militancy, violent extremism and undertaking rehabilitative measures to ensure lasting peace. He was commissioned in an infantry regiment of the Pakistan Army in November 1971. During his illustrious career, he has held various command and staff appointments, including commanding a brigade and a division. At a crucial time in the country's history, he commanded the Peshawar Corps and oversaw military operations in FATA and KPK. Post his retirement, he remains actively involved with numerous think tanks in Pakistan and abroad. He has also served the country overseas as Pakistan's Ambassador to Mexico. He joined the Board in April 2019.

Zafar Aslam

(NON-EXECUTIVE DIRECTOR)

Mr. Zafar Aslam is a Mechanical Engineer, having completed management programs at University of Cranfield, Stanford University and IMD Lausanne. He's worked on multiple programs with McKinsey, Accenture and Gartner. He joined BAT 23 years ago as a Management Trainee in Operations. After several roles in PTC, he moved to Malaysia as the Asia Pacific (AsPac) Regional Supply Chain Program Manager before returning to Pakistan as the Factory Manager. In 2010, he was appointed as Operations Director, BAT Bangladesh. He then served as the Regional Head of Plan & Service based in the UK and later on as the Group Head of Plan, Service & Logistics in the Global Head Office, London before returning to Asia as the Regional Operations Director for AsPac Region in 2016. He was also appointed Director on the Boards of British-American Tobacco (Singapore) Pte Ltd & British-American Tobacco Marketing (Singapore) Pte Ltd. Since January 2018, he has taken over the added responsibilities of the Middle East Area as Regional Operations Director. He joined the Board in April 2019.

COMMITTEES OF 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.

Usman Zahur
MANAGING DIRECTOR & CEO

Syed Asad Ali Shah
LEGAL & EXTERNAL AFFAIRS DIRECTOR

William Pegel
FINANCE & IT DIRECTOR

Syed Ali Akbar
MARKETING DIRECTOR

Waqas Ahmad Khan
HEAD OF HUMAN RESOURCES

Husain Iqbal Jaffery
HEAD OF OPERATIONS

Yusuf Zaman
COMPANY SECRETARY

Note:

(i) In the February 2019 Board Meeting, the strength of Directors was increased from 9 to 12.

(ii) On 22nd April 2019, elections of Directors were held in the AGM, resulting in the reconstitution of the Board with 12 Directors comprising: 4 Independent, 4 Non-executive and 4 Executive Directors. The positions of Chairman and MD/CEO are kept separate in line with good governance practice.

Matters delegated to the Management

It is the responsibility of 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 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.

Board Meetings

In 2019, the Board was reconstituted pursuant to Elections of Directors held on 22nd April 2019. In 2019, 5 Board meetings were held, out of which the 1st meeting held on 22nd February 2019 was attended by the previous Directors, while the newly elected Directors attended the subsequent 4 meetings.

The 5 Board meetings were held on February 22, April 22, July 23, October 17 and December 13, 2019.

Name	Attendance
Zafar Mahmood Chairman	5/5
Syed Javed Iqbal Managing Director and CEO resigned on 15th November 2019 Non-Executive Director w.e.f. 15th November 2019.	4/4
Usman Zahur Marketing Director w.e.f 22nd April 2019 Managing Director and CEO w.e.f 15th November 2019	4/4
William Francis Pegel Director Finance & IT w.e.f. 2nd September 2019	2/2
Syed Asad Ali Shah Director Legal & External Affairs w.e.f. 22nd April 2019	4/4
Syed Ali Akbar Director Marketing w.e.f. November 15, 2019	1/1
Tajamal Shah Non-Executive Director	3/5
Belinda Joy Ross Non-Executive Director	2/4
Zafar Aslam Khan Non-Executive Director	1/4
Lt. Gen. (R) M. Masood Aslam Independent Director	4/4
Mohammad Riaz Independent Director	3/4
Asif Jooma Independent Director	3/4
Wael Sabra Director Finance & IT resigned w.e.f. June 15.2019	2/2
Michael Koest Resigned w.e.f August 20, 2019	0/3
Mueen Afzal Retired	1/1
Imran Maqbool Retired	1/1
Hae In KIM Retired	0/1
Lt. Gen. (R) Ali Kuli Khan Khattak Resigned w.e.f January 31, 2019	0/0

Audit Committee Meetings

4 meetings were held on February 22, April 22, July 23 and October 17, 2019:

Name	Attendance
Mohammad Riaz Chairman	2/3
Lt. Gen. (R) M. Masood Aslam	3/3
Asif Jooma	2/3
Tajamal Shah	2/3
Belinda Joy Ross	1/3

Zafar Mahmood Retired	**1/1**
Imran Maqbool Retired	**1/1**
Hae In KIM Retired	**0/1**
Lt. Gen. (R) Ali Kuli Khan Khattak Resigned w.e.f January 31, 2019	**0/0**
Michael Koest Resigned w.e.f August 20, 2019	**0/3**

Executive Committee (ExCo):

During the year 2019, 8 meetings of the Executive Committee were held, attendance is as below:

Name	Attendance
Syed Javed Iqbal Member and Chairman reigned w.e.f November 15, 2019	**6/7**
Usman Zahur Appointed Chairman w.e.f. November 15, 2019	**8/8**
Wael Sabra Resigned w.e.f. June 15, 2019	**4/5**
William Francis Pegel Became member of the Committee w.e.f September 2, 2019	**3/3**
Husain Iqbal Jaffery	**6/8**
Syed Asad Ali Shah	**6/8**
Aly Uddin Taseer Resigned w.e.f. September 1, 2019	**4/5**
Syed Ali Akbar Joined w.e.f. July 24, 2019	**2/3**
Waqas Ahmad Khan Joined w.e.f. October 17, 2019	**2/2**

Human Resources & Remuneration Committee Meetings:

During the year 2019, one meeting held, attendance is appended below:

Name	Attendance
Lt. Gen. (R) M. Masood Aslam Member and Chairman	**1/1**
Asif Jooma	**1/1**
Usman Zahur	**1/1**

Shares Transfer Committee:

During the year 2019, 14 meetings held, attendances are appended below:

Name	Attendance
Syed Javed Iqbal Member and Chairman resigned w.e.f. November 15, 2019	**12/14**
Usman Zahur Member and Chairman w.e.f. November 15, 2019	**2/2**
William Pegel Member w.e.f September 2, 2019	**4/5**
Wael Sabra Resigned w.e.f June 15, 2019	**2/6**
Syed Asad Ali Shah	**10/14**

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; and • 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 comprises of five directors. All members of the Audit Committee are non-executive directors including the Chairman. The Head of Internal Audit is the Secretary of the Audit Committee and reports directly to the Chairman. In line with corporate best practices laid out in the Code of Corporate Governance 2019, there is one independent director present in the Audit Committee.

The Audit Committee has been reconstituted during 2019. Four meetings of the Audit Committee were held during 2019. The first meeting conducted comprised of the previous members, who were replaced by new Audit Committee members as part of the reconstitution of the Audit Committee. The composition of the Audit Committee as on December 31, 2019 is as follows.

Mohammad Riaz Chairman and Member
Lt. Gen. (R) M. Masood Aslam Member
Belinda Joy Ross Member
Tajamal Shah Member
Asif Jooma Member
Amina Siraj 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 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.

For 2019 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 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 accounting controls or auditing matters, on a confidential and anonymous basis; and

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 were discussed with management and remediation plans were put into place. Regular follow ups were 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.

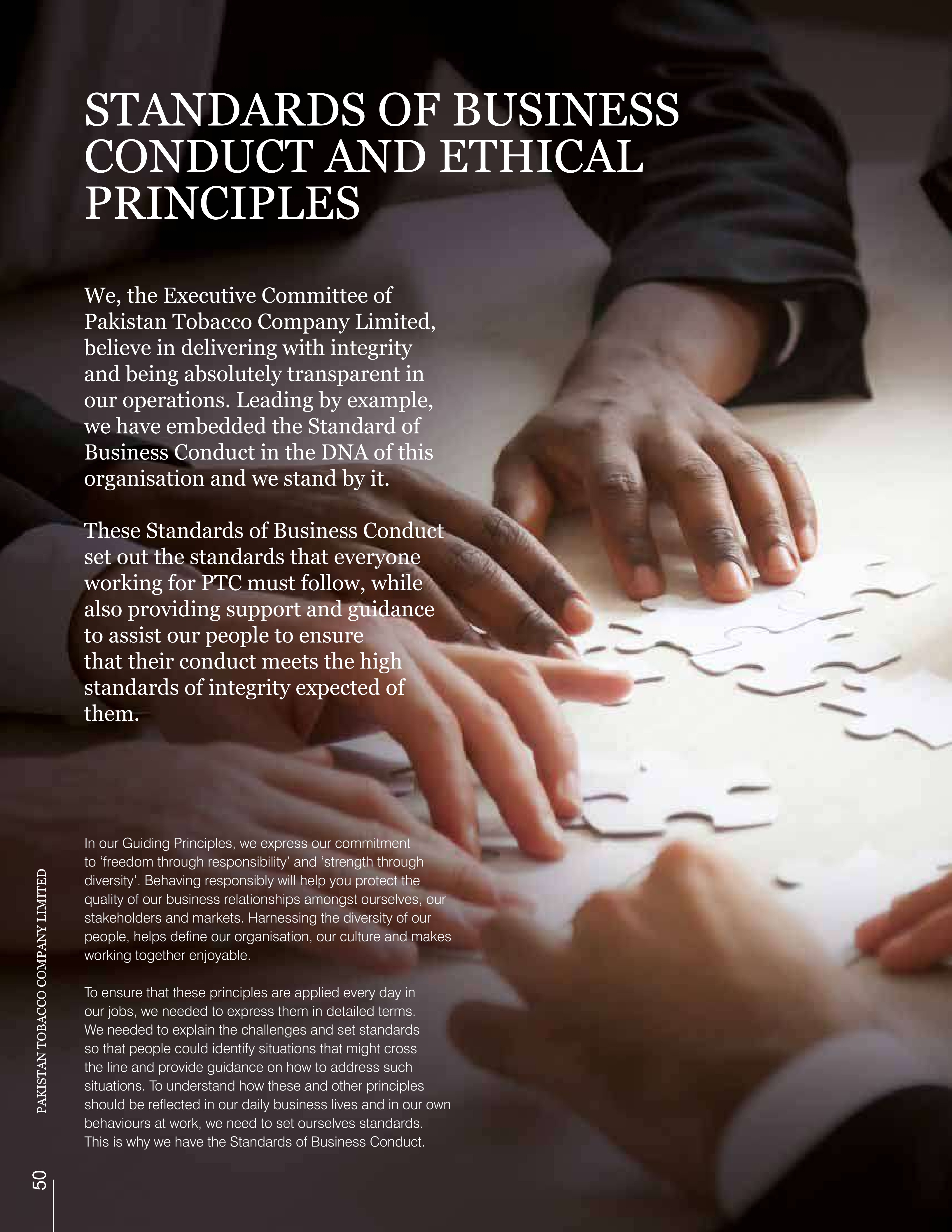
External Audit

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 2020. 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 AND 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 set out the standards 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 of integrity 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 they 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

At PTC any employee who suspects a wrongdoing at work, is strongly encouraged to report such wrong doing through the whistle blowing procedure.

Policy and Procedures

PTC's whistle-blowing policy (Policy) 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 of the SoBC. The actions that can be reported include:

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

The Policy through the procedures set out therein, ensures highest level of confidentiality for the whistle blower and the investigation process. Additionally in order to encourage people to speak up, the Policy also mandates no reprisal against the whistle-blower, who may also report the concern anonymously.

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 or any of the designated officer 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.

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

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

Number of incidences reported in 2019

8 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. PTC expects similar standards from the third parties it works with and to ensure the same has in place policies like Suppliers Code of Conduct and Anti-Bribery & Corruption Procedure

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. PTC's Entertainment and Gift Policy prohibits giving and receiving of such gifts that may create any improper influence.

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 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 are prohibited from dealing 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 sanction 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 a number of policies and IT standards, where strategy and respective plans are defined based on the 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 the custodian of the 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 of the 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 and also to ensure 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.

Records Management Policy

The Company has its formal Records Management Policy as well as Information Security Policy (the Policies), approved by the Board. The Policies define the 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's Standard of Business Conduct. 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 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 of any personal or business conflict of interest he/she may have.

In the case of any Board member 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 must disclose any conflicts of interest in accordance with the procedure set out in the SoBC at the end of each year.

The Company maintains a 'conflicts log' which records the details of all 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 the 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.

2019 Performance:

In 2019, Pakistan Tobacco Company Limited and the duty paying tobacco industry overall faced multiple challenges. The excessive excise increase-driven pricing in June 2019, which had been preceded by a similar pricing increase in September 2018, raised the price difference between legal brands and duty not paid (DNP) brands. This resulted in the growth of market share of the illicit sector by 5.5% in 2019, which also resulted in a corresponding decline of Government revenues in the second half of 2019 (July – Dec). Currently, the market share of the illicit sector is 36.9% which translates to a revenue loss of close to Rs 62 bn per annum for the Government. Strong enforcement action and appropriate fiscal reforms will help provide a level playing field to the duty paying industry and thereby lead to substantially higher tax revenues for the Government.

Despite the challenge from the growing duty evading segment and the tough macroeconomic indicators, the Company's overall financial position has remained healthy. The Company grew market share in the legitimate sector by 95 bps and delivered EPS growth of 24.7%. This has been achieved by keeping a strong focus on effective cost management, lean operations and investment in brands portfolio to offer products which reflect evolving consumer preferences.

The Company built further on its ongoing tobacco exports journey by launching the export of finished goods through its "Made in Pakistan" initiative in May 2019. By the end of 2019, the tobacco exports journey which began in 2018 had reaped approximately US$ 11 million earnings through exports to the GCC countries and Yemen. The Company has huge potential to grow its export operations further in the coming years which will also bring in valuable foreign reserves in the country.

Corporate Social Investments:

PTC has been one of the pioneers in Pakistan of promoting Corporate Social Investments. PTC is running one of the largest private sector afforestation programs in Pakistan since 1981. Under this initiative, the Company plants and distributes tree saplings free of cost and during 2019 the Company planted and distributed more than 3.9 million saplings. A new nursery was established under this program in Jhelum which planted and distributed more than 220,000 saplings. This nursery is in addition to the already established four nurseries in Islamabad and Swabi. Furthermore, in collaboration with the National Rural Support Programme, PTC developed 21 afforestation blocks in the province of Punjab.

Amongst our other Corporate Social Investments, the Company continued to provide free medical advice and medicines under its Mobile Doctor Unit program. In 2019, more than 76,000 patients took medical advice and medicines under this program. PTC also has 5 water filtration plants in Lahore and Jhelum with a filtration capacity of 1 million liters per day, which benefit hundreds of thousands of people annually. Lastly, more than 450 farmers are benefiting from the PTC lift irrigation system that provides water to more than 1,000 hectares of agricultural land of Buner district.

Corporate Governance:

PTC takes pride in its compliance with good corporate governance practices. 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 protected. With the acquisition of Reynolds American Inc. by the BAT Group and subsequent adherence to all of the Sarbanes-Oxley regulations (SOx), the Company's controls and governance environment has improved significantly. The compliance to all the SOx controls is monitored by external auditors and the Group's internal compliance teams.

The Company also requires its employees to operate and deliver with integrity. The Company's Standards of Business Conduct makes it categorical that corrupt practices are unacceptable. This message is cascaded and internalized 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.

Business Sustainability:

PTC's strategic objectives are aimed at building a business which can be sustained over a long-term period. The Company is focused on building its capacity to operate effectively while consolidating its standing as the export hub for the Group by taking its Made in Pakistan initiative to the next level of achievement. However, the presence of a large illicit sector remains an area of concern, as it continues to create major sustainability issues for the duty paying industry while causing revenue losses of close to Rs 62 bn per annum 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 curb the illicit sector.

In addition, it is necessary to take into account the regulations concerning tobacco/tobacco products' advertising, sponsorship and promotion, which have been recently issued by the Ministry of National Health Services, Regulations and Coordination (MNHSRC). These regulations have been enacted by MNHSRC without any industry consultation, and in making these new regulations no consideration appears to have been given by the MNHSRC to the fact that the existing extensive legal/regulatory framework on tobacco advertising has not been effectively enforced and has been regularly breached by various members of the DNP sector. Notwithstanding this challenge of weak enforcement, the Company is geared to deal with these regulations in accordance with the law.

PTC also believes in recruiting the best talent in Pakistan which will provide us the human capabilities to excel in a challenging business environment. The senior management of the Company and I have full confidence in the long-term sustainability of our business and in the efficacy of its leadership.

Our business rests on strong and durable foundations, which have stood the test of time, and it has the necessary dynamism and enterprising spirit to ensure the delivery of sustainable growth for the long-term. I have faith that the Company will continue to provide an attractive value for its shareholders in the future.

Zafar

Zafar Mehmood | Chairman

Business Performance

The excise led price increase taken in 2019 coupled with deteriorating macroeconomic indicators resulted in stretched consumer affordability during the second half of the year. Consumer downtrading to non-duty-paid cigarettes accelerated due to these reasons which resulted in sales volume decline in 2019. The worsening price indexation to illicit cigarettes also led to a sizeable increase in the counterfeit of PTC brands.

Post excise increase, the sales volumes decline had a trickle-down impact on absolute revenue as well as on overall profitability, but the operating margin was managed through effective cost management and productivity savings. The Company delivered EPS growth of 24.7%. The volume reduction also meant that the Government revenues reduced in second half of 2019 in comparison to 2018. Despite the growth of the illicit sector, PTC continues to be one of the highest contributors to the national exchequer and it contributed Rs 102.4 bn in the form of sales tax, excise duties and income tax in 2019.

Our Brands

PTC remains committed to differentiating itself by investing across the brand portfolio and strengthening our brand equity in every segment. Our brands have continued to lead the industry with the help of various initiatives throughout the year. JPGL continued to be the preferred choice of consumers in the premium segment as the brand reached the milestone of achieving over 140 years of excellence. The Company completed Gold Flake's migration to Rothmans of London; a transition that has seen the brand enhance its equity by bringing international appeal to the brand. Due to the aggressive excise led price increase and to address consumer affordability, strong emphasis was put behind the "Value for Money" segment.

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 the core focus of the organization. This leads to PTC's talent being preferred across the BAT world with many Pakistanis taking up key leadership roles internationally in BAT Group companies. 2019 was a landmark year in this regard as PTC was awarded the "Top Employer Award".

The Company is also strongly focused on creating a diverse and inclusive team environment. Due to strong and consistent focus, the Company was also awarded the "Global Diversity & Inclusion, Progressive Award 2019".

Our Processes

Continuous focus on enhancing productivity throughout the value chain and focus on achieving global benchmarks has created lean Company operations. Continuous modernization of the machinery footprint also allows the Company to deliver best quality products at low cost. Furthermore, significant infrastructural improvements have also been made in relation to Environment, Health & Safety processes and procedures across the Company.

Our Future

The challenges of 2019 are expected to continue in 2020. Illicit trade remains the biggest threat to the sustainability of the legitimate tobacco industry and we anticipate economic pressures to continue in the operating environment. Apart from the legal industry, the National Exchequer also suffers huge losses as the illegitimate sector remains outside the tax ambit. PTC continues to work with the Government on enforcement against the illicit sector and counterfeit producers in order to 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.

Regulations have recently been issued by the Ministry of National Health Services, Regulations and Coordination to prohibit tobacco and tobacco products' advertising, promotion and sponsorship, and these have the potential to adversely affect the sustainability of the legitimate tobacco industry. The regulations have been formulated without any consultation with the legitimate tobacco industry, and we believe they will put further pressure on the legal industry if effective enforcement is not put in place to create a level playing field.

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

Usman Zahur

Usman Zahur | MD/CEO

DIRECTOR'S REPORT

The Directors Present The Annual Report Of Pakistan Tobacco Company Limited (PTC) Along With The Audited Financial Statements Of The Company For The Year Ended December 31, 2019.

Macroeconomic Environment

In 2019, Pakistan faced multiple challenges on the economic front. GDP growth of 3.3% in FY2018-19 compared to 5.8% in the same period last year (SPLY), led to a broad-based weakening in domestic demand. The growth rate is expected to further decelerate to 2.8% in 2020, as the Government is expected to continue with the tight monetary and fiscal policies.

The reported inflation rate climbed from 7.2% in January 2019 to 12.6% in December 2019. To manage higher inflation, the policy rate was increased by the Monetary Policy Committee of the State Bank of Pakistan from 10.7% to 13.2%. For the purpose of adjusting the real value of the Pakistani Rupee against the US dollar, the Rupee lost a further 11.5% against the US dollar in 2019.

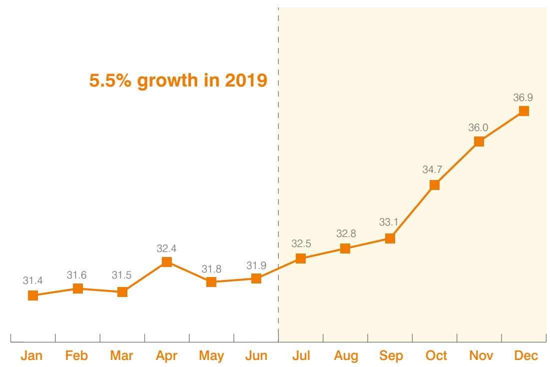
Sources: State Bank of Pakistan Inflation Monitor, State Bank of Pakistan Economic Surveys & World Bank

Industry Overview

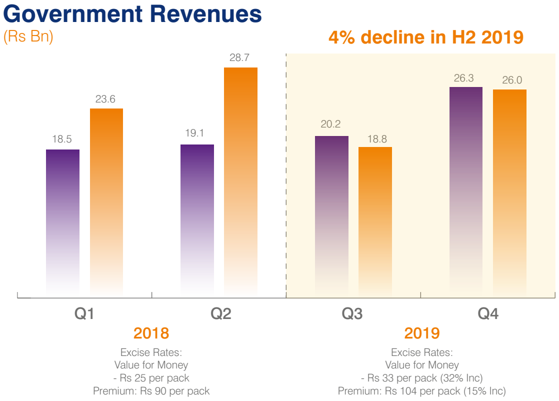
2019 was a challenging year for the legitimate/organised tobacco industry due to growing and unabated increase of the illicit cigarette trade coupled with weak enforcement. The illicit cigarette trade comprises of three types of tax-evaded products: products that are smuggled into the country; counterfeit; and not duty and tax paid locally manufactured brands. In Pakistan, this problem is predominantly home grown, whereby most of the illicit cigarette trade comprises local duty-not-paid brands. On the back of duty and tax evasion, these brands are available in the market at an average price of Rs 38/ pack, which is not just lower than the Government mandated minimum price of Rs 63/pack, but even lower than the minimum excise and sales tax payable per pack i.e. Rs 44/pack.

As a consequence of the growing economic pressures due to fiscal and monetary tightening, the legitimate tobacco industry was forced to take two excise led price increases. The excise rates of lower tier brands doubled in a span of 8 months which caused consumers' downtrading in favor of non-duty paid cigarettes. These price increases have not only resulted in substantial share growth of non-duty paid brands but have also adversely impacted Government revenues despite an increase in excise duties in Sep'18 and the June'19 fiscal budget. This is also illustrated in Graphs 1 & 2 below:

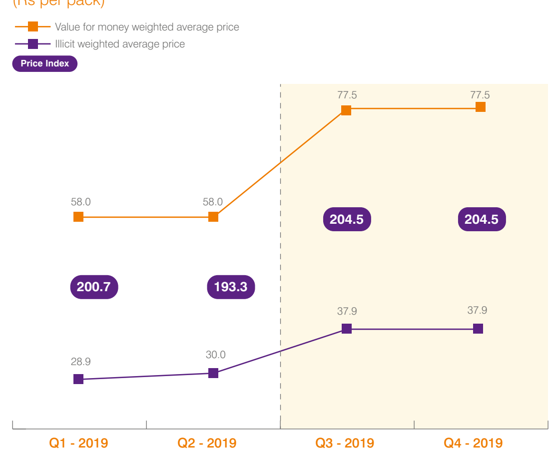
Graph 1
Illicit Market Share
(%)



Graph 2
Government Revenues
(Rs Bn)



Graph 3
Price Gap vs Duty not Paid
(Rs per pack)



Post budget, the worsening price indexation to illicit cigarettes (in excess of 204% as per Graph-3) led to the sizeable increase in counterfeit varieties of PTC brands. Timely measures were taken by your Company, whereby resources were reallocated to deal with the issue through launching an aggressive anti-counterfeit campaign. Printed tear off ribbon was introduced for products in the VFM segment as an anti-counterfeit measure to protect PTC' customers. In addition to this, over 6 million consumers were contacted via 1-2-1 retailer communications and awareness campaigns. There is, however, a simultaneous need for the Government to carry out strict enforcement against the counterfeit producers who are not only affecting the legitimate industry but are also depriving the Government of much needed tax revenues.

In Pakistan, smuggled cigarettes also represent a sizable portion of the illicit cigarette trade. The sale of smuggled cigarettes causes a two-fold revenue loss to the Government; firstly, the applicable taxes/duties on the sale of the smuggled packs are not duly paid; and secondly, the sale of smuggled packs signifies a corresponding decline in the sale of duty paid packs.

Anomalies in the law need to be addressed so that confiscated smuggled cigarettes are not auctioned and sold in the market. Under the current law, the seized cigarettes must be offered to PIA/Duty Free Shops for sale on appraised value with 25% discount, but in actual fact neither PIA nor the Duty-Free Shops purchase these cigarettes. When the PIA or the Duty-Free Shops do not purchase these goods, they are put up for auction and make their way back to the normal trade channels. It is strongly recommended that the seized smuggled cigarettes should not be allowed to be sold in the local market as they lack the graphical health warning prescribed by local law for all cigarette packs to be sold in Pakistan; therefore, it is critical to maintain both compliance with law and protect Government revenues that these cigarettes are destroyed. It is also a fact that the receipt issued in respect of the auctioned lot is fraudulently used multiple times by dealers of smuggled cigarettes to falsely show that they have been obtained through a legal process, and this further facilitates multiple sale of smuggled cigarettes.

Positive initiatives were taken in the previous year by way of enhanced documentation through increasing the adjustable advance tax payable by manufacturers. The higher advance excise duty and requirement to document the purchase and processing of tobacco leaf had increased the cost of doing business for the duty-not-paid sector. However, during the year, the Government reduced the adjustable advance excise duty of Rs 300/kg to Rs 10/kg which in effect provides further incentive for the undocumented manufacturers.

With the rapidly growing share of illicit cigarettes, the Government's focus on enforcement is of paramount importance. In late 2019, the Government of Pakistan revived and formally set up the Inland Revenue Enforcement Network (IREN) through a notification. The Company believes that with consistent and effective enforcement by IREN, the Government can eradicate the undocumented sector that is thriving by violating most of the existing regulations enacted by the Government. To counter the growing trade in illicit cigarettes, the provincial and district administrations through their law enforcement officials will have to play a pivotal role to offer a level playing field to the legitimate tobacco players who still have the potential to deliver an additional Rs 62 bn of Government revenues. There is also a need to strengthen legislation by enhancing penalties for violation of the relevant laws dealing with illicit cigarettes and by making such offences non-bailable and cognizable; such measures will make it difficult for illicit players to operate beyond the realm of the law.

PTC supports the deployment of a track and trace system to curb illicit cigarette trade. If introduced, its success will be dependent upon effective implementation across the board to all manufacturers and robust enforcement at manufacturer and retail level. For this purpose, the Government needs to ensure that the relevant rules/regulations dealing with the implementation of the track and trace system contain penal provisions with appropriate penalties so that violators of the rules/regulations are effectively prosecuted.

Company Performance

In 2019, the Company witnessed a decline in sales volume of 15%. This is primarily attributable to consumers downtrading to duty evaded cigarettes due to two excise-led price increases in June 2019 and September 2018. In the legitimate sector, the Company continues to maintain its leadership and grew market share by 95 bps in 2019, with a market share of 75.4% of the legitimate market. (Source: Access Retail – Retail Audit). This has been delivered on the back of a robust brand portfolio strategy on which significant investments have been made during the year to offer products which reflect evolving consumer preferences. In FY2018-19, the Company also contributed Rs 103.5bn to Government revenues in the form of excise duties, sales tax and income tax.

The Company remains focused on enhancing productivity throughout the value chain. This is ensured through effective cost management, delivering lean operations and continuous modernization of the machinery footprint. During the year under review, the Company embarked on its very first "Made in Pakistan" exports journey by becoming a new export hub for the BAT Group. The Company has huge potential to grow its export operations further in the coming years which will generate valuable foreign currency for the country.

The Company's cost base remained under pressure throughout 2019 in the wake of currency devaluation, increasing inflation and higher regulatory duties. Despite these challenges, the Company continued to focus on effective cost management and delivered multiple efficiency improvement projects, thereby allowing it to keep costs in check.

With people at the core of its delivery, the Company has a strong focus on people by attracting and retaining the best talent in the country. In 2019, PTC was awarded the Top Employer Award 2019. Moreover, for its drive and consistent focus on Diversity and Inclusion, the Company was also awarded the "Global Diversity & Inclusion, Progressive Award 2019".

As a responsible corporate citizen, PTC runs one of the largest private sector afforestation programs and a Mobile Doctor Unit (MDU) program. Under its flagship afforestation program running since 1981, the Company planted and distributed more than 3.9 million saplings free of cost in 2019. A new nursery was also completed in Jhelum, this is in addition to the already established four nurseries in Islamabad, Faisalabad and Swabi. Under the MDU program, the Company dispensed medical advice and medicines to more than 76,000 patients in 2019 free of cost.

	Rs. (million) Jan-Dec, 2019	Rs. (million) Jan-Dec, 2018
Gross Turnover	149,025	137,116
FED/Sales Tax	97,050	84,004
Net Turnover	51,975	53,112
Cost of Sales	25,765	29,829
Gross Profit	26,210	23,284
Operating Profit	17,675	14,571
Profit Before Tax – PBT	18,285	15,280
Profit After Tax – PAT	12,889	10,338
Earnings Per Share – EPS (Rs.)	50.45	40.46

2.1 Profit & Loss Analysis

Net Turnover witnessed declined by 2%. Decline in NTO is primarily due to 15% decline in sales volume. The impact of volume decline was partially offset by excise-led price increase taken in 2019. Prices increased by 14% in Premium segment and by 34% in Value for Money segment of portfolio.

Cost of Sales also decreased primarily due to reduction in sales volume. The cost base was adversely impacted during the year due to devaluation of local currency, increase in regulatory duties and inflationary pressures. These were mitigated through multiple productivity savings initiatives and focus on efficiency in production processes.

Selling & Distribution Costs: Selling & distribution expenses declined by 6% which is also linked to reduction in sales volume. However, significant investments have been made in brand portfolio in 2019 to ensure that brand portfolio is differentiated and addresses consumer needs.

Other Operating Expenses increased by 35% during 2019. The major portion of this increase is attributable to foreign exchange loss incurred due to local currency devaluation in 2019. Other operating expenses also increased due to higher Workers Profit Participation Fund/Workers Welfare Fund statutory charges which are determined based on profit numbers.

Net Finance Income increased by 9% in 2019, as the Company capitalized on the investment of surplus funds at market competitive rates and efficient working capital management.

2.2 Statement Of Financial Position Analysis

Property, Plant & Equipment: The Company recorded an increase in property, plant and equipment during 2019 due to adoption of IFRS 16 whereby all lease agreements greater than 1 year were capitalized. The increase was also driven by the Company's effort to upgrade manufacturing capacities and infrastructure to support better product quality, innovation and higher operating efficiencies.

Stock in Trade increase was primarily attributable to raw material stock and finished goods buildup to mitigate the adverse impact of future currency devaluation and to deal with any production disruptions

Short Term Prepayments reduced in 2019 due to reclassification of prepayments related to rental facilities under operating leases to finance leased assets under IFRS16.

Other Receivables mainly includes balances related to cash margins withheld by banks to comply with State Bank import regulation to deposit 100% cash margin against arrangements/contracts for import of raw material. Balance under this head increased in 2019 due to local currency devaluation and stock build up done on imported materials.

Short term investments are done in Government treasury bills which recorded decrease from previous year due to lower availability of surplus funds from sales cash inflows at the end of the year.

Current Liabilities reduced due to lower payables outstanding at year end to internal and external vendors. Balance last year also included dividends payable which were paid in 2019.

Share capital & reserves increased due to profits retained after paying out dividends that were 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.

2.4 Contribution To National Exchequer

Despite the challenges faced from the duty-not-paid sector, PTC continues to remain one of the largest contributors to the national exchequer. During FY 2018-19, PTC for the first time crossed the Rs 100 bn mark with tax payment of Rs 103.5 bn related to sales tax, excise duties and income tax. During the 2019 calendar year however, the Company contributed a total of Rs 102.4 bn in the form of excise duties, sales tax and income tax despite the volume reduction.

In order to maintain growth in revenues from the Tobacco industry, the Government needs to have a sharper focus on enforcement and curtailing the growth of the duty-not-paid sector. Increase in market share of the illicit sector, already elaborated, is indicative of the huge revenue loss which is close to Rs 62 bn. Thus, it is imperative that the illicit sector is curtailed through use of both fiscal and administrative measures.

2.5 Profit Distribution & Reserve Analysis

The Company started the year with reserves of Rs 15.2 bn. During the year, final dividend of Rs 22 per share related to the year ended 2018, was approved by shareholders and was subsequently paid. In 2019, the Company earned net profit of Rs 12.9 bn and paid two interim dividends of Rs 13 per share. The net reserves position of the Company at year end stands at Rs 15.7 bn. The details of appropriations are also elaborated in the table below:

	Rs. (million)	Rs. Per Share
Opening Reserves	15,211	
Final Dividend 2018	(5,621)	22.00
Net Profit 2019	12,889	50.45
Other Comprehensive Income	(100)	
Available for Appropriation	22,379	
Appropriations:		
Interim Dividends 2019	(6,643)	26.00
Closing Reserves	15,736	

2.6 Final Dividend

The Board of Directors of PTC in its meeting held on February 24, 2020 is pleased to recommend a final cash dividend of Rs. 23/share for the year ended December 31, 2019 (2018: Rs. 22.0 per share), for the shareholders' approval. This recommendation will be subject to approval of the shareholders in the Annual General Meeting, scheduled on April 24, 2020.

2.7 Consolidated Financial Statements And Segmental Review

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

2.8 Subsequent Events Review

The Management has assessed events arising subsequent to the end of the 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 has a full seed to smoke business encapsulating two factories and one of the largest leaf operations in the BAT Group. With the aim of enhancing productivity throughout the value chain, the Company has a strong focus on effective cost management, lean operations and continuous modernization of the machinery footprint.

During 2019, the Company, in line with the Government's vision, launched its export initiative titled "Made in Pakistan" and earned the position of being the export hub for the BAT Group. This is with a view to export factory manufactured cigarettes & tobacco to GCC and other Middle East countries, and the full annual potential of this project for Pakistan is estimated to be $50 Mn. A change management program under the "Made in Pakistan" initiative was launched with change champions driving multiple sessions covering the entire population involved in the exports process. The program enabled soft skill capability development, inculcated a sense of pride and proved to be a key success driver. In 2019, PTC exported over 190+ million Cigarettes and around 3 million KGs of tobacco worth $11 Mn.

PTC's Operations continued the journey towards manufacturing excellence through the Integrated Work System (IWS) program with Akora Khattak factory achieving Phase 1 certification in Sep'19 while Jhelum factory continued its journey for Phase 2 readiness.

3.1 EH&S – Environment, Health & Safety

Significant awareness and infrastructural improvements have been made in relation to Environment, Health & Safety processes and procedures at the manufacturing plants. Keeping in view the energy crisis, multiple initiatives were undertaken in 2019 like installation of 125KW solar power plant across both factories and setting up the first ever solar powered leaf buying and storage depot. Furthermore, a focus on consumer centric quality of the Company's products has ensured a significant reduction in consumer complaints during the year. PTC's manufacturing has been globally recognized in BAT Group for the efforts and outstanding results delivered through this drive for excellence.

4. Marketing Review

2019 was a difficult year with consumer affordability coming under stress due to economic tightening and price increases in all segments of the portfolio. Despite the challenges faced, investments were made in the brands portfolio.

The Value for Money (VFM) segment witnessed Gold Flake's migration to Rothmans of London; a transition that has seen the brand enhance its equity and mix. This was a strategic intervention which has helped the brand significantly in building its image in one of the most dynamic consumer segments. Despite heavy inflationary pressure, Capstan by Pall Mall has maintained its position as the biggest and most loved tobacco brand in Pakistan as a result of innovative and engaging "Always On" activations that leveraged various consumer moments.

Post the excise increase of 2019, consumer affordability of PTC's VFM segment came under severe pressure from illicit cigarettes in the market. To remain competitive in the VFM segment, Pall Mall and Rothmans were launched at a price parity to duty-paid competition offers in selected high-risk markets to safeguard volumes and ensure value sustainability for the Company. The brands have received positive consumer traction in the pilot markets, with expansions into more markets planned in 2020.

In the Aspirational Premium segment, post successful pilot launch of John Player, a brand built on the legacy of the House of John Player, the brand was piloted in four test markets, followed by an expansion into the next 13 biggest cities of Pakistan. Aided by a focused consumer activation campaign, exciting touchpoints and retailer engagement, the launch was a success and quickly turned into the most promising brand launch in recent PTC history.

In the Premium segment, John Player Gold Leaf (JPGL) reached the milestone of achieving over 140 years of excellence. To honor this legacy of great taste and to reinforce the brand assets of JPGL, a campaign was executed to celebrate the history of John Player in Pakistan. Limited Edition Packs, utilizing modern hot foil technology, were introduced to the market for the first time in history along with a limited time berry flavor product. These initiatives have further propelled the JPGL brand to new heights in Pakistan

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 control environment. The Company's risk management and internal controls framework is aimed at safeguarding the shareholders' investment and the Company's assets, while minimizing 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 organizational 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 weakness 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. Furthermore, the Company is also fully compliant to all the requirements of Sarbanes Oxley Act (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, 2019 ("the 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 listing regulations.

h) All major Government levies in the normal course of business, payable as at December 31, 2019 have been disclosed in the notes to the financial statements.

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

j) Values of investments in employees retirement funds for the year ended December 31, 2019 are as follows. Further details are provided in Note 33 to the separate financial statements.

Fund Name	Rs. (million)
Staff Pension Fund	5,525
Employees' Gratuity Fund	1,233
Management Provident Fund	735
Pakistan Tobacco Company Limited Provident Fund	446
Staff Defined Contribution Pension Fund	497

6.2 Composition Of The Board

The Board comprises a total of 12 directors: 8 non-executive directors, of whom 4 are independent directors, and 4 executive directors.

The current composition of the Board is as below.

	Name of Director	No. of Directors
•	Male Directors	11
•	Female Director	1
a.	**Independent Director**	4
(i)	Zafar Mahmood Chairman	
(ii)	Lt. Gen. (R) M. Masood Aslam	
(iii)	Mohammad Riaz	
(iv)	Asif Jooma	
b.	**Non- Executive Directors**	4
(i)	Tajamal Shah	
(ii)	Belinda Joy Ross	
(iii)	Zafar Aslam Khan	
(iv)	Syed Javed Iqbal	
c.	**Executive Directors**	4
(i)	Usman Zahur MD / CEO	
(ii)	William Francis Pegel	
(iii)	Syed Asad Ali Shah	
(iv)	Syed Ali Akbar	

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 the 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

On 22nd April 2019, elections of Directors were held in the AGM, resulting in the reconstitution of the Board with 12 Directors comprising: 4 Independent, 4 Non-executive and 4 Executive Directors. The positions of Chairman and MD/CEO are kept separate in line with good governance practice.

The changes in the board were as follows:

Name	Changes	Effective Date
Lt. Gen. (R) Ali Kuli Khan	Resigned from role of Non-Executive Director	January 31, 2019
Mueen Afzal	Retired from role of Chairman	April 22, 2019
Imran Maqbool	Retired from role of Non-Executive Director	April 22, 2019
Hae In KIM	Retired from role of Non-Executive Director	April 22, 2019
Zafar Mahmood	Appointed as Chairman of the Board	April 22, 2019
Tajamal Shah	Changed from Executive Director to Non-Executive Director	April 22, 2019
Syed Asad Ali Shah	Inducted to the Board as Executive Director	April 22, 2019
Zafar Aslam Khan	Inducted to the Board as Non-Executive Director	April 22, 2019
Asif Jooma	Inducted to the Board as Independent Director	April 22, 2019
Belinda Joy Ross	Inducted to the Board as Non-Executive Director	April 22, 2019
Mohammad Riaz	Inducted to the Board as Independent Director	April 22, 2019
Lt. Gen. M. Masood Aslam (R)	Inducted to the Board as Independent Director	April 22, 2019
Wael Sabra	Resigned from role of Executive Director	June 15, 2019
Michael Koest	Resigned from role of Non-Executive Director	August 20, 2019
William Francis Pegel	Inducted to the Board as Executive Director	September 2, 2019
Syed Javed Iqbal	Changed from CEO / Managing Director to Non-Executive Director	November 15, 2019
Usman Zahur	Inducted to the Board as Executive Director	April 22nd, 2019
	Inducted to the Board as CEO / Managing Director	November 15, 2019
Syed Ali Akbar	Inducted to the Board as Executive Director	November 15, 2019

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 2019, 5 Board meetings were held, out of which the 1st meeting held on 22nd February 2019 was attended by the previous Directors, while the newly elected Directors attended the subsequent 4 meetings.

The notices / agendas of the meetings 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.

The 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 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
Zafar Mahmood Chairman	5/5
Syed Javed Iqbal Managing Director and CEO resigned on 15th November 2019 Non-Executive Director w.e.f. 15th November 2019.	4/4
Usman Zahur Marketing Director w.e.f 22nd April 2019 Managing Director and CEO w.e.f 15th November 2019	4/4

Wael Sabra Director Finance & IT resigned w.e.f. June 15.2019	**2/2**
William Francis Pegel Director Finance & IT w.e.f. 2nd September 2019	**2/2**
Lt. Gen. (R) Ali Kuli Khan Khattak Non-Executive Director	**0/0**
Syed Asad Ali Shah Director Legal & External Affairs w.e.f. 22nd April 2019	**4/4**
Syed Ali Akbar Director Marketing w.e.f. November 15, 2019	**1/1**
Tajamal Shah Non-Executive Director	**3/5**
Belinda Joy Ross Non-Executive Director	**2/4**
Zafar Aslam Khan Non-Executive Director	**1/4**
Lt. Gen. (R) M. Masood Aslam Independent Director	**4/4**
Mohammad Riaz Independent Director	**3/4**
Asif Jooma Independent Director	**3/4**
Michael Koest Resigned w.e.f August 20, 2019	**0/3**
Mueen Afzal Retired	**1/1**
Imran Maqbool Retired	**1/1**
Hae In KIM Retired	**0/1**

6.5 Board Meetings Held Outside Pakistan

In 2019, PTC conducted all its Board meetings in Pakistan.

6.6 Committees Of The Board

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

6.7 Directors' Remuneration

As per the requirements of the 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 Director has to evaluate himself/herself 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, the 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 performance is reviewed annually, based on the yearly corporate plan, besides his responsibilities under the regulatory framework. Effective November 15, 2019, the previous CEO, Syed Javed Iqbal resigned from the office of Managing Director and CEO and was replaced by Mr. Usman Zahur.

Performance for the year 2019 is demonstrated by achievement of the 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 familiarization towards the Company's vision, organizational 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 the Directors' Training Program (DTP) approved by SECP.

6.14 Last AGM

The Company's 72nd AGM (Annual General Meeting) was held on April 22, 2019. 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, 2019 has been concluded and the Auditors have issued their Audit Reports on the Company Financial Statements, Consolidated Financial Statements and the Statement of Compliance with the Code of Corporate Governance. The Auditors, 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, 2020 on the recommendation of the Audit Committee. This shall be subject to the approval of the shareholders in their meeting scheduled for April 24, 2020.

6.16 Pattern Of Shareholding

Our holding Company, 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, 2019 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 BCP

PTC recognizes 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; and
- Return to Business as Usual (BAU) as quickly as possible to minimize the negative impact on the business.

The process has received recognition within the BAT Group as 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, and employees receive adequate support and communications in the event of a disruption;
- The relationships with other organizations, relevant regulators or Government departments, local authorities and the emergency services are properly developed and documented, and stakeholder requirements are understood and can be delivered; and
- The Company has an enhanced capacity to protect its reputation and remains compliant with its legal and regulatory obligations.

Zafar

Zafar Mehmood
Chairman

Usman Zahur

Usman Zahur
MD/CEO

PRODUCT PORTFOLIO

PREMIUM

DUNHILL

- Dunhill
- Dunhill Switch

Dunhill, our global drive brand and a true international premium offer, has been leading innovations in the market since its launch since 2008

GOLD LEAF

- John Player Gold Leaf
- John Player Gold Leaf Special

The story of John Player Gold Leaf starts from the story of its founder John Player, who started a small tobacco selling business in 1877 and turned it into a Company: John Player & Sons. John Player Gold Leaf is the leading premium offer in the country

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 2003

ASPIRATIONAL PREMIUM

JOHN PLAYER

- John Player

Launched in 2018, John Player is the most contemporary Aspirational Premium brand for the down-trading Premium consumer

CAPSTAN FILTER

- Capstan Filter

Capstan Filter is the biggest Aspirational Premium brand for PTC and the offer is now available in King Size Filter

WILLS INTERNATIONAL

- Wills

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

VALUE FOR MONEY

CAPSTAN BY PALL MALL

- Capstan by Pall Mall

Capstan By Pall Mall is our global drive brand and currently the leading & most popular Value for Money offering in market

EMBASSY

- Embassy Filter

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

GOLD FLAKE BY ROTHMANS OF LONDON

- Gold Flake
- Gold Flake Soft Cup

Gold Flake enjoys a rich history and legacy in the market and is still among the most popular offerings in Pakistan

PALL MALL

- Pall Mall

Pall Mall is our global drive brand launched in 2019 for our value conscious consumers seeking popular choices

ROTHMANS

- Rothmans

Rothmans is our global drive brand launched in 2019 for our value conscious consumers seeking a strong taste smoke

OPERATIONAL EXCELLENCE

PTC, with a full seed to smoke business encapsulating two factories and one of the largest leaf operations in BAT group companies, remained focused on enhancing productivity throughout the value chain. This was ensured through effective cost management, delivering lean operations and continuous modernization of the machinery footprint.

PTC Operations supported 38.95Bn production volume on time and in full. In 2019, manufacturing achieved 79.2% Overall Equipment Efficiency (OEE) with Akora-Khattak Factory joining the 80%+ OEE ranks. All of this was delivered with the lowest Manufacturing Cost in the entire Asia Pacific & Middle East Region.

PTC Operations delivered the best-ever Leaf Season with lowest In Stock Cost in the Group, global benchmark in Sustainable Tobacco Program & highest Crop Quality Index. PTC Leaf strengthened its leadership in Sustainable Agriculture by introducing latest technologies in tobacco industry to farmers. Moreover, PTC female trainers reached out to rural women and trained them on Farm Safety, Child Education and Kitchen Gardening to contribute in improving their livelihood.

PTC Operations also delivered the highest ever Savings and curtailed currency devaluation impact by ingenious solutions. The completion of 2019 Wrapping material & Leaf Stock Build resulted in a saving of 2.3 Million GBP. As part of this stock build a total of 339 containers from different suppliers were ordered, cleared, accommodated & paid for.

The Company’s aim is to constantly modernize its operations by introducing innovative concepts, optimal processes and the latest technology. PTC Operations continued the journey towards manufacturing excellence through the Integrated Work System (IWS) program with AKF achieving phase 1 certification In Sept’19 while Jhelum continued its journey for Phase 2 readiness.

2019 was also another high performance year for the procurement team. From effective wrapping material price negotiations to delivering multi cycle campaigns,

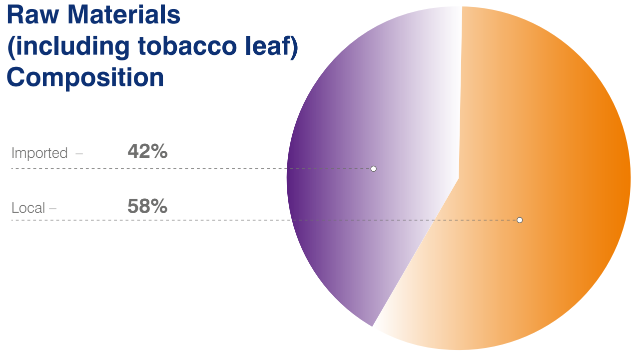
procurement has been at the top of its game. Major pressure areas for procurement were Rupee devaluation, commodity prices and regulatory duties increase of imported raw materials.

Imported raw materials are a significant component of our total raw material consumption, due to which our cost base is vulnerable to impact of currency devaluation. The split of local vs imported raw material has not changed significantly from prior period. The imported raw materials in 2019 accounted for 42% of total raw material consumption which includes wrapping material (tipping paper, cigarette paper & plug wrap) and tobacco blends.

Significant awareness and infrastructural improvements have been made in relation to Environment, Health & Safety (EH&S) processes and procedures at the manufacturing plants by revamping EH&S Pillar. Keeping in view the energy crisis, multiple initiatives were undertaken in 2019, with a key project of 125KW solar power plant installation across both factories. Moreover, PTC enabled the 1st Solar Powered Leaf Depot across BAT network.

Furthermore, a focus on consumer centric quality of the product has ensured a significant reduction in consumer complaints during the year. PTC's manufacturing has been globally recognized in BAT Group for the efforts and outstanding results delivered through this drive for excellence.

Raw Materials (including tobacco leaf) Composition



CORPORATE SOCIAL INVESTMENTS

PTC has always been passionate to give back to the communities that it operates in. As the biggest FMCG in Pakistan and the First multinational in the country we are the Benchmark setters in CSI initiatives. We have channeled our resources and manpower to execute our social responsibilities of sustainability, empowerment and community uplift. The execution of our CSI initiatives has been flawless in line with our usual business. We continuously strive to increase the benefits and outreach of our CSI activities.

Afforestation

Since 1981, under our flagship Afforestation programme we have planted and distributed over 80 million trees for a sustainable future. PTC operates and maintains 5 nurseries across the country, 2 in Islamabad, one in Faisalabad, one in Jhelum and one in Swabi. This year through our technical partnership and collaboration with NRSP we are proud to announce that PTC developed 21 afforestation blocks in the province of Punjab. Throughout the said year more than 3.89 million saplings were distributed and planted free of cost through our nurseries. This is the highest number of saplings distributed and planted in a year since the inception of the project in 1981.

Water Filtration

Pakistan Tobacco Company operates and maintains 5 water filtration plants, 4 in the suburbs of Lahore and one in Jhelum. The accumulated filtration capacity of these plants is 1,000,000 liters a day. In year 2019, PTC refurbished and upgraded its water filtration plant in Jhelum city ensuring uninterrupted supply of fresh clean drinking water to millions.

Mobile Doctor Units (MDUs)

Since 1985, to provide free first aid and medical services to far flung and rural areas, PTC owns and operates 7 MDU's in 6 different Leaf Areas. These MDU's are stationed in Yar Hussian, Mianwali, Akora Khattak, Sher Gharh, Mansehra and Jhelum. During the course of 2019, The MDU's treated more than 76,000 patients free of cost.

Lift Irrigation

More than 450 farmers are benefiting from PTC lift irrigation system that provides water to more than 1000 hectares of agricultural land of Buner district. Pakistan Tobacco Company Limited through its MoU with the Agriculture department of KPK Installed generators in 2016. In the last three years PTC's efforts have helped farmers increase the yield from their land and taken burden off the depleted national grid.

CALENDAR OF NOTABLE EVENTS 2019

JANUARY

Distribution excellenece
strategy kick off

FEBRUARY

1st Cut Rag Tobacco
export to Yemen

MARCH

Battle of
minds 2019

APRIL

GDIB Award on
Learning Category

MAY

Finished Goods
Exports Launch

JUNE

Exports equipment
installation

JULY

Exports cell inauguration by Corinne
Burrows (Global Head of Manufacturing)

AUGUST

Satisfactory Manufacturing
Audit Akora Khattak Factory

SEPTEMBER

Finished Goods Export Production
Inauguration in Jhelum Factory

OCTOBER

1st Shipment of Finished
Goods Exports

NOVEMBER

Global Manufacturing Execution System
Go Live Jhelum Factory

DECEMBER

Top Employer 2020

MARKETING PERFORMANCE REVIEW

2019 was a tough year for Pakistan from a macroeconomic perspective. A current account deficit coupled with impending loan repayments resulted in withdrawal of subsidies, currency devaluation and declining GDP growth rate - forcing consumers to rationalize their spending not just on tobacco but on all daily consumables.

The Budget announcement of a 34% excise rate increase forced PTC to take a minimum PKR 20 price increase per pack across the portfolio. This, in combination with stretched consumer wallet resulted in downtrading to Duty Not Paid (DNP) brands, trading at Weighted Average Price of Rs. 38 (price indexation 205 versus the Duty Paid industry).

Growing counterfeit incidence, emerged as another challenge which dented a significant portion of the portfolio volume.

Despite all these challenges, PTC managed to sell 39 Bn sticks and close the year with a FY Market share in excess of 50%. PTC continued to invest behind its brands and had a robust Cycle Plan with focused interventions across the portfolio through impactful multi-cycle campaigns.

Migration of Gold Flake to International Brand of Rothmans of London

In the VFM (Value for Money) segment, our local hero brand Gold Flake went through a pack upgrade. Traditionally a brand that was celebrated as a heritage champion, the new packaging utilized the appeal of Rothman's of London to position Gold Flake as a more progressive and international offer in line with evolving consumer needs. This has introduced another global brand house within the industry which is now to be manufactured and distributed from our factories to the rest of Pakistan.

Several marketing initiatives supported this campaign including the addition of innovative touchpoints and focused consumer engagement to strengthen the brand connect with its consumers.

Reloc Packaging

Reloc packaging was introduced for the first time in Pakistan to Dunhill and later to John Player Gold Leaf Special, making the packs more appealing and providing further value to the consumer. The state-of-the-art machinery and equipment for this had to be imported, making Pakistan Tobacco Company (PTC) the first Company to introduce this technology to Pakistan - a testament to the Company's legacy of being the pioneers and leaders of innovation in this industry. Staying true to the highest standards of quality, the technology is currently being exported to various markets in the Gulf region as well.

John Player by Gold Leaf Special's improvement was assisted by multiple marketing initiatives which created the desired level of consumer awareness needed to make the campaign successful.

Cashless Transactions in Pakistan

Digitisation has questioned the age-old way of monetary transactions. With limited population having access to bricks & mortar banks, fintech industry has capitalised on the growing base of smartphone & mobile internet users. Earlier, the distributor salesmen faced challenges of robberies, counterfeit currency notes and huge amounts of cash handing which was worrisome. The distributors in South Punjab Region have partnered with cashless transactions banking network to launch a game-changing initiative; Project Skynet. This enables distributor salesman to go cashless when they sell stock to the retailers. In future this initiative will be expanded to other areas across the country as well. Another quantum leap in our fintech voyage was the launch of disbursement of incentives to the Trade Loyalty Programme outlets via partnering with one of Pakistan's biggest cashless transactions services provider. This further cements transparency and accuracy of the transaction while keeping it simple.

Power Business Intelligence

British American Tobacco group chose Pakistan as the pilot market for rolling out Power Business Intelligence (BI) tool across the BAT world. Pakistan already boasts of the largest RCS8 (Sales Automation Software) user base in the BAT world with more than 2600 active users. Incidentally they account for 40% of RCS8 userbase of BAT. This enables the organisation to move from static & restricted reports to a dynamic platform that not only makes data extraction robust but empowers the users to create customized reports answering key business questions. In addition to this, the users can view these reports conveniently on a multitude of portable electronic devices.

PETRA team of Pakistan in close collaboration with the global vendor, extensively tested, amended & deployed the POWER BI model during the 1st quarter of 2019. The resulting platform was then launched in more than 30 countries across BAT. In Pakistan several Power BI training workshops were held to onboard the users on the new tool, which has resulted in better sales performance tracking and swift decision making.

SECURITY THAT MEANS BUSINESS

Strategy and Planning

Our security strategy 2021 has been named SS21 and is aligned with Ambition 2021 and PTC SLA 2020. It was finalized after numerous deliberations, meetings and breakout sessions. The prime and focused objective of this was to protect business from security risks derived through Security Risk Management platform. Security team works closely integrated with all the business functions to help facilitate an informed decision making and at the same time ensuring internal and legal compliance. The entire Security team has developed business acumen and now act as business managers.

Risk and Resilience

During 2019, preparedness was ensured at three major sites by testing of the Business Continuity Plans using scenarios more relevant to our environment which helped us in operational activation of those plans during actual business interruption while protests were carried out across the country by opposition parties. We adopted Global processes of Business Continuity Management, Information Security and Security Risk Management as a logical solution to cope with today's fragile Security environment. Security risks were reported into the business which helped in informed decision making and in appropriate provision of Security measures across the country and specially in High risk areas. This only happened due to effective security business partnership management and supervision and we were able to provide secure working environment to our people, protection to the assets and solutions to prevent business interruptions. In year 2020 we will be ensuring quality of all BCM related documentation and the effectiveness of these will be tested in real time scenarios.

Business Integration

The security team has adopted the five Ps concept in complete seed to smoke operations (Proactive, Professional, Pragmatic, Progressive & Positivity) ensuring close coordination with business to support in imports of raw material, manufacturing of exports finished goods and securing logistics till the port. Support in launching VELO and securing VELO manufacturing site is an example of how Security is integrated into business. In fact, security aspects are fast becoming a joint responsibility. AKF transformation was executed in close coordination with the team which resulted in satisfactory audit results.

IN IT TO WIN IT

2019 has been a year of transformation. The IT department was rebranded to Information & Digital Technology – IDT, propelled by the need to embrace new ways of working in the digital era. Globally, we see organizations increasingly look towards technology to lead them in the digital age. New terminologies like Big Data, Digitization, Artificial Intelligence and Blockchain continue to influx the technology landscape and organizations race to adapt these in a bid to reap benefits that may provide edge over competition.

At PTC, we define digital as leveraging technology to unlock commercial value. Along our entire "Seed to Smoke" value chain, we continue to integrate digital technology to deliver increased value. In 2019 alone, IDT helped implement key initiatives.

#Made in Pakistan – Exports

A major milestone in PTC's illustrious history as it began exporting finished goods for the first time. In order to comply with Government regulations and strict taxation standards of Saudi Arabia, the IDT team implemented a sophisticated digital track and trace system. By using digital tax stamps, the Government authorities can trace the source of the finished goods products and it's entire logistics history thereby giving it unprecedented control over counterfeit and illicit trade products.

#Simplification

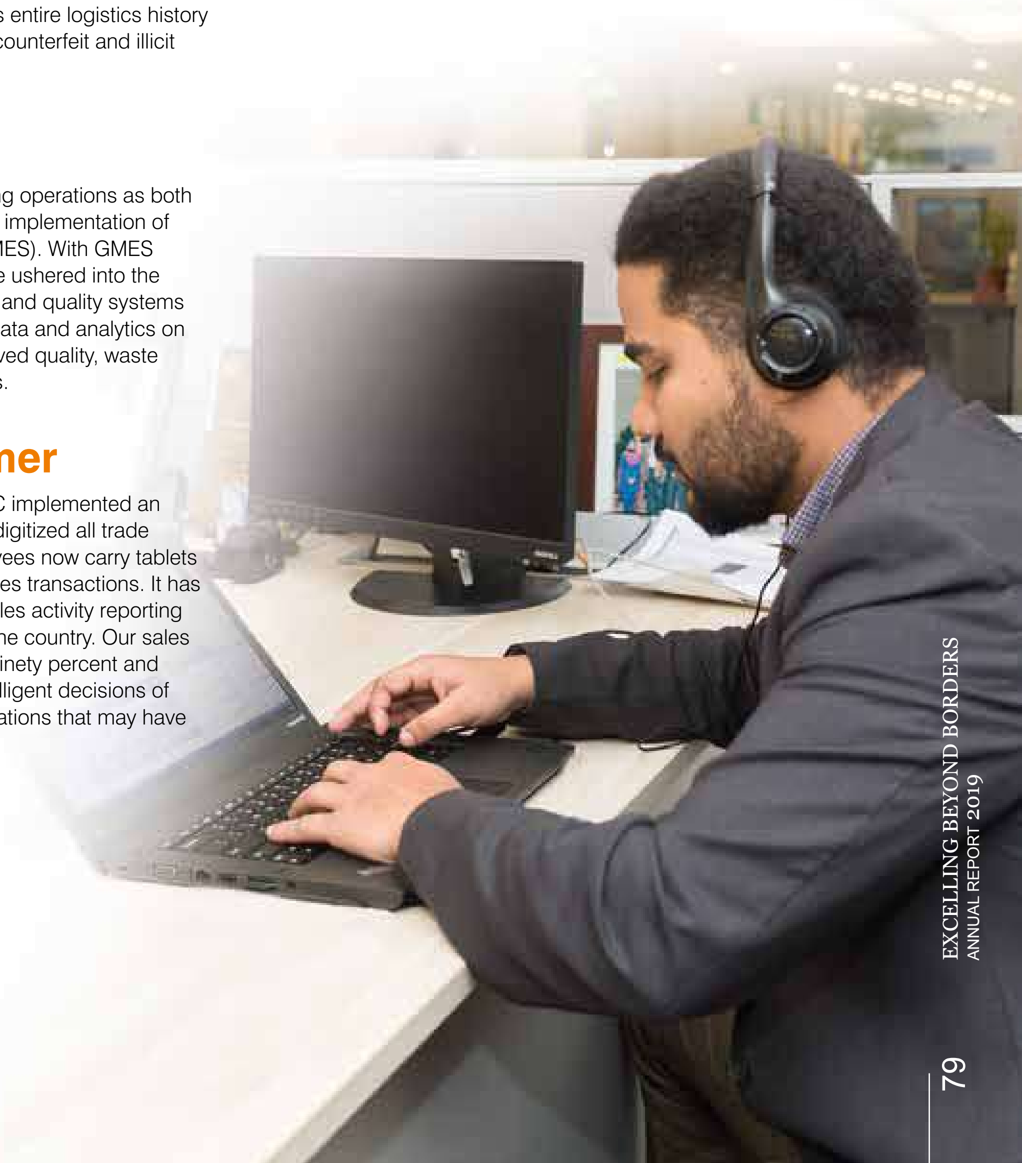
2019 was also a big year for our manufacturing operations as both factories (Jehulm and Akora Khattak) saw the implementation of Global Manufacturing Excellence System (GMES). With GMES installed, PTC manufacturing capabilities have ushered into the Industry 4.0 space. The machines, shop floor and quality systems are now integrated to provide near real time data and analytics on our production performance leading to improved quality, waste management and optimization of our systems.

#Connected Consumer

At the very front of Sales and Distribution, PTC implemented an advanced sales automation system that has digitized all trade activity in our local markets. Our trade employees now carry tablets running sophisticated systems that record sales transactions. It has enabled the business to see near real time sales activity reporting of more than thirty eight billion sticks across the country. Our sales forecasting capability has improved by over ninety percent and by leveraging data analytics, we can take intelligent decisions of effectively utilizing our sales manpower to locations that may have seen less sales growth than others.

#Modern Workforce

PTC's greatest assets has always been it's people and we take great pride in investing in talents. The IDT team continues to embed the digital DNA into the employees through introducing new tools of trade to help improve collaboration. Meeting spaces have been upgraded to enable video conferencing capabilities. A variety of mobile apps such as MyBAT, Microsoft Teams and Sharepoint have been added into the digital ecosystem to ensure employees are connected where ever they maybe and are able to seamlessly execute their activities.



CRITICAL PERFORMANCE INDICATORS

1) Financial Indicators

75.4%
Market Share
(Legitimate market)
(2018: 73.3%)

12,889
Profit after Tax
(Rs in Million)
(2018: 10,338)

149,025
Gross Turnover
(Rs in Million)
(2018: 137,116)

50.45
Earnings per Share
(Rs)
(2018: 40.46)

51,975
Net Turnover
(Rs in Million)
(2018: 53,112)

48.0
Dividend per Share
(Rs)
(2018: 37.0)

26,210
Gross Profit
(Rs in Million)
(2018: 23,284)

8,564
Operating Cash
(Rs in Million)
(2018: 12,810)

18,285
Profit before Tax
(Rs in Million)
(2018: 15,280)

2,440.55
Market Price per Share
(Rs)
(2018: 3,000)

** Year end*

2) Non-Financial Indicators

a) Market Share of the illicit trade

This indicator gives visibility of the business lost to duty not paid sector due to weak enforcement. Illicit sector currently accounts for 36.9% of the total market share.

b) Trade Coverage

The Company's trade coverage covers a total of 238,000 retail outlets.

c) Legitimate market share across segments

i) Premium Segment share

78% market share in the premium segment held by John Player Gold Leaf (JPGL).

ii) Aspirational Premium Segment

In the Aspirational Premium segment, post successful pilot launch of John Player, a brand which built on the legacy of the House of John Player, the brand was piloted in four test markets, followed by an expansion into the 13 biggest cities of Pakistan. Aided by a focused consumer activation campaign, exciting touchpoints and retailer engagement, the launch was a success and quickly turned into the most promising brand launch in recent PTC history.

iii) Value for Money (VFM) Segment

PTC's position in the VFM segment was strengthened through the strong performance of Pall Mall. The brand captured the largest market share of 32.3% in 2019, up 5% from 2018. Further, the VFM segment witnessed Gold Flake's migration to Rothmans of London; a transition that has seen the brand enhance its equity and mix. To remain competitive in the VFM segment, Pall Mall and Rothmans were launched at a price parity to duty-paid competition offers in selected high-risk markets to safeguard volumes and ensure value sustainability for the organization. The brands have received positive consumer traction in the pilot markets, with expansions into more markets planned in 2020

d) OEE – Overall Equipment Efficiency

In 2019, our factories achieved 79.2% Overall Equipment Efficiency (OEE) with Akora-Khattak Factory joining the 80%+ OEE ranks. All of this was delivered with the lowest Manufacturing Cost in the entire Asia Pacific & Middle East Region.

e) Lost Workday Cases

EH&S is 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 primary agenda for the Company and is continuously monitored.

ii) Employee Engagement

The high level of engagement we maintain with our teams enabled us to effectively convey our message of confidence during the year. In recent years, our engagement mechanisms have aimed to nurture an open culture, facilitating communication across all levels of the Organization. Employees are given the opportunity to directly engage with the Company's 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- an employee opinion survey.

In 2019, PTC was certified as a Top Employer for the second year running, which is a testament of PTC'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. We have aligned ourselves with the BAT's diversity ambitions and continue to widen diverse representation through ensuring balanced access at entry level, providing opportunities for flexible working, increasing maternity benefits and facilitating platforms for engagement. Moreover, for its drive and consistent focus on Diversity and Inclusion, the Company was also awarded the "Global Diversity & Inclusion, Progressive Award 2019".

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 2019.

i) Afforestation

Under its flagship afforestation program, the Company planted and distributed more than 3.9 million saplings free of cost in 2019. A new nursery was also completed in Jhelum, and this is in addition to the already established four nurseries in Islamabad, Faisalabad and Swabi. This year through our technical partnership and collaboration with National Rural Support Programme, we are proud to announce that PTC developed 21 afforestation blocks in the province of Punjab.

ii) Water Filtration

PTC currently has 5 water filtration plants in Lahore and Jhelum with a filtration capacity of one million liters per day, which benefit many people annually.

iii) Mobile Doctors Units (MDU)

Under the MDU program, the Company dispensed medical advice and medicines to more than 76,000 patients in 2019 free of cost.

iv) Lift Irrigation

More than 450 farmers are benefiting from PTC lift irrigation system that provides water to more than 1000 hectares of agricultural land of Buner district. Pakistan Tobacco Company Limited through its MoU with the Agriculture department of KPK Installed generators in 2016. In the last three years PTC's efforts have helped farmers increase the yield from their land and taken burden off the depleted national grid.

h) Natural Capital

i) Leaf Consumption

In 2019, PTC purchased 32.4 million kgs of tobacco leaf from local farmers, thereby supporting the livelihood of farmers growing tobacco in the areas of KPK and Punjab.

ii) Environmental Sustainability Initiatives

Significant awareness and infrastructural improvements have been made in relation to Environment, Health & Safety (EH&S) processes and procedures at the manufacturing plants. Keeping in view the energy crisis, multiple initiatives were undertaken in 2019 like installation of 125KW solar power plant across both factories and setting up the first ever solar powered leaf buying and storage depot.

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. These indicators are integral to the assessment of value generated for all our stakeholders. These indicators serve as a basis for the assessment of the performance of our Company's operations and value generation for all stakeholders, and they continue to be relevant for the foreseeable 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 improvement, create an analytical basis for decision making and help focus attention on what matters the most. The use of KPIs involves setting the targets (the desired level of performance) and tracking progress against them.

QUARTERLY ANALYSIS 2019

Rs. in million	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Annual
Statement of Profit or Loss					
Gross Turnover	35,987,837	44,282,346	28,353,694	40,400,771	149,024,648
Excise Duties	18,124,962	22,039,460	14,561,649	20,015,418	74,741,489
Sales Tax	5,428,197	6,679,998	4,207,849	5,992,219	22,308,263
Net Turnover	12,434,678	15,562,888	9,584,196	14,393,134	51,974,896
Cost of Sales	6,702,280	6,756,134	4,650,031	7,656,368	25,764,813
Gross Profit	5,732,398	8,806,754	4,934,165	6,736,766	26,210,083
Selling and distribution Costs	1,048,506	1,083,032	756,263	1,778,321	4,666,122
Administrative Expenses	698,060	975,096	440,949	666,140	2,780,245
Other Operating Expenses	336,461	882,140	314,145	339,253	1,871,999
Other Income	30,147	68,698	582,133	102,204	783,182
	2,052,880	2,871,570	929,224	2,681,510	8,535,184
Operating Profit	3,679,518	5,935,184	4,004,941	4,055,256	17,674,899
Finance Income	210,281	406,739	144,758	50,793	812,571
Finance Cost	22,387	56,000	44,840	79,326	202,553
Finance Income - Net	187,894	350,739	99,918	(28,533)	610,018
Profit before Income Tax	3,867,412	6,285,923	4,104,859	4,026,723	18,284,917
Income Tax Expense	1,075,181	2,024,851	1,173,035	1,122,621	5,395,688
Profit for the Year	2,792,231	4,261,072	2,931,824	2,904,102	12,889,229

Quarter 01

Sales Billion Sticks **10.7** Billion
Net Turnover **12.4** Billion
Net Profit **2.8** Billion

Quarter 02

Sales Billion Sticks **13.4** Billion
Net Turnover **15.6** Billion
Net Profit **4.3** Billion

Quarter 03

Sales Billion Sticks **6.0** Billion
Net Turnover **9.6** Billion
Net Profit **2.9** Billion

Quarter 04

Sales Billion Sticks **9.1** Billion
Net Turnover **14.4** Billion
Net Profit **2.9** Billion

	Sales , Net Turover and Income	Operating Costs (Cost of Sales and all Operating Costs)	Profit
Quarter 1	Q1'19 accounted for approximately 24% of total sales of the Company for FY'19. Sales volume in Q1'19 decreased by 5% compared to Q1'18 primarily because of Excise led price increase in Sep 2018. This resulted in decrease of 7% in Net Turnover as well. Interest income from short term investments increased by 35% compared to Q1 2018 because of higher interest rates on offer and efficient working capital management.	Cost of sales increased by 6% compared to Q1'18 despite decrease in sales volume. This was primarily due to currency devaluation and general inflation in prices of raw materials. Selling, distribution and administrative costs increased by 15% on account of aggressive trade marketing efforts as well as higher employment costs attributed to salary increase.	Net profit for Q1'19 was 24% lower than that of Q1'18. This was primarily driven by Lower Net Turnover, higher cost of sales and higher operating expenses.
Quarter 2	Q2'19 accounted for 30% of total sales of the Company for FY'19. Sales volume in Q2'19 improved by 25% compared to Q1'19 in anticipation of potential price increase post FY2019-20 budget. Net Turnover also increased by 25% against Q1'19. Income from short term investments increased by 93% vs Q1'19 driven by higher funds availability because of higher turnover and effective investment strategy. Compared to Q2'2018, Sales volume and Net Turnover were higher by 18% and 21%, respectively.	While there was an increase in Sales volume, Cost of sales increased by 1% compared to both Q1'19 and Q1'18. Selling and distribution costs increased by 3% as compared to Q1 19. Operating cost was higher by 53% compared to Q2'18 mainly on account of Rupee devaluation and general inflation.	Profit increased by 53% compared to Q1'19. This is primarily because of higher sales volume compared to Q1'19. Compared to Q2'18 profit was higher by 58%.
Quarter 3	Q3'19 accounted for 19% of total sales of the Company for FY'19. Sales volume was lower by 49% vs Q3'18. Resultantly, Net Turnover also declined by 32% compared to average of Q1 and Q2. This was on account of higher distributor on hand stocks. Investment in marketing activities, dividend payments and payments to farmers on account of leaf purchases resulted in lower liquidity and as a result decline in income from short term investments by 53% compared to average of Q1'19 & Q2'19.	Decrease in sales resulted in decrease in cost of sales of 31% compared to average of Q1'19 & Q2'19. Compared to Q3 18 cost of sales decreased by 30%. With the rise in costs for Q1 and Q2 2019, 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 63% in Q3'19 compared to average of Q1'19 & Q2'19. This was 49% lower compared to Q3'18	Profit declined by 17% in Q3'19 compared to average of Q1'19 and Q2'19 due to significant drop in sales volume which was partially offset by effective cost management. Profit declined by 1% vs that in Q3, 18.
Quarter 4	Q4'19 accounted for 27% of total sales of the Company for FY'19. Sales volume picked up pace in the last quarter of the year rising by 52% compared to Q3'19. Sales volume however were lower by by 24% compared to Q4'18. Net turnover increased by 15% and 4% compared to average of 3 quarters of 2019 and Q4'18, respectively.Immense efforts were put into marketing activities and immediate investments in production capacities to ensure year ending was smooth.	Cost of sales increased by 27% compared to average of 3 quarters of 2019 driven mainly by Rupee Devaluation and higher manufacturing costs. Cost of sales decreased by 25% compared to Q4'18 on account of reduction in sales volume (24% compared to Q4'18). Q4 2019 also saw increase in investments in marketing activities for brand campaigns resulting in increase of 36% in operating costs compared to average of 3 quarters of 2019. Compared to Q4'18, there was a decrease of 12% in operating costs.	The profit for Q4'19 decreased by 13% compared to average of 3 quarters of 2019 mainly because of higher costs. Profits however increased by 12% compared to average quarterly profit for 2018

Analysis of Variation in Interim Results with Final Accounts

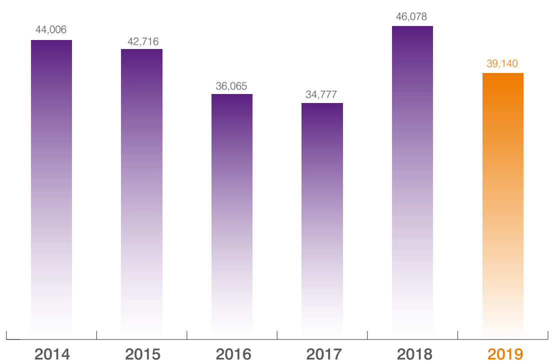
The Company's sales volumes showed an upward trend in the first 6 months of the year on account of expected excise led price increases. The excise increases introduced in Budget 18/19 led to a decline in sales volumes in the last six months compared to the first half of the year, a decrease of 37% compared to first half of 2019. This also resulted in the illicit sector gaining market share and rising to 36.9% of the total market share as price-sensitive consumer shifted to lower priced duty-not-paid brands.

The Company's input costs saw quarter wise increase, with the exception of third quarter, which was mainly attributable to inflation, increase in import & regulatory duties and rapid Rupee devaluation. These factors led to Cost of Sales increase by 14% 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 an 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.

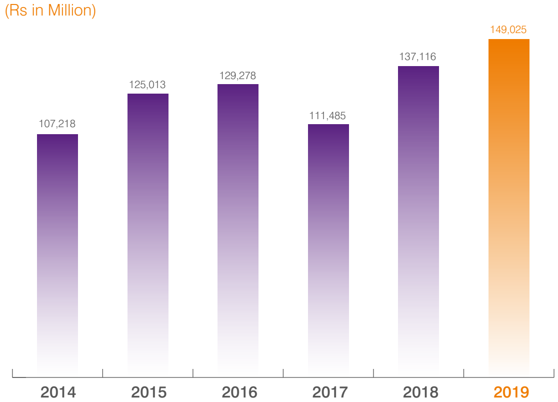
The Company's cash flow position deteriorated compared to the prior period due to a 15% decline in sales volumes. However, as a result of effective liquidity management, the Company managed to generate healthy cash flows for the year ended 2019.

GRAPHICAL PRESENTATION
of Statement of Profit or Loss & Statement of Financial Position

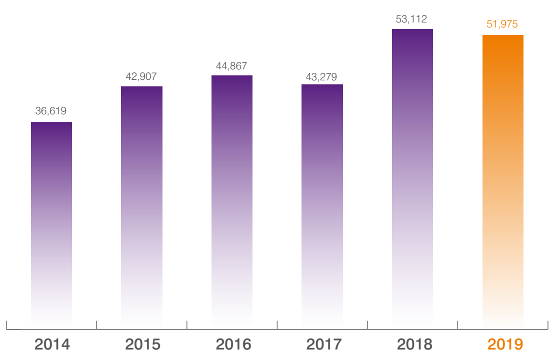
Volume
(Million Sticks)



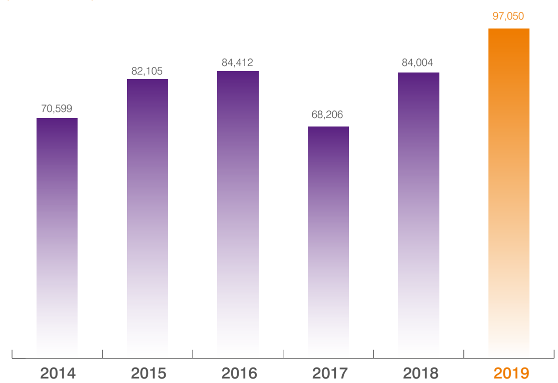
Gross Turnover
(Rs in Million)



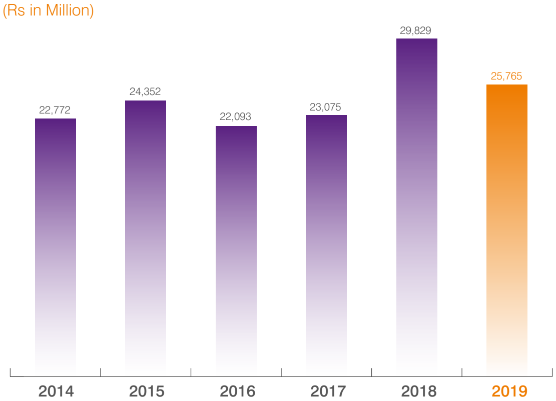
Net Turnover
(Rs in Million)



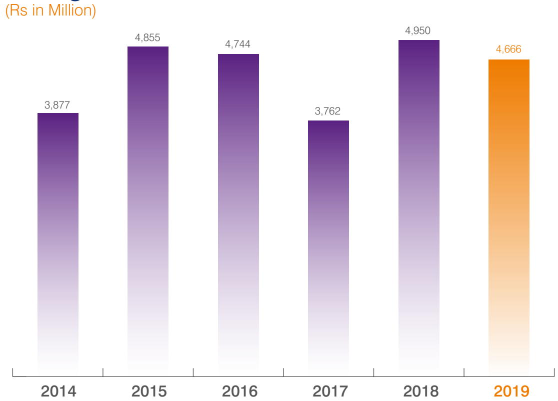
Excise & Sales Tax
(Rs in Million)



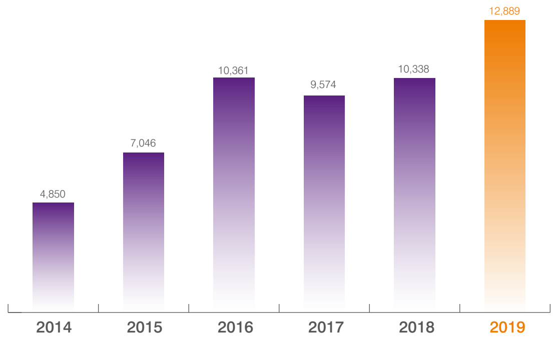
Cost of Sales
(Rs in Million)



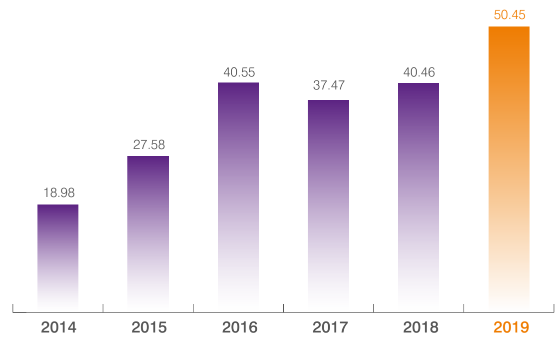
Selling & Distribution Costs
(Rs in Million)



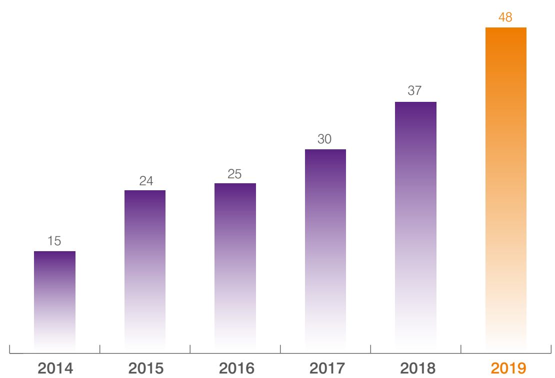
Profit after Tax
(Rs in Million)



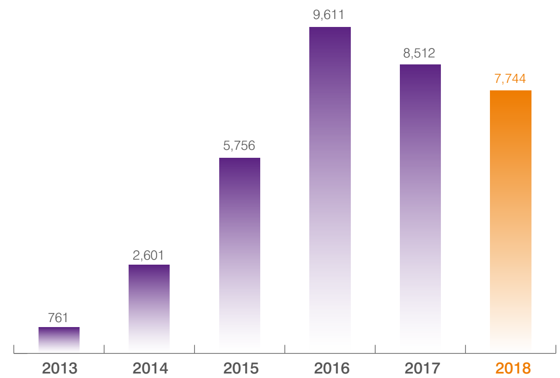
Earnings per Share
(Rs/share)



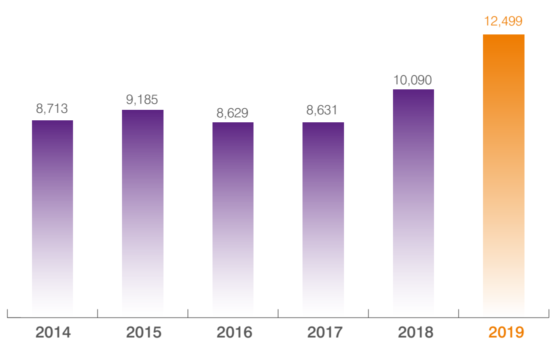
Dividend per Share
(Rs/share)



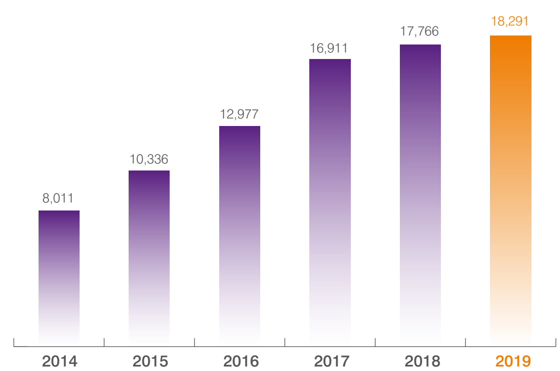
Working Capital
(Rs in Million)



Property, Plant & Equipment
(Rs in Million)



Share Capital and Reserves
(Rs in Million)



HORIZONTAL & VERTICAL ANALYSIS

Source Data

Rs. in million	2019	2018	2017	2016	2015	2014
Statement of Profit or Loss						
Gross Turnover*	149,025	137,116	111,485	129,278	125,013	107,218
Excise Duties	(74,741)	(63,118)	(51,247)	(64,976)	(63,290)	(54,447)
Sales Tax	(22,308)	(20,886)	(16,959)	(19,436)	(18,815)	(16,151)
Net Turnover	51,975	53,112	43,279	44,867	42,907	36,619
Cost of Sales	(25,765)	(29,829)	(23,075)	(22,093)	(24,352)	(22,772)
Gross Profit	26,210	23,284	20,204	22,774	18,555	13,847
Selling and Distribution Costs	(4,666)	(4,950)	(3,762)	(4,744)	(4,855)	(3,877)
Administrative Expenses	(2,780)	(2,558)	(2,664)	(2,185)	(2,435)	(2,399)
Other Operating Expenses	(1,872)	(1,382)	(1,186)	(1,198)	(1,068)	(651)
Other Income	783	178	242	353	137	166
Operating Profit	17,675	14,571	12,834	15,000	10,335	7,087
Finance Income	813	743	234	428	316	200
Finance Cost	(203)	(34)	(56)	(46)	(72)	(99)
Profit before Income Tax	18,285	15,280	13,011	15,382	10,579	7,188
Income Tax Expense	(5,396)	(4,942)	(3,438)	(5,021)	(3,533)	(2,338)
Profit for the Year	12,889	10,338	9,574	10,361	7,046	4,850
Earnings per Share - Basic and Diluted (Rupees)	50.45	40.46	37.47	40.55	27.58	18.98

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

Rs. in million	2019	2018	2017	2016	2015	2014
Statement of Financial Position						
Non Current Assets						
Property, Plant and Equipment/ Advances for Capital Expenditure	12,499	10,090	8,631	8,629	9,185	8,713
Investment in Subsidiary Company	5	5	5	5	5	5
Long Term Loans	-	-	-	-	-	0
Long Term Deposits and Prepayments	31	32	32	34	29	32
	12,534	10,127	8,668	8,668	9,219	8,751
Current Assets						
Stock-in-Trade	21,423	18,489	14,461	13,619	14,008	11,895
Stores and Spares	664	634	594	570	676	472
Trade Debts	4	2	3	2	1	3
Loans and Advances	126	96	73	179	182	67
Short Term Prepayments	15	250	213	184	170	183
Other Receivables	2,132	1,862	969	1,049	447	425
Cash and Bank Balances/Short Term Investments	3,537	8,993	7,154	1,127	53	150
	27,901	30,326	23,466	16,729	15,536	13,195
Total Assets	40,436	40,453	32,134	25,397	24,755	21,946
Current Liabilities						
Trade and Other Payables	19,306	21,202	13,024	9,095	10,417	11,266
Accrued Interest / Mark-Up	26	5	3	3	12	24
Short Term Running Finance	-	76	-	95	1,220	563
Lease Liability	376	148	165	164	154	119
Current Income Tax Liabilities	449	382	662	1,615	1,132	461
	20,157	21,813	13,854	10,973	12,934	12,434
Non Current Liabilities						
Deferred Income Tax Liabilities	646	589	1,108	1,132	1,039	1,100
Lease Liability	1,342	285	260	315	415	400
	1,988	874	1,368	1,447	1,454	1,501
Share Capital & Reserves						
Share Capital	2,555	2,555	2,555	2,555	2,555	2,555
Revenue Reserves	15,736	15,211	14,356	10,422	7,811	5,456
	18,291	17,766	16,911	12,977	10,366	8,011
	40,436	40,453	32,134	25,397	24,755	21,946

Horizontal Analysis[1]						Vertical Analysis[2]					
19 Vs 18	18 Vs 17	17 Vs 16	16 Vs 15	15 Vs 14	14 Vs 13	2019	2018	2017	2016	2015	2014
8.7%	23.0%	(13.8%)	3.4%	16.6%	19.2%						
18.4%	23.2%	(21.1%)	2.7%	16.2%	18.1%						
6.8%	23.2%	(12.7%)	3.3%	16.5%	22.4%						
(2.1%)	22.7%	(3.5%)	4.6%	17.2%	19.6%	100%	100%	100%	100%	100%	100%
(13.6%)	29.3%	4.4%	(9.3%)	6.9%	13.8%	49.6%	56.2%	53.3%	49.2%	56.8%	62.2%
12.6%	15.2%	(11.3%)	22.7%	34.0%	30.5%	50.4%	43.8%	46.7%	50.8%	43.2%	37.8%
(5.7%)	31.6%	(20.7%)	(2.3%)	25.2%	-3.6%	9.0%	9.3%	8.7%	10.6%	11.3%	10.6%
8.7%	(4.0%)	21.9%	(10.2%)	1.5%	39.8%	5.3%	4.8%	6.2%	4.9%	5.7%	6.6%
35.5%	16.5%	(1.0%)	12.2%	64.1%	63.5%	3.6%	2.6%	2.7%	2.7%	2.5%	1.8%
340.6%	(26.6%)	(31.4%)	157.4%	(17.6%)	28.9%	1.5%	0.3%	0.6%	0.8%	0.3%	0.5%
21.3%	13.5%	(14.4%)	45.1%	45.8%	54.0%	34.0%	27.4%	29.7%	33.4%	24.1%	19.4%
9.4%	217.2%	(45.3%)	35.5%	58.1%	46.4%	1.6%	1.4%	0.5%	1.0%	0.7%	0.5%
498.8%	(40.0%)	22.9%	(36.2%)	(27.5%)	37.5%	0.4%	0.1%	0.1%	0.1%	0.2%	0.3%
19.7%	17.4%	(15.4%)	45.4%	47.2%	54.0%	35.2%	28.8%	30.1%	34.3%	24.7%	19.6%
9.2%	43.8%	(31.5%)	42.1%	51.1%	51.5%	10.4%	9.3%	7.9%	11.2%	8.2%	6.4%
24.7%	8.0%	(7.6%)	47.0%	45.3%	55.2%	24.8%	19.5%	22.1%	23.1%	16.4%	13.2%

23.9%	16.9%	0.0%	(6.0%)	5.4%	23.0%	30.9%	24.9%	26.9%	34.0%	37.1%	39.7%
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%	0.0%	(100.0%)	(74.7%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
(4.2%)	(0.6%)	(3.7%)	15.5%	(10.4%)	51.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
23.8%	16.8%	0.0%	(6.0%)	5.3%	23.1%	31.0%	25.0%	27.0%	34.1%	37.2%	39.9%
15.9%	27.9%	6.2%	(2.8%)	17.8%	29.8%	53.0%	45.7%	45.0%	53.6%	56.6%	54.2%
4.7%	6.8%	4.2%	(15.6%)	43.1%	(3.3%)	1.6%	1.6%	1.8%	2.2%	2.7%	2.2%
174.3%	(41.1%)	43.3%	103.0%	(71.9%)	322.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
31.3%	32.1%	(59.3%)	(1.7%)	172.3%	(25.5%)	0.3%	0.2%	0.2%	0.7%	0.7%	0.3%
(93.9%)	17.5%	15.7%	8.0%	(7.0%)	132.2%	0.0%	0.6%	0.7%	0.7%	0.7%	0.8%
14.5%	92.2%	(7.6%)	134.9%	5.0%	(2.2%)	5.3%	4.6%	3.0%	4.1%	1.8%	1.9%
(60.7%)	25.7%	534.7%	2023.3%	(64.5%)	148.8%	8.7%	22.2%	22.3%	4.4%	0.2%	0.7%
(8.0%)	29.2%	40.3%	7.7%	17.7%	27.9%	69.0%	75.0%	73.0%	65.9%	62.8%	60.1%
0.0%	25.9%	26.5%	2.6%	12.8%	25.9%	100%	100%	100%	100%	100%	100%
(8.9%)	62.8%	43.2%	(12.7%)	(7.5%)	45.8%	47.7%	52.4%	40.5%	35.8%	42.1%	51.3%
382.7%	56.2%	(0.7%)	(70.9%	(51.1%)	(10.7%)	0.1%	0.0%	0.0%	0.0%	0.0%	0.1%
0.0%	0.0%	(100.0%)	(92.2%)	116.7%	(76.9%)	0.0%	0.2%	0.0%	0.4%	4.9%	2.6%
153.6%	(10.3%)	0.5%	6.5%	29.3%	29.0%	0.9%	0.4%	0.5%	0.6%	0.6%	0.0%
17.5%	(42.3%)	(59.0%)	42.7%	145.6%	7.2%	1.1%	0.9%	2.1%	6.4%	4.6%	2.1%
(7.6%)	57.4%	26.3%	(15.2%)	4.0%	16.1%	49.8%	53.9%	43.1%	43.2%	52.3%	56.7%
9.7%	(46.8%)	(2.1%)	9.0%	(5.6%)	8.5%	1.6%	1.5%	3.4%	4.5%	4.2%	5.0%
371.1%	9.5%	(17.4%)	(24.1%)	3.7%	36.6%	3.3%	0.7%	0.8%	1.2%	1.7%	1.8%
127.5%	(36.1%)	(5.5%)	(0.5%)	(3.1%)	14.8%	4.9%	2.2%	4.3%	5.7%	5.9%	6.8%
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	6.3%	6.3%	8.0%	10.1%	10.3%	11.6%
3.5%	6.0%	37.8%	33.4%	43.2%	91.0%	38.9%	37.6%	44.7%	41.0%	31.6%	24.9%
3.0%	5.1%	30.3%	25.2%	29.4%	48.0%	45.2%	43.9%	52.6%	51.1%	41.9%	36.5%

[1] Horizontal analysis shows changes in the amount of corresponding line items by comparing current period with previous period

[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

ANALYSIS OF STATEMENT OF PROFIT OR LOSS & STATEMENT OF FINANCIAL POSITION

Gross Turnover

From 2014 to 2019, gross turnover has followed a healthy growth trend. During 2019, the gross turnover grew by 9% which was attributable to excise led price increase even though sales volume were lower vs 2018. Looking back at historical numbers, the growth trend in gross revenues was disrupted in 2016-2017 due to a steep fall in the Company's volumes as the illicit sector grew rapidly and their market share reached an alarmingly high level of 41.2%. The policy reforms introduced in 2017/18 budget helped in the revival of legitimate industry in 2018 as the illicit sector saw a decline and consumers shifted from non-duty-paid cigarettes to duty-paid-cigarettes.

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.

Duties 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 and 18/19, which helped to put the tax revenues back on the growth trajectory as elaborated above. In 2019, the Company contributed Rs 97 billion in tax revenues in the form of FED and Sales tax, higher by 15% compared to 2018.

Net Turnover

In line with the growth in gross turnover, the net turnover has also followed a similar trend increasing from Rs 36.6 billion in 2014 to Rs 51.9 billion in 2019. During 2019, the net turnover recorded a marginal decline of 2.1% vs 2018 despite the growth in gross turnover. This is attributable to excise rate increases announced in Federal Budget 2019. Excise rates increased by 15% and 32% for products in premium and VFM segments of the portfolio respectively.

Cost of Sales

Cost of sales declined by 14% in comparison to the previous year. This was primarily attributable to the decline in sales volume along with multiple cost control and productivity savings initiatives. The decline in cost of sales was however offset by the increase in input costs. The cost base remained under pressure in 2019 due to rising inflation, local currency devaluation and increase in import and regulatory duties.

Selling & Distribution

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. In 2019, the selling and distribution expenses were Rs 4.66 billion, marginally lower by 6% vs 2018. Reduction in selling expenses is mainly driven by the reduction in sales volume in 2019. However, the Company ensured that significant investments have been made in brand portfolio in 2019 as well to ensure that brand portfolio is differentiated and addresses consumer needs.

Profit After Tax

Over the past six years, the Company has been able to register a healthy growth in its profits apart from the year 2017 when the Company's volume took a significant hit. During 2019, the Company increased its profit after tax by 25% vs 2018. This is attributable to effective cost management, productivity savings and healthy finance income from efficient working capital management.

Earnings per share (EPS)

EPS has registered a cumulative average growth rate (CAGR) of 22%, growing from Rs 18.98 per share in 2014 to Rs 50.45 per share in 2019, in line with the profitability growth trend over the years. EPS for 2019 registered a growth of 25% vs 2018.

Property Plant & Equipment

Over the years, Property, plant & equipment has increased from around Rs 8.7 billion in 2014 to Rs 12.5 billion in 2019. The Company has invested not only to increase production capacity but also to upgrade its machinery footprint, enabling it to support future product innovations. Alongside, operating infrastructure has been upgraded and equipped with the best Environment, Health, & Safety systems and processes to develop a highly safe working environment for the Company's workforce.

Working Capital Management

The Company's cash sales model has meant that working capital requirements are managed efficiently. The growing profitability and supplier management systems has also allowed the Company to improve its working capital position to Rs 7.7 billion in 2019 vs Rs 8.5 billion in 2018. During 2019, the Company also undertook to build up stock levels of imported materials to act as a physical hedge against local currency devaluation which put strain on working capital and cash conversion cycle. The cash conversion cycle increased from 47 days to 153 days.

Non-Current Liabilities

Non-current liabilities (NCL) consist of lease liability 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. The trend continued in 2019 as well with no long-term financing options availed. However, due to the introduction of a new accounting standard, IFRS 16 – Leases, there has been a significant increase in the lease liabilities which has resulted in an increase of 127% in non-current liabilities compared to 2018.

Share Capital & Reserves

Over the years, Share Capital has remained the same at Rs. 2.6 billion. However, reserves have increased from Rs. 5.45 billion in 2014 to Rs. 15.74 billion in 2019 by retaining earnings primarily to support long term business growth initiatives.

SUMMARY OF STATEMENT OF PROFIT OR LOSS, FINANCIAL POSITION & CASH FLOWS

		2019	2018	2017	2016	2015	2014
Statement of Profit or Loss							
Gross Turnover*	Rs. million	**149,025**	137,116	111,485	129,278	125,013	107,218
Excise Duties/Sales Tax	Rs. million	**(97,050)**	(84,004)	(68,206)	(84,412)	(82,105)	(70,599)
Net Turnover	Rs. million	**51,975**	53,112	43,279	44,867	42,907	36,619
Cost of Sales	Rs. million	**(25,765)**	(29,829)	(23,075)	(22,093)	(24,352)	(22,772)
Profit for the Year	Rs. million	**12,889**	10,338	9,574	10,361	7,046	4,850
Earning per Share	Rs./share	**50.45**	40.46	37.47	40.55	27.58	18.98

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

		2019	2018	2017	2016	2015	2014
Statement of Financial Position							
Property Plant & Equipment/Advances for Capital Expenditure	Rs. million	**12,499**	10,090	8,631	8,629	9,185	8,713
Working Capital (Current Assets-Current Liabilities)	Rs. million	**7,744**	8,512	9,611	5,756	2,601	761
Share Capital & Reserves	Rs. million	**18,291**	17,766	16,911	12,977	10,366	8,011
Non- Current Liabilities	Rs. million	**1,988**	874	1,368	1,447	1,454	1,501
Statement of Cash Flows							
Cash flow from Operating Activities	Rs. million	**8,564**	12,810	12,280	10,555	5,179	6,375
Cash flow from Investing Activities	Rs. million	**(835)**	(1,359)	(740)	17	(1,015)	(1,982)
Cash flow from Financing Activities	Rs. million	**(13,110)**	(9,688)	(5,418)	(8,374)	(4,917)	(2,430)
Net Change in Cash and Cash Equivalents	Rs. million	**(5,380)**	1,763	6,122	2,198	(753)	1,963
Beginning Cash and Cash Equivalents	Rs. million	**8,917**	7,154	1,032	(1,166)	(413)	(2,376)
Ending Cash and Cash Equivalents	Rs. million	**3,537**	8,917	7,154	1,032	(1,166)	(413)
Cash and Cash Equivalents Comprise							
Cash and Bank Balances/Short Term Investments	Rs. million	**3,537**	8,993	7,154	1,127	53	150
Short Term Borrowings	Rs. million	**-**	(76)	-	(95)	(1,220)	(563)
	Rs. million	**3,537**	8,917	7,154	1,032	(1,166)	(413)

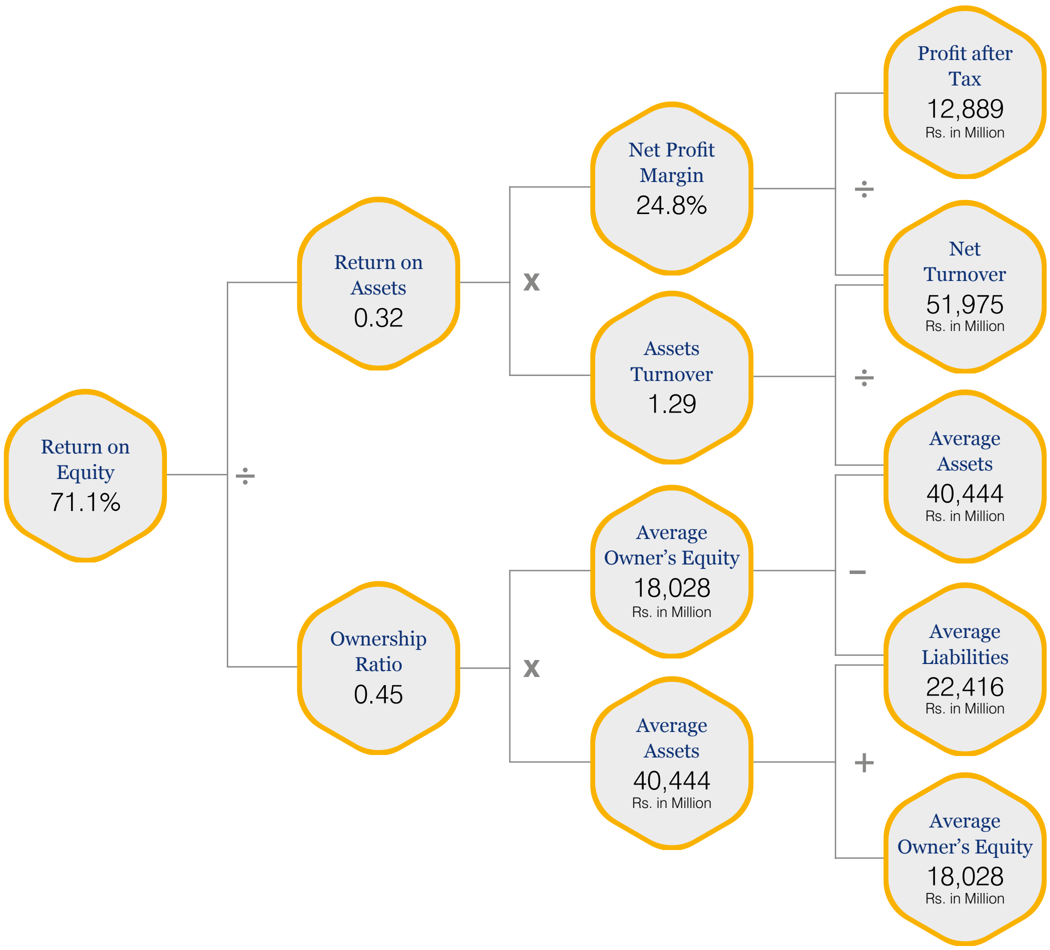
Direct Method Cash Flow

(Rs. in million)	2019	2018
Cash flows from operating activities		
Cash receipts from Customers	**149,037**	137,119
Cash paid to Government & suppliers	**(133,336)**	(111,863)
Cash paid to employees and retirement funds	**(5,462)**	(5,020)
Interest paid	**(182)**	(32)
Other cash payments	**(1,493)**	(7,393)
	8,564	12,810
Cash flows from investing activities		
Purchase of property, plant and equipment/Advance for Capex	**(1,947)**	(2,275)
Proceeds from sale of equipment	**299**	155
Interest received	**813**	762
	(835)	(1,359)
Cash flows from financing activities		
Dividends paid	**(12,400)**	(9,436)
Finance lease payments	**(709)**	(252)
	(13,109)	(9,688)
Increase in cash and cash equivalents	**(5,380)**	1,763
Cash and cash equivalents at beginning of year	**8,917**	7,154
Cash and cash equivalents at end of year	**3,537**	8,917
Cash and cash equivalents comprise:		
Cash and bank balances	**536**	293
Short term investment	**3,001**	8,700
Short term running finance	**-**	(76)
	3,537	8,917

Free Cash Flows

(Rs. in million)	2019	2018
Profit before tax	18,285	15,280
Adjustment non-cash items	1,354	600
Change in working capital	(5,293)	2,954
	14,346	18,833
Capital expenditure	(1,947)	(2,275)
Free cash flows	12,399	16,558

DUPONT ANALYSIS 2019



Dupont Analysis Summary

The Company's net profit registered healthy growth trend of 25% in comparison to previous year.

Asset turnover decreased from 1.46 to 1.29 as net turnover decreased by a higher margin than the decrease in assets in comparison to previous year. The additions in non-current asset during the year are primarily attributable to the recognition of Right-of-Use Assets due to implementation of IFRS 16 - Leases. There was decrease in current assets from Rs 30 billion to Rs 28 billion majorly because lower short term investments compared to 2018.

Ownership ratio reduced from 0.48 to 0.45 because increase in owner's equity was less than proportional increase in average assets.

The overall impact on above ratios have resulted in increase in Return on Equity in comparison to 2018 (58.3%).

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 cashflows 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. 6.3 billion in 2014 to Rs. 8.5 billion in 2019 (CAGR of 6.2%). This was primarily driven by increase in turnover, improved profitability and effective cash management.

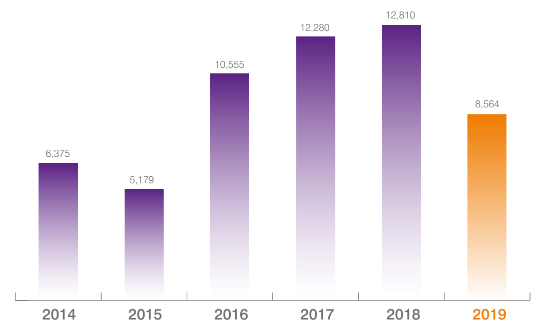
2. Net cash generated from investing activities

Cash utilized on investing activities has decreased from Rs. 1.4 billion in 2018 to Rs. 0.8 billion in 2019 due to reduction in capital expenditure in comparison to previous year (Rs 2.2 bn to Rs 1.9 bn) along with higher inflows from proceeds from disposal of fixed assets and interest income.

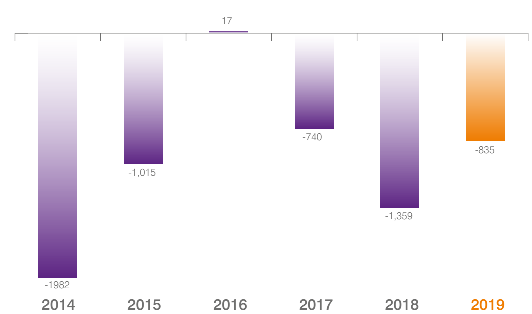
3. Net cash generated from financing activities

Cash outflow on financing activities increased from Rs 9.7 billion in 2018 to Rs 13.1 billion in 2019, as the Company paid out dividends of Rs 48/share totaling Rs 12.4 billion during the year compared to Rs 37/share totaling Rs 9.4 billion in 2018. This is a testament of Company's ability to generate sustainable value for its shareholders.

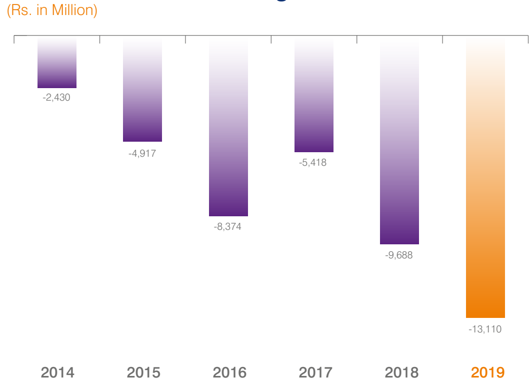
Cash Flow from Operating Activities
(Rs. in Million)



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. 5.5 billion in 2014 to Rs. 15.7 billion in 2019, primarily due to earnings retained in the business to support future growth. Sales growth, higher profitability and improved liquidity position has 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 Company to avail external financing only on short term basis. Company has running finance facilities with multiple banks to drawn down funds in time of need.

Liquidity and Cash Flow Management Strategy To Overcome Liquidity Problems

1. Effective Working Capital Management

The Company has an elaborate and effective working capital management process, which largely centers around its cash sales approach. Additionally, the Company follows an elaborate supplier management process, which enables it to extract the best commercial terms from its suppliers, including favorable 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 and avoid interest expense charged 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 arrangement with multiple banks, however healthy operating cash flows allows the Company to keep the utilization of these facilities to a minimum.

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

PERFORMANCE INDICATORS RATIOS FOR 6 YEARS

		2019	2018	2017	2016	2015	2014
Profitability Ratios							
*Gross Profit ratio	%	50.4	43.8	46.7	50.8	43.2	37.8
*Net Profit to Sales	%	24.8	19.5	22.1	23.1	16.4	13.2
*EBITDA Margin to Sales	%	36.6	29.2	32.2	35.9	26.4	21.6
Operating leverage ratio	Times	2.5	0.6	1.0	13.2	2.8	2.8
Return on Equity	%	71.5	59.6	64.1	88.8	76.7	72.3
Return on Capital employed	%	87.2	78.2	70.2	104.0	87.4	74.5

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

		2019	2018	2017	2016	2015	2014
Liquidity Ratios							
Current ratio	Times	1.4	1.4	1.7	1.5	1.2	1.1
Quick / Acid Test Ratio	Times	0.3	0.5	0.6	0.3	0.1	0.1
**Cash and cash equivalents to Current Liabilities	Times	17.5	41.2	51.6	10.3	0.4	1.2
Cash flow from operations to Sales	Times	5.7	9.3	11.0	8.2	4.1	5.9

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

		2019	2018	2017	2016	2015	2014
Activity / Turnover Ratios							
Inventory turnover ratio	Times	1.2	1.6	1.6	1.6	1.7	1.9
No. of Days in Inventory	Days	303.5	226.2	228.7	225.0	210.0	190.7
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	2.4	2.0	2.4	2.9	3.1	4.2
No. of Days in Payables	Days	150.9	179.6	149.5	124.8	116.6	87.2
Total Assets turnover ratio	Times	3.7	3.4	3.5	5.1	5.1	4.9
Fixed Assets turnover ratio	Times	11.9	13.6	12.9	15.0	13.6	12.3
Operating cycle	Days	153	47	79	100	93	103
Investment /Market Ratios							
Earnings per share After Tax(EPS) and diluted EPS	Rs	50.4	40.5	37.5	40.6	27.6	19.0
Price-Earning Ratio	Times	48.4	71.7	57.3	35.3	40.4	55.8
Dividend Yield ratio	%	2.0	1.3	1.4	1.7	2.2	1.4
Dividend Payout ratio	%	95.1	96.4	80.1	61.6	87.0	79.0
Dividend Cover ratio	Times	1.1	1.0	1.2	1.6	1.1	1.3
Dividend Per Share	Rs	48.0	39.0	30.0	25.0	24.0	15.0
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	2,441	2,900.0	2,147.9	1,433.0	1,114.0	1,059.7
Highest Market value per share during the year	Rs	2,999	3,000.0	2,147.9	1,433.3	1,169.0	1,539.0
Lowest Market value per share during the year	Rs	2,186	1,692.0	1,081.0	950.0	742.9	567.8
Break-up value per share	Rs	71.6	69.5	66.2	50.8	40.6	31.4
Breakup value per share including investment in related party at fair value and also the effect of Surplus on Revaluation of Fixed Assets	Rs	71.6	69.5	66.2	50.8	40.6	31.4
Price to Book Ratio	Times	34.1	41.7	32.5	28.2	27.5	33.8
Capital Structure Ratios							
Financial leverage ratio	Times	2.2	2.1	1.9	2.1	2.5	2.9
***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	91.3	452.7	232.0	336.6	148.2	73.6

*****The Company does not have any long term financing arrangement**

ANALYSIS OF PERFORMANCE INDICATORS

Profitability Ratios

Over the years, the Company's profitability ratios have followed an improving trend. This has been attributable to a growth in gross profit coupled with effective cost management. Gross turnover recorded an increase of 8.7% in 2019 which was primarily driven by the excise led price increases. The excise rates have increased by 15% and 32% for products in premium and VFM segments of the portfolio respectively which has seen the excise/sales tax expenses increase by 15.5% in 2019. Gross profit recorded an increase of 12.6% coupled with a decrease of 5.7% in selling and distribution costs. Overall, the net profit margin increased from 19.5% in 2018 to 24.8% in 2019.

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 2019, a slight deviation in this trend has been witnessed with liquidity ratios deteriorating slightly compared to 2018. The quick ration decreased in 2019 due to lower availability of cash and cash equivalents at year end. However, the current ratio remained consistent because of high inventory position due to stock build being done.

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. As per the business model, the inventory days remain high due to a buildup of tobacco and raw material stock essential to support higher production in the first half of the next year. During 2019 however, the Company also undertook to build up stock levels of imported materials to act as a physical hedge against local currency devaluation which put strain on working capital and cash conversion cycle. The cash conversion cycle increased from 47 days to 153 days.

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 2019, which are certainly very attractive for our shareholders. The impressive P/E ratio of around 48 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 witnessed a decline of 19% from 2018 owing to the numerous macroeconomic factors affecting the economy

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, provided to its employees. The debt to equity ratio is zero while interest cover has seen a significant decline from 453 times in 2018 to 91 times in 2019, owing to the implementation of IFRS 16 – Leases which has resulted in an increase in the finance costs of the Company by 500% compared to 2018.

SIGNIFICANT PLANS AND DECISIONS

The Company's key business decisions in 2019 were geared towards achieving its strategic objective of sustainable growth of its business. 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) Value For Money Segment

The Value for Money (VFM) segment witnessed Gold Flake's migration to Rothmans of London; a transition that has seen the brand enhance its equity and mix. This was a strategic intervention which has helped the brand significantly in building its imageries in one of the most dynamic consumer segments. Despite the heavy inflationary pressure, Capstan by Pall Mall has maintained its position as the biggest and most loved tobacco brand in Pakistan as a result of innovative and engaging "Always On" activations that leveraged various consumer moments.

(b) Aspirational Premium Segment

Post successful pilot launch of John Player, a brand which built on the legacy of the House of John Player, the brand was piloted in four test markets, followed by an expansion into the 13 biggest cities of Pakistan. Aided by a focused consumer activation campaign, exciting touchpoints and retailer engagement, the launch was a success and quickly turned into the most promising brand launch in recent PTC history.

(c) Premium Segment

John Player Gold Leaf (JPGL) reached the milestone of achieving over 140 years of excellence. To honor this legacy of great taste and to reinforce the brand assets of JPGL, a campaign was executed to celebrate the history of John Player in Pakistan. Limited Edition Packs, utilizing modern hot foil technology, were introduced to the market for the first time in history along with a limited time berry flavor product. These initiatives have further propelled the JPGL brand to new heights in Pakistan.

2. Trade Activities

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

At the very front of Sales and Distribution, PTC implemented an advanced sales automation system that has digitized all trade activity in our local markets. Our trade employees now carry tablets running sophisticated systems that record sales transactions. It has enabled the business to see near real time sales activity reporting of more than thirty eight billion sticks across the country. Our sales forecasting capability has improved by over ninety percent and by leveraging data analytics, we can take intelligent decisions of effectively utilizing our sales manpower to locations that may have seen less sales growth than others.

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.

With people at the core of its delivery, the Company has a strong focus on people by attracting and retaining best talent in the country. In 2019, PTC was also awarded the Top Employer Award 2019. Moreover, for its drive and consistent focus on Diversity and Inclusion, the Company was also awarded the "Global Diversity & Inclusion, Progressive Award 2019".

BUSINESS RATIONALE OF PROJECTS UNDERTAKEN DURING THE YEAR

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

1. "Made in Pakistan"

During 2019, the Company, in line with Government's vision, launched its export initiative titled "Made in Pakistan" and earned the position of being the export hub for the BAT Group. This is with a view to export factory manufactured cigarettes & tobacco to GCC and other Middle East countries, and the full potential of this project for Pakistan is estimated to be $50 Mn. A change management program under the Made in Pakistan initiative was launched with change champions driving multiple sessions covering the entire population involved in the Exports process. The program enabled soft skill capability development, inculcated a sense of pride and proved to be a key success driver. In 2019, PTC exported over 190+ Million Cigarettes and around 3 million kgs of tobacco worth $11 Mn.

2. Operational Synergies and Product Innovations Projects

2019 was also a big year for our manufacturing operations as both factories (Jehulm and Akora Khattak) saw the implementation of Global Manufacturing Excellence System (GMES). With GMES installed, PTC manufacturing capabilities have ushered into the Industry 4.0 space. The machines, shop floor and quality systems are now integrated to provide near real time data and analytics on our production performance leading to improved quality, waste management and optimization of our systems.

We take great pride in accelerating our digital transformation. IDT has now embarked on the mission to infuse the digital DNA not just within the organization but also contribute externally. In one such example, PTC is currently driving discussions with the Government of Pakistan to implement a digital track and trace system in an effort to curb sales of counterfeit and illicit tobacco products. This was made possible based on the learnings and experience gained through the implementation of the Digital Track and Trace system for our exports business.

3. EHS and Regulatory Compliance Projects

The Company places great importance on the safety of its workplace to ensure that its operations are safe, environmentally safe and regulatory compliant. As a result, the Company has invested and continues to invest in projects concerning improvement of its EH&S systems, processes and equipment. PTC has also worked extensively in creating awareness about EH&S standards and requirements among both its employees and contractor. 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 organization. Additionally, keeping in view the energy crisis, multiple initiatives were undertaken in 2019 like installation of 125KW solar power plant across both factories and setting up the first ever solar powered leaf buying and storage depot.

Projects planned for next year

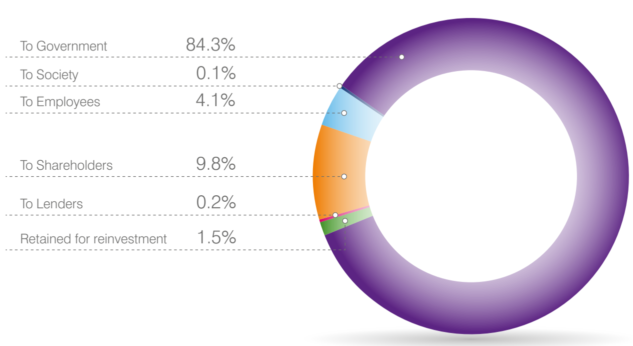
In future, the Company will remain focused on achieving sustainable growth and creating long term value for its shareholders. PTC will continue to invest in our brands to further strengthen our position in the marketplace and to outperform the competition. This will be supplemented by investment in our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

STATEMENT OF VALUE GENERATED AND ITS DISTRIBUTION

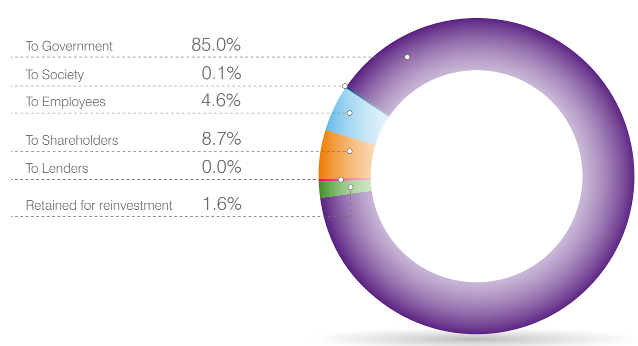
	2019 Rs. in million	%	2018 Rs. in million	%
Value Addition				
Gross Revenues	**149,025**		137,116	
Material, Services and Other Costs	**24,406**		28,549	
Value added	**124,618**		108,566	
Value Distribution	**Rs.**		Rs.	
To Government				
Taxes, duties and other levies	**105,069**	84.3%	92,211	85.0%
To Society				
Contribution towards health, environment & natural disaster	**72**	0.1%	68	0.1%
To Employees				
Salaries, benefits and other costs	**5,119**	4.1%	5,020	4.6%
To Shareholders				
Dividend to shareholders	**12,264**	9.8%	9,453	8.7%
To lenders				
Mark-up/interest expense on borrowed money	**203**	0.2%	34	0.0%
Retained for reinvestment				
Depreciation and retained profit	**1,892**	1.5%	1,780	1.6%
	124,618	100%	108,566	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
2019



Value Distribution
2018



Economic Value Added | 2019 **9,498** Rs. in Million

Economic Value Added | 2018 **7,915** Rs. in Million

SHARE PRICE SENSITIVITY ANALYSIS

The Company' 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 36.9% of the total cigarette market. 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 jeopardizes overall economic conditions but also discourages investors from investing their capital whereas a stable political environment boosts investor confidence and persuades him to invest his 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 primarily 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. Social

Pandemics such as the looming Coronavirus threat also plays a major role in the overall performance of the economy of a nation. Such pandemics have the potential to cause major disruptions to the day to day operations of an economy or to bring it to a halt. As has been witnessed globally, the stock markets are sensitive to such events which in turn impacts investor confidence and causes volatility in the share prices of companies.

6. Raw Material Prices

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

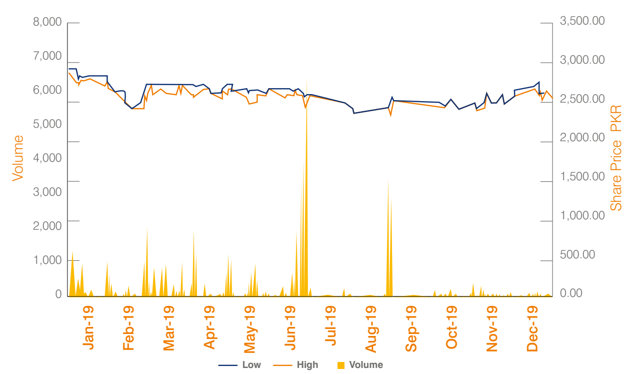
7. Local Currency Devaluation

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 real buying power of the consumers, causing them to spend less on non-essential items.

8. Energy

Increase in electricity and gas tariffs increase 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 oil, as its impact spans across a much broader spectrum. All these factors will ultimately be reflected in share price adjustment.

Share Price Sensitivity



FORWARD LOOKING STATEMENT

In 2019, Pakistan faced multiple challenges on the economic front. GDP growth of 3.3% in FY2018-19 compared to 5.8% in the same period last year (SPLY), led to a broad-based weakening in domestic demand. The growth rate is expected to further decelerate to 2.8% in 2020, as the Government is expected to continue with the tight monetary and fiscal policies.

Looking ahead, 2020 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:

a) 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 36.9%. 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 threats 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

The future will challenge the Company by pressuring its large cost base due to growing inflationary pressures in the economy and thus, the Company will take effective measures to mitigate the adverse impacts on its cost base.

Challenge:

a) Currency Devaluation

It is expected that the local currency will remain weak with minimal value appreciation, if any. 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 Environment, Health & Safety equipment, systems and processes to ensure a safe working environment for all employees.

The Company also aims to scale up the export operations in coming year. Further investments will be made in machinery footprint to support all regulatory and customers requirements to ensure we achieve full potential of our exports business including tobacco, cigarettes and other categories in coming year.

4. Transforming Tobacco

Keeping in mind the rapid product innovation, along with advances in societal attitudes and public health awareness, the Company is geared to make a substantial leap forward in our long held ambition to positively impact the lives of millions of our consumers by providing them with lower-risk tobacco and nicotine products. We call this ambition “Transforming Tobacco” and we are fully committed to leading the transformation of our Company by embarking on the journey of “New Category” products in 2020. This is also aligned with the Group’s vision and mission of venturing into Next Generation and Potentially Reduced Risk Products, of which we are at the forefront in our Region.

5. Support CSI 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 CSI agenda of the Company.

6. 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 organization.

Analysis of Prior Period’s Forward Looking Disclosure

The Company anticipated 2019 to be a challenging year with illicit trade and currency devaluation remaining a major threat for the legitimate industry players. The illicit sector still remains very high, forming around 36.9% of the total market and continues to remain a major threat to the sustainability of the legitimate industry.

In 2019, the Company lost volumes, however, it successfully mitigated the inflationary impacts on its cost base. As a result, the Company was able to deliver a growth of 25% vs 2018 in its profits in line with the 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

2019	
1st Quarter Results issued on	April 22, 2019
2nd Quarter Results issued on	July 23, 2019
3rd Quarter Results issued on	October 17, 2019
Recommendation of Annual Results by the BOD	February 24, 2020
73rd Annual General Meeting scheduled for	April 24, 2020

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

MANAGEMENT RESPONSIBILITY TOWARDS FINANCIAL STATEMENTS

The management of the Company is responsible for adopting sound accounting policies, establishing and maintaining a system of internal controls and 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

The Company's financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of 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 ADHERENCE WITH THE INTEGRATED REPORTING FRAMEWORK

The Company's history of 72 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 & 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 organization, 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 endeavors 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. Organizational 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

Report Methodology

The compilation of data has been done on the basic scientific measurement, key finance concepts and principles and mathematical calculus methods on actual basis. In cases where actual data is unavailable or impractical to source, due to numerous reasons, different logical methodologies are used for calculations. The data measurement techniques are the same as used for the previous year.

There has been no change in the reporting period, scope and boundary of the report. There are no changes that can significantly affect the comparability of data from period to period. Previous years' figures have been regrouped/rearranged wherever found necessary to conform to this year's classification.

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventy Third (73rd) Annual General Meeting ("Meeting") of Pakistan Tobacco Company Limited ("the Company") will be held electronically through video link arrangements on Friday, the 8th day of May 2020 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 2019, together with the Reports of the Directors and Auditors thereon.
2. To approve and to declare Final Dividend for the year ended 31st December 2019 on the Ordinary Shares of the Company as recommended by the Board.
3. To appoint Auditors and to fix their remuneration.

By the Order of the Board

Yusuf Zaman
COMPANY SECRETARY

Islamabad: April 17, 2020

NOTES:

1. Annual Report

On account of the current lockdown, the Company is facing serious challenges for the printing and delivery of physical copies of the annual report to our shareholders. However, the annual report for the year ended 31.12.2019 has been posted for download on our website www.ptc.com.pk. Those shareholders who also wish to obtain an electronic copy of the annual report via email are requested to send their email address/consent at the following email address: PTC_AGM@bat.com on or before 8th May, 2020 and a pdf copy of the Annual Report will be duly shared with them via email.

2. Closure of Share Transfer Books

Share Transfer Books of the Company will be closed from 2nd May 2020 to 8th May 2020 (both days inclusive) when no transfer of the Company's shares will be accepted for registration. 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 30th April 2020, will be treated in time to be entitled to vote and for the entitlement of dividend payment.

3. Participation in the Annual General Meeting

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

4. Attendance of Members

A. In view of the evolving threats due to COVID-19 pandemic and to protect the well-being of our shareholders, the Company has decided to convene this AGM electronically through video link arrangements and there would be no specified location for the AGM.

i) Members can log-in through their smartphones or computer devices to the video link arrangements after completing the meeting attendance formalities that will be provided to the Members after completing identification and verification formalities. The Members are requested to provide their name, CNIC (both sides scanned copies), folio number, cell phone number and email address before 03:00 pm on or before 6th May, 2020 at the following email address: PTC_AGM@bat.com.The details of the video link arrangements of the AGM will be sent only to those Members who provide the aforementioned details by the said date and time.

ii) In addition, if the participating Members also have any comments /suggestions for discussion on the agenda items of the AGM they should email the same at the above-mentioned email address, PTC_AGM@bat.com, by or before 03:00pm on 6th May 2020. Only those comments/suggestions on the agenda items will be discussed at the AGM which have been received on the aforesaid email address by the said date and time.

iii) The Company will ensure that comments / suggestions of the Members, submitted in accordance with clause (ii) above, will be read out at the meeting by the Company Secretary and the responses will be made part of the minutes of the meeting.

B. Attendance Through Proxy:

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

i) Proxy Form. Soft copy has been posted on our website www.ptc.com under the section Investor Relations. The scanned copy of the filled form must be sent at the following email address: zeeshan.akhtar@famco.com.pk, not less than forty-eight (48) hours before the time of the Meeting. Proxy Form(s) received after the said forty-eight (48) hours i.e. after 03:00pm on 6th May 2020 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.

5. 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 mandatory and is also required for checking the tax status as per the Active Taxpayers 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.

6. Dividend, Provision of IBAN, Mandatory

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"), whose title must commence with the principal shareholder's name. 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 dividends directly into their Bank Account, Members holding shares in physical form are requested to submit their International Bank Account Number (IBAN) using the "Electronic Credit Mandate Form", available on Company's website i.e. www.ptc.com.pk. Please, fill and send the completed Form along with a copy of a valid CNIC to the Share Registrar of the

Company at info.shares@famco.com.pk latest by 30th April 2020. Members who hold shares in CDC accounts should provide their mandate to their respective participant or CDC Investor Account Services.

7. Deduction of Income Tax from Dividend Mandatory

A. Please note that withholding tax will be deducted on the basis of latest Active Taxpayers List (ATL) available at FBR website as per following rates:

1. Shareholders appearing in Active Taxpayers List (ATL): 15%
2. Shareholders not appearing in Active Taxpayers List (ATL): 30%

To enable the Company to make tax deduction on the amount of cash dividend @ 15% instead of 30%, shareholders whose names are not appearing in 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 @ 30% 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.

8. Zakat Deduction

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

9. 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) Regulations 2018.

10. Unclaimed Dividend / Shares U/S 244 of the Companies Act, 2017

An updated list for unclaimed dividend / shares of the Company is available on the Company's website www. ptc.com.pk. These are unclaimed dividend / shares which have remained unclaimed or unpaid for a period of three years from the date these have become due and payable.

Claims can be lodged by shareholders on Claim Forms as are available on the Company's website. Claims Forms must be submitted to the Company's Share Registrar for receipt of dividend/ shares.

11. Change of Address

A. Members holding shares in physical form are requested to immediately notify the Company's Share Registrar 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

+ 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

+ 92 21 34380101-5

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, 2019

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: 11
   b) Female: 1

2. The composition of the Board is as follows:

   ### Independent Directors

   Zafar Mahmood (Chairman)
   Lt. Gen. M. Masood Aslam (R)
   Mohammad Riaz
   Asif Jooma

   ### Non-Executive Directors

   Tajamal Shah
   Belinda Joy Ross
   Zafar Aslam Khan
   Syed Javed Iqbal

   ### Executive Directors

   Usman Zahur (Managing Director and CEO)
   William Francis Pegel
   Syed Asad Ali Shah
   Syed Ali Akbar

   ### Female Directors

   Belinda Joy Ross

3. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.

4. The Company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of significant policies along with the dates of approval or updating is maintained by the company.

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 Act and the Regulations.

7. The meetings of the Board 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 Act and the Regulations with respect to frequency, recording and circulating minutes of the meeting of the Board.

8. The Board have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and these Regulations.

9. The following Directors have attended Directors Training Program:

   - Zafar Mahmood - Chairman
   - Lt. Gen. (R) M. Masood Aslam
   - Syed Asad Ali Shah
   - Syed Javed Iqbal
   - Asif Jooma
   - Tajamal Shah

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

a) Audit Committee

Mohammad Riaz	Member & Chairman
Lt. Gen. M. Masood Aslam (R)	Member
Belinda Joy Ross	Member
Tajamal Shah	Member
Asif Jooma	Member

b) HR and Remuneration Committee

Lt. Gen. M. Masood Aslam (R)	Member & Chairman
Usman Zahur	Member
Asif Jooma	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 (quarterly/half yearly/ yearly) of the Committees were as per the following:

a) The Audit Committee: Four (4) quarterly meetings were held during the year ended 31 December, 2019

b) HR and Remuneration Committee: One (1) meeting was held during the year ended 31 December, 2019.

15. The Board has set up an effective internal audit function that is suitably staffed with qualified and experienced personnel, who 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 Institute of Chartered Accountants of Pakistan (ICAP) and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these 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 requirements of Regulations 3, 6, 7, 8, 27,32, 33 and 36 of the regulations have been complied with.

Zafar Mehmood	**Usman Zahur**
Chairman	MD/CEO

Dated: 24 February 2020

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, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Pakistan Tobacco Company Limited for the year ended December 31, 2019 in accordance with the requirements of regulation 36 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.

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, 2019.

KPMG Taseer Hadi & Co

KPMG Taseer Hadi & Co.
Chartered Accountants

Islamabad
20 March 2020

PAKISTAN TOBACCO COMPANY LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

INDEPENDENT AUDITORS' 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 December 31, 2019, statement of profit or loss, and 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, the 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 December 31, 2019 and of the profit, the 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 recognised net revenue from the sales of cigarettes of Rs. 51,975 million for the year ended December 31, 2019. 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'; • 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; and • Assessing 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 2019, stock-in-trade is stated at Rs. 21,423 million. Stock-in-trade is measured at the lower of cost and net realisable value. We identified existence and valuation of stock-in-trade as a key audit matter due to its size, representing 53% of total assets of the Company as at December 31, 2019, 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 realisable values; • Attending inventory counts and reconciling the count results to the inventory listings to test the completeness of data; • Assessing the accuracy of cost of stock in trade in accordance with the accounting policy; • Assessing the net realisable value of stock-in-trade by comparing, on a sample basis, management's estimation of future selling prices for the products and selling prices achieved subsequent to the end of the reporting period; • Comparing the net realisable 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 December 31, 2019, 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.

Auditors' 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 judgment and maintain professional skepticism 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 Atif Zamurrad Malik.

KPMG Taseer Hadi & Co

KPMG Taseer Hadi & Co.
Chartered Accountants

Islamabad
Date: March 20, 2020

STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2019

	Note	2019 Rs '000	2018 Rs '000
Gross turnover	8	149,024,648	137,115,757
Excise duties		(74,741,489)	(63,117,903)
Sales tax		(22,308,263)	(20,885,770)
Net turnover		51,974,896	53,112,084
Cost of sales	9	(25,764,813)	(29,828,556)
Gross profit		26,210,083	23,283,528
Selling and distribution costs	10	(4,666,122)	(4,950,293)
Administrative expenses	11	(2,780,245)	(2,558,072)
Other operating expenses	12	(1,871,999)	(1,381,858)
Other income	13	783,182	177,729
		(8,535,184)	(8,712,494)
Operating profit		17,674,899	14,571,034
Finance income		812,571	742,648
Finance cost	14	(202,553)	(33,828)
Net finance income		610,018	708,820
Profit before income tax		18,284,917	15,279,854
Income tax expense	15	(5,395,688)	(4,941,862)
Profit for the year		12,889,229	10,337,992
Earnings per share (basic and diluted)- (Rupees)	16	50.45	40.46

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

Usman Zahur
Chief Executive Officer

William Pegel
Chief Financial Officer / Director

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2019

	Note	2019 Rs '000	2018 Rs '000
Profit for the year		12,889,229	10,337,992
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
- Remeasurement loss on defined benefit pension and gratuity plans	33	(144,170)	(37,795)
- Tax credit related to remeasurement loss on defined benefit pension and gratuity plans	15.2	43,873	7,499
		(100,297)	(30,296)
Total comprehensive income for the year		12,788,932	10,307,696

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

Usman Zahur
Chief Executive Officer

William Pegel
Chief Financial Officer / Director

STATEMENT OF FINANCIAL POSITION

As at December 31, 2019

	Note	2019 Rs '000	2018 Rs '000
Non current assets			
Property, plant and equipment	17	12,322,830	9,130,827
Advance for capital expenditure		175,783	959,439
Long term investment in subsidiary company	18	5,000	5,000
Long term deposits and prepayments	19	30,759	32,112
		12,534,372	10,127,378
Current assets			
Stock-in-trade	20	21,422,543	18,489,390
Stores and spares	21	663,999	634,029
Trade debts	22	4,260	1,553
Loans and advances	23	125,644	95,503
Short term prepayments		15,921	249,935
Other receivables	24	2,131,912	1,862,141
Short term investments	25	3,001,058	8,699,508
Cash and bank balances	26	535,905	293,165
		27,901,242	30,325,224
Current liabilities			
Trade and other payables	27	16,295,217	18,621,368
Other liabilities	28	2,865,822	2,298,698
Short term running finance	29	–	75,542
Lease liability	30	376,065	148,245
Unpaid dividend	31	66,740	200,188
Unclaimed dividend		78,235	81,268
Accrued interest / mark-up		25,735	5,331
Current income tax liabilities		449,395	382,417
		(20,157,209)	(21,813,057)
Net current assets		7,744,033	8,512,167
Non current liabilities			
Lease liability	30	(1,341,607)	(284,845)
Deferred income tax liabilities	32	(645,943)	(589,076)
		(1,987,550)	(873,921)
Net assets		18,290,855	17,765,624
Share capital and reserves			
Share capital	34	2,554,938	2,554,938
Revenue reserve - Unappropriated profit		15,735,917	15,210,686
		18,290,855	17,765,624
Contingencies and commitments	35		

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

Usman Zahur
Chief Executive Officer

William Pegel
Chief Financial Officer / Director

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2019

	Share capital Rs '000	Revenue Reserve - unappropriated profit Rs '000	Total Rs '000
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
Balance at January 1, 2019	2,554,938	15,210,686	17,765,624
Total comprehensive income for the year:			
Profit for the year	–	12,889,229	12,889,229
Other comprehensive income for the year	–	(100,297)	(100,297)
Total comprehensive income for the year	–	12,788,932	12,788,932
Transactions with owners of the Company:			
Final dividend of Rs 22.00 per share relating to the year ended December 31, 2018	–	(5,620,863)	(5,620,863)
Interim dividend of Rs 13.00 per share relating to the year ended December 31, 2019	–	(3,321,419)	(3,321,419)
Interim dividend of Rs 13.00 per share relating to the year ended December 31, 2019	–	(3,321,419)	(3,321,419)
Total transactions with owners of the Company	–	(12,263,701)	(12,263,701)
Balance at December 31, 2019	2,554,938	15,735,917	18,290,855

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

Usman Zahur
Chief Executive Officer

William Pegel
Chief Financial Officer / Director

STATEMENT OF CASH FLOWS

For the year ended December 31, 2019

	Note	2019 Rs '000	2018 Rs '000
Cash flows from operating activities			
Cash generated from operations	39	14,361,234	18,833,556
Finance cost paid		(182,149)	(31,911)
Income tax paid		(5,271,843)	(5,725,015)
Contribution to retirement benefit funds		(342,950)	(267,012)
Net cash generated from operating activities		8,564,292	12,809,618
Cash flows from investing activities			
Purchases of property, plant and equipment		(2,731,002)	(1,606,818)
Advance for capital expenditure		783,657	(668,321)
Proceeds from sale of property, plant and equipment		299,933	154,543
Interest received		812,571	761,781
Net cash used in investing activities		(834,841)	(1,358,815)
Cash flows from financing activities			
Dividends paid		(12,400,182)	(9,436,117)
Lease payments		(709,437)	(251,525)
Net cash used in financing activities		(13,109,619)	(9,687,642)
Net increase in cash and cash equivalents		(5,380,168)	1,763,161
Cash and cash equivalents at beginning of year		8,917,131	7,153,970
Cash and cash equivalents at end of year		3,536,963	8,917,131
Cash and cash equivalents comprise:			
Cash and bank balances	26	535,905	293,165
Short term investments	25	3,001,058	8,699,508
Short term running finance	29	–	(75,542)
		3,536,963	8,917,131

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

Usman Zahur
Chief Executive Officer

William Pegel
Chief Financial Officer / Director

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2019

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/tobacco.

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 53,381 million cigarettes (2018: 51,330 million cigarettes) actual production was 39,469 million cigarettes (2018: 46,201 million cigarettes). The split from each industrial unit is given below.

	Manufacturing Capacity	
Site	2019 (Units in Millions)	2018 (Units in Millions)
Akora Khattak Factory	27,407	28,490
Jhelum Factory	25,974	22,840
Total	53,381	51,330

	Actual Production	
Site	2019 (Units in Millions)	2018 (Units in Millions)
Akora Khattak Factory	19,521	24,404
Jhelum Factory	19,948	21,797
Total	39,469	46,201

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

Number of employees

Total number of employees as at December 31, 2019 was 1,127 (2018: 1,109). Average number of employees during the year was 1,101 (2018: 1,097).

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 recognised, 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 recognised in the financial statements is included in the following notes:

- Note 8 – Nature and timing of satisfaction of performance obligation and revenue recognition
- Note 17 – useful lives, residual values and depreciation method of property, plant and equipment
- Note 20 and 21 – Provision for obsolescence of stock in trade and stores and spares
- Notes 15 and 32 – Provision for income tax and calculation of deferred tax
- Note 33 – Retirement benefits
- Note 36 – Financial instruments – fair values
- Note 35 – Contingencies
- Note 30 - Leases

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.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then 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 categorised 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 categorised 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 recognises 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 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 January 01, 2020:

- 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 January 01, 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 January 01, 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 Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

- On March 29, 2018, the IASB has issued a revised 'Conceptual Framework for Financial Reporting' which is applicable immediately, contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of January 01, 2020, unless the new guidance contains specific scope outs.

- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after January 01, 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company.

- IFRS 14 Regulatory Deferral Accounts - (effective for annual periods beginning on or after July 01, 2019) provides interim guidance on accounting for regulatory deferral accounts balances while IASB considers more comprehensive guidance on accounting for the effects of rate regulation. In order to apply the interim standard, an entity has to be rate regulated – i.e. the establishment of prices that can be charged to its customers for goods or services is subject to oversight and/or approved by an authorized body. The term 'regulatory deferral account balance' has been chosen as a neutral descriptor for expense (income) or variance account that is included or is expected to be included by the rate regulator in establishing the rate(s) that can be charged to customers and would not otherwise be recognised as an asset or liability under other IFRSs. The standard is not likely to have any effect 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.

IFRIC 23 'Uncertainty over Income Tax Treatments'

The Company has applied IFRIC 23 'Uncertainty over Income Tax Treatments' from January 01, 2019; however the adoption has no impact on the amounts reported in these financial statements.

IFRS -16 'Leases'

The Company has initially applied IFRS - 16 'Leases' from January 01, 2019.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Company applied IFRS 16 using the modified retrospective approach, under which the Company has recognised right of use assets and lease liabilities at the date of initial recognition for leases previously classified as operating leases under IAS 17 at the present value of the remaining lease payments using the Company's incremental borrowing rate at the initial application date. The Company has chosen to measure the right of use assets at an amount equal to the lease liabilities adjusted by the amount of prepaid lease payments relating to the operating leases recognised in the statement of financial position as at January 01, 2019. Accordingly, no adjustment to equity has been made in these financial statements on adoption of the new policy and the comparative figures presented for 2018 have not been restated, i.e., it is presented, as previously reported, under IAS 17 and related interpretations.

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 'Determining Whether an Arrangement contains a Lease'. The Company now assesses whether a contract is, or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset;

- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

The impact of adoption of IFRS 16 on transition is disclosed in note 30 to the financial statements.

The Company used the following practical expedient when applying IFRS 16, to leases previously classified as operating leases under IAS 17.

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.

Amounts recognised in profit or loss for the year under new policy

	(Rs.'000)
Depreciation	331,177
Interest on lease liabilities	124,825

Had IFRS - 16 not been applied, rental cost of Rs. 372.6 million would have been recognised in the statement of profit or loss. Accordingly, profit before tax would have been increased by Rs. 83.4 million for the year ended December 31, 2019.

Policy applicable before January 01, 2019

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 recognised 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 were 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.

Significant accounting policies of the Company are as follows:

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 recognised 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 recognised 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 recognised 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

A 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 recognised when the payment is made. Contract liabilities are recognised 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-recognised. 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 recognised on realised amounts. All other income is recognised on accrual basis.

7.2 Income tax

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

Current

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

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

Deferred income tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised 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 utilised.

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 recognised 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 recognised 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 recognised until their realisation 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 recognised, 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 recognised 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 recognised 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, recognised 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 recognised 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 recognised as employee benefit expense when they are due. Prepaid contributions, if any, are recognised 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 recognises 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 recognised as an expense in the statement of profit or loss.

(d) Bonus plans

The Company recognises 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 recognises 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 recognised at its current fair value determined at each statement of financial position date.

Where applicable, the Company recognises 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 Lease liability

The Company has recognised lease liabilities at the date of initial recognition of IFRS - 16, for leases previously classified as operating leases under IAS 17 at the present value of the remaining lease payments using the Company's incremental borrowing rate of 10%. Lease liabilities are then measured at their amortised cost using the effective interest method.

7.9 Property, plant and equipment

Owned assets

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 recognised 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 derecognised. All other repairs and maintenance expenses are recognised 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 recognised in the statement of profit or loss.

Right of use assets

Right of use asset is calculated as the initial amount of the lease liability in terms of property rentals and vehicle rentals at the lease contract commencement date. The right of use asset is subsequently depreciated using the straight line method for a period of lesser of useful life or actual lease term.

7.10 Impairment of non-financial asset

Asset's 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 recognised 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 recognised. An impairment loss or reversal of impairment loss is recognised 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 realisable 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 realisable 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

Financial assets

i. Recognition and de-recognition

The Company initially recognises financial assets on the date when they are originated. Financial liabilities are initially recognised 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 realise the asset and settle the liability simultaneously.

ii. Classification

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

- amortised 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) Amortised cost

A financial asset is measured at amortised 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 amortised 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 recognised in profit or loss.
Financial assets at amortised cost	Measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised 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 recognised in profit or loss. Other net gains and losses are recognised 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 recognised 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 recognised in OCI and are never reclassified to profit or loss.

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

iv. De-recognition

The Company derecognises 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 derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises 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 recognises loss allowance for Expected Credit Losses (ECLs) on financial assets measured at amortised 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 amortised 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 amortised 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 amortised 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 recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in statement of profit or loss. Any gain or loss on de-recognition is also included in statement of profit or loss.

7.15 Borrowing costs

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

7.16 Dividend distribution

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

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.

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 recognised in the statement of profit or 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 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 maximise 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.

		2019 Rs '000	2018 Rs '000
8	**Gross turnover**		
	- Domestic	147,291,473	137,073,572
	- Export	1,733,175	42,185
		149,024,648	137,115,757

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 recognised during the year that was included in the contract liability balance at the beginning of year is Rs. 2,013 thousand (2018: Rs 150 thousand).

		2019 Rs '000	2018 Rs '000
9	**Cost of sales**		
	Raw material consumed		
	Opening stock of raw materials and work in process	16,944,127	13,137,236
	Raw material purchases and expenses - note 9.1	21,851,976	23,669,134
	Closing stock of raw materials and work in process	(19,573,174)	(16,944,127)
		19,222,929	19,862,243
	Government taxes and levies		
	Customs duty and surcharges	2,353,985	2,318,625
	Provincial and municipal taxes and other duties	334,885	396,327
	Excise duty on royalty	42,771	47,349
		2,731,641	2,762,301
		21,954,570	22,624,544
	Royalty - note 9.2	(1,463,277)	2,364,433
	Severance benefits	857,194	172,446
	Production overheads		
	Salaries, wages and benefits	2,034,476	2,059,960
	Stores, spares and machine repairs	604,221	803,768
	Fuel and power	493,522	394,954
	Insurance	20,712	16,859
	Repairs and maintenance	456,565	653,622
	Postage, telephone and stationery	19,182	17,312
	Information technology	31,150	44,570
	Depreciation	724,448	592,878
	Provision for damaged stocks / stock written off	72,124	17,762
	Provision / (reversal) for slow moving items / stores written off	15,123	(64,091)
	Sundries	256,111	341,638
		4,727,634	4,879,232
	Cost of goods manufactured	26,076,121	30,040,655
	Cost of finished goods		
	Opening stock	1,548,417	1,336,318
	Closing stock	(1,859,725)	(1,548,417)
		(311,308)	(212,099)
	Cost of sales	25,764,813	29,828,556

		2019 Rs '000	2018 Rs '000
9.1	**Raw material purchases and expenses:**		
	Materials	19,157,657	20,966,816
	Salaries, wages and benefits	1,203,466	1,175,786
	Stores, spares and machine repairs	286,700	190,003
	Fuel and power	447,675	326,631
	Property rentals	26,433	121,346
	Insurance	14,100	18,457
	Repairs and maintenance	134,278	162,616
	Postage, telephone and stationery	11,224	14,493
	Depreciation	155,580	87,498
	Sundries	414,863	605,488
		21,851,976	23,669,134

9.2 This represents royalty payable to the associated companies namely BAT (Brands) Limited, Benson & Hedges (Overseas) Limited and BAT (Holdings) Limited having registered office at Globe House, 1 Water Street, London WC2R 3LA, United Kingdom. Royalty expense for the year ended December 31, 2019 is presented net of reversals as disclosed in note 38.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

		2019 Rs '000	2018 Rs '000
10	**Selling and distribution costs**		
	Salaries, wages and benefits	1,036,620	884,521
	Selling expenses	2,955,537	3,498,834
	Freight	231,931	169,787
	Repairs and maintenance	32,781	72,904
	Postage, telephone and stationery	12,828	10,693
	Travelling	175,689	140,241
	Property rentals	31,057	64,050
	Insurance	14,440	11,613
	Provision for damaged stocks / stock written off	5,256	1,200
	Finished goods / wrapping material stock written off	9,945	–
	Depreciation	160,038	96,450
		4,666,122	4,950,293
11	**Administrative expenses**		
	Salaries, wages and benefits	844,868	900,169
	Fuel and power	8,200	8,991
	Property rentals	7,329	185,907
	Insurance	5,382	5,597
	Repairs and maintenance	49,358	27,577
	Postage, telephone and stationery	18,858	11,256
	Legal and professional charges	122,204	118,403
	Donations - note 11.1	13,690	8,400
	Information technology	1,188,792	1,001,846
	Travelling	121,310	79,659
	Depreciation	327,410	148,952
	Auditor's remuneration and expenses - note 11.2	13,463	14,626
	Sundries	59,381	46,689
		2,780,245	2,558,072

11.1 Details of donations exceeding Rs 1,000 thousand are as follows:

Name of Donee	2019	2018
One To Many	10,000	–
Chal Foundation	1,500	–
Prime Ministers' Dam Fund	1,390	–
Gottfried Thoma PTC Employees' Benevolent Trust	–	8,000
	12,890	8,000

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

11.2 Auditor's remuneration and expenses include:

	2019	2018
- Statutory audit fee	2,317	2,450
- 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	10,497	11,623
- Out-of-pocket expenses	649	553
	13,463	14,626

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2019

		2019 Rs '000	2018 Rs '000
12	**Other operating expenses**		
	Workers' Profit Participation Fund - note 27.7	982,004	820,615
	Workers' Welfare Fund - note 27.6	411,271	327,658
	Bank charges and fees	33,562	38,062
	Foreign exchange loss	445,162	195,523
		1,871,999	1,381,858
13	**Other income**		
	Income from sales / services rendered to associated companies:		
	- BAT SAA Services (Private) Limited	127,880	124,153
	- BAT Bangladesh	–	3,928
	Recharges / other payable to associated companies written back:		
	- BAT ASPAC Service Center Sdn Bhd - Malaysia	519,301	15,114
	- Ceylon Tobacco Co. Ltd.- SriLanka	52	–
	- BAT PNG Ltd - Papua New Guinea	51	–
	- BAT Niemeyer Ltd - Netherland	16	–
	- BAT Asia-Pacific Region Ltd - Hong Kong	–	11,478
	Other liabilities written back - net	–	343
	Gain on disposal of property, plant and equipment	134,391	21,259
	Miscellaneous	1,491	1,454
		783,182	177,729
14	**Finance cost**		
	Interest expense on:		
	Bank borrowings	21,565	2,014
	Lease liability	180,988	31,814
		202,553	33,828
15	**Income tax expense**		
	Current:		
	For the year	4,686,603	4,700,006
	For prior years	600,639	745,116
		5,287,242	5,445,122
	Deferred	108,446	(503,260)
		5,395,688	4,941,862

15.1 Effective tax rate reconciliation:

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

	2019 %	2018 %
Applicable tax rate	29.00	29.00
Tax effect of:		
Prior year charge / (reversal)	0.38	2.93
Change in applicable tax rate	0.78	(1.57)
Income taxed at different rate	(0.76)	(0.02)
Super tax / others	0.11	2.00
Average effective tax rate	29.51	32.34

	2019 Rs '000	2018 Rs '000
15.2 Tax on items directly credited to statement of other comprehensive income		
Current tax charge on defined benefit plans	7,705	8,390
Deferred tax (credit) on defined benefit plans	(51,578)	(15,889)
	(43,873)	(7,499)

	2019	2018
16 Earnings per share		
Profit after tax (Rs '000)	12,889,229	10,337,992
Number of fully paid weighted average ordinary shares ('000)	255,494	255,494
Earnings per share - Basic (Rs)	50.45	40.46

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

	2019 Rs '000	2018 Rs '000
17 Property, plant and equipment		
Operating assets - note 17.1	11,590,196	8,170,276
Capital work in progress - note 17.2	732,634	960,551
	12,322,830	9,130,827

17.1 Operating assets

								Right of use assets			
	Free-hold land	Buildings on free-hold land	Buildings on leasehold land	Plant and machinery	Office and household equipment	Furniture and fittings	Vehicles	Land and building	Vehicles	Sub-total	Total
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
At January 1, 2018											
Cost	30,570	978,444	20,004	13,841,474	1,685,267	383,923	162,305	–	1,087,283	1,087,283	18,189,270
Accumulated Depreciation	–	(273,635)	(11,978)	(7,957,696)	(1,052,571)	(219,418)	(122,499)	–	(380,228)	(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	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	707,055	8,171,245
Additions	–	–	–	708,020	71,361	35,337	–	–	259,320	259,320	1,074,038
Disposals	–	(4,211)	(74)	(29,735)	(440)	(40)	(6,459)	–	(92,324)	(92,324)	(133,283)
Depreciation charge	–	(18,882)	(409)	(428,144)	(211,339)	(50,996)	(7,352)	–	(208,656)	(208,656)	(925,778)
Impairment charge	–	–	–	(3,225)	(211)	–	(10,818)	–	(1,692)	(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	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	1,151,619	19,486,905
Accumulated depreciation	–	(288,437)	(12,345)	(8,913,556)	(1,235,654)	(269,726)	(108,995)	–	(487,916)	(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	663,703	8,170,276
At January 1, 2019											
Cost	30,570	970,153	19,888	15,044,250	1,727,721	418,532	124,172	–	1,151,619	1,151,619	19,486,905
Accumulated Depreciation	–	(288,437)	(12,345)	(8,913,556)	(1,235,654)	(269,726)	(108,995)	–	(487,916)	(487,916)	(11,316,629)
Net book amount January 1, 2019	30,570	681,716	7,543	6,130,694	492,067	148,806	15,177	–	663,703	663,703	8,170,276
Year ended December 31, 2019											
Net book amount at January 1, 2019	30,570	681,716	7,543	6,130,694	492,067	148,806	15,177	–	663,703	663,703	8,170,276
Additions	–	936	–	2,455,823	357,497	58,219	16,649	1,559,221	504,593	2,063,814	4,952,938
Disposals	–	(64)	–	(32,463)	(823)	(191)	(3,913)	–	(128,088)	(128,088)	(165,542)
Depreciation charge	–	(18,647)	(405)	(524,284)	(226,383)	(52,137)	(2,435)	(331,177)	(212,008)	(543,185)	(1,367,476)
Impairment charge	–	–	–	–	–	–	–	–	–	–	–
Net book amount at December 31, 2019	30,570	663,941	7,138	8,029,770	622,358	154,697	25,478	1,228,044	828,200	2,056,244	11,590,196
At December 31, 2019											
Cost	30,570	970,868	19,888	17,251,879	1,980,058	474,810	128,432	1,559,221	1,278,200	2,837,421	23,693,926
Accumulated depreciation	–	(306,927)	(12,750)	(9,222,109)	(1,357,700)	(320,113)	(102,954)	(331,177)	(450,000)	(781,177)	(12,103,730)
Net book amount at December 31, 2019	30,570	663,941	7,138	8,029,770	622,358	154,697	25,478	1,228,044	828,200	2,056,244	11,590,196

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

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

		2019 Rs '000	2018 Rs '000
17.2	**Capital work in progress**		
	Carrying value at the beginning of the year	960,551	168,450
	Additions during the year	1,419,007	962,382
		2,379,558	1,130,832
	Transferred to operating fixed assets	(1,646,924)	(170,281)
	Carrying value at the end of the year - note 17.2.1	732,634	960,551

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

		2019 Rs '000	2018 Rs '000
17.3	**Depreciation charge has been allocated as follows:**		
	Cost of sales	724,448	592,878
	Raw material purchases and expenses	155,580	87,498
	Selling and distribution expenses	160,038	96,450
	Administrative expenses	327,410	148,952
		1,367,476	925,778

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 & machinery						
- by negotiation	46,897	25,948	25,948	–	BAT Polska S.A	Associate company
	11,957	1,029	239	(790)	Bahadar Khan	Contractor
Vehicles						
- as per Company's policy	2,322	888	491	(397)	Irfan Mirza	Executive
	2,322	966	582	(384)	Athar Sultan	Ex-Executive
	2,402	1,677	1,328	(349)	Khurram Rajpoot	Executive
	2,997	2,757	2,701	(56)	Hassan Khalid	Executive
	2,047	1,121	940	(181)	Mian Waqar	Ex-Executive
	2,067	1,147	1,170	23	Bushra Rehman	Executive
	2,322	827	464	(363)	Muhammad Gulzar	Executive
	2,322	959	742	(217)	Umair Luqman	Executive
	2,402	1,415	1,248	(167)	Shadman Safdar	Ex-Executive
	2,104	1,497	1,627	130	Madeeh Pasha	Executive
	2,689	2,258	2,171	(87)	Muneeba Haleem	Ex-Executive
	5,161	2,891	2,611	(280)	Sami Zaman	Ex-Executive
	5,283	3,760	3,564	(196)	Sadaf Saeed	Ex-Executive
	2,047	698	408	(290)	Saqib Ali	Executive
	2,404	1,445	1,186	(259)	Saad Ikram	Ex-Executive
	2,414	1,547	1,577	30	Syed Bilal Firdous	Executive
	2,584	1,774	1,779	5	Hamzah Fazal	Ex-Executive
	2,639	2,181	2,198	17	Mustafa Sherdil	Executive
	5,286	3,177	3,033	(144)	Asif Khan	Ex-Executive
	5,283	3,458	3,486	28	Talat Mehmood	Ex-Executive
	6,233	5,069	4,943	(126)	Khurram Javed	Ex-Executive
	6,867	6,318	6,232	(86)	Imran Fazal	Ex-Executive
	6,483	5,272	5,406	134	Athar Baig	Ex-Executive
	12,200	8,252	8,216	(36)	Aly Ud Din Taseer	Ex-Executive
	20,000	11,747	9,330	(2,417)	Syed Javed iqbal	Ex-Executive
	5,161	3,237	2,987	(250)	Waqas Bhatti	Ex-Executive
Vehicles (continued)						
- Auction	2,249	1,730	2,530	800	Through bidding in auction	Auction agent
	3,363	673	2,600	1,927	Through bidding in auction	Auction agent
	3,363	673	2,535	1,862	Through bidding in auction	Auction agent
	3,363	673	2,515	1,842	Through bidding in auction	Auction agent
	3,303	661	2,470	1,809	Through bidding in auction	Auction agent
	3,363	673	2,500	1,827	Through bidding in auction	Auction agent
	2,846	2,504	2,720	216	Through bidding in auction	Auction agent
	2,519	504	1,955	1,451	Through bidding in auction	Auction agent
	2,322	543	1,980	1,437	Through bidding in auction	Auction agent
	3,353	671	2,480	1,809	Through bidding in auction	Auction agent
	3,353	671	2,555	1,884	Through bidding in auction	Auction agent
	3,353	671	2,510	1,839	Through bidding in auction	Auction agent
	3,353	671	2,405	1,734	Through bidding in auction	Auction agent
	3,353	671	2,500	1,829	Through bidding in auction	Auction agent
	3,353	671	2,575	1,904	Through bidding in auction	Auction agent
	3,353	671	2,400	1,729	Through bidding in auction	Auction agent
	3,353	671	2,330	1,659	Through bidding in auction	Auction agent
	3,353	671	2,500	1,829	Through bidding in auction	Auction agent
	3,353	671	2,810	2,139	Through bidding in auction	Auction agent
	3,353	671	2,600	1,929	Through bidding in auction	Auction agent
	3,353	671	2,405	1,734	Through bidding in auction	Auction agent
	3,353	671	2,505	1,834	Through bidding in auction	Auction agent
	3,353	671	2,645	1,974	Through bidding in auction	Auction agent
	3,353	671	2,700	2,029	Through bidding in auction	Auction agent
	3,353	671	2,750	2,079	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
	3,353	671	2,756	2,085	Through bidding in auction	Auction agent
	3,353	671	2,605	1,934	Through bidding in auction	Auction agent
	3,413	683	2,500	1,817	Through bidding in auction	Auction agent
	3,272	654	2,790	2,136	Through bidding in auction	Auction agent
	3,272	654	2,650	1,996	Through bidding in auction	Auction agent
	3,272	654	2,605	1,951	Through bidding in auction	Auction agent
	3,272	654	2,710	2,056	Through bidding in auction	Auction agent
	3,272	654	2,770	2,116	Through bidding in auction	Auction agent
	3,272	654	2,700	2,046	Through bidding in auction	Auction agent
	3,272	654	2,360	1,706	Through bidding in auction	Auction agent
	3,272	654	2,470	1,816	Through bidding in auction	Auction agent
	3,272	654	2,420	1,766	Through bidding in auction	Auction agent
	3,272	654	2,455	1,801	Through bidding in auction	Auction agent
	5,031	1,006	4,355	3,349	Through bidding in auction	Auction agent
	5,131	1,670	5,000	3,330	Through bidding in auction	Auction agent
	3,882	776	2,850	2,074	Through bidding in auction	Auction agent
- by insurance claim	2,107	528	1,458	930	EFU General Insurance Ltd.	Insurance agent
	3,353	671	2,187	1,516	EFU General Insurance Ltd.	Insurance agent

18 Long term investment in subsidiary company

This represents 500,001 (2018: 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 (2018: Rs 10 per share) based on audited financial statements for the year ended December 31, 2019.

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).

	2019 Rs '000	2018 Rs '000
19 Long term deposits and prepayments		
Security deposits	30,759	28,480
Prepayments	–	3,632
	30,759	32,112
20 Stock-in-trade		
Raw materials	18,762,548	16,053,378
Raw materials in transit	719,314	797,363
Work in process	91,312	93,386
Finished goods	1,859,725	1,548,417
	21,432,899	18,492,544
Provision for damaged stocks - note 20.1	(10,356)	(3,154)
	21,422,543	18,489,390
20.1 Movement in provision for damaged stocks is as follows:		
Balance as at January 1	3,154	12,664
Provision for the year	87,325	18,962
Written off during the year	(80,123)	(28,472)
Balance as at December 31	10,356	3,154

		2019 Rs '000	2018 Rs '000
21	**Stores and spares**		
	Stores and spares	744,834	699,741
	Provision for slow moving items - note 21.1	(80,835)	(65,712)
		663,999	634,029
	21.1 Movement in provision for slowing moving items is as follows:		
	Balance as at January 1	65,712	129,803
	Provision / reversal of provision during the year	15,123	(64,091)
	Balance as at December 31	80,835	65,712
22	**Trade debts**		
	These are unsecured, considered good.		
23	**Loans and advances**		
	Related parties:		
	Advances to key management personnel for house rent - note 23.1	2,140	2,079
	Others:		
	Advances to executives for house rent and expenses	34,279	32,692
	Advances to other parties	89,225	60,732
		125,644	95,503
	23.1 Advances were given to the following key management personnel		
	Mr Ahsen Altaf	990	990
	Mr Hassan Khalid	450	–
	Mr Umair Luqman	400	–
	Ms Sana Saad	300	–
	Mr Talat Mehmood	–	99
	Mr Khurram Javaid	–	990
		2,140	2,079

The maximum aggregate amount of advances to key management personnel outstanding at the end of any month during the year was Rs. 2,140 thousand (2018: Rs. 2,079 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.

		2019 Rs '000	2018 Rs '000
24	**Other receivables**		
	Related parties - unsecured:		
	Due from holding company / associated companies - note 24.1	188,638	169,006
	Due from subsidiary company - note 24.1	20,021	20,021
	Staff pension fund - note 33	881,821	787,677
	Management provident fund	–	2,393
	Staff pension fund - defined contribution	–	712
	Workers' profit participation fund - note 27.7	–	159,385
	Others:		
	Claims against suppliers	6,576	6,576
	Cash margin with banks - imports	904,202	676,943
	Others	130,654	39,428
		2,131,912	1,862,141

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

	Upto 1 month Rs '000	1 to 6 months Rs '000	More than 6 months Rs '000	2019 Rs '000	2018 Rs '000
Holding company:					
British American Tobacco p.l.c. - UK	69,884	–	–	69,884	3,569
Associated companies:					
BAT Nigeria Ltd - Nigeria	–	60,132	–	60,132	21,542
BAT (Investments) Ltd - UK	18,469	–	–	18,469	–
Solomon Islands Tobacco Co Ltd - Solomon Islands	16,022	–	–	16,022	–
BASS (GSD) Ltd - UK	–	7,771	–	7,771	–
BAT Marketing (Singapore) Pte Ltd	5,427	–	–	5,427	3,588
PT Bentoel Prima - Indonesia	4,041	–	–	4,041	11,549
BAT Asia Pacific - Hong Kong	3,930	–	–	3,930	416
PT Bentoel International Investama - Indonesia	–	1,431	–	1,431	–
BAT PNG Ltd - Papua New Guinea	581	–	–	581	–
BAT Polska SA - Poland	527	–	–	527	–
Ceylon Tobacco Co. Ltd - SriLanka	–	–	160	160	–
BAT Fiji Ltd - Fiji	145	–	–	145	–
BAT Tutun Mamulleri - Turkey	118	–	–	118	1,458
BAT SAA Services (Private) Limited - Pakistan	–	–	–	–	124,153
BAT Myanmar Ltd - Myanmar	–	–	–	–	1,881
BAT (Singapore) Pte Ltd - Singapore	–	–	–	–	706
BAT Romania Investment - Romania	–	–	–	–	144
	119,144	69,334	160	188,638	169,006
Subsidiary company:					
Phoenix (Pvt) Limited	–	–	20,021	20,021	20,021
Total	119,144	69,334	20,181	208,659	189,027

24.1.2 The maximum aggregate amount of receivable from related parties at the end of any month during the year was Rs 208,659 thousand (2018: Rs 189,027 thousand).

		2019 Rs '000	2018 Rs '000
25	**Short term investments**		
	At fair value through profit or loss (FVTPL):		
	- Market treasury bills	3,001,058	8,699,508

This represents short term investment in treasury bills issued by the Government of Pakistan and carries effective interest rate of 13.14% (2018 : 9.82%) per annum and are held for trading. These treasury bills have less than three months maturity from the date of acquisition and have been disposed off subsequent to the year-end.

		2019 Rs '000	2018 Rs '000
26	**Cash and bank balances**		
	Deposit account - note 26.1	9,075	8,863
	Current accounts:		
	Local currency	379,282	157,122
	Foreign currency	145,874	122,175
		534,231	288,160
	Cash in hand	1,674	5,005
		535,905	293,165

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

		2019 Rs '000	2018 Rs '000
27	**Trade and other payables**		
	Related parties - unsecured:		
	Due to holding company / associated companies - note 27.1	1,397,088	2,108,134
	Others:		
	Creditors	5,206,714	9,069,600
	Federal excise duty - note 27.2	7,255,338	5,288,160
	Sales tax	1,283,563	1,135,412
	Workers' welfare fund - note 27.6	373,162	311,833
	Workers' profit participation fund - note 27.7	12,004	–
	Other accrued liabilities	109,977	283,392
	Employee incentive schemes - note 27.4	99,713	99,675
	Employees' gratuity fund - note 33	337,649	210,278
	Employees' provident fund	5,450	124
	Management provident fund	14,728	–
	Staff pension fund - defined contribution	55,805	–
	Tobacco excise duty / Tobacco development cess - note 27.3	118,134	103,884
	Security deposits - note 27.5	9,075	8,863
	Contract liability	16,817	2,013
		16,295,217	18,621,368

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

	2019 Rs '000	2018 Rs '000
Holding company:		
British American Tobacco p.l.c. - UK	195,226	162,839
Associated companies:		
BASS GSD Ltd. - UK	394,624	196,043
BAT GLP Ltd - UK	240,866	377,355
BAT ASPAC Service Center Sdn Bhd - Malaysia	185,834	562,944
BAT Singapore (Pte) Ltd - Singapore	121,168	493,357
BAT (Investments) Ltd - UK	92,321	–
BAT M.E DMCC - UAE - note 27.1.1	61,833	–
Solomon Island tobacco Co. Ltd - Solomon Islands	31,204	–
BAT Souza Cruz Ltd - Brazil	15,041	7,636
BAT Korea Manufacturing - South Korea	14,647	4,539
BAT Western Europe - UK	12,457	–
BAT Bangladesh Co. Ltd- Bangladesh	10,136	42,278
PT Bentoel Prima - Indonesia	9,520	5,670
BAT Tutun Mamulleri - Turkey	2,204	10,618
BAT GSD (KL) SDN BHD - Malaysia	2,052	–
BAT Australia Ltd-Australia	1,716	–
BAT Nicoventures Trading Ltd-UK	1,473	–
BAT Myanmar Ltd - Myanmar - note 27.1.1	909	40,932
BAT Argentina - Argentina	584	179
BAT Romania Investments Ltd - Romania	347	–
BAT Mexico Ltd - Mexico	143	424
BAT Nigeria Ltd - Nigeria	118	2,475
Ceylon Tobacco Company Plc - Sri Lanka	39	182
BAT Marketing (Singapore) Pte Ltd	–	138,522
R.J Reynolds Tobacco Co - USA	–	43,253
BAT Cambodia Ltd-Cambodia	–	8,588
BAT JSC-Spb - Russia	–	3,697
BAT Prilucky - Ukraine	–	1,187
BAT South Africa (Pty) Ltd - South Africa	–	1,052
BAT Germany GmbH - Germany	–	599
BAT Chile Tobacco - Chile	–	431
BAT Pecsi Dohanygyar Kft-Hungary	–	206
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
BAT Niemeyer-Netherland	–	15
Other		
Tajamal Hussain Shah - Key Management Personnel	2,626	2,557
	1,397,088	2,108,134

27.1.1 Rs 62,741 thousand (2018: 40,932 thousand) relates to unsecured export advance.

		2019 Rs '000	2018 Rs '000
27.2	**Federal excise duty**		
	Balance as at January 1	5,288,160	2,089,200
	Charged during the year	74,741,489	63,117,903
	Payment to the Government during the year	(72,774,311)	(59,918,943)
	Balance as at December 31	7,255,338	5,288,160
27.3	**Tobacco excise duty / tobacco development cess:**		
	Balance as at January 1	103,884	94,509
	Charge for the year	212,829	204,890
	Payment to the Government during the year	(198,579)	(195,515)
	Balance as at December 31	118,134	103,884

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.

	2019 Rs '000	2018 Rs '000
Long Term Incentive Plan (LTIP) - note 27.4.1		
Balance as at January 1	29,580	90,307
Charge for the year	21,166	28,513
Share options exercised	(15,362)	(42,053)
Balance as at December 31	35,384	76,767
Deferred Share Bonus Scheme (DSBS) - note 27.4.2		
Balance as at January 1	70,095	76,135
Charge for the year	42,989	48,069
Share options exercised	(48,755)	(54,109)
Balance as at December 31	64,329	70,095
(Reversal)/Charge other employee benefit	–	(47,187)
	99,713	99,675

27.4.1 Long Term Incentive Plan (LTIP)

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

	2019	2018
	Number of options	
Outstanding as at January 1	12,158	14,592
Granted during the year	7,994	7,201
Exercised during the year	(2,779)	(9,635)
Outstanding as at December 31	17,373	12,158

There are no exercisable options as at 31st December, 2019.

27.4.2 Deferred Share Bonus Scheme (DSBS)

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

	2019	2018
	Number of options	
Outstanding as at January 1	19,399	17,440
Granted during the year	12,184	11,110
Exercised during the year	(9,862)	(9,151)
Outstanding as at December 31	21,721	19,399

There are no exercisable options as at 31st December, 2019.

27.5 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.

	2019	2018
	Rs '000	Rs '000
27.6 Movement in Workers' Welfare Fund is as follows:		
Balance as at January 1	311,833	265,538
Charged during the year	411,271	327,659
Payment to Government during the year	(349,942)	(281,364)
Balance as at December 31	373,162	311,833
27.7 Movement in Workers' Profit Participation Fund is as follows:		
Balance as at January 1	(159,385)	(101,217)
Allocation for the year	982,004	820,615
Payments during the year	(810,615)	(878,783)
Balance as at December 31	12,004	(159,385)

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. 973 million (2018: Rs 505 million) and recorded further obligations of Rs 1,541 million (2018: Rs 577 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 (2018: Rs 6,500 million), out of which the amount unavailed at the year end was Rs 6,500 million (2018: Rs 6,424 million). These facilities are secured by hypothecation of stock in trade and plant and machinery amounting to Rs 7,222 million (2018: Rs 7,222 million). The mark-up ranges between 10.52% and 14.05% (2018: 6.40% and 10.50%) per annum and is payable quarterly. The facilities are renewable on annual basis.

(b) Non-funded finance facilities

The Company also has non-funded financing facilities available with banks, which include facility to avail letter of credit and letter of guarantee. The aggregate facility of Rs 2,500 million (2018: Rs 2,500 million) and Rs 420 million (2018: 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 83 million (2018: Rs 227 million) and Rs 386 million (2018: Rs 324 million). The letter of credit and guarantee facility is secured by second ranking hypothecation charge over stock-in-trade amounting to Rs 670 million (2018: Rs 670 million).

30 Lease liability

This represents lease agreements entered into with a leasing company for vehicles. Total lease rentals due under various lease agreements aggregate to Rs 596,290 thousand - short term Rs 258,036 thousand and long term Rs 338,254 thousand (December 31, 2018: Rs 433,090 thousand - short term Rs 148,245 thousand and long term Rs 284,845 thousand) and are payable in equal monthly instalments latest by December 2024. Taxes, repairs, replacement and insurance costs are to be borne by the Company. Financing rates of 12.35% to 15.36% (December 31, 2018: 7.85% to 13.14%) per annum have been used as discounting factor.

As per IFRS 16 all rental facilities of the Company with lease terms greater than one year have been reclassified from operating leases to leased assets. When measuring the lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using an estimated incremental borrowing rate at January 01, 2019. The estimated incremental borrowing rate applied is 10%. At the date of initial application right of use of asset amounting to Rs. 1,448,717 thousand was recognised in property, plant and equipment (Note 17.1) and lease obligation of Rs. 1,243,268 thousand was recognised after adjustment of prepaid rent amounting to Rs. 205,449 thousand. Financing rates of 10% to 14% (December 31, 2018: Nil) per annum have been used as discounting factor.

Closing balance includes lease obligation of Rs 1,121,382 thousand - short term Rs 118,031 thousand and long term Rs 1,003,351 thousand (December 31, 2018: Rs Nil) on account of change in accounting policy IFRS 16.

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:

	2019 Rs '000	2018 Rs '000
Present value of minimum lease payments	1,717,672	433,090
Current maturity shown under current liabilities	(376,065)	(148,245)
	1,341,607	284,845
Future minimum lease payments		
Not later than one year	552,925	182,441
Later than one year	1,760,855	328,407
	2,313,780	510,848
Interest	(596,108)	(77,758)
Present value of minimum lease payments	1,717,672	433,090
Present value of minimum lease payments		
Not later than one year	376,065	148,245
Later than one year	1,341,607	284,845
	1,717,672	433,090

31 Unpaid dividend

Unpaid dividend includes amount of Rs nil (2018: Rs 166,660 thousand), payable to British American Tobacco (Investments) Limited, parent company.

		2019 Rs '000	2018 Rs '000
32	**Deferred income tax liability**		
	Deferred tax liability is in respect of:		
	Accelerated tax depreciation	1,270,770	898,482
	Leased assets	100,263	63,405
		1,371,033	961,887
	Deferred tax asset is in respect of:		
	Remeasurement loss arising on employees' retirement benefit	(109,389)	(57,810)
	Provision for severance benefits	(592,257)	(296,600)
	Provision for stock and stores	(23,444)	(18,401)
		645,943	589,076
	The gross movement on deferred income tax account is as follows:		
	At January 1	589,076	1,108,225
	(Credit) / charge for the year - statement of profit or loss	108,445	(503,260)
	(Credit) for the year - statement of comprehensive income	(51,578)	(15,889)
	At December 31	645,943	589,076

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.

	2019 Rs '000	2018 Rs '000
Staff pension fund - asset - note 24	(881,821)	(787,677)
Employees' gratuity fund - liability - note 27	337,649	210,278

The latest actuarial valuation of the defined benefit plans was conducted at December 31, 2019 using the projected unit credit method. Details of the defined benefit plans are:

	Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
	2019 Rs '000	2018 Rs '000	2019 Rs '000	2018 Rs '000
(a) The amounts recognised in the statement of financial position:				
Present value of defined benefit obligations	4,978,396	4,628,109	1,650,937	1,474,653
Fair value of plan assets	(5,860,217)	(5,415,786)	(1,313,288)	(1,264,375)
Net (assets) / liability	(881,821)	(787,677)	337,649	210,278

		Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
		2019 Rs '000	2018 Rs '000	2019 Rs '000	2018 Rs '000
(b)	**Movement in the (asset) / liability recognised in the statement of financial position is as follows:**				
	Balance as at January 1	(787,677)	(765,618)	210,278	139,736
	Charge for the year - profit and loss	(37,069)	(4,364)	105,427	85,868
	Employer's contribution during the year	(30,507)	11,238	(148,794)	(82,054)
	Remeasurement (gain)/loss recognised in Other Comprehensive Income (OCI) during the year	(26,568)	(28,933)	170,738	66,728
	Balance as at December 31	(881,821)	(787,677)	337,649	210,278
(c)	**The amounts recognised in the statement of profit and loss:**				
	Current service cost	95,605	97,559	94,064	86,113
	Interest cost	627,565	437,944	201,833	133,716
	Expected return on plan assets	(729,114)	(507,451)	(174,173)	(121,030)
	Net interest	(101,549)	(69,507)	27,660	12,686
	Members' own contribution	(24,456)	(26,211)	–	–
	Secondees' own contribution	(6,669)	(6,205)	–	–
	Contribution by employer in respect of secondees	–	–	(16,297)	(12,931)
		(37,069)	(4,364)	105,427	85,868
(d)	**Re-measurements recognised in Other Comprehensive Income (OCI) during the year:**				
	Actuarial (gain) / loss on obligation	(80,458)	(436,665)	158,282	(25,865)
	Net return on plan assets over interest income	53,890	407,732	12,456	92,593
	Total remeasurements loss / (gain) recognised in OCI	(26,568)	(28,933)	170,738	66,728
(e)	**Movement in the present value of defined benefit obligation:**				
	Present value of defined benefit obligation at January 1	4,628,109	4,759,609	1,474,653	1,416,319
	Current service cost	95,605	97,559	94,064	86,113
	Interest cost	627,565	437,944	201,833	133,716
	Actual benefits paid during the year	(292,425)	(230,338)	(277,894)	(135,630)
	Remeasurements: Actuarial (gain) / loss on obligation	(80,458)	(436,665)	158,282	(25,865)
	Present value of defined benefit obligation at December 31	4,978,396	4,628,109	1,650,938	1,474,653

	Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
	2019 Rs '000	2018 Rs '000	2019 Rs '000	2018 Rs '000
(f) Movement in the fair value of plan assets:				
Fair value of plan assets at January 1	5,415,786	5,525,227	1,264,375	1,276,583
Interest income	729,114	507,451	174,173	121,030
Contribution by employer in respect of members	30,507	(11,238)	148,793	82,054
Members' own contribution	24,456	26,211	–	–
Secondees' own contribution	6,669	6,205	–	–
Contribution by employer in respect of secondees	–	–	16,297	12,931
Actual benefits paid during the year	(292,425)	(230,338)	(277,894)	(135,630)
Return on plan assets, excluding amounts included in interest income	(53,890)	(407,732)	(12,456)	(92,593)
Fair value of plan assets at December 31	5,860,217	5,415,786	1,313,288	1,264,375
Actual return on plan assets	635,638	135,063	148,744	27,768

The Company expects to credit Rs 58 million for pension plan and charge Rs 128 million for gratuity plan for the year ending December 31, 2020.

	Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
	2019 Rs '000	2018 Rs '000	2019 Rs '000	2018 Rs '000
(g) The major categories of plan assets:				
Investment in listed equities	1,060,470	1,134,619	242,441	230,671
Investment in bonds	2,020,367	2,226,922	477,299	483,015
Cash and other assets	2,779,380	2,054,245	593,548	550,689
	5,860,217	5,415,786	1,313,288	1,264,375
(h) Significant actuarial assumptions at the statement of financial position date:				
Discount rate	12.50%	13.75%	12.50%	13.75%
Pension increase rate	6.75%	7.50%	–	–
Expected rate of increase in salary				
First year	11.75%	9.00%	11.25%	9.00%
Second year onwards	11.75%	12.50%	11.25%	12.50%

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

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

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

(i) Sensitivity Analysis on significant actuarial assumptions

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

	Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
	1 percent increase Rs '000	1 percent decrease Rs '000	1 percent increase Rs '000	1 percent decrease Rs '000
Discount rate	(568,751)	701,742	(132,066)	151,406
Salary increase	169,440	(153,453)	155,805	(138,001)
Increase in post retirement pension	534,411	(443,874)	–	–

If life expectancy increases by 1 year, the obligation of the Pension Fund increases by Rs 292,406 thousand (2018: 256,706 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	
	2019	2018	2019	2018
Weighted average duration of the PBO (Years)	11.42	11.43	8.00	8.05

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.

Historical Information

	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
2019	4,978,396	(881,821)	1,650,938	337,649
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

33.1 Salaries, wages and benefits as appearing in note 9, 10 and 11 include amounts in respect of the following:

	2019 Rs '000	2018 Rs '000
Defined Contribution Provident Fund	94,106	91,296
Defined Benefit Pension Fund	(37,069)	(4,364)
Defined Contribution Pension Fund	116,520	95,803
Defined Benefit Gratuity Fund	105,427	85,868
	278,984	268,603

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	1,747,719	1,768,572
	Cost of investments made	1,588,501	1,562,298
	Percentage of investments made	91%	88%
	Fair value of investments made	1,583,001	1,599,719

		2019		2018	
		Rs '000	% age	Rs '000	% age
(b)	Breakup of investments at cost				
	Pakistan Investment Bonds	251,725	14%	352,345	20%
	Investment plus deposit certificates	605,250	35%	509,600	29%
	Investment in savings account with bank	118,981	7%	145,922	8%
	Investment in securities	311,711	18%	297,887	17%
	Accrued interest	300,834	17%	256,544	15%
		1,588,501	91%	1,562,298	88%

34 Share capital

34.1 Authorized share capital

2019	2018		2019	2018
Number of shares			Rs '000	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

2019	2018		2019	2018
Number of shares			Rs '000	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 (2018: 241,045,141) ordinary shares at the year-end and 10,150 (2018:12,274) and 798,282 (2018:798,282) 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.

	2019 Rs '000	2018 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	75,706
(ii) Guarantees issued by banks on behalf of the Company	385,730	323,587

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 license 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 license. 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 S. 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 Dept. (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 2005/06 was awarded to Malik Tilla Muhammad ("the Contractor") by PTB. The Contractor demanded payment of Rs. 8.8 Million from PTC on account of TDC, which claim was rejected by PTC. 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 PTC was to pay Rs. 8,375,071/- to Malik Tilla Muhammad Tilla. The said order was challenged by the Company through an appeal before the District Judge Peshawar and the appeal was finally decided in Company's favor on June 29, 2019. The matter was remanded back to the trial court / civil judge for cross examination of the arbitrator and deciding the matter afresh and the case is still pending.

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. PTC has been making prompt contributions under the Act. PTC 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 04-03-2015, demanding payment of Rs. 3,024,000/- against non-payment of contribution of 200 employees. These employees were in fact employees of five transport concerns with which PTC had contractual arrangements. PTC 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 PTC on 14-02-2017, upholding the demand earlier raised by the EOBI Jhelum. PTC 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 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 Company's approval process from region. 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 favorable outcome in these matters and accordingly, no provision is recognised in the financial statements.

35.2 Commitments

(a) All property rentals before adoption of IFRS 16 were under cancellable operating lease arrangements and were due as follows:

	2019 Rs '000	2018 Rs '000
Not later than one year	–	99,777
Later than one year and not later than five years	–	375,899
Later than five years	–	285,199

(b) Letters of credit outstanding at December 31, 2019 were Rs 83,392 thousand (2018: Rs 227,427 thousand).

36 Financial Instruments - Fair Values And Risk Management

36.1 Accounting classification and fair value

The following table shows 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, 2019			Fair value		
		Fair value through profit or loss	Amortised cost	Total	Level 1	Level 2	Level 3
	Note	Rs '000			Rs '000		
Financial assets measured at fair value							
Short-term investments	25	3,001,058	–	3,001,058	–	3,001,058	–
Financial assets not measured at fair value							
Deposits	19	–	30,759	30,759	–	–	–
Trade debts	22	–	4,260	4,260	–	–	–
Other receivables	24	–	2,131,912	2,131,912	–	–	–
Cash and bank balances	26	–	535,905	535,905	–	–	–
		3,001,058	2,702,836	5,703,894	–	3,001,058	–
Financial liabilities measured at fair value							
Financial liabilities not measured at fair value							
Trade and other payables	27	–	(6,884,278)	(6,884,278)	–	–	–
Lease liability	30	–	(1,717,672)	(1,717,672)	–	–	–
Accrued interest/mark-up		–	(25,735)	(25,735)	–	–	–
		–	(8,627,685)	(8,627,685)	–	–	–

	Note	December 31, 2018			Fair value		
		Fair value through profit or loss	Amortised 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	–	1,862,141	1,862,141	–	–	–
Cash and bank balances	26	–	293,165	293,165	–	–	–
		8,699,508	2,185,339	10,884,847	–	8,699,508	–
Financial liabilities measured at fair value							
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)	–	–	–
Lease liability	30	–	(433,090)	(433,090)	–	–	–
Accrued interest / mark–up		–	(5,331)	(5,331)	–	–	–
		–	(12,365,083)	(12,365,083)	–	–	–

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

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 and arises 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 5,704 million (2018: Rs 10,885 million) do not include any amounts which are past due or impaired. The table below shows bank balances held with counterparties at the balance sheet date.

Counterparty	Rating		Rating agency	2019	2018
	Short term	Long term		Rs '000	Rs '000
Cash at bank:					
MCB Bank Ltd	A-1+	AAA	PACRA	317,091	47,133
Habib Bank Ltd	A-1+	AAA	JCR-VIS	15,647	3,192
Deutsche Bank AG	P-2	Baa3	Moody's	147,132	130,795
MCB Islamic Bank	A-1	A	PACRA	53,006	3,433
National Bank of Pakistan	A-1+	AAA	PACRA	893	101,113
Standard Chartered Bank	A-1+	AAA	PACRA	48	2,181
Citibank N.A.	P-1	Aa3	Moody's	414	313
				534,231	288,160
Short term investments:					
Government of Pakistan		B3+	Moody's	3,001,058	8,699,508
				3,535,289	8,987,668

As at December 31, 2019, maximum exposure to credit risk for financial assets by geographic was as follows:

	Carrying amount	
	2019 Rs '000	2018 Rs '000
Pakistan	5,515,256	10,839,994
United Kingdom	96,124	3,569
Asia & other	92,514	41,284
	5,703,894	10,884,847

As at 31 December 2019, the ageing of financial assets was as follows:

	Carrying amount	
	2019 Rs '000	2018 Rs '000
Not past due	5,616,409	10,856,369
Past due 1-30 days	60,728	1,881
Past due 31-90 days	160	–
Past due 90 days	26,597	26,597
	5,703,894	10,884,847

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 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 Rs '000	Contractual cash flows Total Rs '000	12 months or less Rs '000	1 to 5 years Rs '000
31 December 2019				
Financial liabilities				
Trade and other payables	6,884,278	(6,884,278)	(6,884,278)	–
Lease liability	1,717,672	(2,313,780)	(552,925)	(1,760,855)
Accrued interest/mark-up	25,735	(25,735)	(25,735)	–
	8,627,685	(9,223,793)	(7,462,938)	(1,760,855)
31 December 2018				
Financial liabilities				
Trade and other payables	11,851,120	(11,851,120)	(11,851,120)	–
Lease liability	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)

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 optimising 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, 2019			December 31, 2018		
	Euro	Sterling	US dollars	Euro	Sterling	US dollars
Other receivables	55,953	187,712	5,928	–	48,361	21,638
Cash and bank balances	–	–	941,945	–	–	880,230
Trade and other payables	(903,640)	(2,751,771)	(4,447,951)	(1,310,664)	(1,551,586)	(15,899,171)
Net exposure	(847,687)	(2,564,059)	(3,500,078)	(1,310,664)	(1,503,225)	(14,997,303)

The following significant exchange rates have been applied:

	Average rate		Year-end spot rate	
	2019	2018	2019	2018
Euro 1	167.62	143.24	173.84	158.67
Sterling 1	191.06	161.90	205.16	176.78
US dollar 1	149.79	121.51	154.87	138.80

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, remain 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, 2019				
Euro	14,736	(14,736)	10,388	(10,388)
Sterling	52,604	(52,604)	37,081	(37,081)
US dollar	54,206	(54,206)	38,210	(38,210)
31 December 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)

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. 1,717,672 thousand (2018: Rs 433,090 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 remaining constant, profit for the year would have been Rs. 17.177 million (2018: Rs. 4.331 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			
	2019 Rs '000	2018 Rs '000	2019 Rs '000	2018 Rs '000	2019 Rs '000	2018 Rs '000	2019 Rs '000	2018 Rs '000	2019 Rs '000	2018 Rs '000
Managerial remuneration	36,918	35,784	79,596	84,360	267,380	209,323	631,659	597,664	1,015,553	927,131
Corporate bonus	22,995	29,812	39,193	43,393	141,618	173,928	195,814	219,145	399,620	466,278
Leave fare assistance	1,603	1,279	5,618	3,138	8,021	8,950	-	-	15,242	13,367
Housing and utilities	14,990	11,696	10,010	7,333	73,370	78,208	275,640	262,188	374,010	359,425
Medical expenses	261	1,084	578	1,507	7,221	10,097	40,780	46,804	48,840	59,492
Post employment benefits	10,426	13,475	6,590	4,199	37,940	40,575	146,784	131,483	201,740	189,732
	87,193	93,130	141,585	143,930	535,550	521,081	1,290,677	1,257,284	2,055,005	2,015,425
Number of persons	1	1	3	2	30	26	252	247	286	276

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 eight (2018: six) non-executive directors of the Company amounted to Rs 11,438 thousand (2018: Rs 5,555 thousand).

38 Transactions with related parties

British American Tobacco (Investments) Limited (BAT-IL) holds 94.34% (2018: 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.

	2019 Rs '000	2018 Rs '000
Purchase of goods and services from:		
Holding company	1,396,342	967,868
Associated companies	3,423,682	2,284,782
Sale of goods and services to:		
Holding company	83,672	–
Associated companies	1,939,827	156,265
Dividend paid to:		
Holding company	12,263,702	8,948,577
Royalty charged by:		
Holding /associate company		
Charged	427,710	2,364,433
Reversed	(1,714,439)	–
	(1,286,729)	2,364,433
Expenses reimbursed to:		
Holding company	11,182	22,749
Associated companies	4,552	25,785
Expenses reimbursed by:		
Holding company	51,350	41,797
Associated companies	260,612	222,950
Payment under employee incentive schemes:		
Key management personnel	55,848	82,460
Other income:		
Associated company:		
Recharges written back	519,420	26,592

38.1 Following are the name 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
Pheonix (Private) Limited	Subsidiary	Nil
BAT SAA Service (Private) 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
Zafar Mahmood	Director	0.000196%
Usman Zahur	Director	0.000978%
William Pegel	Director	0.000978%
Syed Asad Ali Shah	Director	0.000254%
Syed Javed Iqbal	Director	0.000196%
Tajamal Shah	Director	0.000196%
Syed Ali Akbar	Director	0.000196%
Zafar Aslam	Director	0.000196%
Belinda Ros	Director	0.000196%
Asif Jooma	Director	0.000196%
Mohammad Riaz	Director	0.000196%
Lt. Gen (Rtd.) Muhammad Masood Aslam	Director	0.000196%
Husain Iqbal Jaffery	Key management personnel	Nil
Waqas Ahmed Khan	Key management personnel	Nil
Umair Luqman	Key management personnel	Nil
Ahsen Altaf	Key management personnel	Nil
M. Idries Ahmed	Key management personnel	Nil
Yusuf Zaman	Key management personnel	Nil
Khan Muhammad Mohmand	Key management personnel	Nil
Syed Hammad Ali Naqvi	Key management personnel	Nil
Muhammad Asim	Key management personnel	Nil
M.Ali Khan	Key management personnel	Nil
Syed Muhammad Ali	Key management personnel	Nil
Sana Saad	Key management personnel	Nil
Qadeer Hussain	Key management personnel	Nil
Khuram Javaid Rajpoot	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	Country of Incorporation
British American Tobacco p.l.c.	Ultimate Parent Company	0.00%	United Kingdom
BAT (Investments) Limited	Holding Company	94.35%	United Kingdom
BAT Rothmans International	Holding Company	0.31%	United Kingdom
Ceylon Tobacco Company Limited	Common Directorship	0.00%	Sri Lanka
British American Tobacco Myanmar Limited	Common Directorship	0.00%	Myanmar
British American Tobacco Argentina	Fellow Subsidiary	0.00%	Argentina
British American Tobacco Australia	Fellow Subsidiary	0.00%	Australia
BAT Bangladesh Company Limited	Fellow Subsidiary	0.00%	Bangladesh
Souza Cruz Ltd.	Fellow Subsidiary	0.00%	Brazil
BAT Switzerland SA	Fellow Subsidiary	0.00%	Swiztzerland
British American Tobacco Chile	Fellow Subsidiary	0.00%	Chile
BAT Germany GmbH	Fellow Subsidiary	0.00%	Germany
BAT (Brands) Limited	Fellow Subsidiary	0.00%	United Kingdom
Benson & Hedges (Overseas) Limited	Fellow Subsidiary	0.00%	United Kingdom
BAT (Holdings) Limited	Fellow Subsidiary	0.00%	United Kingdom
British American Tobacco Western Europe	Fellow Subsidiary	0.00%	United Kingdom
BASS (GSD) Limited	Fellow Subsidiary	0.00%	United Kingdom
British American Tobacco	Fellow Subsidiary	0.00%	United Kingdom
BAT Nicoventures Trading Ltd	Fellow Subsidiary	0.00%	United Kingdom
British American Tobacco Asia Pacific Region Ltd	Fellow Subsidiary	0.00%	Hong Kong
BAT Pecsi Dohanygyar KFT	Fellow Subsidiary	0.00%	Hungary
British American Tobacco Kenya Ltd	Fellow Subsidiary	0.00%	Kenya
BAT Koea Ltd	Fellow Subsidiary	0.00%	South Korea
BAT Koea Manufacturing Ltd	Fellow Subsidiary	0.00%	South Korea
British American Tobacco Mexico	Fellow Subsidiary	0.00%	Mexico
BAT AsPac Service Centre Sdn Bhd	Fellow Subsidiary	0.00%	Malaysia
BAT GSD (KL) Sdn Bhd.	Fellow Subsidiary	0.00%	Malaysia
BAT Nigeria Ltd	Fellow Subsidiary	0.00%	Nigeria
British American Tobacco Niemeyer	Fellow Subsidiary	0.00%	Netherlands
British-American Tobacco Polska S.A	Fellow Subsidiary	0.00%	Poland
BAT Romania Investment Ltd.	Fellow Subsidiary	0.00%	Romania
BAT (Romania) Trading SRL.	Fellow Subsidiary	0.00%	Romania
JSC BAT-Spb	Fellow Subsidiary	0.00%	Russia
British-American Tobacco (Singapore) Pte Ltd	Fellow Subsidiary	0.00%	Singapore
BAT Marketing (Singapore) Pte Ltd	Fellow Subsidiary	0.00%	Singapore
British American Tobacco Tutun Mamulleri	Fellow Subsidiary	0.00%	Turkey
West Indian Tobacco Co. Ltd	Fellow Subsidiary	0.00%	Trinidad & Tobago
PJSC A/T B.A.T Prilucky Tobacco Co.	Fellow Subsidiary	0.00%	Ukraine
R J Reynolds Tobacco Company	Fellow Subsidiary	0.00%	United States
British American Tobacco South Africa (Pty) Ltd.	Fellow Subsidiary	0.00%	South Africa
British American Tobacco ME DMCC	Fellow Subsidiary	0.00%	United Arab Emirates
BAT GCC DMCC	Fellow Subsidiary	0.00%	United Arab Emirates
BAT Egypt Ltd.	Fellow Subsidiary	0.00%	Egypt
Central Manufacturing Company Ltd	Fellow Subsidiary	0.00%	Fiji
PT Bentoel Internasional Investama	Fellow Subsidiary	0.00%	Indonesia
PT Bentoel Internasional Prima	Fellow Subsidiary	0.00%	Indonesia
British American Tobacco (Malaysia)	Fellow Subsidiary	0.00%	Malaysia
Tobacco Importers and Manufacturers	Fellow Subsidiary	0.00%	Malaysia
British American Tobacco (PNG) Ltd	Fellow Subsidiary	0.00%	Papua New Guinea
British American Tobacco Vranje AD	Fellow Subsidiary	0.00%	Serbia
BAT Services Ltd., Taiwan Branch	Fellow Subsidiary	0.00%	Taiwan
Tabacalera Hondurena S.A.	Fellow Subsidiary	0.00%	Honduras
Solomon Islands Tobacco Co. Ltd.	Fellow Subsidiary	0.00%	Solomon Islands
British American Tobacco (Cambodia)	Fellow Subsidiary	0.00%	Cambodia

	2019 Rs '000	2018 Rs '000
39 Cash generated from operations		
Profit before taxation	18,284,917	15,279,854
Adjustment for non-cash items:		
- Depreciation / impairment	1,367,476	941,723
- Gain on disposal of property, plant and equipment	(134,391)	(21,259)
- Finance cost	202,553	33,828
- Finance income	(812,571)	(742,648)
- Foreign exchange loss	445,162	195,523
- Provision /(Reversal of provision) for slow moving stores and spares	15,123	(64,091)
- Provision / (reversal of provision) for stock-in-trade	7,202	(9,510)
- Provision for staff retirement benefit plans	278,984	266,205
	1,369,538	599,771
Changes in working capital:		
- Stock-in-trade	(2,940,355)	(4,018,990)
- Stores and spares	(45,093)	23,971
- Trade debts	(2,707)	1,083
- Loans and advances	(27,684)	(25,275)
- Short term prepayments	234,014	(37,188)
- Other receivables	(181,189)	(884,657)
- Trade and other payables	(2,898,684)	7,695,567
- Other liabilities	567,124	199,213
	(5,294,574)	2,953,724
Changes in long term deposits and prepayments	1,353	207
	14,361,234	18,833,556

40 Reconciliation of movement of liabilities to cash flows arising from financing activities

	Liabilities		Equity	Total
	Unclaimed / Unpaid Dividend	Finance lease obligations	Revenue reserves	
	Rs '000	Rs '000	Rs '000	Rs '000
Balance at January 1, 2018	264,303	425,295	14,356,260	15,045,858
Changes from financing cash flows:				
Finance lease payments	–	(251,525)	–	(251,525)
Dividend declared	9,453,270	–	(9,453,270)	–
Dividend paid	(9,436,117)	–	–	(9,436,117)
Total changes from financing cash flows	17,153	(251,525)	(9,453,270)	(9,687,642)
Other changes:				
New finance leases	–	259,320	–	259,320
Total equity-related other changes	–	–	10,307,696	10,307,696
Balance at December 31, 2018	281,456	433,090	15,210,686	15,925,232

	Liabilities		Equity	Total
	Unclaimed / Unpaid Dividend	Finance lease obligations	Revenue reserves	
	Rs '000	Rs '000	Rs '000	Rs '000
Balance at January 1, 2019	281,456	433,090	15,210,686	15,925,232
Changes from financing cash flows:				
Lease payments	–	(709,437)	–	(709,437)
Changes in Dividend payable				
Dividend declared	12,263,701	–	(12,263,701)	–
Dividend paid	(12,400,182)	–	–	(12,400,182)
Total changes from financing cash flows	(136,481)	(709,437)	(12,263,701)	(13,109,619)
Other changes:				
New leases	–	1,994,019	–	1,994,019
Total equity-related other changes	–	–	12,788,932	12,788,932
Balance at December 31, 2019	144,975	1,717,672	15,735,917	17,598,564

41 Post balance sheet event

In respect of the year ended December 31, 2019 final dividend of Rs 23.00 (2018: Rs 22.00) per share amounting to a total dividend of Rs 5,876,357 thousand (2018: Rs 5,620,863 thousand) has been proposed at the Board of Directors meeting held on February 24, 2020. 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.

42.2 Date of authorization for issue

These financial statements have been authorised for circulation to the shareholders by the Board of Directors of the Company on February 24, 2020.

Usman Zahur
Chief Executive Officer

William Pegel
Chief Financial Officer / Director

PAKISTAN TOBACCO COMPANY LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

CHAIRMAN'S REVIEW
(Consolidated Accounts)

I am pleased to share the Annual Report for the year 2019.

2019 Performance:

In 2019, Pakistan Tobacco Company Limited and the duty paying tobacco industry overall faced multiple challenges. The excessive excise increase-driven pricing in June 2019, which had been preceded by a similar pricing increase in September 2018, raised the price difference between legal brands and duty not paid (DNP) brands. This resulted in the growth of market share of the illicit sector by 5.5% in 2019, which also resulted in a corresponding decline of Government revenues in the second half of 2019 (July – Dec). Currently, the market share of the illicit sector is 36.9% which translates to a revenue loss of close to Rs 62 bn per annum for the Government. Strong enforcement action and appropriate fiscal reforms will help provide a level playing field to the duty paying industry and thereby lead to substantially higher tax revenues for the Government.

Despite the challenge from the growing duty evading segment and the tough macroeconomic indicators, the Company's overall financial position has remained healthy. The Company grew market share in the legitimate sector by 95 bps and delivered EPS growth of 24.7%. This has been achieved by keeping a strong focus on effective cost management, lean operations and investment in brands portfolio to offer products which reflect evolving consumer preferences.

The Company built further on its ongoing tobacco exports journey by launching the export of finished goods through its "Made in Pakistan" initiative in May 2019. By the end of 2019, the tobacco exports journey which began in 2018 had reaped approximately US$ 11 million earnings through exports to the GCC countries and Yemen. The Company has huge potential to grow its export operations further in the coming years which will also bring in valuable foreign reserves in the country.

Corporate Social Investments:

PTC has been one of the pioneers in Pakistan of promoting Corporate Social Investments. PTC is running one of the largest private sector afforestation programs in Pakistan since 1981. Under this initiative, the Company plants and distributes tree saplings free of cost and during 2019 the Company planted and distributed more than 3.9 million saplings. A new nursery was established under this program in Jhelum which planted and distributed more than 220,000 saplings. This nursery is in addition to the already established four nurseries in Islamabad and Swabi. Furthermore, in collaboration with the National Rural Support Programme, PTC developed 21 afforestation blocks in the province of Punjab.

Amongst our other Corporate Social Investments, the Company continued to provide free medical advice and medicines under its Mobile Doctor Unit program. In 2019, more than 76,000 patients took medical advice and medicines under this program. PTC also has 5 water filtration plants in Lahore and Jhelum with a filtration capacity of 1 million liters per day, which benefit hundreds of thousands of people annually. Lastly, more than 450 farmers are benefiting from the PTC lift irrigation system that provides water to more than 1,000 hectares of agricultural land of Buner district.

Corporate Governance:

PTC takes pride in its compliance with good corporate governance practices. 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 protected. With the acquisition of Reynolds American Inc. by the BAT Group and subsequent adherence to all of the Sarbanes-Oxley regulations (SOx), the Company's controls and governance environment has improved significantly. The compliance to all the SOx controls is monitored by external auditors and the Group's internal compliance teams.

The Company also requires its employees to operate and deliver with integrity. The Company's Standards of Business Conduct makes it categorical that corrupt practices are unacceptable. This message is cascaded and internalized 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.

Business Sustainability:

PTC's strategic objectives are aimed at building a business which can be sustained over a long-term period. The Company is focused on building its capacity to operate effectively while consolidating its standing as the export hub for the Group by taking its Made in Pakistan initiative to the next level of achievement. However, the presence of a large illicit sector remains an area of concern, as it continues to create major sustainability issues for the duty paying industry while causing revenue losses of close to Rs 62 bn per annum 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 curb the illicit sector.

In addition, it is necessary to take into account the regulations concerning tobacco/tobacco products' advertising, sponsorship and promotion, which have been recently issued by the Ministry of National Health Services, Regulations and Coordination (MNHSRC). These regulations have been enacted by MNHSRC without any industry consultation, and in making these new regulations no consideration appears to have been given by the MNHSRC to the fact that the existing extensive legal/regulatory framework on tobacco advertising has not been effectively enforced and has been regularly breached by various members of the DNP sector. Notwithstanding this challenge of weak enforcement, the Company is geared to deal with these regulations in accordance with the law.

PTC also believes in recruiting the best talent in Pakistan which will provide us the human capabilities to excel in a challenging business environment. The senior management of the Company and I have full confidence in the long-term sustainability of our business and in the efficacy of its leadership.

Our business rests on strong and durable foundations, which have stood the test of time, and it has the necessary dynamism and enterprising spirit to ensure the delivery of sustainable growth for the long-term. I have faith that the Company will continue to provide an attractive value for its shareholders in the future.

Zafar

Zafar Mehmood | Chairman

DIRECTOR'S REPORT
(Consolidated Accounts)

The Directors Present The Annual Report Of Pakistan Tobacco Company Limited (PTC) Along With The Audited Financial Statements Of The Company For The Year Ended December 31, 2019.

Macroeconomic Environment

In 2019, Pakistan faced multiple challenges on the economic front. GDP growth of 3.3% in FY2018-19 compared to 5.8% in the same period last year (SPLY), led to a broad-based weakening in domestic demand. The growth rate is expected to further decelerate to 2.8% in 2020, as the Government is expected to continue with the tight monetary and fiscal policies.

The reported inflation rate climbed from 7.2% in January 2019 to 12.6% in December 2019. To manage higher inflation, the policy rate was increased by the Monetary Policy Committee of the State Bank of Pakistan from 10.7% to 13.2%. For the purpose of adjusting the real value of the Pakistani Rupee against the US dollar, the Rupee lost a further 11.5% against the US dollar in 2019.

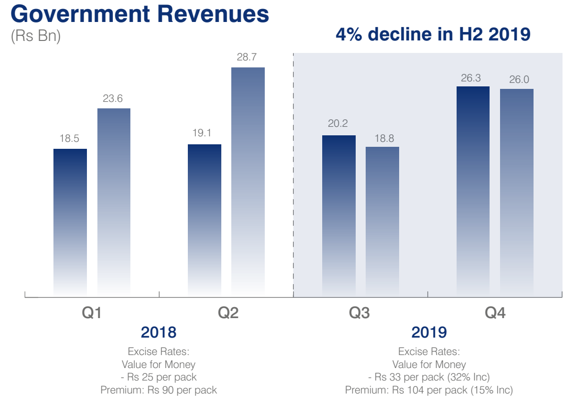
Industry Overview

2019 was a challenging year for the legitimate/organised tobacco industry due to growing and unabated increase of the illicit cigarette trade coupled with weak enforcement. The illicit cigarette trade comprises of three types of tax-evaded products: products that are smuggled into the country; counterfeit; and not duty and tax paid locally manufactured brands. In Pakistan, this problem is predominantly home grown, whereby most of the illicit cigarette trade comprises local duty-not-paid brands. On the back of duty and tax evasion, these brands are available in the market at an average price of Rs 38/pack, which is not just lower than the Government mandated minimum price of Rs 63/pack, but even lower than the minimum excise and sales tax payable per pack i.e. Rs 44/pack.

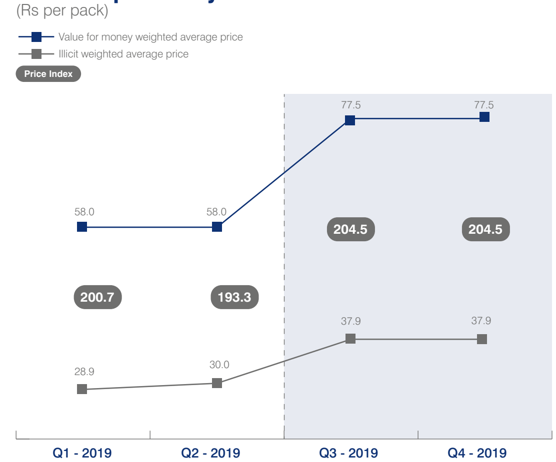
As a consequence of the growing economic pressures due to fiscal and monetary tightening, the legitimate tobacco industry was forced to take two excise led price increases. The excise rates of lower tier brands doubled in a span of 8 months which caused consumers' downtrading in favor of non-duty paid cigarettes. These price increases have not only resulted in substantial share growth of non-duty paid brands but have also adversely impacted Government revenues despite an increase in excise duties in Sep'18 and the June'19 fiscal budget. This is also illustrated in Graphs 1 & 2 below:

Graph 1
Illicit Market Share
(%)

Graph 2
Government Revenues
(Rs Bn)



Graph 3
Price Gap vs Duty not Paid
(Rs per pack)



Post budget, the worsening price indexation to illicit cigarettes (in excess of 204% as per Graph-3) led to the sizeable increase in counterfeit varieties of PTC brands. Timely measures were taken by your Company, whereby resources were reallocated to deal with the issue through launching an aggressive anti-counterfeit campaign. Printed tear off ribbon was introduced for products in the VFM segment as an anti-counterfeit measure to protect PTC' customers. In addition to this, over 6 million consumers were contacted via 1-2-1 retailer communications and awareness campaigns. There is, however, a simultaneous need for the Government to carry out strict enforcement against the counterfeit producers who are not only affecting the legitimate industry but are also depriving the Government of much needed tax revenues.

In Pakistan, smuggled cigarettes also represent a sizable portion of the illicit cigarette trade. The sale of smuggled cigarettes causes a two-fold revenue loss to the Government; firstly, the applicable taxes/duties on the sale of the smuggled packs are not duly paid; and secondly, the sale of smuggled packs signifies a corresponding decline in the sale of duty paid packs.

Anomalies in the law need to be addressed so that confiscated smuggled cigarettes are not auctioned and sold in the market. Under the current law, the seized cigarettes must be offered to PIA/Duty Free Shops for sale on appraised value with 25% discount, but in actual fact neither PIA nor the Duty-Free Shops purchase these cigarettes. When the PIA or the Duty-Free Shops do not purchase these goods, they are put up for auction and make their way back to the normal trade channels. It is strongly recommended that the seized smuggled cigarettes should not be allowed to be sold in the local market as they lack the graphical health warning prescribed by local law for all cigarette packs to be sold in Pakistan; therefore, it is critical to maintain both compliance with law and protect Government revenues that these cigarettes are destroyed. It is also a fact that the receipt issued in respect of the auctioned lot is fraudulently used multiple times by dealers of smuggled cigarettes to falsely show that they have been obtained through a legal process, and this further facilitates multiple sale of smuggled cigarettes.

Positive initiatives were taken in the previous year by way of enhanced documentation through increasing the adjustable advance tax payable by manufacturers. The higher advance excise duty and requirement to document the purchase and processing of tobacco leaf had increased the cost of doing business for the duty-not-paid sector. However, during the year, the Government reduced the adjustable advance excise duty of Rs 300/kg to Rs 10/kg which in effect provides further incentive for the undocumented manufacturers.

With the rapidly growing share of illicit cigarettes, the Government's focus on enforcement is of paramount importance. In late 2019, the Government of Pakistan revived and formally set up the Inland Revenue Enforcement Network (IREN) through a notification. The Company believes that with consistent and effective enforcement by IREN, the Government can eradicate the undocumented sector that is thriving by violating most of the existing regulations enacted by the Government. To counter the growing trade in illicit cigarettes, the provincial and district administrations through their law enforcement officials will have to play a pivotal role to offer a level playing field to the legitimate tobacco players who still have the potential to deliver an additional Rs 62 bn of Government revenues. There is also a need to strengthen legislation by enhancing penalties for violation of the relevant laws dealing with illicit cigarettes and by making such offences non-bailable and cognizable; such measures will make it difficult for illicit players to operate beyond the realm of the law.

PTC supports the deployment of a track and trace system to curb illicit cigarette trade. If introduced, its success will be dependent upon effective implementation across the board to all manufacturers and robust enforcement at manufacturer and retail level. For this purpose, the Government needs to ensure that the relevant rules/regulations dealing with the implementation of the track and trace system contain penal provisions with appropriate penalties so that violators of the rules/regulations are effectively prosecuted.

Company Performance

In 2019, the Company witnessed a decline in sales volume of 15%. This is primarily attributable to consumers downtrading to duty evaded cigarettes due to two excise-led price increases in June 2019 and September 2018. In the legitimate sector, the Company continues to maintain its leadership and grew market share by 95 bps in 2019, with a market share of 75.4% of the legitimate market. (Source: Access Retail – Retail Audit). This has been delivered on the back of a robust brand portfolio strategy on which significant investments have been made during the year to offer products which reflect evolving consumer preferences. In FY2018-19, the Company also contributed Rs 103.5bn to Government revenues in the form of excise duties, sales tax and income tax.

The Company remains focused on enhancing productivity throughout the value chain. This is ensured through effective cost management, delivering lean operations and continuous modernization of the machinery footprint. During the year under review, the Company embarked on its very first “Made in Pakistan” exports journey by becoming a new export hub for the BAT Group. The Company has huge potential to grow its export operations further in the coming years which will generate valuable foreign currency for the country.

The Company’s cost base remained under pressure throughout 2019 in the wake of currency devaluation, increasing inflation and higher regulatory duties. Despite these challenges, the Company continued to focus on effective cost management and delivered multiple efficiency improvement projects, thereby allowing it to keep costs in check.

With people at the core of its delivery, the Company has a strong focus on people by attracting and retaining the best talent in the country. In 2019, PTC was awarded the Top Employer Award 2019. Moreover, for its drive and consistent focus on Diversity and Inclusion, the Company was also awarded the “Global Diversity & Inclusion, Progressive Award 2019”.

As a responsible corporate citizen, PTC runs one of the largest private sector afforestation programs and a Mobile Doctor Unit (MDU) program. Under its flagship afforestation program running since 1981, the Company planted and distributed more than 3.9 million saplings free of cost in 2019. A new nursery was also completed in Jhelum, this is in addition to the already established four nurseries in Islamabad, Faisalabad and Swabi. Under the MDU program, the Company dispensed medical advice and medicines to more than 76,000 patients in 2019 free of cost.

	Rs. (million) Jan-Dec, 2019	Rs. (million) Jan-Dec, 2018
Gross Turnover	**149,025**	137,116
FED/Sales Tax	**97,050**	84,004
Net Turnover	**51,975**	53,112
Cost of Sales	**25,765**	29,829
Gross Profit	**26,210**	23,284
Operating Profit	**17,675**	14,571
Profit Before Tax – PBT	**18,285**	15,280
Profit After Tax – PAT	**12,889**	10,338
Earnings Per Share – EPS (Rs.)	**50.45**	40.46

2.1 Profit & Loss Analysis

Net Turnover witnessed declined by 2%. Decline in NTO is primarily due to 15% decline in sales volume. The impact of volume decline was partially offset by excise-led price increase taken in 2019. Prices increased by 14% in Premium segment and by 34% in Value for Money segment of portfolio.

Cost of Sales also decreased primarily due to reduction in sales volume. The cost base was adversely impacted during the year due to devaluation of local currency, increase in regulatory duties and inflationary pressures. These were mitigated through multiple productivity savings initiatives and focus on efficiency in production processes.

Selling & Distribution Costs: Selling & distribution expenses declined by 6% which is also linked to reduction in sales volume. However, significant investments have been made in brand portfolio in 2019 to ensure that brand portfolio is differentiated and addresses consumer needs.

Other Operating Expenses increased by 35% during 2019. The major portion of this increase is attributable to foreign exchange loss incurred due to local currency devaluation in 2019. Other operating expenses also increased due to higher Workers Profit Participation Fund/Workers Welfare Fund statutory charges which are determined based on profit numbers.

Net Finance Income increased by 9% in 2019, as the Company capitalized on the investment of surplus funds at market competitive rates and efficient working capital management.

2.2 Statement Of Financial Position Analysis

Property, Plant & Equipment: The Company recorded an increase in property, plant and equipment during 2019 due to adoption of IFRS 16 whereby all lease agreements greater than 1 year were capitalized. The increase was also driven by the Company’s effort to upgrade manufacturing capacities and infrastructure to support better product quality, innovation and higher operating efficiencies.

Stock in Trade increase was primarily attributable to raw material stock and finished goods buildup to mitigate the adverse impact of future currency devaluation and to deal with any production disruptions

Short Term Prepayments reduced in 2019 due to reclassification of prepayments related to rental facilities under operating leases to finance leased assets under IFRS16.

Other Receivables mainly includes balances related to cash margins withheld by banks to comply with State Bank import regulation to deposit 100% cash margin against arrangements/contracts for import of raw material. Balance under this head increased in 2019 due to local currency devaluation and stock build up done on imported materials.

Short term investments are done in Government treasury bills which recorded decrease from previous year due to lower availability of surplus funds from sales cash inflows at the end of the year.

Current Liabilities reduced due to lower payables outstanding at year end to internal and external vendors. Balance last year also included dividends payable which were paid in 2019.

Share capital & reserves increased due to profits retained after paying out dividends that were 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.

2.4 Contribution To National Exchequer

Despite the challenges faced from the duty-not-paid sector, PTC continues to remain one of the largest contributors to the national exchequer. During FY 2018-19, PTC for the first time crossed the Rs 100 bn mark with tax payment of Rs 103.5 bn related to sales tax, excise duties and income tax. During the 2019 calendar year however, the Company contributed a total of Rs 102.4 bn in the form of excise duties, sales tax and income tax despite the volume reduction.

In order to maintain growth in revenues from the Tobacco industry, the Government needs to have a sharper focus on enforcement and curtailing the growth of the duty-not-paid sector. Increase in market share of the illicit sector, already elaborated, is indicative of the huge revenue loss which is close to Rs 62 bn. Thus, it is imperative that the illicit sector is curtailed through use of both fiscal and administrative measures.

2.5 Profit Distribution & Reserve Analysis

The Company started the year with reserves of Rs 15.2 bn. During the year, final dividend of Rs 22 per share related to the year ended 2018, was approved by shareholders and was subsequently paid. In 2019, the Company earned net profit of Rs 12.9 bn and paid two interim dividends of Rs 13 per share. The net reserves position of the Company at year end stands at Rs 15.7 bn. The details of appropriations are also elaborated in the table below:

	Rs. (million)	Rs. Per Share
Opening Reserves	15,211	
Final Dividend 2018	(5,621)	22.00
Net Profit 2019	12,889	50.45
Other Comprehensive Income	(100)	
Available for Appropriation	22,379	
Appropriations:		
Interim Dividends 2019	(6,643)	26.00
Closing Reserves	15,736	

2.6 Final Dividend

The Board of Directors of PTC in its meeting held on February 24, 2020 is pleased to recommend a final cash dividend of Rs. 23/share for the year ended December 31, 2019 (2018: Rs. 22.0 per share), for the shareholders' approval. This recommendation will be subject to approval of the shareholders in the Annual General Meeting, scheduled on April 24, 2020.

2.7 Consolidated Financial Statements And Segmental Review

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

2.8 Subsequent Events Review

The Management has assessed events arising subsequent to the end of the 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 has a full seed to smoke business encapsulating two factories and one of the largest leaf operations in the BAT Group. With the aim of enhancing productivity throughout the value chain, the Company has a strong focus on effective cost management, lean operations and continuous modernization of the machinery footprint.

During 2019, the Company, in line with the Government's vision, launched its export initiative titled "Made in Pakistan" and earned the position of being the export hub for the BAT Group. This is with a view to export factory manufactured cigarettes & tobacco to GCC and other Middle East countries, and the full annual potential of this project for Pakistan is estimated to be $50 Mn. A change management program under the "Made in Pakistan" initiative was launched with change champions driving multiple sessions covering the entire population involved in the exports process. The program enabled soft skill capability development, inculcated a sense of pride and proved to be a key success driver. In 2019, PTC exported over 190+ million Cigarettes and around 3 million KGs of tobacco worth $11 Mn.

PTC's Operations continued the journey towards manufacturing excellence through the Integrated Work System (IWS) program with Akora Khattak factory achieving Phase 1 certification in Sep'19 while Jhelum factory continued its journey for Phase 2 readiness.

3.1 EH&S – Environment, Health & Safety

Significant awareness and infrastructural improvements have been made in relation to Environment, Health & Safety processes and procedures at the manufacturing plants. Keeping in view the energy crisis, multiple initiatives were undertaken in 2019 like installation of 125KW solar power plant across both factories and setting up the first ever solar powered leaf buying and storage depot. Furthermore, a focus on consumer centric quality of the Company's products has ensured a significant reduction in consumer complaints during the year. PTC's manufacturing has been globally recognized in BAT Group for the efforts and outstanding results delivered through this drive for excellence.

4. Marketing Review

2019 was a difficult year with consumer affordability coming under stress due to economic tightening and price increases in all segments of the portfolio. Despite the challenges faced, investments were made in the brands portfolio.

The Value for Money (VFM) segment witnessed Gold Flake's migration to Rothmans of London; a transition that has seen the brand enhance its equity and mix. This was a strategic intervention which has helped the brand significantly in building its image in one of the most dynamic consumer segments. Despite heavy inflationary pressure, Capstan by Pall Mall has maintained its position as the biggest and most loved tobacco brand in Pakistan as a result of innovative and engaging "Always On" activations that leveraged various consumer moments.

Post the excise increase of 2019, consumer affordability of PTC's VFM segment came under severe pressure from illicit cigarettes in the market. To remain competitive in the VFM segment, Pall Mall and Rothmans were launched at a price parity to duty-paid competition offers in selected high-risk markets to safeguard volumes and ensure value sustainability for the Company. The brands have received positive consumer traction in the pilot markets, with expansions into more markets planned in 2020.

In the Aspirational Premium segment, post successful pilot launch of John Player, a brand built on the legacy of the House of John Player, the brand was piloted in four test markets, followed by an expansion into the next 13 biggest cities of Pakistan. Aided by a focused consumer activation campaign, exciting touchpoints and retailer engagement, the launch was a success and quickly turned into the most promising brand launch in recent PTC history.

In the Premium segment, John Player Gold Leaf (JPGL) reached the milestone of achieving over 140 years of excellence. To honor this legacy of great taste and to reinforce the brand assets of JPGL, a campaign was executed to celebrate the history of John Player in Pakistan. Limited Edition Packs, utilizing modern hot foil technology, were introduced to the market for the first time in history along with a limited time berry flavor product. These initiatives have further propelled the JPGL brand to new heights in Pakistan

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 control environment. The Company's risk management and internal controls framework is aimed at safeguarding the shareholders' investment and the Company's assets, while minimizing 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 organizational 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 weakness 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. Furthermore, the Company is also fully compliant to all the requirements of Sarbanes Oxley Act (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, 2019 ("the 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 listing regulations.

h) All major Government levies in the normal course of business, payable as at December 31, 2019 have been disclosed in the notes to the financial statements.

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

j) Values of investments in employees retirement funds for the year ended December 31, 2019 are as follows. Further details are provided in Note 33 to the separate financial statements.

Fund Name	Rs. (million)
Staff Pension Fund	**5,525**
Employees' Gratuity Fund	**1,233**
Management Provident Fund	**735**
Pakistan Tobacco Company Limited Provident Fund	**446**
Staff Defined Contribution Pension Fund	**497**

6.2 Composition Of The Board

The Board comprises a total of 12 directors: 8 non-executive directors, of whom 4 are independent directors, and 4 executive directors.

The current composition of the Board is as below.

	Name of Director	No. of Directors
•	Male Directors	11
•	Female Director	1
a.	**Independent Director**	4
(i)	Zafar Mahmood Chairman	
(ii)	Lt. Gen. (R) M. Masood Aslam	
(iii)	Mohammad Riaz	
(iv)	Asif Jooma	
b.	**Non- Executive Directors**	4
(i)	Tajamal Shah	
(ii)	Belinda Joy Ross	
(iii)	Zafar Aslam Khan	
(iv)	Syed Javed Iqbal	
c.	**Executive Directors**	4
(i)	Usman Zahur MD / CEO	
(ii)	William Francis Pegel	
(iii)	Syed Asad Ali Shah	
(iv)	Syed Ali Akbar	

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 the 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

On 22nd April 2019, elections of Directors were held in the AGM, resulting in the reconstitution of the Board with 12 Directors comprising: 4 Independent, 4 Non-executive and 4 Executive Directors. The positions of Chairman and MD/CEO are kept separate in line with good governance practice.

The changes in the board were as follows:

Name	Changes	Effective Date
Lt. Gen. (R) Ali Kuli Khan	Resigned from role of Non-Executive Director	January 31, 2019
Mueen Afzal	Retired from role of Chairman	April 22, 2019

Imran Maqbool	Retired from role of Non-Executive Director	April 22, 2019
Hae In KIM	Retired from role of Non-Executive Director	April 22, 2019
Zafar Mahmood	Appointed as Chairman of the Board	April 22, 2019
Tajamal Shah	Changed from Executive Director to Non-Executive Director	April 22, 2019
Syed Asad Ali Shah	Inducted to the Board as Executive Director	April 22, 2019
Zafar Aslam Khan	Inducted to the Board as Non-Executive Director	April 22, 2019
Asif Jooma	Inducted to the Board as Independent Director	April 22, 2019
Belinda Joy Ross	Inducted to the Board as Non-Executive Director	April 22, 2019
Mohammad Riaz	Inducted to the Board as Independent Director	April 22, 2019
Lt. Gen. M. Masood Aslam (R)	Inducted to the Board as Independent Director	April 22, 2019
Wael Sabra	Resigned from role of Executive Director	June 15, 2019
Michael Koest	Resigned from role of Non-Executive Director	August 20, 2019
William Francis Pegel	Inducted to the Board as Executive Director	September 2, 2019
Syed Javed Iqbal	Changed from CEO / Managing Director to Non-Executive Director	November 15, 2019
Usman Zahur	Inducted to the Board as Executive Director	April 22nd, 2019
	Inducted to the Board as CEO / Managing Director	November 15, 2019
Syed Ali Akbar	Inducted to the Board as Executive Director	November 15, 2019

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 2019, 5 Board meetings were held, out of which the 1st meeting held on 22nd February 2019 was attended by the previous Directors, while the newly elected Directors attended the subsequent 4 meetings.

The notices / agendas of the meetings 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.

The 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 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
Zafar Mahmood Chairman	**5/5**
Syed Javed Iqbal Managing Director and CEO resigned on 15th November 2019 Non-Executive Director w.e.f. 15th November 2019.	**4/4**
Usman Zahur Marketing Director w.e.f 22nd April 2019 Managing Director and CEO w.e.f 15th November 2019	**4/4**
Wael Sabra Director Finance & IT resigned w.e.f. June 15.2019	**2/2**
William Francis Pegel Director Finance & IT w.e.f. 2nd September 2019	**2/2**
Lt. Gen. (Retd.) Ali Kuli Khan Khattak Non-Executive Director	**0/0**
Syed Asad Ali Shah Director Legal & External Affairs w.e.f. 22nd April 2019	**4/4**
Syed Ali Akbar Director Marketing w.e.f. November 15, 2019	**1/1**
Tajamal Shah Non-Executive Director	**3/5**
Belinda Joy Ross Non-Executive Director	**2/4**
Zafar Aslam Khan Non-Executive Director	**1/4**
Lt. Gen. M. Masood Aslam (R) Independent Director	**4/4**
Mohammad Riaz Independent Director	**3/4**

Asif Jooma Independent Director	**3/4**
Michael Koest Resigned w.e.f August 20, 2019	**0/3**
Mueen Afzal Retired	**1/1**
Imran Maqbool Retired	**1/1**
Hae In KIM Retired	**0/1**

6.5 Board Meetings Held Outside Pakistan

In 2019, PTC conducted all its Board meetings in Pakistan.

6.6 Committees Of The Board

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

6.7 Directors' Remuneration

As per the requirements of the 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 Director has to evaluate himself/herself 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, the 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 performance is reviewed annually, based on the yearly corporate plan, besides his responsibilities under the regulatory framework. Effective November 15, 2019, the previous CEO, Syed Javed Iqbal resigned from the office of Managing Director and CEO and was replaced by Mr. Usman Zahur.

Performance for the year 2019 is demonstrated by achievement of the 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 familiarization towards the Company's vision, organizational 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 the Directors' Training Program (DTP) approved by SECP.

6.14 Last AGM

The Company's 72nd AGM (Annual General Meeting) was held on April 22, 2019. 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, 2019 has been concluded and the Auditors have issued their Audit Reports on the Company Financial Statements, Consolidated Financial Statements and the Statement of Compliance with the Code of Corporate Governance. The Auditors, 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, 2020 on the recommendation of the Audit Committee. This shall be subject to the approval of the shareholders in their meeting scheduled for April 24, 2020.

6.16 Pattern Of Shareholding

Our holding Company, 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, 2019 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 BCP

PTC recognizes 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; and
- Return to Business as Usual (BAU) as quickly as possible to minimize the negative impact on the business.

The process has received recognition within the BAT Group as 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, and employees receive adequate support and communications in the event of a disruption;
- The relationships with other organizations, relevant regulators or Government departments, local authorities and the emergency services are properly developed and documented, and stakeholder requirements are understood and can be delivered; and
- The Company has an enhanced capacity to protect its reputation and remains compliant with its legal and regulatory obligations.

Zafar Mehmood
Chairman

Usman Zahur
MD/CEO

INDEPENDENT AUDITORS' REPORT

To the members of Pakistan Tobacco Company Limited

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 2019, the consolidated statement of profit or loss, and 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 2019, 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 7.1 and 8 to the consolidated financial statements.* The Group is engaged in the production and sale of tobacco. The Group recognised net revenue from the sales of cigarettes of Rs. 51,975 million for the year ended 31 December 2019. 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'; • 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; and • Assessing the appropriateness of disclosures in the financial statements.
2	**Valuation of stock-in-trade** *Refer notes 7.11 and 19 to the consolidated financial statements.* As at 31 December 2019, stock-in-trade is stated at Rs. 21,423 million. Stock-in-trade is measured at the lower of cost and net realisable value. We identified existence and valuation of stock-in-trade as a key audit matter due to its size, representing 53% of total assets of the Group as at 31 December 2019, 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 realisable values; • Attending inventory counts and reconciling the count results to the inventory listings to test the completeness of data; • Assessing the accuracy of cost of stock in trade in accordance with the accounting policy; • Assessing the net realisable value of stock-in-trade by comparing, on a sample basis, management's estimation of future selling prices for the products and selling prices achieved subsequent to the end of the reporting period; • Comparing the net realisable 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 2019, 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 skepticism 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 Atif Zamurrad Malik.

KPMG Taseer Hadi & Co

KPMG Taseer Hadi & Co.
Chartered Accountants

Islamabad
Date: March 20, 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2019

	Note	2019 Rs '000	2018 Rs '000
Gross turnover	8	149,024,648	137,115,757
Excise duties		(74,741,489)	(63,117,903)
Sales tax		(22,308,263)	(20,885,770)
Net turnover		51,974,896	53,112,084
Cost of sales	9	(25,764,813)	(29,828,556)
Gross profit		26,210,083	23,283,528
Selling and distribution costs	10	(4,666,122)	(4,950,293)
Administrative expenses	11	(2,780,245)	(2,558,072)
Other operating expenses	12	(1,871,999)	(1,381,858)
Other income	13	783,182	177,729
		(8,535,184)	(8,712,494)
Operating profit		17,674,899	14,571,034
Finance income		812,571	742,648
Finance cost	14	(202,553)	(33,828)
Net finance income		610,018	708,820
Profit before income tax		18,284,917	15,279,854
Income tax expense	15	(5,395,688)	(4,941,862)
Profit for the year		12,889,229	10,337,992
Earnings per share (basic and diluted)- (Rupees)	16	50.45	40.46

The annexed notes 1 to 41 form an integral part of these consolidated financial statements.

Usman Zahur
Chief Executive Officer

William Pegel
Chief Financial Officer / Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2019

	Note	2019 Rs '000	2018 Rs '000
Profit for the year		12,889,229	10,337,992
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
- Remeasurement loss on defined benefit pension and gratuity plans	32	(144,170)	(37,795)
- Tax credit related to remeasurement loss on defined benefit pension and gratuity plans	15.2	43,873	7,499
		(100,297)	(30,296)
Total comprehensive income for the year		12,788,932	10,307,696

The annexed notes 1 to 41 form an integral part of these consolidated financial statements.

Usman Zahur
Chief Executive Officer

William Pegel
Chief Financial Officer / Director

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2019

	Note	2019 Rs '000	2018 Rs '000
Non current assets			
Property, plant and equipment	17	12,347,878	9,155,875
Advance for capital expenditure		175,783	959,439
Long term deposits and prepayments	18	30,759	32,112
		12,554,420	10,147,426
Current assets			
Stock-in-trade	19	21,422,543	18,489,390
Stores and spares	20	663,999	634,029
Trade debts	21	4,260	1,553
Loans and advances	22	125,644	95,503
Short term prepayments		15,921	249,935
Other receivables	23	2,111,891	1,842,120
Short term investments	24	3,001,058	8,699,508
Cash and bank balances	25	535,905	293,165
		27,881,221	30,305,203
Current liabilities			
Trade and other payables	26	16,295,244	18,621,395
Other liabilities	27	2,865,822	2,298,698
Short term running finance	28	–	75,542
Lease liability	29	376,065	148,245
Unpaid dividend	30	66,740	200,188
Unclaimed dividend		78,235	81,268
Accrued interest / mark-up		25,735	5,331
Current income tax liabilities		449,395	382,417
		(20,157,236)	(21,813,084)
Net current assets		7,723,985	8,492,119
Non current liabilities			
Lease liability	29	(1,341,607)	(284,845)
Deferred income tax liabilities	31	(645,943)	(589,076)
		(1,987,550)	(873,921)
Net assets		18,290,855	17,765,624
Share capital and reserves			
Share capital	33	2,554,938	2,554,938
Revenue reserve - Unappropriated profit		15,735,917	15,210,686
		18,290,855	17,765,624
Contingencies and commitments	34		

The annexed notes 1 to 41 form an integral part of these consolidated financial statements.

Usman Zahur
Chief Executive Officer

William Pegel
Chief Financial Officer / Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2019

	Share capital Rs '000	Revenue Reserve - unappropriated profit Rs '000	Total Rs '000
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
Balance at January 1, 2019	2,554,938	15,210,686	17,765,624
Total comprehensive income for the year:			
Profit for the year	–	12,889,229	12,889,229
Other comprehensive income for the year	–	(100,297)	(100,297)
Total comprehensive income for the year	–	12,788,932	12,788,932
Transactions with owners of the Company:			
Final dividend of Rs 22.00 per share relating to the year ended December 31, 2018	–	(5,620,863)	(5,620,863)
Interim dividend of Rs 13.00 per share relating to the year ended December 31, 2019	–	(3,321,419)	(3,321,419)
Interim dividend of Rs 13.00 per share relating to the year ended December 31, 2019	–	(3,321,419)	(3,321,419)
Total transactions with owners of the Company	–	(12,263,701)	(12,263,701)
Balance at December 31, 2019	2,554,938	15,735,917	18,290,855

The annexed notes 1 to 41 form an integral part of these consolidated financial statements.

Usman Zahur
Chief Executive Officer

William Pegel
Chief Financial Officer / Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2019

	Note	2019 Rs '000	2018 Rs '000
Cash flows from operating activities			
Cash generated from operations	38	14,361,234	18,833,556
Finance cost paid		(182,149)	(31,911)
Income tax paid		(5,271,843)	(5,725,015)
Contribution to retirement benefit funds		(342,950)	(267,012)
Net cash generated from operating activities		8,564,292	12,809,618
Cash flows from investing activities			
Purchases of property, plant and equipment		(2,731,002)	(1,606,818)
Advance for capital expenditure		783,657	(668,321)
Proceeds from sale of property, plant and equipment		299,933	154,543
Interest received		812,571	761,781
Net cash used in investing activities		(834,841)	(1,358,815)
Cash flows from financing activities			
Dividends paid		(12,400,182)	(9,436,117)
Lease payments		(709,437)	(251,525)
Net cash used in financing activities		(13,109,619)	(9,687,642)
Net increase in cash and cash equivalents		(5,380,168)	1,763,161
Cash and cash equivalents at beginning of year		8,917,131	7,153,970
Cash and cash equivalents at end of year		3,536,963	8,917,131
Cash and cash equivalents comprise:			
Cash and bank balances	25	535,905	293,165
Short term investments	24	3,001,058	8,699,508
Short term running finance	28	–	(75,542)
		3,536,963	8,917,131

The annexed notes 1 to 41 form an integral part of these consolidated financial statements.

Usman Zahur
Chief Executive Officer

William Pegel
Chief Financial Officer / Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

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/tobacco.

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 53,381 million cigarettes (2018: 51,330 million cigarettes) actual production was 39,469 million cigarettes (2018: 46,201 million cigarettes). The split from each industrial unit is given below.

	Manufacturing Capacity	
	2019	**2018**
Site	**(Units in Millions)**	**(Units in Millions)**
Akora Khattak Factory	27,407	28,490
Jhelum Factory	25,974	22,840
Total	53,381	51,330

	Actual Production	
	2019	**2018**
Site	**(Units in Millions)**	**(Units in Millions)**
Akora Khattak Factory	19,521	24,404
Jhelum Factory	19,948	21,797
Total	39,469	46,201

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

Number of employees

Total number of employees as at December 31, 2019 was 1,127 (2018: 1,109). Average number of employees during the year was 1,101 (2018: 1,097).

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 Company 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 recognised, 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 recognised in the financial statements is included in the following notes:

- Note 8 – Nature and timing of satisfaction of performance obligation and revenue recognition
- Note 17 – useful lives, residual values and depreciation method of property, plant and equipment
- Note 19 and 20 – Provision for obsolescence of stock in trade and stores and spares
- Notes 15 and 31 – Provision for income tax and calculation of deferred tax
- Note 32 – Retirement benefits
- Note 35 – Financial instruments – fair values
- Note 34 – Contingencies
- Note 29 - Leases

Measurement of fair values

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

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then 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 categorised 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 categorised 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 recognises 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 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 January 01, 2020:

- 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 January 01, 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 January 01, 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 Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

- On March 29, 2018, the IASB has issued a revised 'Conceptual Framework for Financial Reporting' which is applicable immediately, contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of January 01, 2020, unless the new guidance contains specific scope outs.

- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after January 01, 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the consolidated financial statements of the Group.

- IFRS 14 Regulatory Deferral Accounts - (effective for annual periods beginning on or after July 01, 2019) provides interim guidance on accounting for regulatory deferral accounts balances while IASB considers more comprehensive guidance on accounting for the effects of rate regulation. In order to apply the interim standard, an entity has to be rate regulated – i.e. the establishment of prices that can be charged to its customers for goods or services is subject to oversight and/or approved by an authorized body. The term 'regulatory deferral account balance' has been chosen as a neutral descriptor for expense (income) or variance account that is included or is expected to be included by the rate regulator in establishing the rate(s) that can be charged to customers and would not otherwise be recognised as an asset or liability under other IFRSs. The standard is not likely to have any effect 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 financial statements except for the changes in the accounting policy as explained below.

IFRIC 23 'Uncertainty over Income Tax Treatments'

The Group has applied IFRIC 23 'Uncertainty over Income Tax Treatments' from January 01, 2019; however the adoption has no impact on the amounts reported in these financial statements.

IFRS -16 'Leases'

The Group has initially applied IFRS - 16 'Leases' from January 01, 2019.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Group applied IFRS 16 using the modified retrospective approach, under which the Group has recognised right of use assets and lease liabilities at the date of initial recognition for leases previously classified as operating leases under IAS 17 at the present value of the remaining lease payments using the Company's incremental borrowing rate at the initial application date. The Company has chosen to measure the right of use assets at an amount equal to the lease liabilities adjusted by the amount of prepaid lease payments relating to the operating leases recognised in the statement of financial position as at January 01, 2019. Accordingly, no adjustment to equity has been made in these financial statements on adoption of the new policy and the comparative figures presented for 2018 have not been restated, i.e., it is presented, as previously reported, under IAS 17 and related interpretations.

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 'Determining Whether an Arrangement contains a Lease'. The Company now assesses whether a contract is, or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset;

- The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- The Group has the right to direct the use of the asset. The Group has this right when it has the decision - making rights that are most relevant to changing how and for what purpose the asset is used.

The impact of adoption of IFRS 16 on transition is disclosed in note 30 to the financial statements.

The Group used the following practical expedient when applying IFRS 16, to leases previously classified as operating leases under IAS 17.

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.

Amounts recognised in profit or loss for the year under new policy

	(Rs.'000)
Depreciation	331,177
Interest on lease liabilities	124,825

Had IFRS - 16 not been applied, rental cost of Rs. 372.6 million would have been recognised in the statement of profit or loss. Accordingly, profit before tax would have been increased by Rs. 83.4 million for the year ended December 31, 2019.

Policy applicable before January 01, 2019

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 capitalised 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 recognised 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 were 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.

Significant accounting policies of the Group are as follows:

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 recognised 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 recognised 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 Company manufactures and sells cigarettes to its appointed distributors. Sale of goods is recognised 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

A 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 recognised when the payment is made. Contract liabilities are recognised 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-recognised. 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 recognised on realised amounts. All other income is recognised on accrual basis.

7.2 Income tax

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

Current

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

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

Deferred income tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised 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 utilised.

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 recognised 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 recognised 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 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.

7.5 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 recognised until their realisation becomes certain.

7.6 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 recognised, 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 recognised in the financial statements.

7.7 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 Company 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 recognised 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, recognised 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 recognised 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 recognised as employee benefit expense when they are due. Prepaid contributions, if any, are recognised 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 recognises 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 recognised as an expense in the statement of profit or loss.

(d) Bonus plans

The Group recognises 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 recognises 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 recognised at its current fair value determined at each statement of financial position date.

Where applicable, the Group recognises 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 Lease liability

The Group has recognised lease liabilities at the date of initial recognition of IFRS - 16, for leases previously classified as operating leases under IAS 17 at the present value of the remaining lease payments using the Group's incremental borrowing rate of 10%. Lease liabilities are then measured at their amortised cost using the effective interest method.

7.9 Property, plant and equipment

Owned assets

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 recognised 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 derecognised. All other repairs and maintenance expenses are recognised 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 recognised in the statement of profit of loss.

Right of use assets

Right of use asset is calculated as the initial amount of the lease liability in terms of property rentals and vehicle rentals at the lease contract commencement date. The right of use asset is subsequently depreciated using the straight line method for a period of lesser of useful life or actual lease term.

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 recognised for the amount for which asset's 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 recognised. An impairment loss or reversal of impairment loss is recognised in the statement of profit or loss.

7.11 Stock in trade

Stock-in-trade is stated at the lower of cost and net realisable 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 realisable 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.

7.12 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.

7.13 Financial Instruments

Financial assets

i. Recognition and de-recognition

The Group initially recognises financial assets on the date when they are originated. Financial liabilities are initially recognised 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 realise the asset and settle the liability simultaneously.

ii. Classification

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

- amortised 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) Amortised cost

A financial asset is measured at amortised 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 amortised 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 recognised in profit or loss.
Financial assets at amortised cost	Measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised 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 recognised in profit or loss. Other net gains and losses are recognised 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 recognised 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 recognised in OCI and are never reclassified to profit or loss.

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

iv. De-recognition

The Group derecognises 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 derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Group derecognises 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 recognises loss allowance for Expected Credit Losses (ECLs) on financial assets measured at amortised 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 Group assesses whether the financial assets carried at amortised 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 amortised 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 amortised 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 recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in statement of profit or loss. Any gain or loss on de-recognition is also included in statement of profit or loss.

7.14 Borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the 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 capitalised as part of the cost of that asset. All other borrowing costs are charged to statement of profit or loss.

7.15 Dividend distribution

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

7.16 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.

7.17 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 recognised in the statement of profit or loss.

7.18 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 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 maximise 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.

	2019 Rs '000	2018 Rs '000
8 Gross turnover		
- Domestic	147,291,473	137,073,572
- Export	1,733,175	42,185
	149,024,648	137,115,757

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 recognised during the year that was included in the contract liability balance at the beginning of year is Rs. 2,013 thousand (2018: Rs 150 thousand).

		2019 Rs '000	2018 Rs '000
9	**Cost of sales**		
	Raw material consumed		
	Opening stock of raw materials and work in process	16,944,127	13,137,236
	Raw material purchases and expenses - note 9.1	21,851,976	23,669,134
	Closing stock of raw materials and work in process	(19,573,174)	(16,944,127)
		19,222,929	19,862,243
	Government taxes and levies		
	Customs duty and surcharges	2,353,985	2,318,625
	Provincial and municipal taxes and other duties	334,885	396,327
	Excise duty on royalty	42,771	47,349
		2,731,641	2,762,301
		21,954,570	22,624,544
	Royalty - note 9.2	(1,463,277)	2,364,433
	Severance benefits	857,194	172,446
	Production overheads		
	Salaries, wages and benefits	2,034,476	2,059,960
	Stores, spares and machine repairs	604,221	803,768
	Fuel and power	493,522	394,954
	Insurance	20,712	16,859
	Repairs and maintenance	456,565	653,622
	Postage, telephone and stationery	19,182	17,312
	Information technology	31,150	44,570
	Depreciation	724,448	592,878
	Provision for damaged stocks / stock written off	72,124	17,762
	Provision / (reversal) for slow moving items / stores written off	15,123	(64,091)
	Sundries	256,111	341,638
		4,727,634	4,879,232
	Cost of goods manufactured	26,076,121	30,040,655
	Cost of finished goods		
	Opening stock	1,548,417	1,336,318
	Closing stock	(1,859,725)	(1,548,417)
		(311,308)	(212,099)
	Cost of sales	25,764,813	29,828,556
9.1	**Raw material purchases and expenses:**		
	Materials	19,157,657	20,966,816
	Salaries, wages and benefits	1,203,466	1,175,786
	Stores, spares and machine repairs	286,700	190,003
	Fuel and power	447,675	326,631
	Property rentals	26,433	121,346
	Insurance	14,100	18,457
	Repairs and maintenance	134,278	162,616
	Postage, telephone and stationery	11,224	14,493
	Depreciation	155,580	87,498
	Sundries	414,863	605,488
		21,851,976	23,669,134

9.2 This represents royalty payable to the associated companies namely BAT (Brands) Limited, Benson & Hedges (Overseas) Limited and BAT (Holdings) Limited having registered office at Globe House, 1 Water Street, London WC2R 3LA, United Kingdom. Royalty expense for the year ended December 31, 2019 is presented net of reversals as disclosed in note 38.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

		2019 Rs '000	2018 Rs '000
10	**Selling and distribution costs**		
	Salaries, wages and benefits	1,036,620	884,521
	Selling expenses	2,955,537	3,498,834
	Freight	231,931	169,787
	Repairs and maintenance	32,781	72,904
	Postage, telephone and stationery	12,828	10,693
	Travelling	175,689	140,241
	Property rentals	31,057	64,050
	Insurance	14,440	11,613
	Provision for damaged stocks / stock written off	5,256	1,200
	Finished goods / wrapping material stock written off	9,945	–
	Depreciation	160,038	96,450
		4,666,122	4,950,293
11	**Administrative expenses**		
	Salaries, wages and benefits	844,868	900,169
	Fuel and power	8,200	8,991
	Property rentals	7,329	185,907
	Insurance	5,382	5,597
	Repairs and maintenance	49,358	27,577
	Postage, telephone and stationery	18,858	11,256
	Legal and professional charges	122,204	118,403
	Donations - note 11.1	13,690	8,400
	Information technology	1,188,792	1,001,846
	Travelling	121,310	79,659
	Depreciation	327,410	148,952
	Auditor's remuneration and expenses - note 11.2	13,463	14,626
	Sundries	59,381	46,689
		2,780,245	2,558,072

11.1 Details of donations exceeding Rs 1,000 thousand are as follows:

	2019 Rs '000	2018 Rs '000
Name of Donee		
One To Many	10,000	–
Chal Foundation	1,500	–
Prime Ministers' Dam Fund	1,390	–
Gottfried Thoma PTC Employees' Benevolent Trust	–	8,000
	12,890	8,000

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

11.2 Auditor's remuneration and expenses include:

	2019 Rs '000	2018 Rs '000
- Statutory audit fee	2,317	2,450
- 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	10,497	11,623
- Out-of-pocket expenses	649	553
	13,463	14,626

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

		2019 Rs '000	2018 Rs '000
12	**Other operating expenses**		
	Workers' Profit Participation Fund - note 26.7	982,004	820,615
	Workers' Welfare Fund - note 26.6	411,271	327,658
	Bank charges and fees	33,562	38,062
	Foreign exchange loss	445,162	195,523
		1,871,999	1,381,858
13	**Other income**		
	Income from sales / services rendered to associated companies:		
	- BAT SAA Services (Private) Limited	127,880	124,153
	- BAT Bangladesh	–	3,928
	Recharges / other payable to associated companies written back:		
	- BAT ASPAC Service Center Sdn Bhd - Malaysia	519,301	15,114
	- Ceylon Tobacco Co. Ltd.- SriLanka	52	–
	- BAT PNG Ltd - Papua New Guinea	51	–
	- BAT Niemeyer Ltd - Netherland	16	–
	- BAT Asia-Pacific Region Ltd - Hong Kong	–	11,478
	Other liabilities written back - net	–	343
	Gain on disposal of property, plant and equipment	134,391	21,259
	Miscellaneous	1,491	1,454
		783,182	177,729
14	**Finance cost**		
	Interest expense on:		
	Bank borrowings	21,565	2,014
	Lease liability	180,988	31,814
		202,553	33,828
15	**Income tax expense**		
	Current:		
	For the year	4,686,603	4,700,006
	For prior years	600,639	745,116
		5,287,242	5,445,122
	Deferred	108,446	(503,260)
		5,395,688	4,941,862

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

15.1 Effective tax rate reconciliation:

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

	2019 %	2018 %
Applicable tax rate	29.00	29.00
Tax effect of:		
Prior year charge / (reversal)	0.38	2.93
Change in applicable tax rate	0.78	(1.57)
Income taxed at different rate	(0.76)	(0.02)
Super tax / others	0.11	2.00
Average effective tax rate	29.51	32.34

	2019 Rs '000	2018 Rs '000
15.2 Tax on items directly credited to statement of other comprehensive income		
Current tax charge on defined benefit plans	7,705	8,390
Deferred tax (credit) on defined benefit plans	(51,578)	(15,889)
	(43,873)	(7,499)

	2019	2018
16 Earnings per share		
Profit after tax (Rs '000)	12,889,229	10,337,992
Number of fully paid weighted average ordinary shares ('000)	255,494	255,494
Earnings per share - Basic (Rs)	50.45	40.46

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

	2019 Rs '000	2018 Rs '000
17 Property, plant and equipment		
Operating assets - note 17.1	11,593,560	8,173,640
Capital work in progress - note 17.2	754,318	982,235
	12,347,878	9,155,875

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

17.1 Operating assets

	Free-hold land	Buildings on free-hold land	Buildings on leasehold land	Plant and machinery	Office and household equipment	Furniture and fittings	Vehicles	Right of use assets			Total
								Land and building	Vehicles	Sub-total	
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
At January 1, 2018											
Cost	33,934	978,444	20,004	13,841,474	1,685,267	383,923	162,305	–	1,087,283	1,087,283	18,192,634
Accumulated Depreciation	–	(273,635)	(11,978)	(7,957,696)	(1,052,571)	(219,418)	(122,499)	–	(380,228)	(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	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	707,055	8,174,609
Additions	–	–	–	708,020	71,361	35,337	–	–	259,320	259,320	1,074,038
Disposals	–	(4,211)	(74)	(29,735)	(440)	(40)	(6,459)	–	(92,324)	(92,324)	(133,283)
Depreciation charge	–	(18,882)	(409)	(428,144)	(211,339)	(50,996)	(7,352)	–	(208,656)	(208,656)	(925,778)
Impairment charge	–	–	–	(3,225)	(211)	–	(10,818)	–	(1,692)	(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	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	1,151,619	19,490,269
Accumulated depreciation	–	(288,437)	(12,345)	(8,913,556)	(1,235,654)	(269,726)	(108,995)	–	(487,916)	(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	663,703	8,173,640
At January 1, 2019											
Cost	33,934	970,153	19,888	15,044,250	1,727,721	418,532	124,172	–	1,151,619	1,151,619	19,490,269
Accumulated Depreciation	–	(288,437)	(12,345)	(8,913,556)	(1,235,654)	(269,726)	(108,995)	–	(487,916)	(487,916)	(11,316,629)
Net book amount January 1, 2019	33,934	681,716	7,543	6,130,694	492,067	148,806	15,177	–	663,703	663,703	8,173,640
Year ended December 31, 2019											
Net book amount at January 1, 2019	33,934	681,716	7,543	6,130,694	492,067	148,806	15,177	–	663,703	663,703	8,173,640
Additions	–	936	–	2,455,823	357,497	58,219	16,649	1,559,221	504,593	2,063,814	4,952,938
Disposals	–	(64)	–	(32,463)	(823)	(191)	(3,913)	–	(128,088)	(128,088)	(165,542)
Depreciation charge	–	(18,647)	(405)	(524,284)	(226,383)	(52,137)	(2,435)	(331,177)	(212,008)	(543,185)	(1,367,476)
Impairment charge	–	–	–	–	–	–	–	–	–	–	–
Net book amount at December 31, 2019	33,934	663,941	7,138	8,029,770	622,358	154,697	25,478	1,228,044	828,200	2,056,244	11,593,560
At December 31, 2019											
Cost	33,934	970,868	19,888	17,251,879	1,980,058	474,810	128,432	1,559,221	1,278,200	2,837,421	23,697,290
Accumulated depreciation	–	(306,927)	(12,750)	(9,222,109)	(1,357,700)	(320,113)	(102,954)	(331,177)	(450,000)	(781,177)	(12,103,730)
Net book amount at December 31, 2019	33,934	663,941	7,138	8,029,770	622,358	154,697	25,478	1,228,044	828,200	2,056,244	11,593,560

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

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

		2019 Rs '000	2018 Rs '000
17.2	**Capital work in progress**		
	Carrying value at the beginning of the year	982,235	190,134
	Additions during the year	1,419,007	962,382
		2,401,242	1,152,516
	Transferred to operating fixed assets	(1,646,924)	(170,281)
	Carrying value at the end of the year - note 17.2.1	754,318	982,235

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

		2019 Rs '000	2018 Rs '000
17.3	**Depreciation charge has been allocated as follows:**		
	Cost of sales	724,448	592,878
	Raw material purchases and expenses	155,580	87,498
	Selling and distribution expenses	160,038	96,450
	Administrative expenses	327,410	148,952
		1,367,476	925,778

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For the year ended December 31, 2019

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 & machinery						
- by negotiation	46,897	25,948	25,948	–	BAT Polska S.A	Associate company
	11,957	1,029	239	(790)	Bahadar Khan	Contractor
Vehicles						
- as per Company's policy	2,322	888	491	(397)	Irfan Mirza	Executive
	2,322	966	582	(384)	Athar Sultan	Ex-Executive
	2,402	1,677	1,328	(349)	Khurram Rajpoot	Executive
	2,997	2,757	2,701	(56)	Hassan Khalid	Executive
	2,047	1,121	940	(181)	Mian Waqar	Ex-Executive
	2,067	1,147	1,170	23	Bushra Rehman	Executive
	2,322	827	464	(363)	Muhammad Gulzar	Executive
	2,322	959	742	(217)	Umair Luqman	Executive
	2,402	1,415	1,248	(167)	Shadman Safdar	Ex-Executive
	2,104	1,497	1,627	130	Madeeh Pasha	Executive
	2,689	2,258	2,171	(87)	Muneeba Haleem	Ex-Executive
	5,161	2,891	2,611	(280)	Sami Zaman	Ex-Executive
	5,283	3,760	3,564	(196)	Sadaf Saeed	Ex-Executive
	2,047	698	408	(290)	Saqib Ali	Executive
	2,404	1,445	1,186	(259)	Saad Ikram	Ex-Executive
	2,414	1,547	1,577	30	Syed Bilal Firdous	Executive
	2,584	1,774	1,779	5	Hamzah Fazal	Ex-Executive
	2,639	2,181	2,198	17	Mustafa Sherdil	Executive
	5,286	3,177	3,033	(144)	Asif Khan	Ex-Executive
	5,283	3,458	3,486	28	Talat Mehmood	Ex-Executive
	6,233	5,069	4,943	(126)	Khurram Javed	Ex-Executive
	6,867	6,318	6,232	(86)	Imran Fazal	Ex-Executive
	6,483	5,272	5,406	134	Athar Baig	Ex-Executive
	12,200	8,252	8,216	(36)	Aly Ud Din Taseer	Ex-Executive
	20,000	11,747	9,330	(2,417)	Syed Javed iqbal	Ex-Executive
	5,161	3,237	2,987	(250)	Waqas Bhatti	Ex-Executive
Vehicles (continued)						
- Auction	2,249	1,730	2,530	800	Through bidding in auction	Auction agent
	3,363	673	2,600	1,927	Through bidding in auction	Auction agent
	3,363	673	2,535	1,862	Through bidding in auction	Auction agent
	3,363	673	2,515	1,842	Through bidding in auction	Auction agent
	3,303	661	2,470	1,809	Through bidding in auction	Auction agent
	3,363	673	2,500	1,827	Through bidding in auction	Auction agent
	2,846	2,504	2,720	216	Through bidding in auction	Auction agent
	2,519	504	1,955	1,451	Through bidding in auction	Auction agent
	2,322	543	1,980	1,437	Through bidding in auction	Auction agent
	3,353	671	2,480	1,809	Through bidding in auction	Auction agent
	3,353	671	2,555	1,884	Through bidding in auction	Auction agent
	3,353	671	2,510	1,839	Through bidding in auction	Auction agent
	3,353	671	2,405	1,734	Through bidding in auction	Auction agent
	3,353	671	2,500	1,829	Through bidding in auction	Auction agent
	3,353	671	2,575	1,904	Through bidding in auction	Auction agent
	3,353	671	2,400	1,729	Through bidding in auction	Auction agent
	3,353	671	2,330	1,659	Through bidding in auction	Auction agent
	3,353	671	2,500	1,829	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
	3,353	671	2,810	2,139	Through bidding in auction	Auction agent
	3,353	671	2,600	1,929	Through bidding in auction	Auction agent
	3,353	671	2,405	1,734	Through bidding in auction	Auction agent
	3,353	671	2,505	1,834	Through bidding in auction	Auction agent
	3,353	671	2,645	1,974	Through bidding in auction	Auction agent
	3,353	671	2,700	2,029	Through bidding in auction	Auction agent
	3,353	671	2,750	2,079	Through bidding in auction	Auction agent
	3,353	671	2,756	2,085	Through bidding in auction	Auction agent
	3,353	671	2,605	1,934	Through bidding in auction	Auction agent
	3,413	683	2,500	1,817	Through bidding in auction	Auction agent
	3,272	654	2,790	2,136	Through bidding in auction	Auction agent
	3,272	654	2,650	1,996	Through bidding in auction	Auction agent
	3,272	654	2,605	1,951	Through bidding in auction	Auction agent
	3,272	654	2,710	2,056	Through bidding in auction	Auction agent
	3,272	654	2,770	2,116	Through bidding in auction	Auction agent
	3,272	654	2,700	2,046	Through bidding in auction	Auction agent
	3,272	654	2,360	1,706	Through bidding in auction	Auction agent
	3,272	654	2,470	1,816	Through bidding in auction	Auction agent
	3,272	654	2,420	1,766	Through bidding in auction	Auction agent
	3,272	654	2,455	1,801	Through bidding in auction	Auction agent
	5,031	1,006	4,355	3,349	Through bidding in auction	Auction agent
	5,131	1,670	5,000	3,330	Through bidding in auction	Auction agent
	3,882	776	2,850	2,074	Through bidding in auction	Auction agent
- by insurance claim	2,107	528	1,458	930	EFU General Insurance Ltd.	Insurance agent
	3,353	671	2,187	1,516	EFU General Insurance Ltd.	Insurance agent

	2019 Rs '000	2018 Rs '000
18 Long term deposits and prepayments		
Security deposits	30,759	28,480
Prepayments	–	3,632
	30,759	32,112
19 Stock-in-trade		
Raw materials	18,762,548	16,053,378
Raw materials in transit	719,314	797,363
Work in process	91,312	93,386
Finished goods	1,859,725	1,548,417
	21,432,899	18,492,544
Provision for damaged stocks - note 19.1	(10,356)	(3,154)
	21,422,543	18,489,390
19.1 Movement in provision for damaged stocks is as follows:		
Balance as at January 1	3,154	12,664
Provision for the year	87,325	18,962
Written off during the year	(80,123)	(28,472)
Balance as at December 31	10,356	3,154

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

		2019 Rs '000	2018 Rs '000
20	**Stores and spares**		
	Stores and spares	744,834	699,741
	Provision for slow moving items - note 20.1	(80,835)	(65,712)
		663,999	634,029
	20.1 Movement in provision for slowing moving items is as follows:		
	Balance as at January 1	65,712	129,803
	Provision / reversal of provision during the year	15,123	(64,091)
	Balance as at December 31	80,835	65,712
21	**Trade debts**		
	These are unsecured, considered good.		
22	**Loans and advances**		
	Related parties:		
	Advances to key management personnel for house rent - note 22.1	2,140	2,079
	Others:		
	Advances to executives for house rent and expenses	34,279	32,692
	Advances to other parties	89,225	60,732
		125,644	95,503
	22.1 Advances were given to the following key management personnel		
	Mr Ahsen Altaf	990	990
	Mr Hassan Khalid	450	–
	Mr Umair Luqman	400	–
	Ms Sana Saad	300	–
	Mr Talat Mehmood	–	99
	Mr Khurram Javaid	–	990
		2,140	2,079

The maximum aggregate amount of advances to key management personnel outstanding at the end of any month during the year was Rs. 2,140 thousand (2018: Rs. 2,079 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019

	2019 Rs '000	2018 Rs '000
23 Other receivables		
Related parties - unsecured:		
Due from holding company / associated companies - note 23.1	188,638	169,006
Staff pension fund - note 32	881,821	787,677
Management provident fund	–	2,393
Staff pension fund - defined contribution	–	712
Workers' profit participation fund - note 26.7	–	159,385
Others:		
Claims against suppliers	6,576	6,576
Cash margin with banks - imports	904,202	676,943
Others	130,654	39,428
	2,111,891	1,842,120

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

	Upto 1 month Rs '000	1 to 6 months Rs '000	More than 6 months Rs '000	2019 Rs '000	2018 Rs '000
Holding company:					
British American Tobacco p.l.c. - UK	69,884	–	–	69,884	3,569
Associated companies:					
BAT Nigeria Ltd - Nigeria	–	60,132	–	60,132	21,542
BAT (Investments) Ltd - UK	18,469	–	–	18,469	–
Solomon Islands Tobacco Co Ltd - Solomon Islands	16,022	–	–	16,022	–
BASS (GSD) Ltd - UK	–	7,771	–	7,771	–
BAT Marketing (Singapore) Pte Ltd	5,427	–	–	5,427	3,588
PT Bentoel Prima - Indonesia	4,041	–	–	4,041	11,549
BAT Asia Pacific - Hong Kong	3,930	–	–	3,930	416
PT Bentoel International Investama - Indonesia	–	1,431	–	1,431	–
BAT PNG Ltd - Papua New Guinea	581	–	–	581	–
BAT Polska SA - Poland	527	–	–	527	–
Ceylon Tobacco Co. Ltd - SriLanka	–	–	160	160	–
BAT Fiji Ltd - Fiji	145	–	–	145	–
BAT Tutun Mamulleri - Turkey	118	–	–	118	1,458
BAT SAA Services (Private) Limited - Pakistan	–	–	–	–	124,153
BAT Myanmar Ltd - Myanmar	–	–	–	–	1,881
BAT (Singapore) Pte Ltd - Singapore	–	–	–	–	706
BAT Romania Investment - Romania	–	–	–	–	144
Total	119,144	69,334	160	188,638	169,006

23.1.2 The maximum aggregate amount of receivable from related parties at the end of any month during the year was Rs 188,638 thousand (2018: Rs 169,006 thousand).

		2019 Rs '000	2018 Rs '000
24	**Short term investments**		
	At fair value through profit or loss (FVTPL):		
	- Market treasury bills	3,001,058	8,699,508

This represents short term investment in treasury bills issued by the Government of Pakistan and carries effective interest rate of 13.14% (2018 : 9.82%) per annum and are held for trading. These treasury bills have less than three months maturity from the date of acquisition and have been disposed off subsequent to the year-end.

		2019 Rs '000	2018 Rs '000
25	**Cash and bank balances**		
	Deposit account - note 25.1	9,075	8,863
	Current accounts:		
	Local currency	379,282	157,122
	Foreign currency	145,874	122,175
		534,231	288,160
	Cash in hand	1,674	5,005
		535,905	293,165

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

		2019 Rs '000	2018 Rs '000
26	**Trade and other payables**		
	Related parties - unsecured:		
	Due to holding company / associated companies - note 26.1	1,397,088	2,108,134
	Others:		
	Creditors	5,206,741	9,069,627
	Federal excise duty - note 26.2	7,255,338	5,288,160
	Sales tax	1,283,563	1,135,412
	Workers' welfare fund - note 26.6	373,162	311,833
	Workers' profit participation fund - note 26.7	12,004	–
	Other accrued liabilities	109,977	283,392
	Employee incentive schemes - note 26.4	99,713	99,675
	Employees' gratuity fund - note 32	337,649	210,278
	Employees' provident fund	5,450	124
	Management provident fund	14,728	–
	Staff pension fund - defined contribution	55,805	–
	Tobacco excise duty / Tobacco development cess - note 26.3	118,134	103,884
	Security deposits - note 26.5	9,075	8,863
	Contract liability	16,817	2,013
		16,295,244	18,621,395

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

	2019 Rs '000	2018 Rs '000
Holding company:		
British American Tobacco p.l.c. - UK	195,226	162,839
Associated companies:		
BASS GSD Ltd. - UK	394,624	196,043
BAT GLP Ltd - UK	240,866	377,355
BAT ASPAC Service Center Sdn Bhd - Malaysia	185,834	562,944
BAT Singapore (Pte) Ltd - Singapore	121,168	493,357
BAT (Investments) Ltd - UK	92,321	–
BAT M.E DMCC - UAE - note 26.1.1	61,833	–
Solomon Island tobacco Co. Ltd - Solomon Islands	31,204	–
BAT Souza Cruz Ltd - Brazil	15,041	7,636
BAT Korea Manufacturing - South Korea	14,647	4,539
BAT Western Europe - UK	12,457	–
BAT Bangladesh Co. Ltd- Bangladesh	10,136	42,278
PT Bentoel Prima - Indonesia	9,520	5,670
BAT Tutun Mamulleri - Turkey	2,204	10,618
BAT GSD (KL) SDN BHD - Malaysia	2,052	–
BAT Australia Ltd-Australia	1,716	–
BAT Nicoventures Trading Ltd-UK	1,473	–
BAT Myanmar Ltd - Myanmar - note 26.1.1	909	40,932
BAT Argentina - Argentina	584	179
BAT Romania Investments Ltd - Romania	347	–
BAT Mexico Ltd - Mexico	143	424
BAT Nigeria Ltd - Nigeria	118	2,475
Ceylon Tobacco Company Plc - Sri Lanka	39	182
BAT Marketing (Singapore) Pte Ltd	–	138,522
R.J Reynolds Tobacco Co - USA	–	43,253
BAT Cambodia Ltd-Cambodia	–	8,588
BAT JSC-Spb - Russia	–	3,697
BAT Prilucky - Ukraine	–	1,187
BAT South Africa (Pty) Ltd - South Africa	–	1,052
BAT Germany GmbH - Germany	–	599
BAT Chile Tobacco - Chile	–	431
BAT Pecsi Dohanygyar Kft-Hungary	–	206
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
BAT Niemeyer-Netherland	–	15
Other		
Tajamal Hussain Shah - Key Management Personnel	2,626	2,557
	1,397,088	2,108,134

26.1.1 Rs 62,741 thousand (2018: 40,932 thousand) relates to unsecured export advance.

		2019 Rs '000	2018 Rs '000
26.2	**Federal excise duty**		
	Balance as at January 1	5,288,160	2,089,200
	Charged during the year	74,741,489	63,117,903
	Payment to the Government during the year	(72,774,311)	(59,918,943)
	Balance as at December 31	7,255,338	5,288,160
26.3	**Tobacco excise duty / tobacco development cess:**		
	Balance as at January 1	103,884	94,509
	Charge for the year	212,829	204,890
	Payment to the Government during the year	(198,579)	(195,515)
	Balance as at December 31	118,134	103,884

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.

	2019 Rs '000	2018 Rs '000
Long Term Incentive Plan (LTIP) - note 26.4.1		
Balance as at January 1	29,580	90,307
Charge for the year	21,166	28,513
Share options exercised	(15,362)	(42,053)
Balance as at December 31	35,384	76,767
Deferred Share Bonus Scheme (DSBS) - note 26.4.2		
Balance as at January 1	70,095	76,135
Charge for the year	42,989	48,069
Share options exercised	(48,755)	(54,109)
Balance as at December 31	64,329	70,095
(Reversal)/Charge other employee benefit	–	(47,187)
	99,713	99,675

26.4.1 Long Term Incentive Plan (LTIP)

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

	2019	2018
	Number of options	
Outstanding as at January 1	12,158	14,592
Granted during the year	7,994	7,201
Exercised during the year	(2,779)	(9,635)
Outstanding as at December 31	17,373	12,158

There are no exercisable options as at 31st December, 2019.

26.4.2 Deferred Share Bonus Scheme (DSBS)

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

	2019	2018
	Number of options	
Outstanding as at January 1	19,399	17,440
Granted during the year	12,184	11,110
Exercised during the year	(9,862)	(9,151)
Outstanding as at December 31	21,721	19,399

There are no exercisable options as at 31st December, 2019.

26.5 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.

	2019	2018
	Rs '000	Rs '000
26.6 Movement in Workers' Welfare Fund is as follows:		
Balance as at January 1	311,833	265,538
Charged during the year	411,271	327,659
Payment to Government during the year	(349,942)	(281,364)
Balance as at December 31	373,162	311,833
26.7 Movement in Workers' Profit Participation Fund is as follows:		
Balance as at January 1	(159,385)	(101,217)
Allocation for the year	982,004	820,615
Payments during the year	(810,615)	(878,783)
Balance as at December 31	12,004	(159,385)

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. 973 million (2018: Rs 505 million) and recorded further obligations of Rs 1,541 million (2018: Rs 577 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 (2018: Rs 6,500 million), out of which the amount unavailed at the year end was Rs 6,500 million (2018: Rs 6,424 million). These facilities are secured by hypothecation of stock in trade and plant and machinery amounting to Rs 7,222 million (2018: Rs 7,222 million). The mark-up ranges between 10.52% and 14.05% (2018: 6.40% and 10.50%) per annum and is payable quarterly. The facilities are renewable on annual basis.

(b) Non-funded finance facilities

The Company also has non-funded financing facilities available with banks, which include facility to avail letter of credit and letter of guarantee. The aggregate facility of Rs 2,500 million (2018: Rs 2,500 million) and Rs 420 million (2018: 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 83 million (2018: Rs 227 million) and Rs 386 million (2018: Rs 324 million). The letter of credit and guarantee facility is secured by second ranking hypothecation charge over stock-in-trade amounting to Rs 670 million (2018: Rs 670 million).

29 Lease liability

This represents lease agreements entered into with a leasing company for vehicles. Total lease rentals due under various lease agreements aggregate to Rs 596,290 thousand - short term Rs 258,036 thousand and long term Rs 338,254 thousand (December 31, 2018: Rs 433,090 thousand - short term Rs 148,245 thousand and long term Rs 284,845 thousand) and are payable in equal monthly instalments latest by December 2024. Taxes, repairs, replacement and insurance costs are to be borne by the Company. Financing rates of 12.35% to 15.36% (December 31, 2018: 7.85% to 13.14%) per annum have been used as discounting factor.

As per IFRS 16 all rental facilities of the Company with lease terms greater than one year have been reclassified from operating leases to leased assets. When measuring the lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using an estimated incremental borrowing rate at January 01, 2019. The estimated incremental borrowing rate applied is 10%. At the date of initial application right of use of asset amounting to Rs. 1,448,717 thousand was recognised in property, plant and equipment (Note 17.1) and lease obligation of Rs. 1,243,268 thousand was recognised after adjustment of prepaid rent amounting to Rs. 205,449 thousand. Financing rates of 10% to 14% (December 31, 2018: Nil) per annum have been used as discounting factor.

Closing balance includes lease obligation of Rs 1,121,382 thousand - short term Rs 118,031 thousand and long term Rs 1,003,351 thousand (December 31, 2018: Rs Nil) on account of change in accounting policy IFRS 16.

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:

	2019 Rs '000	2018 Rs '000
Present value of minimum lease payments	1,717,672	433,090
Current maturity shown under current liabilities	(376,065)	(148,245)
	1,341,607	284,845
Future minimum lease payments		
Not later than one year	552,925	182,441
Later than one year	1,760,855	328,407
	2,313,780	510,848
Interest	(596,108)	(77,758)
Present value of minimum lease payments	1,717,672	433,090
Present value of minimum lease payments		
Not later than one year	376,065	148,245
Later than one year	1,341,607	284,845
	1,717,672	433,090

30 Unpaid dividend

Unpaid dividend includes amount of Rs nil (2018: Rs 166,660 thousand), payable to British American Tobacco (Investments) Limited, parent company.

	2019 Rs '000	2018 Rs '000
31 Deferred income tax liability		
Deferred tax liability is in respect of:		
Accelerated tax depreciation	1,270,770	898,482
Leased assets	100,263	63,405
	1,371,033	961,887
Deferred tax asset is in respect of:		
Remeasurement loss arising on employees' retirement benefit	(109,389)	(57,810)
Provision for severance benefits	(592,257)	(296,600)
Provision for stock and stores	(23,444)	(18,401)
	645,943	589,076
The gross movement on deferred income tax account is as follows:		
At January 1	589,076	1,108,225
(Credit) / charge for the year - statement of profit or loss	108,445	(503,260)
(Credit) for the year - statement of comprehensive income	(51,578)	(15,889)
At December 31	645,943	589,076

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.

	2019 Rs '000	2018 Rs '000
Staff pension fund - asset - note 23	(881,821)	(787,677)
Employees' gratuity fund - liability - note 26	337,649	210,278

The latest actuarial valuation of the defined benefit plans was conducted at December 31, 2019 using the projected unit credit method. Details of the defined benefit plans are:

	Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
	2019 Rs '000	2018 Rs '000	2019 Rs '000	2018 Rs '000
(a) The amounts recognised in the statement of financial position:				
Present value of defined benefit obligations	4,978,396	4,628,109	1,650,937	1,474,653
Fair value of plan assets	(5,860,217)	(5,415,786)	(1,313,288)	(1,264,375)
Net (assets) / liability	(881,821)	(787,677)	337,649	210,278

		Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
		2019 Rs '000	2018 Rs '000	2019 Rs '000	2018 Rs '000
(b)	**Movement in the (asset) / liability recognised in the statement of financial position is as follows:**				
	Balance as at January 1	(787,677)	(765,618)	210,278	139,736
	Charge for the year - profit and loss	(37,069)	(4,364)	105,427	85,868
	Employer's contribution during the year	(30,507)	11,238	(148,794)	(82,054)
	Remeasurement (gain)/loss recognised in Other Comprehensive Income (OCI) during the year	(26,568)	(28,933)	170,738	66,728
	Balance as at December 31	(881,821)	(787,677)	337,649	210,278
(c)	**The amounts recognised in the statement of profit and loss:**				
	Current service cost	95,605	97,559	94,064	86,113
	Interest cost	627,565	437,944	201,833	133,716
	Expected return on plan assets	(729,114)	(507,451)	(174,173)	(121,030)
	Net interest	(101,549)	(69,507)	27,660	12,686
	Members' own contribution	(24,456)	(26,211)	–	–
	Secondees' own contribution	(6,669)	(6,205)	–	–
	Contribution by employer in respect of secondees	–	–	(16,297)	(12,931)
		(37,069)	(4,364)	105,427	85,868
(d)	**Re-measurements recognised in Other Comprehensive Income (OCI) during the year:**				
	Actuarial (gain) / loss on obligation	(80,458)	(436,665)	158,282	(25,865)
	Net return on plan assets over interest income	53,890	407,732	12,456	92,593
	Total remeasurements loss / (gain) recognised in OCI	(26,568)	(28,933)	170,738	66,728
(e)	**Movement in the present value of defined benefit obligation:**				
	Present value of defined benefit obligation at January 1	4,628,109	4,759,609	1,474,653	1,416,319
	Current service cost	95,605	97,559	94,064	86,113
	Interest cost	627,565	437,944	201,833	133,716
	Actual benefits paid during the year	(292,425)	(230,338)	(277,894)	(135,630)
	Remeasurements: Actuarial (gain) / loss on obligation	(80,458)	(436,665)	158,282	(25,865)
	Present value of defined benefit obligation at December 31	4,978,396	4,628,109	1,650,938	1,474,653

		Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
		2019 Rs '000	2018 Rs '000	2019 Rs '000	2018 Rs '000
(f)	**Movement in the fair value of plan assets:**				
	Fair value of plan assets at January 1	5,415,786	5,525,227	1,264,375	1,276,583
	Interest income	729,114	507,451	174,173	121,030
	Contribution by employer in respect of members	30,507	(11,238)	148,793	82,054
	Members' own contribution	24,456	26,211	–	–
	Secondees' own contribution	6,669	6,205	–	–
	Contribution by employer in respect of secondees	–	–	16,297	12,931
	Actual benefits paid during the year	(292,425)	(230,338)	(277,894)	(135,630)
	Return on plan assets, excluding amounts included in interest income	(53,890)	(407,732)	(12,456)	(92,593)
	Fair value of plan assets at December 31	5,860,217	5,415,786	1,313,288	1,264,375
	Actual return on plan assets	635,638	135,063	148,744	27,768

The Company expects to credit Rs 58 million for pension plan and charge Rs 128 million for gratuity plan for the year ending December 31, 2020.

		Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
		2019 Rs '000	2018 Rs '000	2019 Rs '000	2018 Rs '000
(g)	**The major categories of plan assets:**				
	Investment in listed equities	1,060,470	1,134,619	242,441	230,671
	Investment in bonds	2,020,367	2,226,922	477,299	483,015
	Cash and other assets	2,779,380	2,054,245	593,548	550,689
		5,860,217	5,415,786	1,313,288	1,264,375
(h)	**Significant actuarial assumptions at the statement of financial position date:**				
	Discount rate	12.50%	13.75%	12.50%	13.75%
	Pension increase rate	6.75%	7.50%	–	–
	Expected rate of increase in salary				
	First year	11.75%	9.00%	11.25%	9.00%
	Second year onwards	11.75%	12.50%	11.25%	12.50%

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

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

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

(i) Sensitivity Analysis on significant actuarial assumptions

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

	Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
	1 percent increase Rs '000	1 percent decrease Rs '000	1 percent increase Rs '000	1 percent decrease Rs '000
Discount rate	(568,751)	701,742	(132,066)	151,406
Salary increase	169,440	(153,453)	155,805	(138,001)
Increase in post retirement pension	534,411	(443,874)	–	–

If life expectancy increases by 1 year, the obligation of the Pension Fund increases by Rs 292,406 thousand (2018: 256,706 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	
	2019	2018	2019	2018
Weighted average duration of the PBO (Years)	11.42	11.43	8.00	8.05

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.

Historical Information

	Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
	Present value of defined benefit obligation Rs '000	Net liability at the end of the year Rs '000	Present value of defined benefit obligation Rs '000	Net liability at the end of the year Rs '000
2019	4,978,396	(881,821)	1,650,938	337,649
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

32.1 Salaries, wages and benefits as appearing in note 9, 10 and 11 include amounts in respect of the following:

	2019 Rs '000	2018 Rs '000
Defined Contribution Provident Fund	94,106	91,296
Defined Benefit Pension Fund	(37,069)	(4,364)
Defined Contribution Pension Fund	116,520	95,803
Defined Benefit Gratuity Fund	105,427	85,868
	278,984	268,603

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	1,747,719	1,768,572
	Cost of investments made	1,588,501	1,562,298
	Percentage of investments made	91%	88%
	Fair value of investments made	1,583,001	1,599,719

		2019 Rs '000	2019 % age	2018 Rs '000	2018 % age
(b)	Breakup of investments at cost				
	Pakistan Investment Bonds	251,725	14%	352,345	20%
	Investment plus deposit certificates	605,250	35%	509,600	29%
	Investment in savings account with bank	118,981	7%	145,922	8%
	Investment in securities	311,711	18%	297,887	17%
	Accrued interest	300,834	17%	256,544	15%
		1,588,501	91%	1,562,298	88%

33 Share capital

33.1 Authorized share capital

2019 Number of shares	2018 Number of shares		2019 Rs '000	2018 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

2019 Number of shares	2018 Number of shares		2019 Rs '000	2018 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 (2018: 241,045,141) ordinary shares at the year-end and 10,150 (2018:12,274) and 798,282 (2018:798,282) 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.

	2019 Rs '000	2018 Rs '000

34 Contingencies and commitments

34.1 Contingencies

Claims and guarantees

	2019 Rs '000	2018 Rs '000
(i) Claims against the Group not acknowledged as debt - Note 34.1.1	75,706	75,706
(ii) Guarantees issued by banks on behalf of the Group	385,730	323,587

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 license 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 license. 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 S. 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 2005/06 was awarded to Malik Tilla Muhammad ("the Contractor") by PTB. The Contractor demanded payment of Rs. 8.8 Million from PTC on account of TDC, which claim was rejected by PTC. 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 PTC was to pay Rs. 8,375,071/- to Malik Tilla Muhammad Tilla. The said order was challenged by the Company through an appeal before the District Judge Peshawar and the appeal was finally decided in Company's favor on June 29, 2019. The matter was remanded back to the trial court / civil judge for cross examination of the arbitrator and deciding the matter afresh and the case is still pending.

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. PTC has been making prompt contributions under the Act. PTC 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 04-03-2015, demanding payment of Rs. 3,024,000/- against non-payment of contribution of 200 hundred employees. These employees were in fact employees of five transport concerns with which PTC had contractual arrangements. PTC 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 PTC on 14-02-2017, upholding the demand earlier raised by the EOBI Jhelum. PTC 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 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 Company's approval process from region. 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 favorable outcome in these matters and accordingly, no provision is recognised in the financial statements.

34.2 Commitments

(a) All property rentals before adoption of IFRS 16 were under cancellable operating lease arrangements and were due as follows:

	2019 Rs '000	2018 Rs '000
Not later than one year	–	99,777
Later than one year and not later than five years	–	375,899
Later than five years	–	285,199

(b) Letters of credit outstanding at December 31, 2019 were Rs 83,392 thousand (2018: Rs 227,427 thousand).

35 Financial Instruments - Fair Values And Risk Management

35.1 Accounting classification and fair value

The following table shows 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, 2019			Fair value		
		Fair value through profit or loss	Amortised cost	Total	Level 1	Level 2	Level 3
	Note	Rs '000			Rs '000		
Financial assets measured at fair value							
Short-term investments	24	3,001,058	–	3,001,058	–	3,001,058	–
Financial assets not measured at fair value							
Deposits	18	–	30,759	30,759	–	–	–
Trade debts	21	–	4,260	4,260	–	–	–
Other receivables	23	–	2,111,891	2,111,891	–	–	–
Cash and bank balances	25	–	535,905	535,905	–	–	–
		3,001,058	2,682,815	5,683,873	–	3,001,058	–
Financial liabilities measured at fair value							
Financial liabilities not measured at fair value							
Trade and other payables	26	–	(6,884,305)	(6,884,305)	–	–	–
Lease liability	29	–	(1,717,672)	(1,717,672)	–	–	–
Accrued interest/mark-up		–	(25,735)	(25,735)	–	–	–
		–	(8,627,712)	(8,627,712)	–	–	–

	Note	December 31, 2018			Fair value		
		Fair value through profit or loss	Amortised 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	–	1,842,120	1,842,120	–	–	–
Cash and bank balances	25	–	293,165	293,165	–	–	–
		8,699,508	2,165,318	10,864,826	–	8,699,508	–
Financial liabilities measured at fair value							
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)	–	–	–
Lease liability	29	–	(433,090)	(433,090)	–	–	–
Accrued interest / mark–up		–	(5,331)	(5,331)	–	–	–
		–	(12,365,110)	(12,365,110)	–	–	–

35.2 Financial risk management

The Group has exposure to the following risks from financial instruments:

- credit risk
- liquidity risk
- market risk

35.2.1 Risk management framework

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Risk management is carried out by the Treasury Committee (the Committee) under policies approved by the board of directors (the Board). The Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. All treasury related transactions are carried out within the parameters of these policies.

35.2.2 Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations and arises 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 Group'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 5,684 million (2018: Rs 10,865 million) do not include any amounts which are past due or impaired. The table below shows bank balances held with counterparties at the balance sheet date.

Counterparty	Rating		Rating agency		
	Short term	Long term		2019 Rs '000	2018 Rs '000
Cash at bank:					
MCB Bank Ltd	A-1+	AAA	PACRA	317,091	47,133
Habib Bank Ltd	A-1+	AAA	JCR-VIS	15,647	3,192
Deutsche Bank AG	P-2	Baa3	Moody's	147,132	130,795
MCB Islamic Bank	A-1	A	PACRA	53,006	3,433
National Bank of Pakistan	A-1+	AAA	PACRA	893	101,113
Standard Chartered Bank	A-1+	AAA	PACRA	48	2,181
Citibank N.A.	P-1	Aa3	Moody's	414	313
				534,231	288,160
Short term investments:					
Government of Pakistan		B3+	Moody's	3,001,058	8,699,508
				3,535,289	8,987,668

As at December 31, 2019, maximum exposure to credit risk for financial assets by geographic was as follows:

	Carrying amount	
	2019 Rs '000	2018 Rs '000
Pakistan	5,495,235	10,819,973
United Kingdom	96,124	3,569
Asia & other	92,514	41,284
	5,683,873	10,864,826

As at 31 December 2019, the ageing of financial assets was as follows:

	Carrying amount	
	2019 Rs '000	2018 Rs '000
Not past due	5,616,409	10,856,369
Past due 1-30 days	60,728	1,881
Past due 31-90 days	160	–
Past due 90 days	6,576	6,576
	5,683,873	10,864,826

35.2.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group'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 the Group'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 Rs '000	Contractual cash flows Total Rs '000	12 months or less Rs '000	1 to 5 years Rs '000
31 December 2019				
Financial liabilities				
Trade and other payables	6,884,278	(6,884,278)	(6,884,278)	–
Lease liability	1,717,672	(2,313,780)	(552,925)	(1,760,855)
Accrued interest/mark-up	25,735	(25,735)	(25,735)	–
	8,627,685	(9,223,793)	(7,462,938)	(1,760,855)
31 December 2018				
Financial liabilities				
Trade and other payables	11,851,120	(11,851,120)	(11,851,120)	–
Lease liability	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)

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 Group'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 optimising 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 Group'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 Group's exposure to currency risk is as follows:

	December 31, 2019			December 31, 2018		
	Euro	Sterling	US dollars	Euro	Sterling	US dollars
Other receivables	55,953	187,712	5,928	–	48,361	21,638
Cash and bank balances	–	–	941,945	–	–	880,230
Trade and other payables	(903,640)	(2,751,771)	(4,447,951)	(1,310,664)	(1,551,586)	(15,899,171)
Net exposure	(847,687)	(2,564,059)	(3,500,078)	(1,310,664)	(1,503,225)	(14,997,303)

The following significant exchange rates have been applied:

	Average rate		Year-end spot rate	
	2019	2018	2019	2018
Euro 1	167.62	143.24	173.84	158.67
Sterling 1	191.06	161.90	205.16	176.78
US dollar 1	149.79	121.51	154.87	138.80

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, remain 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, 2019				
Euro	14,736	(14,736)	10,388	(10,388)
Sterling	52,604	(52,604)	37,081	(37,081)
US dollar	54,206	(54,206)	38,210	(38,210)
31 December 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)

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 Group is not exposed to fair value interest rate risk as it does not hold any fixed rate instruments. The Group 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. 1,717,672 thousand (2018: Rs 433,090 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 remaining constant, profit for the year would have been Rs. 17.177 million (2018: Rs. 4.331 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			
	2019 Rs '000	2018 Rs '000	2019 Rs '000	2018 Rs '000	2019 Rs '000	2018 Rs '000	2019 Rs '000	2018 Rs '000	2019 Rs '000	2018 Rs '000
Managerial remuneration	36,918	35,784	79,596	84,360	267,380	209,323	631,659	597,664	1,015,553	927,131
Corporate bonus	22,995	29,812	39,193	43,393	141,618	173,928	195,814	219,145	399,620	466,278
Leave fare assistance	1,603	1,279	5,618	3,138	8,021	8,950	-	-	15,242	13,367
Housing and utilities	14,990	11,696	10,010	7,333	73,370	78,208	275,640	262,188	374,010	359,425
Medical expenses	261	1,084	578	1,507	7,221	10,097	40,780	46,804	48,840	59,492
Post employment benefits	10,426	13,475	6,590	4,199	37,940	40,575	146,784	131,483	201,740	189,732
	87,193	93,130	141,585	143,930	535,550	521,081	1,290,677	1,257,284	2,055,005	2,015,425
Number of persons	1	1	3	2	30	26	252	247	286	276

36.1 The Group, in certain cases, also provides individuals with the use of Group 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 eight (2018: six) non-executive directors of the Group amounted to Rs 11,438 thousand (2018: Rs 5,555 thousand).

37 Transactions with related parties

British American Tobacco (Investments) Limited (BAT-IL) holds 94.34% (2018: 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 36 to the financial statements. Transactions with employee funds and associated payable/ receivable balances are provided in note 32 to the financial statements.

	2019 Rs '000	2018 Rs '000
Purchase of goods and services from:		
Holding company	1,396,342	967,868
Associated companies	3,423,682	2,284,782
Sale of goods and services to:		
Holding company	83,672	–
Associated companies	1,939,827	156,265
Dividend paid to:		
Holding company	12,263,702	8,948,577
Royalty charged by:		
Holding /associate company		
Charged	427,710	2,364,433
Reversed	(1,714,439)	–
	(1,286,729)	2,364,433
Expenses reimbursed to:		
Holding company	11,182	22,749
Associated companies	4,552	25,785
Expenses reimbursed by:		
Holding company	51,350	41,797
Associated companies	260,612	222,950
Payment under employee incentive schemes:		
Key management personnel	55,848	82,460
Other income:		
Associated company:		
Recharges written back	519,420	26,592

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

37.1 Following are the name 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 37.2.

Associated company	Basis of relationship	Aggregate % of shareholding
BAT SAA Service (Private) 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
Zafar Mahmood	Director	0.000196%
Usman Zahur	Director	0.000978%
William Pegel	Director	0.000978%
Syed Asad Ali Shah	Director	0.000254%
Syed Javed Iqbal	Director	0.000196%
Tajamal Shah	Director	0.000196%
Syed Ali Akbar	Director	0.000196%
Zafar Aslam	Director	0.000196%
Belinda Ros	Director	0.000196%
Asif Jooma	Director	0.000196%
Mohammad Riaz	Director	0.000196%
Lt. Gen (Rtd.) Muhammad Masood Aslam	Director	0.000196%
Husain Iqbal Jaffery	Key management personnel	Nil
Waqas Ahmed Khan	Key management personnel	Nil
Umair Luqman	Key management personnel	Nil
Ahsen Altaf	Key management personnel	Nil
M. Idries Ahmed	Key management personnel	Nil
Yusuf Zaman	Key management personnel	Nil
Khan Muhammad Mohmand	Key management personnel	Nil
Syed Hammad Ali Naqvi	Key management personnel	Nil
Muhammad Asim	Key management personnel	Nil
M.Ali Khan	Key management personnel	Nil
Syed Muhammad Ali	Key management personnel	Nil
Sana Saad	Key management personnel	Nil
Qadeer Hussain	Key management personnel	Nil
Khuram Javaid Rajpoot	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	Country of Incorporation
British American Tobacco p.l.c.	Ultimate Parent Company	0.00%	United Kingdom
BAT (Investments) Limited	Holding Company	94.35%	United Kingdom
BAT Rothmans International	Holding Company	0.31%	United Kingdom
Ceylon Tobacco Company Limited	Common Directorship	0.00%	Sri Lanka
British American Tobacco Myanmar Limited	Common Directorship	0.00%	Myanmar
British American Tobacco Argentina	Fellow Subsidiary	0.00%	Argentina
British American Tobacco Australia	Fellow Subsidiary	0.00%	Australia
BAT Bangladesh Company Limited	Fellow Subsidiary	0.00%	Bangladesh
Souza Cruz Ltd.	Fellow Subsidiary	0.00%	Brazil
BAT Switzerland SA	Fellow Subsidiary	0.00%	Swiztzerland
British American Tobacco Chile	Fellow Subsidiary	0.00%	Chile
BAT Germany GmbH	Fellow Subsidiary	0.00%	Germany
BAT (Brands) Limited	Fellow Subsidiary	0.00%	United Kingdom
Benson & Hedges (Overseas) Limited	Fellow Subsidiary	0.00%	United Kingdom
BAT (Holdings) Limited	Fellow Subsidiary	0.00%	United Kingdom
British American Tobacco Western Europe	Fellow Subsidiary	0.00%	United Kingdom
BASS (GSD) Limited	Fellow Subsidiary	0.00%	United Kingdom
British American Tobacco	Fellow Subsidiary	0.00%	United Kingdom
BAT Nicoventures Trading Ltd	Fellow Subsidiary	0.00%	United Kingdom
British American Tobacco Asia Pacific Region Ltd	Fellow Subsidiary	0.00%	Hong Kong
BAT Pecsi Dohanygyar KFT	Fellow Subsidiary	0.00%	Hungary
British American Tobacco Kenya Ltd	Fellow Subsidiary	0.00%	Kenya
BAT Koea Ltd	Fellow Subsidiary	0.00%	South Korea
BAT Koea Manufacturing Ltd	Fellow Subsidiary	0.00%	South Korea
British American Tobacco Mexico	Fellow Subsidiary	0.00%	Mexico
BAT AsPac Service Centre Sdn Bhd	Fellow Subsidiary	0.00%	Malaysia
BAT GSD (KL) Sdn Bhd.	Fellow Subsidiary	0.00%	Malaysia
BAT Nigeria Ltd	Fellow Subsidiary	0.00%	Nigeria
British American Tobacco Niemeyer	Fellow Subsidiary	0.00%	Netherlands
British-American Tobacco Polska S.A	Fellow Subsidiary	0.00%	Poland
BAT Romania Investment Ltd.	Fellow Subsidiary	0.00%	Romania
BAT (Romania) Trading SRL.	Fellow Subsidiary	0.00%	Romania
JSC BAT-Spb	Fellow Subsidiary	0.00%	Russia
British-American Tobacco (Singapore) Pte Ltd	Fellow Subsidiary	0.00%	Singapore
BAT Marketing (Singapore) Pte Ltd	Fellow Subsidiary	0.00%	Singapore
British American Tobacco Tutun Mamulleri	Fellow Subsidiary	0.00%	Turkey
West Indian Tobacco Co. Ltd	Fellow Subsidiary	0.00%	Trinidad & Tobago
PJSC A/T B.A.T Prilucky Tobacco Co.	Fellow Subsidiary	0.00%	Ukraine
R J Reynolds Tobacco Company	Fellow Subsidiary	0.00%	United States
British American Tobacco South Africa (Pty) Ltd.	Fellow Subsidiary	0.00%	South Africa
British American Tobacco ME DMCC	Fellow Subsidiary	0.00%	United Arab Emirates
BAT GCC DMCC	Fellow Subsidiary	0.00%	United Arab Emirates
BAT Egypt Ltd.	Fellow Subsidiary	0.00%	Egypt
Central Manufacturing Company Ltd	Fellow Subsidiary	0.00%	Fiji
PT Bentoel Internasional Investama	Fellow Subsidiary	0.00%	Indonesia
PT Bentoel Internasional Prima	Fellow Subsidiary	0.00%	Indonesia
British American Tobacco (Malaysia)	Fellow Subsidiary	0.00%	Malaysia
Tobacco Importers and Manufacturers	Fellow Subsidiary	0.00%	Malaysia
British American Tobacco (PNG) Ltd	Fellow Subsidiary	0.00%	Papua New Guinea
British American Tobacco Vranje AD	Fellow Subsidiary	0.00%	Serbia
BAT Services Ltd., Taiwan Branch	Fellow Subsidiary	0.00%	Taiwan
Tabacalera Hondurena S.A.	Fellow Subsidiary	0.00%	Honduras
Solomon Islands Tobacco Co. Ltd.	Fellow Subsidiary	0.00%	Solomon Islands
British American Tobacco (Cambodia)	Fellow Subsidiary	0.00%	Cambodia

	2019 Rs '000	2018 Rs '000
38 Cash generated from operations		
Profit before taxation	18,284,917	15,279,854
Adjustment for non-cash items:		
- Depreciation / impairment	1,367,476	941,723
- Gain on disposal of property, plant and equipment	(134,391)	(21,259)
- Finance cost	202,553	33,828
- Finance income	(812,571)	(742,648)
- Foreign exchange loss	445,162	195,523
- Provision /(Reversal of provision) for slow moving stores and spares	15,123	(64,091)
- Provision / (reversal of provision) for stock-in-trade	7,202	(9,510)
- Provision for staff retirement benefit plans	278,984	266,205
	1,369,538	599,771
Changes in working capital:		
- Stock-in-trade	(2,940,355)	(4,018,990)
- Stores and spares	(45,093)	23,971
- Trade debts	(2,707)	1,083
- Loans and advances	(27,684)	(25,275)
- Short term prepayments	234,014	(37,188)
- Other receivables	(181,189)	(884,657)
- Trade and other payables	(2,898,684)	7,695,567
- Other liabilities	567,124	199,213
	(5,294,574)	2,953,724
Changes in long term deposits and prepayments	1,353	207
	14,361,234	18,833,556

39 Reconciliation of movement of liabilities to cash flows arising from financing activities

	Liabilities		Equity	Total
	Unclaimed / Unpaid Dividend	Finance lease obligations	Revenue reserves	
	Rs '000	Rs '000	Rs '000	Rs '000
Balance at January 1, 2018	264,303	425,295	14,356,260	15,045,858
Changes from financing cash flows:				
Finance lease payments	–	(251,525)	–	(251,525)
Dividend declared	9,453,270	–	(9,453,270)	–
Dividend paid	(9,436,117)	–	–	(9,436,117)
Total changes from financing cash flows	17,153	(251,525)	(9,453,270)	(9,687,642)
Other changes:				
New finance leases	–	259,320	–	259,320
Total equity-related other changes	–	–	10,307,696	10,307,696
Balance at December 31, 2018	281,456	433,090	15,210,686	15,925,232

	Liabilities		Equity	Total
	Unclaimed / Unpaid Dividend	Finance lease obligations	Revenue reserves	
	Rs '000	Rs '000	Rs '000	Rs '000
Balance at January 1, 2019	281,456	433,090	15,210,686	15,925,232
Changes from financing cash flows:				
Lease payments	–	(709,437)	–	(709,437)
Changes in Dividend payable				
Dividend declared	12,263,701	–	(12,263,701)	–
Dividend paid	(12,400,182)	–	–	(12,400,182)
Total changes from financing cash flows	(136,481)	(709,437)	(12,263,701)	(13,109,619)
Other changes:				
New leases	–	1,994,019	–	1,994,019
Total equity-related other changes	–	–	12,788,932	12,788,932
Balance at December 31, 2019	144,975	1,717,672	15,735,917	17,598,564

40 Post balance sheet event

In respect of the year ended December 31, 2019 final dividend of Rs 23.00 (2018: Rs 22.00) per share amounting to a total dividend of Rs 5,876,357 thousand (2018: Rs 5,620,863 thousand) has been proposed at the Board of Directors meeting held on February 24, 2020. 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.

41.2 Date of authorization for issue

These consolidated financial statements have been authorised for circulation to the shareholders by the Board of Directors of the Group on February 24, 2020.

Usman Zahur
Chief Executive Officer

William Pegel
Chief Financial Officer / Director

PATTERN OF SHAREHOLDING

As at December 31, 2019

No. of Shareholders		Categories			Total Shares
1,347	From	1	To	100	41,845
1,088	From	101	To	500	307,012
349	From	501	To	1,000	243,733
238	From	1,001	To	5,000	504,071
30	From	5,001	To	10,000	208,587
5	From	10,001	To	15,000	60,334
2	From	15,001	To	20,000	34,223
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	1,755,001	To	1,760,000	1,757,713
1	From	8,715,001	To	8,720,000	8,715,555
1	From	241,045,001	To	241,050,000	241,045,141
3,083					255,493,792

PATTERN OF SHAREHOLDING

As at December 31, 2019

	No. of Shares
Associated Companies, Undertakings and Related Parties	241,843,423
NIT and ICP	515
Directors, CEO and their spouse and minor children	10,150
Executives	49
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance companies, Modaraba and Mutual Funds	2,392,066
Individuals	2,070,880
Others	9,176,709
	255,493,792

Categories of Shareholders	Number	Shares Held	%
Directors, CEO and their spouse and minor children	12	10,150	0.0
Executives	4	49	0.0
Associated Companies, Undertakings and Related Parties	2	241,843,423	94.7
Investment Companies	1	515	0.0
Modarabas & Mutual Funds	3	1,760,913	0.7
Insurance Companies	4	627,871	0.2
Banks, Development and other Financial Institutions	8	3,282	0.0
Individuals	3,005	2,070,880	0.8
Others	44	9,176,709	3.6
Total	3,083	255,493,792	100.0

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)

Zafar Mahmood	500
Usman Zahur	2,500
William Francis Pegel	2,500
Syed Asad Ali Shah	650
Syed Ali Akbar	500
Syed Javed Iqbal	500
Tajamal Shah	500
Asif Jooma	500
Mohammad Riaz	500
Belinda Ross	500
Zafar Aslam Khan	500
Muhammad Masood Aslam	500

Executives

Farkhanda Naheed	17
Awais Hussain Kazi	15
Shahid Yamin	9
Arshad Javed	8

Shareholders holding 10% or more voting interest

British American Tobacco (Investments) Limited	241,045,141

جس میں ان کو کمپنی کا وژن، مشن، سٹرکچر، تجربہ کار افسران کے کردار اور ذمہ داریاں، اہم مقدمات اور کمپنی کی اہم پالیسیوں سے آگائی دی جاتی ہے۔ انڈکشن پلان کے لئے، تجربہ کار افسران ان ڈائریکٹرز کو اپنے شعبہ جات کی کارکردگی کے متعلق تفصیلات سے آگاہ کرتے ہیں۔

6.13 ڈائریکٹرز کا تربیتی پروگرام

پاکستان ٹوبیکو کمپنی نے ڈائریکٹرز کی تربیت سے متعلق قابل اطلاق ریگولیٹری ضروریات کو یقینی بنایا ہے آدھے سے زیادہ ڈائریکٹرز نے سیکورٹی ایکسچینج کمیشن آف پاکستان کے تصدیق شدہ ڈائریکٹر تربیتی پروگرام کے تحت سرٹیفکیٹس حاصل کئے ہوئے ہیں۔

6.14 گزشتہ سالانہ اجلاس عام

کمپنی کا بہترواں سالانہ اجلاس عام 22 اپریل 2019 کو منعقد ہوا۔ تمام حصہ داران بشمول اقلیتی حصہ داران کو دعوت نامے بھیج دیئے گئے تاکہ انہیں اجلاس کے وقت اور مقام کے بارے میں آگاہ کیا جا سکے کمپنی کے حصہ داران کو سہولت فراہم کرنے کے لئے سالانہ اجلاس عام میں اعلی معیار، آرام دہ اور پرسکون انتظامات کو یقینی بنایا گیا تھا۔

اجلاس کے دوران حصہ داران اور سرمایہ کاروں نے کمپنی کی فنانشل سٹیٹمنٹس اور غیر قانونی ٹوبیکو انڈسٹری کے حوالے سے کچھ عمومی سوالات کئے۔ اس کے علاوہ اجلاس میں کوئی اور مسہلہ پیش نہیں کیا گیا۔

6.15 آڈیٹرز

31 دسمبر 2019 کو ختم ہونے والے مالی سال کے لئے کمپنی کا آڈٹ مکمل کر لیا گیا ہے اور آڈیٹرز نے کمپنی کے مالیاتی تفاصیل، جامع مالیاتی تفاصیل اور کارپوریٹ گورننس کے ضابطہ اخلاق کی تعمیل کی اپنی آڈٹ رپورٹس جاری کر دی ہیں۔ KPMG کے آڈیٹرز Taseer Hadi & Co سالانہ اجلاس عام کے بعد ریٹائرڈ ہو جائے گی تاہم کمپنی ہذا نے پاکستان ٹوبیکو کمپنی کے لیے بطور آڈیٹرز 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۔۔ بین الاقوامی فیڈریشن آف اکاؤنٹس (آئی ایف اے سی) جیسا کے آئی سی اے پی کے ذریعے اپنایا گیا ہے۔ بورڈ نے آڈٹ کمیٹی کی سفارش پر 31 دسمبر 2020 کو ختم ہونے والے مالی سال کے لئے مذکورہ بالا کمپنی کی بطور آڈیٹرز کی تقرری کی تجویز دیتا ہے۔ تاہم اس کی حتمی منظوری 24 اپریل 2020 کو منعقد ہونے والے حصہ داران کے سالانہ اجلاس عام میں دی جائے گی۔

6.16 شیئر ہولڈنگ کا پیٹرن

ہماری ہولڈنگ کمپنی برٹش امریکن ٹوبیکو (انوسٹمنٹ) لمیٹڈ (BAT-IL)، جو کہ برطانیہ میں رجسٹرڈ ہے، اس سال کے اختتام پر اس کمپنی کے حصص میں 94.34 فیصد کی مالک ہے۔ 31 دسمبر 2019 کو شیئر ہولڈنگ کیپٹرن ضابطہ برائے کارپوریٹ گورننس کی شرائط کے مطابق اس سالانہ رپورٹ میں علیحدہ سے دیا گیا ہے۔

6.17 ڈائریکٹرز اور ایگزیکٹیو کے ذریعے حصص میں خرید وفرخت

کمپنی کے ڈائریکٹرز, چیف ایگزیکٹیو آفیسر، چیف فنانشل آفیسر، کمپنی سکریٹری اور ان کے اہلیان اور بچوں نے کمپنی کے حصص میں کوئی خرید وفروخت نہیں کی ہے۔

6.18 کاروباری تسلسل پلان کا جائزہ

پاکستان ٹوبیکو کمپنی کاروباری تسلسل 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 چلتا رہے، جیسا کہ 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 جات ہے کہ

- کسی قسم کے واقع کی صورت میں پہلے سے منصوبہ بندی اور تیاری کی گئی ہو
- کوئی بھی واقع رونما ہونے کی صورت میں اس کا سامنا کرنے کی سمجھ ہو
- حالات پر قابو پانے کی سوجھ بوجھ اور
- کاروبار پر منفی اثرات کم کرنے کے لئے کم سے کم وقت میں کاروبار کو عام دنوں کی حالت پر لایا جا سکے۔

اس لائحہ عمل کو برٹش امریکن ٹوبیکو گروپ میں کافی پذیرائی ملی ہے جو کہ پورے گروپ میں ایک بہترین لائحہ عمل سمجھا جاتا ہے۔ بورڈ آف ڈائرکٹرز ہر سال کاروباری تسلسل پلان کا جائزہ لیتے ہیں۔ کاروباری تسلسل پلان کے عمل کو معیار کے ساتھ پایہ تکمیل تک پہنچانے اور اس پر عملدرآمد کروانے کی ذمہ داری مینجنگ ڈائرکٹر کے سپرد ہے۔ کاروباری تسلسل پلان کی اپریشنل مینجمنٹ تفویض شدہ سیکورٹی کے سربراہ کے پاس ہے جو کہ کمپنی کے اندر کاروباری تسلسل پلان کی قیادت کرتا ہے۔ تمام شعبہ جات کے سربراہان اپنے اپنے شعبہ کے متعلق خطرات سے آگاہی اور کاروباری تسلسل پلان کو موثر بنانے اور اسے برقرار رکھنے کے ذمہ دار ہیں۔

بزنس کنٹینونٹی مینجر، کمپنی میں کاروباری تسلسل پلان کے عمل کو مربوط بناتا اور اسے سہولیات فراہم کرتا ہے۔

کاروباری تسلسل پلان کے عمل کو نافذ کر کے کمپنی اس بات کو یقینی بناتی ہے کہ:

- کمپنی کے افراد کے اثاثے اور معلومات محفوظ ہیں۔ ملازمین کو کسی بھی قسم کے انتشار کی صورت میں مکمل آگاہی اور مدد ملتی ہے۔
- دیگر اداروں, متعلقہ ریگولیٹری اداروں، سرکاری محکموں, مقامی حکام اور ہنگامی خدمات فراہم کرنے والے اداروں کے ساتھ تعلقات مناسب طریقے سے استوار ہیں۔ سٹیک 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 کرسکتی ہے۔

ظفر محمود
چیئرمین

عثمان ظہور
ایم ڈی / سی ای او

محترم جناب لیفٹیننٹ جنرل (ر) محمد مسعود اسلم آزاد ڈائریکٹر	4/4
محترم جناب محمد ریاض آزاد ڈائریکٹر	3/4
محترم جناب آصف جمعہ آزاد ڈائریکٹر	3/4
محترم جناب وائل سابرا ڈائریکٹر فنانس و آئی ٹی (بتاریخ 15 جون 2019 مستعفی	2/2
محترم جناب مائیکل کوئسٹ بتاریخ 20 اگست 2019 مستعفی	0/3
محترم جناب معین افضل ریٹائرڈ	1/1
محترمہ ہے ان کم ریٹائرڈ	0/1
لیفٹیننٹ جنرل (ر) علی قلی خان بتاریخ 31 جنوری 2019 مستعفی	0/0

6.5 بورڈ اجلاس جو پاکستان سے باہر منعقد ہوئے

2019 میں پاکستان ٹوبیکو کمپنی نے اپنے بورڈ اجلاس پاکستان میں منعقد کئے۔

6.6 بورڈ کی کمیٹیاں

بورڈ کی چار کمیٹیاں ہیں، جو بورڈ کو اپنے فرائض ادا کرنے میں معاونت کرتی ہیں۔ تمام بورڈ کمیٹیوں کی تفصیلات ،بشمول حاضری اوران کے فرائض سالانہ رپورٹ میں الگ سے فراہم کی گئی ہیں۔

6.7 ڈائریکٹرز کے معاوضہ

کارپوریٹ گورننس کی ضروریات کے مطابق ,آزاد ڈائریکٹرز کے معاوضہ کے لئے باقاعدہ اور شفاف طریقہ کار موجود ہے۔کوئی ڈائریکٹر،اپنے معاوضے کے حوالے سے فیصلے میں شامل نہیں ہوتا۔

معاوضے کے پیکج ریگولیٹری فریم ورک اور کمپنی کے مجوزہ قوانین کے مطابق منظور کئے جاتے ہیں۔ جب کہ یہ یقینی بناتے ہوئے وہ اس سطح پرنہیں ہیں جن پر نان ایگزیکٹیو ڈائریکٹرز کی آزادی متاثر نہ ہو۔

ایگزیکٹیو ڈائریکٹرز ,چیف ایگزیکٹیو آفیسر، منیجمنٹ کے اہلکاروں سمیت دیگر ایگزیگٹیوز 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 ’جانچ کا طریقہ کار‘ ترتیب دیا ہے:

- یہ اخذ کیا جاسکے کہ کون سے کام اچھے چل رہے ہیں۔
- کن شعبوں میں بہتری کی گنجائش ہے
- ایک قلیل مدتی یا طویل مدتی لائحہ عمل بنا کر غور وفکر کے بعد منظوری سے ترجیحات کا تعین کیا جاتا ہے۔
- کاروائی کی منصوبہ بندی پر متفق ہیں

اس طریقہ کار کو ایک سوالنامہ کی شکل دی گئی ہے جو کہ بورڈ ممبران کو بھیجا جاتا ہے جس پر وہ اپنی اور بورڈ کی کاکردگی کا تعین کرتے ہیں۔شفافیت اور آزادنہ تشخیص کو مدنظر رکھتے ہوئے، یہ کام کمپنی سیکرٹری کے حوالے کیا گیا ہے۔جو تمام ڈائریکٹرز کو تقسیم کرتا ہے۔تمام بورڈ ممبران یہ سوالنامے کمپنی سیکرٹری کو واپس بھیجتے ہیں۔جو کہ نتائج کی خلاصہ سمیت ان کے جوابات کے مطابق بورڈ کو اپنی سفارشات پر ایک رپورٹ مرتب کرتا ہے۔یہ رپورٹ اگلی میٹنگ میں بورڈ کے سامنے پیش کی جاتی ہے،اس پر بحث کی جاتی ہے، بورڈ کے خدشات کو سنا جاتا ہے اور بورڈ کی کارکردگی بہتر بنانے کی کوشش کی جاتی ہے۔

6.9 چیئرمین اور چیف ایگزیکٹیو آفیسر کے عہدے

بہتر گورننس اور شفافیت کو فروغ دینے کے لئے بورڈ آف ڈائریکٹرز کے چیئرمین اور چیف ایگزایکٹیو آفیسز کے عہدے الگ الگ افراد کے پاس ہوتے ہیں جن کی ذمہ داریوں علیحدہ علیحدہ ہوتی ہیں۔

6.10 چیئرمین اور چیف ایگزیکٹیو آفیسر کا مختصر کرداراور ذمہ داریاں

بورڈ نے چیئرمین اور چیف ایگزیکٹیو آفیسر کا کرداراوران کی علیحدہ علیحدہ متعین کی ہیں۔

چیئرمین بنیادی طور پر بورڈ کے رہنما اور ثالث کا کردار ادا کرتا ہے جو بورڈ آف ڈائریکٹرز کے اجلاس کی موثر طریقے سے سربراہی کرتے ہیں اور کم سے کم وقت میں آزادانہ تبادلہ خیال کرنے کے بعد فوری فیصلے موثر انداز میں لیتا ہے۔ چیئرمین بورڈ کی ذمہ داریاں کو سرانجام دینے کا ذمہ دار ہوتا ہے۔

چیف ایگزیکٹیو آفیسر، کمپنی کا ایگزیکٹیو سربراہ ہوا ہے جو کمپنی کے تمام شعبوں کی ان کے سربراہوں کے ہمراہ کمپنی کے روزمرہ کاموں کی تکمیل کا ذمہ دار ہے۔ یہ کمپنی کے سالانہ مقاصد کے حصول کے لیے رہنمائی فراہم کرتا ہے۔ یہ کمپنی کی قلیل مدتی اور طویل مدتی حکمت عملی بنائے اور اس کو جامعہ عمل پہنانے کے لئے پوری ٹیم کی رہنمائی کرتا ہے۔تاکہ حصہ داران کے لئے منافع کو زیادہ سے زیادہ بڑھایا جاسکے۔ یہ مینجمنٹ کی جانب سے بورڈ آف ڈائریکٹرز سے رابطہ رکھتا ہے۔

6.11 بورڈ کی طرف سے چیف ایگزیکٹیو آفیسر کی کارکردگی کا تعین

قانون کے مطابق بورڈ چیف ایگزیکٹیو آفیسر کو تین سال کے لئے تعینات کرتا ہے۔اس کی کارکردگی کو کمپنی کے سالانہ پلان کے ساتھ جانچا جاتا ہے۔اس کے علاوہ قانون کے تحت ذمہ داریاں نبھاتا ہے۔15 نومبر 2019 سے سابقہ چیف ایگزیکٹیو آفیسر سید جاوید اقبال نے مینجنگ ڈائریکٹر اور چیف ایگزیکٹیو آفیسر کے عہدے سے استعفیٰ دے دیا تھا اوران کی جگہ عثمان ظہور مقرر کئے گئے تھے۔

کارپوریٹ پلان کے حصول اور قابل اطلاق ریگولیٹری ضروریات کے حصول سے سال 2019 کی کارکردگی جائزہ لیا گیا ہے۔

6.12 انڈکشن کے وقت باضابطہ واقفیت

نئے بورڈ ممبران کو تعیناتی کے وقت ایک انڈکشن پلان سے گزارا جاتا ہے۔

پ۔ایگزیکٹوڈائریکٹرز	**4**
الف۔محترم جناب عثمان ظہور(مینجنگ ڈائریکٹراورسی ای او)	
ب۔محترم جناب ولیم فرانسس پیگل (بتاریخ 2ستمبر2019)	
پ۔محترم جناب سیداسدعلی شاہ	
ت۔محترم جناب سیدعلی اکبر	
ریگولیٹری ضروریات کی تعمیل میں بورڈ میں خواتین کی نمائندگی ہے۔	

بورڈ کی مجموعی تاثیرکواپنے ممبروں کے تنوع اور وسعت کے تناسب سے بڑھایا جاتا ہے جو مقامی اور بین الاقوامی، پیشہ ورانہ اور تعلیمی مہارت اور تجربے پر مشتمل ہوتا ہے اوراجتماعی طور پر بورڈ کے پاس بھی کافی مالی قابلیت اور معلومات موجود ہیں۔پاکستان ٹوبیکو کمپنی بورڈ آف ڈائریکٹرز کی تشکیل اور ساخت قوانین کے تقاضوں کے عین مطابق ہے۔

صنعت میں تجربے اور دیگر کمپنیوں کی ڈائریکٹرشپ کے علاوہ ان کے نام، حیثیت (آزاد، ایگزیکٹو، غیرانتظامی) سمیت ڈائریکٹرز کی تفصیلی پروفائلز کو سالانہ رپورٹ میں علیحدہ علیحدہ مہیا کیا گیا ہے۔ڈائریکٹرز کی حیثیت (انڈیپنڈنٹ، ایگزیکٹو، غیرایگزیکٹو) کوکارپوریٹ گورننس کے ضابطہ اخلاق کی تعمیل کے بیان میں بتایا گیاہے۔

6.3 بورڈ میں تبدیلیاں

22اپریل2019 کوسالانہ اجلاس عام میں ڈائریکٹرز کے انتخابات ہوئے,جس کے نتیجے میں بورڈ کی تشکیل نو ہوئی جس میں 12ڈائریکٹرز تھے جن میں 4 آزاد ,4غیرایگزیکٹیواور 4ایگزیکٹیوڈائریکٹرز شامل تھے۔بہترین گورنس پریکٹس کے تحت چیئرمین اورمینجنگ ڈائیرکٹر/چیف ایگزیکٹیو کے عہدوں کوالگ رکھا جاتا ہے۔

بورڈ میں تبدیلیاں درج ذیل تھیں۔

	نام	تبدیلیاں	موثرتاریخ
1	محترم جناب لیفٹیننٹ جنرل(ر)علی قلی خان	غیرایگزیکٹیوڈائریکٹر کےعہدہ سے ریٹائرڈ	31جنوری2019
2	محترم جناب معین افضل	چیئرمین کےعہدہ سے ریٹائرڈ	22اپریل2019
3	محترم جناب عمران مقبول	غیرایگزیکٹیوڈائریکٹر کےعہدہ سے ریٹائرڈ	22اپریل2019
4	محترمہ ہےان کم	غیرایگزیکٹیوڈائریکٹر کےعہدہ سے ریٹائرڈ	22اپریل2019
5	محترم جناب ظفرمحمود	بورڈ کےچیئرمین کےطور پرتعینات	22اپریل2019
6	محترم جناب تجمل شاہ	ایگزیکٹیوڈائریکٹر سے غیرایگزیکٹیوڈائریکٹر کے عہدہ میں تبدیلی	22اپریل2019
7	محترم جناب سیداسدعلی شاہ	بورڈ میں بحیثیت ایگزیکٹوڈائریکٹرشامل	22اپریل2019
8	محترم جناب ظفراسلم خان	بورڈ میں بحیثیت ایگزیکٹوڈائریکٹرشامل	22اپریل2019
9	محترم جناب آصف جمعہ	بورڈ میں بحیثیت رآزادڈائریکٹرشامل	22اپریل2019
10	مس بلینڈاجوائے روس	بورڈ میں بحیثیت غیرایگزیکٹوڈائریکٹرشامل	22اپریل2019
11	محترم جناب محمدریاض	بورڈ میں بحیثیت آزادڈائریکٹرشامل	22اپریل2019
12	محترم جناب لیفٹیننٹ جنرل(ر) محمدمسعوداسلم	بورڈ میں بحیثیت آزادڈائریکٹرشامل	22اپریل2019
13	محترم جناب وائل سابرا	بحیثیت ایگزیکٹوڈائریکٹرمستعفی	15جون2019
14	محترم جناب مائیکل کوئسٹ	بحیثیت غیرایگزیکٹوڈائریکٹرمستعفی	20اگست2019
15	محترم جناب ولیم فرانسس پیگل	بورڈ میں بحیثیت ایگزیکٹوڈائریکٹرشامل	2ستمبر2019
16	محترم جناب سیدجاویداقبال	مینجنگ ڈائیرکٹر/چیف ایگزیکٹیوآفیسر کےعہدہ سے نان ایگزیکٹوڈائریکٹر میں تبدیل	15نومبر2019
17	محترم جناب عثمان ظہور	بورڈ میں بحیثیت ایگزیکٹوڈائریکٹرشامل بورڈ میں بحیثیت مینجنگ ڈائریکٹر/چیف ایگزیکٹیو آفیسرشامل	22اپریل2019 15نومبر2019
18	محترم جناب سیدعلی اکبر	بورڈ میں بحیثیت ایگزیکٹوڈائریکٹرشامل	15نومبر2019

6.4 بورڈ کےاجلاس

قابل اطلاق ریگولیٹری فریم ورک کےتحت, بورڈ کوکمپنی کی کارکردگی کی شفافیت،احتساب اورنگرانی کویقینی بنانے کے لئے قانونی طور پر ہرسہ ماہی میں کم ازکم ایک بار میٹنگ کرنا لازم ہوتا ہے۔سال کے دوران اہم امور پرغوروفکر کے لئے ضرورت کےتحت خصوصی اجلاس بھی منعقد کئے جاتے ہیں ۔2019میں بورڈ کے 5اجلاس منعقد کئے گئے، جس میں سے22فروری2019 کوہونے والے پہلے اجلاس میں سابقہ ڈائریکٹرز شریک ہوئے جب کہ نومنتخب ڈائریکٹرزنے 4اجلاس میں شرکت کی ۔

اجلاسوں کےنوٹس/ایجنڈاکوقابل اطلاق قوانین کی تحت بروقت اوراجلاس سے پہلےتقسیم کیا گیا تھے۔قانون کےتحت سال کے دوران منعقدہ بورڈ کےتمام اجلاسوں میں حاضری کی کم سے کم کورم ضروریات کو پورا کیا گیا ہے۔

کمپنی سیکرٹری، بورڈ میں سیکرٹری کی حیثیت سے کام کرتا ہے۔بورڈ کے اجلاسوں کے دوران کئے جانے والے تمام فیصلوں کوکمپنی سکریٹری کی جانب سے منٹس آف میٹنگ کی صورت میں ریکارڈ کیا گیا ہےاوراس کی توثیق کے لئےتمام ڈائریکٹرزکوبھیجا گیا تھااور اگلے بورڈ کےاجلاس میں اسے منظورکیا گیا۔

ڈائریکٹرکانام	حاضری
محترم جناب ظفرمحمود چیئرمین	5/5
محترم جناب سیدجاویداقبال مینجنگ ڈائیرکٹر/چیف ایگزیکٹیوآفیسر (بتاریخ 15نومبر 2019 کومستعفی) غیرایگزیکٹوڈائریکٹر بتاریخ 15نومبر 2019	4/5
محترم جناب عثمان ظہور مینجنگ ڈائیرکٹر/چیف ایگزیکٹیوآفیسر بتاریخ15نومبر2019	4/4
محترم جناب ولیم فرانسس پیگل ڈائریکٹرفنانس،آئی ٹی بتاریخ 02ستمبر2019	2/2
محترم جناب سیداسدعلی شاہ قانونی اور بیرونی امور کےڈائریکٹر	4/4
محترم جناب سیدعلی اکبر ڈائریکٹر مارکیٹنگ بتاریخ15نومبر2019	1/1
محترم جناب تجمل شاہ غیرایگزیکٹوڈائریکٹر	3/5
مس بلینڈاجوائے روس غیرایگزیکٹوڈائریکٹر	2/4
محترم جناب ظفراسلم خان غیرایگزیکٹوڈائریکٹر	1/4

پریمیم سیگمنٹ میں جان پلیئر گولڈ لیف (جے پی جی ایل) کامیابی کے 140 سال سے زیادہ کے سنگ میل کو پہنچا۔اس بھرپور ذائقے کو نوازنے اور جے پی جی ایل کے برانڈ اثاثوں کو تقویت دینے کے لئے پاکستان میں جان پلیئر کی تاریخ کو منانے کے لئے ایک مہم چلائی گئی۔ماڈرن ہاٹ فائل ٹیکنالوجی کا استعمال کرتے ہوئے محدود ایڈیشن پیک تاریخ میں پہلی بار ایک محدود وقت میں بیری ذائقہ کی مصنوعات کے ساتھ مارکیٹ میں متعارف کرایا گیا۔ان اقدامات نے جے پی جی ایل برانڈ کو پاکستان میں نئی بلندیوں پر آگے بڑھایا ہے

5 رسک مینجمنٹ اور اندرونی کنٹرول

ایک مضبوط کنٹرول ماحول کو برقرار رکھتے ہوئے بورڈ آف ڈائیرکٹرز کمپنی کو درپیش خطرات اور چیلنجوں سے نبٹنے کے لئے انتظامات کا ذمہ دار ہے۔کمپنی کے رسک مینجمنٹ اور اندرونی کنٹرول فریم ورک کا مقصد حصص یافتگان کی سرمایہ کاری اور کمپنی کے اثاثوں کی حفاظت کرنا ہے جبکہ ان خطرات کے اثرات کو کم کرنا ہے جو کمپنی کے مقاصد کی فراہمی میں رکاوٹ بن سکتے ہیں۔اس کی تفصیلات کو سالانہ رپورٹ کے رسک اور مواقع سے متعلق سیکشن میں دیا گیا ہے۔

جامع پالیسیاں اور طریقہ کار، منظّم طرز حکمرانی کے طریقہ کار اور سازگار تنظیمی ثقافت نے پوری کمپنی میں مضبوط تعمیل اور کنٹرول ماحول فراہم کیا ہے۔تمام امور کے سربراہان کو عالمی سطح پر بیان کردہ کلیدی کنٹرولوں کا ایک جامع جائزہ لینے کی ضرورت ہے جن کی موجودگی کی توقع کی جارہی ہے اور مؤثر طریقے سے کام کریں گے۔کسی بھی عدم تعمیل اور مادی کمزوری کی اطلاع اور ان سے نمٹنے کے لئے عملی منصوبے دی جاتی ہے۔مزید برآں تمام ملازمین کو کمپنی کے معیارات سے متعلق طرز عمل کے سالانہ بیان پر دستخط کرنے کی ضرورت ہے۔مزید یہ کہ کمپنی سربینز آکسلے ایکٹ (ایس او کس) کی تمام ضروریات کے ساتھ بھی پوری طرح مطابقت رکھتی ہے جس سے کمپنی کے داخلی کنٹرول مزید مستحکم ہوئے ہیں۔

6 کارپوریٹ گورنس

6.1 بہترین کارپوریٹ گورنس

ڈائریکٹرز درج ذیل کے لیے سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان لسٹڈ کمپنیز ریگولیشنز 2019 ("کوڈ کارپوریٹ گورننس") کے کارپوریٹ اور مالی رپورٹنگ کے فریم ورک کی تعمیل کی تصدیق کرتے ہیں۔

الف) کمپنی کی منیجمنٹ کی جانب سے تیار کردہ مالیاتی گوشوارے، کمپنی کے امور کو،، کیش فلو اور ایکویٹی میں بدلاؤ اور اس کے کام سے حاصل ہونے والے نتیجہ کو پیش کرتی ہے۔

ب) کمپنی کے اکاؤنٹس کو درست طریقہ سے قائم رکھا ہے۔

پ) مالی گوشواروں کی تیاری کے لئے مناسب اکاؤنٹنگ پالیسیاں مستقل طور پر لاگو ہوتی ہیں اور محاسبہ کا تخمینہ معقول اور محتاط فیصلے پر مبنی ہوتا ہے۔

ت) بین الاقوامی مالیاتی رپورٹنگ کے معیارات جو پاکستان میں قابل اطلاق ہیں مالی گوشواروں کی تیاری میں ان پر عمل درآمد کیا گیا ہے اور اس سے انحراف کی صورت میں وضاحت لی جائے گی۔

ٹ) اندرونی کنٹرول کا نظام ڈیزائن میں مستحکم ہے اور اس کی موثر انداز میں نافذ اور نگرانی کی جارہی ہے۔

ث) کمپنی کی آگے بڑھنے کی صلاحیت کی اہلیت کے بارے میں کوئی خاص شبہات نہیں ہیں

ج) کارپوریٹ گورننس کے بہترین طریقہ کار سے کسی قسم کا انحراف نہیں جیسا کہ کوڈ آف کارپوریٹ گورننس اور فہرست سازی کے ضوابط میں تفصیل سے ہے۔

چ) معمول کاروبار میں عائد تمام سرکاری محصول جو 31 دسمبر 2019 تک قابل ادا ہیں ان کو مالیاتی گوشواروں میں بیان کیا گیا ہے۔

ح) اس سالانہ رپورٹ میں خلاصہ شکل میں گذشتہ چھ سالوں سے اہم آپریٹنگ اور مالی اعداد وشمار کو الگ سے فراہم کیا گیا ہے۔

جے) ملازمین کی ریٹائرمنٹ فنڈز میں 31 دسمبر 2019 کو ختم ہونے والے سال کے لئے سرمایہ کاری کی قیمتیں درج ذیل ہیں۔مزید تفصیلات نوٹ 33 میں علیحدہ مالی گوشواروں کے لئے فراہم کی گئی ہیں۔

فنڈ کا نام	روپے ملین میں
اسٹاف پنشن فنڈ	5525
ملازمین گریجویٹی فنڈ	1233
مینجمنٹ پروویڈنٹ فنڈ	735
پاکستان ٹوبیکو کمپنی لمیٹڈ پروویڈنٹ فنڈ	446
سٹاف ڈیفائنڈ کنٹریبیوشن پنشن فنڈ	497

6.2 بورڈ کی تشکیل

بورڈ میں کل 12 ڈائریکٹرز شامل ہیں: 8 غیر ایگزیکٹو ڈائریکٹر، جن میں سے 4 انڈیپنڈنٹ ڈائریکٹر، اور 4 ایگزیکٹو ڈائریکٹر ہیں۔

بورڈ کی موجودہ تشکیل ذیل میں ہے۔

ڈائریکٹر کے نام	ڈائریکٹرز کی تعداد
مرد ڈائریکٹرز	11
خواتین ڈائریکٹرز	1
الف۔انڈیپنڈنٹ ڈائریکٹر	4
الف۔محترم جناب ظفر محمود (چئیرمین)	
ب۔محترم جناب لیفٹیننٹ جنرل (ر) محمد مسعود اسلم	
ج۔محترم جناب محمد ریاض	
د۔محترم جناب آصف جمعہ	
ب۔نان ایگزیکٹو ڈائریکٹرز	4
الف۔محترم جناب تجمل شاہ	
ب۔محترمہ بلینڈا جوائے روس	
پ۔محترم جناب ظفر اسلم خان	
ت۔محترم جناب سید جاوید اقبال	

اس سلئے اہم ہے کہ مالی اورانتظامی اقدامات اٹھاکر غیرقانونی سیکٹرکوروکا جائے۔

2.5 منافع کی تقسیم اوذخائر کا تجزیہ

کمپنی نے سال کا آغاز15.2 بلین روپے کے ذخائر کے ساتھ کیا تھا۔سال کے دوران سال2018 کے اختتام سے متعلق فی حصص 22 روپے کا حتمی منافع حصص یافتگان کے ذریعہ منظور کیا گیا اور اس کے بعد ادائیگی کی گئی۔2019 میں کمپنی نے12.9 بلین روپے کا خالص منافع حاصل کیا اور13 روپے فی شیئر کے حساب سے دو عبوری منافع ادا کیا۔سال کے آخر میں کمپنی کے خالص ذخائر15.7 بلین روپے کے ہیں۔مختص کی تفصیلات بھی نیچے دیئے گئے جدول میں بیان کی گئی ہیں۔

	روپے(ملین)	روپے بحساب فی حصص
اوپننگ ذخائر	15,211	
حتمی منافع2018	(5,621)	22.00
خالص منافع2019	12,889	50.45
دیگر جامع آمدنی	(100)	
تخصیص کے لئے دستیاب ہے	22,379	
تخصیصات		
عبوری منافع2019	(6,643)	26.00
اختتامی ذخائر	15,736	

2.6 اختتامی منافع

پاکستان ٹوبیکو کمپنی کے بورڈ آف ڈائریکٹرز نے24 فروری2020 کو منعقدہ اپنے اجلاس میں31 دسمبر2019 (2018: مبلغ22 روپے فی شیئر) کوختم ہونے والے سال کے لئے23 روپے فی شیئر کے حساب سے حصص یافتگان کی منظوری کے لیے نقد منافع تجویز کیا۔ یہ تجویز مورخہ 24 اپریل2020 کو ہونے والے سالانہ جنرل اجلاس میں حصص یافتگان کی منظوری سے مشروط ہوگی۔

2.7 متناسب مالی اعدادوشماراوراجتماعی جائزہ

متناسب مالی اعدادوشمار جیسا کہ اس سالانہ رپورٹ میں شامل ہیں پاکستان ٹوبیکو کمپنی لمیٹڈ اوراس کی مکمل ملکیتی ماتحت کمپنی، فینکس (نجی) لمیٹڈ کی کارکردگی کو یکجا کیا گیا ہے۔ ماتحت کمپنی غیرفعال ہے اوراس نے تجارتی کاموں کا آغاز نہیں کیا ہے۔

2.8 ضمنی واقعات کا جائزہ

انتظامیہ نے رپورٹ کی تاریخ تک کمپنی کے مالی سال کے اختتام کے بعد پیدا ہونے والے واقعات کا اندازہ کیا ہے اوراس کے ذریعہ اس بات کی تصدیق کی گئی ہے کہ کمپنی کی مالی حیثیت کو متاثر کرنے والے مادی تبدیلیاں اور وعدے اس دوران متاثر نہیں ہوئے ہیں۔

3 پیداواری شعبہ کا جائزہ

پاکستان ٹوبیکو کمپنی کے کاروبار میں تمباکو اگانے سے لے کر سگریٹ بنانے تک کے تمام مراحل شامل ہیں۔دو فیکٹریاں ہیں اور برٹش امریکن ٹوبیکو گروپ کے سب سے بڑے تمباکو کے شعبہ جات میں سے ایک ہے۔اس کی استعداد کو بڑھانے کے لئے کمپنی کے پاس کاسٹ مینجمنٹ، مشینری کی جدیدیت اور لیف آپریشن پر توجہ مرکوز کی ہوئی ہے۔

سال2019 کے دوران، حکومت کے وژن کے تحت کمپنی نے 'میڈان پاکستان' کے نام سے برآمدی پروگرام لانچ کیا اور برٹش امریکن ٹوبیکو گروپ میں ایکسپورٹ کے حوالے نمایاں مقام حاصل کیا۔اس پروگرام کا مقصد پاکستان میں تیارشدہ سگریٹوں کو گلف اورمشرق وسطی کے ممالک کو برآمد کرنا ہے۔اس پروگرام کی پاکستان کے لئے سالانہ صلاحیت50 ملین ڈالر ہے۔2019 میں پاکستان ٹوبیکو کمپنی نے190 ملین سے زائد سگریٹ برآمد کئے اور3 ملین کلو تمباکو جس کی قیمت 11 ملین ڈالر ہے برآمد کیا۔

پاکستان ٹوبیکو کمپنی نے اپنی پیداواری صلاحیت کو Integrated Work System کے تحت کامیابی سے جاری رکھا اوراکوڑہ خٹک فیکٹری نے ستمبر2019 میں فیز اول سرٹیفیکیٹ حاصل کیا، جبکہ جہلم فیکٹری فیز دوم کی تیاری کے لیے کام جاری ہے۔

3.1 ماحولیات، صحت اور حفاظت

مینوفیکچرنگ پلانٹس میں ماحولیات، صحت اور حفاظت کے عمل اور طریقہ کار کے سلسلے میں اہم آگاہی اور بنیادی ڈھانچے میں بہتری لائی گئی ہے۔توانائی کے بحران کو مدنظر رکھتے ہوئے 2019 میں دونوں فیکٹریوں میں125 کلو واٹ سولر پاور پلانٹ کی تنصیب اور شمسی توانائی سے چلنے والے پہلے لیف بائینگ اینڈ اسٹوریج ڈپو قائم کرنے جیسے متعدد اقدامات اٹھائے گئے تھے۔مزید برآں کمپنی کی مصنوعات کے صارفین کو دیکھتے ہوئے معیار پر توجہ دینے سے صارفین کی شکایات میں سال کے دوران نمایاں کمی واقع ہوئی ہے۔ پاکستان ٹوبیکو کمپنی کی مینوفیکچرنگ کو اس مہم کے ذریعے کی جانے والی کوششوں اور شاندار نتائج دینے کے لئے برٹش امریکن گروپ میں عالمی سطح پر تسلیم کیا گیا ہے۔

4 مارکیٹنگ جائزہ

پورٹ فولیو کے تمام برآنڈز کے لئے معاشی سختیوں اور قیمتوں میں اضافے کی وجہ سے2019 ایک مشکل سال تھا جس کی وجہ سے صارفین کی استعداد دباؤ کا شکار رہی۔ درپیش مشکلات کے باوجود برانڈز کے پورٹ فولیو میں سرمایہ کاری کی گئی۔ ویلیو فارمنی (وی ایف ایم) سیگمنٹ نے گولڈ فلیک کی لندن کے روتھ مینس میں منتقلی کا مشاہدہ کیا۔ایسی منتقلی جس نے برانڈ کو اپنی مساوات اور اختلاط کو بڑھایا ہے۔ یہ ایک اسٹریٹجک مداخلت تھی جس نے ایک بہت ہی متحرک صارفین کے حصے میں برانڈ کی شبیہہ بنانے میں نمایاں مدد کی ہے۔ بھاری مہنگائی کے دباؤ کے باوجود پال مال کی جانب سے کیپسٹن نے مختلف صارفین کے لمحات کو فائدہ اٹھانے والے جدید "Always On" سرگرمیوں کے نتیجے میں پاکستان میں سب سے بڑا اور سب سے زیادہ مشہور تمباکو برانڈ کی حیثیت کو برقرار رکھا ہے۔2019 میں ایکسائز میں اضافے کے بعد مارکیٹ میں غیرقانونی سگریٹ میں اضافہ کے ساتھ ہی پاکستان ٹوبیکو کمپنی کے وی ایف ایم سیگمنٹ میں صارفین پر بھی شدید دباؤ آیا۔وی ایف ایم سیگمنٹ میں مسابقتی رہنے کے لئے پال مال برآنڈ اور روتھ مینس کو قیمتوں کی برابری کے تحت انتخابی اعلی رسک مارکیٹوں میں قیمتوں کی حفاظت کے لئے اور کمپنی کے لئے قیمت کے استحکام کو یقینی بنانے کے لئے ڈیوٹی کی ادائیگی کی پیش کش کی گئی تھی۔2020 میں منصوبہ بندی کی گئی مزید مارکیٹوں میں توسیع کے ساتھ برانڈز کو پائلٹ مارکیٹوں میں صارفین کا مثبت اثر ملا ہے۔

اسپاریشنل پریمیم سیگمنٹ میں جان پلیئر کے کامیاب پائلٹ لانچ کے بعد جو ہاؤس آف جان پلیئر کی میراث پر قائم ایک برانڈ ہے، اس برانڈ کو چار ٹیسٹ مارکیٹوں میں پائلٹ کیا گیا اس کے بعد پاکستان کے 13 بڑے شہروں میں پھیلایا جائے گی۔مرکوز صارفین کی ایکٹیویشن مہم دلچسپ ٹچ پوائنٹ اور ریٹلرز کی مدد سے لانچ ایک کامیابی تھی اور پاکستان ٹوبیکو کمپنی کی حالیہ تاریخ کے سب سے امیدافزا برانڈ لانچ تھی۔

2 مالی جائزہ:

	روپے (ملین) جنوری۔دسمبر 2019	روپے (ملین) جنوری۔دسمبر 2018
مجموعی کاروبار	**149,025**	137,116
فیڈرل ایکسائز ڈیوٹی/سیلز ٹیکس	**97,050**	84,004
نیٹ کاروبار	**51,975**	53,112
فروخت کی لاگت	**25,765**	29,829
کل منافع	**26,210**	23,284
آپریٹنگ منافع	**17,675**	14,571
ٹیکس سے پہلے منافع	**18,285**	15,280
ٹیکس کے بعد منافع۔	**12,889**	10,338
فی شیئر آمدنی۔(روپے)	**50.45**	40.46

2.1 منافع اور نقصانات کا تجزیہ:

نیٹ ٹرن اوور میں 2 فیصد کی معمولی کمی دیکھنے میں آئی۔ نیٹ ٹرن اوور میں کمی بنیادی طور پر فروخت میں 15 فیصد کمی کی وجہ سے ہے۔ حجم میں کمی کے اثرات کو جزوی طور پر 2019 میں لگائے ایکسائز کی وجہ سے قیمتوں میں اضافہ ہوا۔ پریمیم سیگمنٹ میں قیمتوں میں 14 فیصد اور پورٹ فولیو کے ویلیو فار منی سیگمنٹ میں 34 فیصد کا اضافہ ہوا ہے۔

قیمت فروخت میں کمی بھی بنیادی طور پر فروخت میں کمی کی وجہ سے واقع ہوئی ہے۔ مقامی کرنسی کی قدر میں کمی ریگولیٹری ڈیوٹی میں اضافے اور مہنگائی کے دباؤ کی وجہ سے سال کے دوران قیمت پر منفی اثر پڑا۔ یہ متعدد پیداواری بچت کے اقدامات کے ذریعے اور پیداوار کے عمل میں کارکردگی پر توجہ مرکوز کر کے کم کی گئیں۔

فروخت اور ڈسٹری بیوشن کے اخراجات: فروخت اور ڈسٹری بیوشن کے اخراجات میں مجموعی طور پر 6 فیصد کی کمی ریکارڈ کی گئی جو کہ فروخت کے حجم میں کمی سے بھی منسلک ہے۔ تاہم 2019 میں برانڈ پورٹ فولیو میں نمایاں سرمایہ کاری کی گئی ہے تاکہ یہ یقینی بنایا جاسکے کہ برانڈ پورٹ فولیو میں فرق ہے اور وہ صارفین کی ضروریات کو پورا کرتا ہے۔

2019 کے دوران دیگر آپریٹنگ اخراجات میں 35 فیصد کا اضافہ ہوا تھا۔ اس اضافے کا بڑا حصہ 2019 میں مقامی کرنسی کی قدر میں کمی کی وجہ سے ہونے والے زرمبادلہ کے نقصان کا سبب ہے۔ ڈبلیو پی پی ایف (ورکرز پرافٹ پارٹیسی پیشن فنڈ) / ڈبلیو ڈبلیو ایف (ورکرز ویلفیئر فنڈ) کے زیادہ قانونی چارجز کی وجہ سے دوسرے آپریٹنگ اخراجات میں بھی اضافہ ہوا جو منافع کی بنیاد پر طے کیے جاتے ہیں۔

2019 میں نیٹ فنانس آمدنی میں 9 فیصد کا اضافہ ریکارڈ ہوا کیونکہ کمپنی نے مارکیٹ میں مسابقتی نرخوں پر فاضل فنڈز کی سرمایہ کاری اور موثر ورکنگ کیپٹل مینجمنٹ کی وجہ سے فائدہ اٹھایا۔

2.2 مالیاتی پوزیشن کا تجزیہ

پراپرٹی، پلانٹ اور سامان: آئی ایف آر ایس 16 کو اپنانے کی وجہ سے کمپنی کو 2019 کے دوران جائیداد، پلانٹ اور سازوسامان میں اضافہ ہوا جس کے تحت 1 سال سے زیادہ کے لیز معاہدے کئے گئے۔ اس اضافہ کو کمپنی کی بہتر صلاحیتوں، انوویشن اور اعلی آپریٹنگ افادیت کی حمایت کرنے کے لئے مینوفیکچرنگ کی صلاحیتوں اور انفراسٹرکچر کو اپ گریڈ کرنے کی کوشش کی وجہ سے بھی کیا گیا۔

مستقبل میں کرنسی کی قدر میں کمی کے منفی اثر کو کم کرنے اور پیداواری رکاوٹوں سے نمٹنے کے لئے تجارت میں اضافے کا بنیادی سبب خام مال اسٹاک اور تیار شدہ سامان کی تشکیل سے ہے۔

آئی ایف آر ایس 16 کے تحت لیز پر دیئے گئے اثاثوں کی مالی اعانت کے لئے آپریٹنگ لیز کے تحت کرایے کی سہولیات سے متعلق ادائیگیوں کی دوبارہ ادائیگی کی وجہ سے 2019 میں مختصر مدت کی ادائیگیوں میں کمی آئی۔

دیگر وصولیوں میں بنیادی طور پر بینکوں کے ذریعہ رکھے گئے نقد مارجن سے متعلق توازن شامل ہیں جو خام مال کی درآمد کے انتظامات/ معاہدوں کے خلاف 100 فیصد نقد مارجن جمع کرنے کے لئے اسٹیٹ بینک کی درآمد کے ضابطے کی تعمیل کرتے ہیں۔ مقامی کرنسی کی قدر میں کمی اور درآمدی مواد پر اسٹاک میں اضافے کی وجہ سے سال 2019 میں اس کے تحت توازن میں اضافہ ہوا۔

حکومت کے خزانے کے بلوں میں قلیل مدتی سرمایہ کاری کی جاتی ہے جو سال کے آخر میں سیل نقد آمدنی سے زائد فنڈز کی کم فراہمی کی وجہ سے پچھلے سال کی نسبت کم ہوئی ہے۔

اندرونی اور بیرونی وینڈرز کے سال کے آخر میں کم بقایاجات کی وجہ سے موجودہ واجبات کم ہو گئے۔ پچھلے سال بیلنس میں قابل ادائیگی والے منافع بھی شامل تھے جو 2019 میں ادا کیے گئے تھے۔

سال کے دوران اعلان کردہ منافع کی ادائیگی کے بعد برقرار منافع کی وجہ سے حصص اور ذخائر میں اضافہ ہوا۔

2.3 رقم کی دستیابی کا جائزہ

پاکستان ٹوبیکو کمپنی کا خزانے کا شعبہ کمپنی کے لئے ضرورت کے مطابق مالی اعانت جمع کرنے اس کے نقد وسائل کا انتظام کرنے اور اس کے کاروباری عمل کے دوران پیدا ہونے والے مالی خطرات کو کم کرنے کے لئے ذمہ دار ہے۔ اتھارٹی کی سطح کے ساتھ ساتھ مالیات کی قسم اور استعمال سمیت واضح پیرامیٹرز قائم کیے گئے ہیں۔ خزانے سے متعلق تمام سرگرمیاں متعین پالیسیوں، طریقہ کار اور حدود کے مطابق انجام دی جاتی ہیں۔ ان کا جائزہ لیا جاتا ہے اور بورڈ کے ذریعہ یا فنانس ڈائریکٹر/ٹریژری کمیٹی کو تفویض کردہ اتھارٹی کے ذریعے منظور کیا جاتا ہے۔

2.4 قومی خزانے میں حصہ

ڈیوٹی ادا نہ کرنے والے شعبے کی جانب سے درپیش چیلنجوں کے باوجود پاکستان ٹوبیکو کمپنی قومی خزانے میں سب سے زیادہ حصہ ڈالنے والوں میں شامل ہے۔ مالی سال 19-2018 کے دوران پاکستان ٹوبیکو کمپنی نے سیلز ٹیکس، ایکسائز ڈیوٹی اور انکم ٹیکس سے متعلق 103.5 بلین روپے ٹیکس کی ادائیگی کے ساتھ پہلی بار 100 ارب ڈالر کا ہندسہ عبور کیا۔ بہرحال 2019 سال کے دوران کمپنی نے حجم میں کمی کے باوجود ایکسائز ڈیوٹی اور سیلز ٹیکس کی شکل میں مجموعی طور پر 97.0 بلین روپے (جو کہ سال 2018 کے برعکس 13.0 بلین روپے زیادہ ہے) کا تعاون کیا۔

تمباکو کی صنعت سے حاصل ہونے والی آمدنی میں اضافے کو برقرار رکھنے کے لئے حکومت کو قوانین پر عمل درآمد اور بڑھتے ہوئے ٹیکس ادا نہ کرنے والے سیکٹر پر تیزی سے توجہ دینے کی ضرورت ہے۔ پہلے سے ہی وضاحت کی گئی غیر قانونی سیکٹر کے مارکیٹ شیئر میں اضافے سے بھاری محصولات میں ہونے والے نقصان کا اشارہ ہے جو 62 ارب روپے کے قریب ہے۔

بجٹ کے بعد غیر قانونی سگریٹ (اوپر گراف 3 کے مطابق 204 فیصد سے زیادہ) پر قیمتوں میں تیزی سے اضافہ کی وجہ سے پی ٹی سی برانڈز کی جعلی مصنوعات میں نمایاں اضافہ ہوا۔ کمپنی کی طرف اس کے تدارک کے لئے بروقت اقدامات کیے گئے جس کے تحت کمپنی نے مسئلہ سے نمٹنے کے لئے وسائل دوبارہ مختص کئے اور جعلی سگریٹوں کے خلاف مہم چلائی گئی۔ پی ٹی سی کے صارفین کے تحفظ کے لئے انسداد جعل سازی کے لئے اقدام کے طور پر وی ایف ایم سیگمنٹ میں مصنوعات کے لئے چھپی ہوئی ٹیئر آف ربن کو متعارف کرایا گیا تھا۔ اس کے علاوہ ون ٹو ون ریٹیلر آگاہی اور بیداری مہموں کے ذریعے سے 60 لاکھ صارفین سے رابطہ کیا گیا۔ اس لیے وقت کی ضرورت ہے کہ حکومت ان جعلسازوں کے خلاف سخت کاروائی کرے جو نہ صرف قانونی صنعت کو متاثر کر رہے ہیں بلکہ حکومت کو ٹیکسوں کی آمدنی سے بھی محروم کر رہے ہیں۔

پاکستان میں اسمگل شدہ سگریٹ، غیر قانونی سگریٹ کی تجارت کا ایک اہم جز ہے۔ اسمگل شدہ سگریٹ کی فروخت سے حکومت کو محصولات کی مد میں دوگنا نقصان ہوتا ہے: اول: اسمگل شدہ پیک کی فروخت پر لاگو ٹیکس/ ڈیوٹی مناسب طریقے سے ادا نہیں کی جاتی ہیں اور اسمگل شدہ پیکٹ کی فروخت کی وجہ سے ڈیوٹی ادا شدہ پیکٹ کی فروخت میں کمی ہو جاتی ہے۔ اس کے علاوہ قانونی بے ضابطگیوں پر بھی توجہ دینے کی ضرورت ہے تا کہ ضبط کیا گیا اسمگل شدہ سگریٹ نیلام نہ ہو اور مارکیٹ میں فروخت نہ ہو سکے۔ موجودہ قانون کے تحت یہ ضبط شدہ سمگل سگریٹ پی آئی اے/ ڈیوٹی فری شاپس کو 25 فیصد ڈسکاؤنٹ کے ساتھ مختص شدہ قیمت پر فروخت کرنے کے لئے پیش کیے جائیں گے۔ لیکن حقیقت یہ ہے کہ نہ ہی پی آئی اے اور نہ ہی ڈیوٹی فری شاپس یہ سگریٹ خریدتے ہیں۔ نتیجتاً انہیں نیلامی کے لئے پیش کیا جاتا ہے اور یہ واپس انہی نارمل تجارتی چینلز میں چلے جاتے ہیں۔ اس بات کی سختی سے سفارش کی گئی ہے کہ اسمگل شدہ سگریٹ کو مقامی مارکیٹ میں فروخت کرنے کی اجازت نہیں دی جانی چاہئے کیونکہ ان پیکٹوں پر مقامی قانون کے مطابق تصویری ہیلتھ وارننگ جو پاکستان میں فروخت ہونے والے تمام پیکٹوں کے لئے لازم ہوتا ہے وہ موجود نہیں ہوتی۔ لہٰذا قانون کی تعمیل اور حکومتی محصولات کے لیے ضروری ہے کہ ان سگریٹوں کو تلف کر دیا جائے۔ یہ بھی ایک حقیقت ہے کہ نیلام شدہ لاٹ کے سلسلے میں جاری کی جانے والی رسید کا خریداروں کی جانب دوسرے اسمگل شدہ سگریٹس کے لیے بطور جعلی کو رکئی بار استعمال کیا جاتا ہے، جس سے غیر قانونی عناصر کو مزید مدد ملتی ہے۔

گزشتہ سال ڈاکومنٹیشن میں اضافہ کر کے اور مینوفیکچررز کی جانب سے ادا کیے جانے والے ایڈجسٹ ایبل ایڈوانس ٹیکس میں اضافے کر کے مثبت اقدامات کیے گئے تھے۔ ایڈوانس ایکسائز ڈیوٹی اور غیر تیار شدہ تمباکو کی خریداری اور پروسیسنگ کے عمل کو ڈاکومنٹیشن کرنے سے ڈیوٹی ادا نہ کرنے والے غیر قانونی شعبے کے لئے کاروبار کرنے کی لاگت میں اضافہ کر دیا تھا۔ تاہم اس سال کے دوران حکومت نے ایڈجسٹ ایبل ایڈوانس ایکسائز ڈیوٹی کو 300 روپے فی کلوگرام سے کم کر کے 10 روپے فی کلوگرام کیا جو غیر دستاویزی کاروبار کرنے والوں کے لئے ایک مراعت ہے۔

غیر قانونی سگریٹ کی تیزی سے بڑھتی ہوئی فروخت کے تدارک کے لئے حکومت کی جانب سے قانون پر عمل درآمد بہت اہمیت کا حامل ہے۔ 2019 کے آخر میں حکومت پاکستان نے ایک نوٹیفکیشن کے ذریعہ ان لینڈ ریونیو انفورسمنٹ نیٹ ورک کو بحال کیا اور اس کی باضابطہ طور پر تشکیل نو کی۔ کمپنی کا ماننا ہے کہ ان لینڈ ریونیو انفورسمنٹ نیٹ ورک کے مستقل اور موثر اقدامات کے ساتھ حکومت اس غیر دستاویزی شعبے کا خاتمہ کر سکتی ہے جو حکومت کے نافذ کردہ بیشتر موجودہ قواعد وضوابط کی خلاف ورزی کر کے ترقی کر رہا ہے۔ غیر قانونی سگریٹ کی بڑھتی ہوئی تجارت کا مقابلہ کرنے کے لئے صوبائی اور ضلعی انتظامیہ کو اپنے قانون نافذ کرنے والے افسران کے ذریعے قانونی طور پر تمباکو کے کاروبار کو ایک جیسا کاروباری ماحول فراہم کرنے کے لئے ایک اہم کردار ادا کرنا پڑے گا جواب بھی 62 ارب روپے کی اضافی رقم سرکاری محصولات میں فراہم کرنے کی صلاحیت رکھتے ہیں۔ غیر قانونی سگریٹ کے کاروبار سے نمٹنے والے متعلقہ قوانین کی خلاف ورزی پر جرمانے میں اضافہ کر کے اور ایسے جرائم کو ناقابل ضمانت اور قابل دست اندازی جرم قرار دے کر بھی قانون سازی کو تقویت دینے کی ضرورت ہے۔ اس طرح کے اقدامات سے ناجائز کاروباریوں کو قانون کے دائرے سے باہر کام کرنا مشکل ہو جائے گا۔

حکومت سگریٹ کے غیر قانونی تجارت کو روکنے کے لئے ٹریک اینڈ ٹریس سسٹم قائم کرنے پر بھی غور کر رہی ہے۔ اگر یہ سسٹم متعارف کرایا جاتا ہے تو اس کی کامیابی کا انحصار تمام مینوفیکچررز پر اس کے اطلاق اور کارخانہ دار اور پرچون سطح پر عمل درآمد پر ہوگا۔ اس مقصد کے لئے حکومت کو یہ یقینی بنانے کی ضرورت ہے کہ ٹریک اینڈ ٹریس سسٹم کے نفاذ سے متعلق متعلقہ قواعد وضوابط مناسب سزاؤں کے ساتھ تعزیراتی دفعات پر مشتمل ہوں تا کہ قواعد وضوابط کی خلاف ورزی کرنے والوں کے خلاف موثر قانونی کارروائی کی جا سکے۔

کمپنی کی کارکردگی

سال 2019 میں کمپنی نے فروخت کے حجم میں 15 فیصد کی کمی دیکھی ہے۔ یہ بنیادی طور پر جون 2019 اور ستمبر 2018 میں ایکسائز میں دوگنا اضافے کی وجہ سے صارفین کی جانب سے ڈیوٹی ایویڈ سگریٹ کی کم خرید کی وجہ سے ہے۔ قانونی شعبے کے اندر کمپنی نے اپنا مقام برقرار رکھا ہے اور 2019 میں 75.4 فیصد جائز مارکیٹ شیئر کے ساتھ سال کے اختتام پر 95 بی پی ایس سے مارکیٹ شیئر میں اضافہ ہوا ہے (ماخذ: ایکسس ریٹیل۔ ریٹیل آڈٹ) جو کہ ایک مضبوط برانڈ کے پورٹ فولیو کے سہارے پہنچایا گیا ہے جس کے لئے سال کے دوران ایسی مصنوعات کی پیش کش کے لئے نمایاں سرمایہ کاری کی گئی ہے جو صارفین کی ترجیحات کو ظاہر کرتی ہیں۔ مالی سال 19-2018 میں کمپنی نے ایکسائز ڈیوٹی، سیلز ٹیکس اور انکم ٹیکس کی شکل میں سرکاری محصولات میں 103.5 بلین روپے کا حصہ ڈالا۔

کمپنی کی توجہ ویلیو چین میں پیداواری صلاحیت کو بڑھانے پر مرکوز ہے۔ اس کو لاگت کے موثر انتظام، لین آپریشنز کی ادائیگی، مشینری کی مسلسل جدید کاری کے ذریعے یقینی بنایا جا سکتا ہے۔ سال 2019 کے دوران کمپنی نے برٹش امریکن ٹوبیکو گروپ کے لئے ایک نیا ایکسپورٹ ہب بن کر اپنا پہلا ''میڈ اِن پاکستان'' ایکسپورٹ سفر شروع کیا۔ کمپنی کے پاس آنے والے سالوں میں اپنی برآمدات میں مزید اضافہ کرنے کی بڑی صلاحیت ہے جو ملک میں قیمتی غیر ملکی ذخائر بھی لائے گی۔

کرنسی کی قدر میں کمی، افراط زر اور بڑھتی ہوئی ریگولیٹری ڈیوٹی کے نتیجے میں 2019 میں کمپنی پر لاگت کا دباؤ رہا۔ ان مشکلات کے باوجود کمپنی نے لاگت کے موثر انتظام پر اپنی توجہ مرکوز رکھی اور کارکردگی میں بہتری لانے کے متعدد منصوبے پیش کیے، تا کہ غیر ضروری اخراجات کو کنٹرول کیا جا سکے۔

کمپنی ملک میں بہترین ٹیلنٹ کو راغب کرنے اور اسے برقرار رکھنے کے لیے لوگوں پر ایک مضبوط توجہ مرکوز رکھتی ہے۔ 2019 میں پی ٹی سی کو ٹاپ ایمپلائر ایوارڈ 2019 سے بھی نوازا گیا۔ اس کے علاوہ کمپنی کو '' گلوبل ڈاؤرسٹی اینڈ انکلویژن، پراگریسو ایوارڈ' 2019 سے بھی نوازا گیا۔

ایک ذمہ دار کارپوریٹ شہری کی حیثیت سے پاکستان ٹوبیکو کمپنی، پرائیوٹ سیکٹر میں سب سے بڑا ''شجرکاری پروگرام'' اور ''موبائل ڈاکٹر یونٹ پروگرام'' چلا رہا ہے۔ اس شجرکاری پروگرام کے تحت کمپنی نے 2019 میں 3.9 ملین سے زیادہ پودے مفت لگائے اور تقسیم کیے۔ جہلم میں ایک نئی نرسری بھی مکمل کی گئی ہے جو کہ اسلام آباد اور صوابی میں پہلے سے قائم شدہ چار نرسریوں کے علاوہ ہے۔ ''موبائل ڈاکٹر یونٹ پروگرام'' کے تحت کمپنی نے 2019 میں 76000 سے زائد مریضوں کو مفت طبی مشورے دیے اور مفت ادویات تقسیم کیں۔

ڈائریکٹرز رپورٹ

ڈائریکٹرز نے سال ختم شد مورخہ 31 دسمبر 2019 کے لئے پاکستان ٹوبیکو کمپنی لمیٹڈ (پی ٹی سی) کی سالانہ رپورٹ اور کمپنی کی آڈٹ شدہ مالی گوشوارے پیش کیا ہیں۔

اقتصادی ماحول

2019 میں پاکستان کو معاشی محاذ پر متعدد چیلنجز کا سامنا کرنا پڑا ہے۔ مالی سال 19-2018 میں جی ڈی پی کی شرح نمو گذشتہ سال کی اسی مدت میں 5.8 فیصد کے مقابلے میں 3.3 فیصد تھی جس کی وجہ سے اندرونی طلب میں وسیع بنیاد پر کمی ہوئی۔ توقع ہے کہ سال 2020 میں شرح نمو مزید کم ہوکر 2.8 فیصد ہوجائے گی کیونکہ خیال ہے کہ حکومت سخت مالیاتی اور مالی پالیسیاں جاری رکھے گی۔

افراط زر کی شرح جنوری 2019 میں 7.2 فیصد سے بڑھ کر دسمبر 2019 میں 12.6 فیصد ہوگئی۔ بڑھتی ہوئی افراط زر کو کنٹرول کرنے کے لئے اسٹیٹ بینک آف پاکستان کے ایم پی سی کی طرف سے پالیسی کی شرح کو 10.7 فیصد سے بڑھا کر 13.2 فیصد کردیا گیا تھا۔ امریکی ڈالر کے مقابلے میں پاکستانی روپے کی اصل قیمت کو اڈجسٹ کرنے کے لئے سال 2019 میں امریکی ڈالر کے مقابلے روپے میں 11.5 فیصد مزید کمی ہوگئی تھی۔

ذرائع: اسٹیٹ بینک آف پاکستان افراط زر مانیٹر، اسٹیٹ بینک آف پاکستان اقتصادی سروے اور ورلڈ بینک

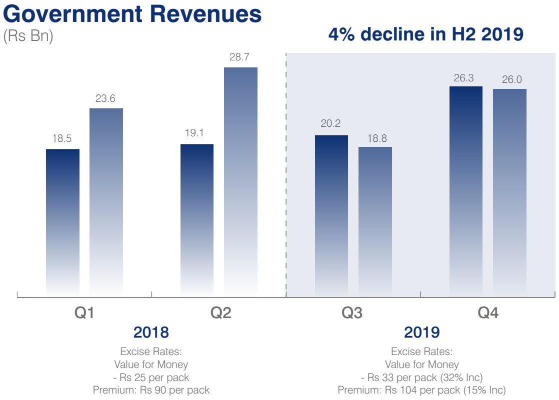
صنعتی جائزہ:

سال 2019 قانونی طور پر کام کرنے والی تمباکو کی صنعت کے لئے ایک مشکل سال رہا ہے جس کہ وجہ کمزور پالیسیوں اور قوانین پر عمل درآمد نہ ہونے کی وجہ سے سگریٹ کی غیر قانونی تجارت میں بلا روک ٹوک اضافہ ہے۔ سگریٹ کی غیر قانونی تجارت میں تین طرح کے ٹیکسوں سے بچنے والی مصنوعات شامل ہیں: ایک وہ مصنوعات جو ملک میں اسمگل کی جاتی ہیں دوسری جو کہ جعلی ہیں اور تیسری وہ جو مقامی طور پر تیار کردہ برانڈز ہیں جو کہ غیر ڈیوٹی ادا شدہ ہوتے ہیں۔ پاکستان میں یہ مسئلہ بنیادی طور مقامی ہے کیونکہ سگریٹ کی غیر قانونی تجارت زیادہ تر مقامی برانڈز (غیر ڈیوٹی ادا شدہ) پر مشتمل ہے۔ سگریٹ کی غیر قانونی تجارت میں زیادہ تر مقامی طور پر تیار کردہ نان ڈیوٹی برانڈز شامل ہیں۔ ڈیوٹی اور ٹیکس چوری کی وجہ سے یہ برانڈ مارکیٹ میں اوسطا 38 روپے فی پیک قیمت پر دستیاب ہوتے ہیں جو کہ نہ صرف حکومت کی جانب سے مقرر شدہ کم سے کم قیمت 63 روپے فی پیک سے بھی کم ہے بلکہ ایکسائز اور سیلز ٹیکس سے بھی کم ہے جو کہ فی پیکٹ پر لاگو ہوتا ہے اور مبلغ 44 روپے فی پیک مقرر ہے۔

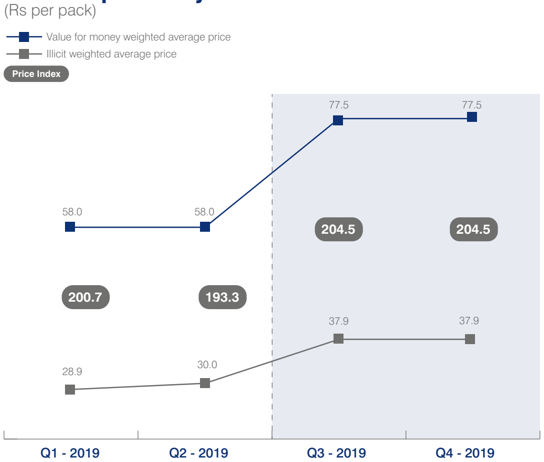
سخت مسائل اور معاشی دباؤ کے نتیجے میں جائز تمباکو کی صنعت نے قیمتوں میں دو مرتبہ اضافہ کیا۔ نچلے درجے کے برانڈز کے ایکسائز ریٹ پر 8 ماہ کے عرصے میں دگنا اضافے کی وجہ سے صارفین غیر ادا شدہ ڈیوٹی سگریٹ کی خریداری کی جانب مائل ہوئے۔ قیمتوں میں اضافے کے نتیجے میں نہ صرف ڈیوٹی ادا نہ کرنے والے برانڈز کے حصص نمایاں اضافہ ہوا ہے بلکہ انھوں نے ستمبر 18 اور جون 18 کے مالی بجٹ میں ایکسائز ڈیوٹی میں اضافے کے باوجود سرکاری محصولات پر بھی برا اثر ڈالا ہے۔ یہ ذیل میں گراف نمبر 1 اور 2 میں بھی واضح ہے:

Graph 1
Illicit Market Share
(%)

Graph 2
Government Revenues
(Rs Bn)



Graph 3
Price Gap vs Duty not Paid
(Rs per pack)



9۔ ای ووٹنگ:

ممبران کمپنیز ایکٹ کی سیکشن 145-143 اور کمپنیز (پوسٹل بیلٹ) ریگولیشنز 2018 اجلاس کی ضرورت کے مطابق مطلوب پول (رائے شماری) کے مطالبے کا حق استعمال کر سکتے ہیں۔

10۔ کمپنیز ایکٹ 2017 کی سیکشن 244 کے تحت غیر دعویٰ شدہ ڈیویڈنڈ / شیئرز:

کمپنی کے غیر دعویٰ شدہ ڈیویڈنڈ / شیئرز کی اپڈیٹ شدہ فہرست کمپنی کی ویب سائٹ www.ptc.com.pk پر دستیاب ہے۔ یہ غیر دعویٰ شدہ ڈیویڈنڈ / شیئرز ادائیگی کی تاریخ سے تین سال کے عرصے تک غیر دعویٰ شدہ یا غیر ادا شدہ رہے ہیں۔

اس سلسلے میں شیئر ہولڈرز کی جانب سے کلیم فارم جو کمپنی کی ویب سائٹ پر دستیاب ہے پر کلیم درج کیا جا سکتا ہے ۔ڈیویڈنڈ / شیئرز کے حصول کیلئے کلیم فارم کمپنی کے رجسٹرار کو ارسال کئے جائیں۔

11۔ ایڈریس میں تبدیلی:

A- فزیکل فارم میں شیئرز رکھنے والے ممبران سے التماس کی جاتی ہے کہ وہ اپنے دیئے گئے ایڈریس میں کسی تبدیلی کی صورت میں فوری طور پر کمپنی کے شیئر رجسٹرار کو مطلع کریں۔

B- الیکٹرانک فارم میں سی ڈی سی کے ساتھ شیئر رکھنے والے ممبران اپنے متعلقہ شرکت کنندگان یا سی ڈی سی انویسٹر اکاؤنٹ سروسز جن کے پاس اکاؤنٹ برقرار رکھا ہوا ہے کو اپنے تبدیلی ایڈریس سے متعلق آگاہ کریں۔

12۔ رابطہ کی تفصیلات:

کمپنی سے رابطہ:

کمپنی سیکریٹری
پاکستان ٹوبیکو کمپنی لمیٹڈ
سیرینہ بزنس کمپلیکس، خیابان سہروردی، اسلام آباد
فون: 2083200 51 92 +

شیئر رجسٹرار سے رابطہ:

فیمکو ایسوسی ایٹس (پرائیویٹ) لمیٹڈ
8-F، نزد ہوٹل فاران، نرسری، بلاک-6، P.E.C.H.S ،
شاہراہ فیصل، کراچی۔ فون: 34380101-5 21 92 +
ای میل: info.shares@famco.com.pk

ii) پراکسی فارم کے ساتھ بینیفیشل اونرز اور پراکسی کے مؤثر شناختی کارڈ کی مصدقہ نقول یا مؤثر پاسپورٹ فراہم کیا جائے۔

iii) کارپوریٹ ادارے کی صورت میں ادارے کی جانب سے نامزد کردہ فرد کو نامزدگی کرنے اور ادارے کی جانب سے ووٹ دینے کیلئے نامزد کردہ فرد کے شناختی کارڈ کی تصدیق شدہ کاپی، بورڈ آف ڈائریکٹرز کی قرارداد/ پاور آف اٹارنی مع اس کے دستخط کا نمونہ کمپنی کے شیئر رجسٹرار کو ارسال کیا جائے۔

5۔ قومی شناختی کارڈ/این ٹی این جمع کرانا لازمی:

A- ایسے ممبران جو ابھی تک اپنے مؤثر قومی شناختی کارڈ یا پاسپورٹ کی فوٹو کاپی کمپنی کے پاس جمع نہیں کرا سکے کو ایک بار پھر یاد دہانی کرائی جاتی ہے کہ وہ فوری طور پر یہ کمپنی یا شیئر رجسٹرار کے پاس جمع کرائیں۔ شناختی کارڈ/ این ٹی این جمع کرانا اب لازمی ہے، یہ چیزیں فیڈرل بورڈ آف ریونیو کی جانب سے وقتاً فوقتاً جاری کردہ ایکٹیو ٹیکس پیئرز لسٹ پر ٹیکس کی نوعیت چیک کرنے کیلئے بھی ضروری ہیں۔

B- انفرادی ممبران (بشمول جملہ جوائنٹ ہولڈر) جو کمپنی کے فزیکل شیئر سرٹیفکیٹس رکھتے ہیں سے التماس ہے کہ وہ اپنے شناختی کارڈ کی کاپی (اگر پہلے فراہم نہیں کی تو) کمپنی یا اس کے شیئر رجسٹرار کے پاس جمع کرائیں۔ شناختی کارڈ کی کاپی جمع کراتے وقت شیئر ہولڈرز اپنے متعلقہ فولیو نمبرز بھی لازماً درج کریں۔

C- کمپنی مؤثر قومی شناختی کارڈ کی کاپی موصول نہ ہونے کی صورت میں کمپنیز ایکٹ، 2017 کی شق (3)243 کے تحت متعلقہ شیئر ہولڈرز کے منافع کی رقم کو روک لے گی۔

6۔ ڈیویڈنڈ، IBAN کی فراہمی (لازمی):

لسٹڈ کمپنی کیلئے ضروری ہے کہ وہ شیئر ہولڈرز کو کیش ڈیویڈنڈ کی رقم الیکٹرانک طریقہ کار کے ذریعے براہ راست شیئر ہولڈرز کے متعلقہ بینک اکاؤنٹ میں کرے لہٰذا کمپنی فزیکل ڈیویڈنڈ وارنٹس جاری کرنے کے بجائے ڈیویڈنڈ براہ راست ممبران کے اکاؤنٹ میں کرے گی۔ اپنے بینک اکاؤنٹ میں براہ راست ڈیویڈنڈ موصول کرنے کیلئے فزیکل فارم میں شیئر رکھنے والے ممبران سے التماس کی جاتی ہے کہ وہ ''الیکٹرانک کریڈٹ مینڈیٹ فارم''، جو کمپنی کی ویب سائٹ www.ptc.com.pk پر دستیاب ہے پر اپنے انٹرنیشنل بینک اکاؤنٹ نمبر (IBAN) فراہم کرے۔ براہ کرم اس فارم کا پرنٹ لیں اور اسے پُر کر کے اس پر دستخط کر کے اس مکمل شدہ فارم کے ہمراہ اپنے شناختی کارڈ کی کاپی، کمپنی کے شیئر رجسٹرار کو ای میل info.shares@famco.com.pk پر 30 اپریل 2020 تک ارسال کریں۔ سی ڈی سی اکاؤنٹس میں شیئر رکھنے والے ممبران اپنے متعلقہ شریک یا سی ڈی سی انویسٹر اکاؤنٹ سروسز کو اپنا مینڈیٹ دیں۔

7۔ ڈیویڈنڈ کی رقم سے انکم ٹیکس کی کٹوتی (لازمی):

A- براہ کرم نوٹ کیجئے کہ ود ہولڈنگ ٹیکس ایف بی آر کی ویب سائٹ پر دی گئی تازہ ترین ایکٹیو ٹیکس پیئرز لسٹ (ATL) کی بنیاد پر حسب ذیل ریٹس کے مطابق منہا کیا جائے گا۔

1 ایکٹیو ٹیکس پیئرز لسٹ (ATL) پر موجود شیئر ہولڈرز: 15 فیصد

2 ایکٹیو ٹیکس پیئرز لسٹ (ATL) پر موجود نہ ہونے والے شیئر ہولڈرز: 30 فیصد

کیش ڈیویڈنڈ کی رقم پر 30 فیصد کے بجائے 15 فیصد ٹیکس منہائی کیلئے شیئر ہولڈرز جن کے نام فیڈرل بورڈ آف ریونیو کی ویب سائٹ پر دی گئی ایکٹیو ٹیکس پیئرز لسٹ پر نہیں قطع نظر اس حقیقت کے کہ وہ فائلر ہیں کو ہدایت کی جاتی ہے کہ وہ فوری طور پر اس امر کو یقینی بنائیں کہ ان کے نام ایکٹیو ٹیکس پیئرز لسٹ پر درج ہوں بصورت دیگر ان کے کیش ڈیویڈنڈ پر ٹیکس 15 فیصد کے بجائے 30 فیصد کے حساب سے منہا کیا جائے گا۔

B- ڈیویڈنڈ کی رقم پر ود ہولڈنگ ٹیکس سے استثنیٰ اسی صورت میں دیا جائے گا جب ٹیکس سے استثنیٰ کا مؤثر سرٹیفکیٹ کمپنی کے شیئر رجسٹرار فیمکو ایسوسی ایٹس (پرائیویٹ) لمیٹڈ کو بک کی بندش کے پہلے روز تک فراہم کیا جائے گا۔

C- مزید یہ کہ ایف بی آر کی جانب سے موصول ہونے والی وضاحت کے مطابق، پرنسپل شیئر ہولڈرز اور اس کے ساتھ ساتھ جوائنٹ ہولڈرز کے الگ الگ فائلر / نان فائلر ہونے کی حیثیت پر ان پر ود ہولڈنگ ٹیکس اس کے شیئر ہولڈنگ (جوائنٹ اکاؤنٹ کی صورت میں) تناسب سے عائد کیا جائے گا۔ اس حوالے سے کمپنی کے جملہ شیئر ہولڈرز / ممبرز چاہے وہ فزیکل فارم میں اپنے شیئر رکھتے ہیں یا پھر سی ڈی سی میں جو مشترکہ شیئر رکھتے ہیں سے درخواست کی جاتی ہے کہ وہ پرنسپل شیئر ہولڈر یا جوائنٹ ہولڈر کیلئے شیئر ہولڈنگ کا تناسب ہمارے شیئر رجسٹرار کو (اگر پہلے فراہم نہیں کیا گیا) کو حسب ذیل طریقہ کار کے ذریعے تحریری طور پر فراہم کریں۔

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)

یہ مطلوبہ معلومات لازماً نوٹس ہذا کے دس (10) دنوں کے اندر اندر کمپنی کے شیئر رجسٹرار کو موصول ہو جانی چاہیئے، بصورت دیگر یہ تصور کیا جائے گا کہ پرنسپل شیئر ہولڈر اور جوائنٹ ہولڈر یکساں شیئر کے حامل ہیں۔

D- کمپنی کے کارپوریٹ شیئر ہولڈرز جو سی ڈی سی اکاؤنٹ رکھتے ہیں کو التماس کی جاتی ہے کہ وہ اپنے متعلقہ شراکت دار کے ساتھ اپنے نیشنل ٹیکس نمبر (این ٹی این) کو اپڈیٹ کرے جبکہ کارپوریٹ فزیکل شیئر ہولڈرز اپنے این ٹی این سرٹیفکیٹ کی کاپی کمپنی یا اس کے شیئر رجسٹرار کے پاس جمع کرائیں۔ این ٹی این یا این ٹی این سرٹیفکیٹس ارسال کرتے وقت شیئر ہولڈرز کمپنی کا نام اور اپنے متعلقہ فولیو نمبرز لازماً درج کریں۔

8۔ زکوٰۃ کی کٹوتی:

زکوٰۃ کی لازمی کٹوتی سے استثنیٰ کیلئے شیئر ہولڈرز سے درخواست کی جاتی ہے کہ وہ مبلغ -/50 روپے کے NJSP پر اپنے زکوٰۃ منہائی فارم ''CZ-50'' کی نوٹرائزڈ کاپی شیئر رجسٹرار کو ارسال کریں۔

سالانہ اجلاسِ عام کا نوٹس

مطلع کیا جاتا ہے کہ پاکستان ٹوبیکو کمپنی لمیٹڈ (دی کمپنی) کا 73 واں سالانہ اجلاسِ عام مورخہ 8 مئی 2020 بروز جمعہ بوقت 10:30 بجے الیکٹرانک طریقے سے ویڈیو لنک انتظامات کے ذریعے منعقد ہوگا جس میں درج ذیل کارروائی عمل میں لائی جائے گی:

عمومی کارروائی

1- 31 دسمبر 2019 کو ختم ہونے والے سال کی مالی تفصیلات (آڈٹ شدہ فنانشل اسٹیٹمنٹ) کے علاوہ ڈائریکٹرز اور آڈیٹرز کی رپورٹس ان پر غور وخوض اور اس کی منظوری۔

2- دسمبر 2019 کو ختم ہونے والے سال کیلئے بورڈ کی سفارشات کے مطابق کمپنی کے عمومی حصص پر حتمی نقد منافع کی منظوری اور اس کا اعلان۔

3- آڈیٹرز کی تعیناتی اور ان کی اجرت کا تعین۔

بحکم بورڈ

یوسف زمان
کمپنی سیکرٹری

اسلام آباد: 17 اپریل 2020

نوٹ:

1۔ سالانہ رپورٹ:

موجودہ لاک ڈاؤن کی وجہ سے، کمپنی کو سالانہ رپورٹ کی نقول کی پرنٹنگ اور شیئر ہولڈرز کو ترسیل کے سلسلے مشکلات کا سامنا ہے۔ تاہم، 31 دسمبر 2019 کو ختم ہونے والے سال کی سالانہ رپورٹ ہماری ویب سائٹ www.ptc.com.pk سے ڈاؤن لوڈ کی جا سکتی ہے۔ وہ شیئر ہولڈرز جو ای میل کے ذریعے سالانہ رپورٹ کی الیکٹرانک کاپی حاصل کرنا چاہتے ہیں ان سے درخواست کی جاتی ہے کہ وہ اپنا ای میل ایڈریس/ رضامندی اس ای میل ایڈریس PTC_AGM@bat.com پر مورخہ 8 مئی 2020 کو یا اس سے پہلے ارسال کریں۔ انہیں سالانہ رپورٹ کی پی ڈی ایف کاپی بذریعہ ای میل ارسال کی جائے گی۔

2۔ شیئر ٹرانسفر بکس کی بندش:

کمپنی کی شیئر ٹرانسفر بکس مورخہ 2 مئی 2020 سے 8 مئی 2020 تک (بشمول دونوں ایام) بند رہیں گی جبکہ اس دوران رجسٹریشن کیلئے کمپنی شیئر ٹرانسفر کی کوئی درخواست قبول نہیں کی جائے گی۔ کمپنی کے شیئر رجسٹرار، فیمکو ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، 8-F، نزد ہوٹل فاران، نرسری، بلاک-6، P.E.C.H.S، شاہراہ فیصل کراچی- 75400 کو ٹرانسفر کیلئے مورخہ 30 اپریل 2020 کو کاروبار کے اختتام تک موصول ہونے والی درخواستوں کو ووٹ اور حتمی نقد منافع کے استحقاق کیلئے بروقت تصور کیا جائے گا۔

3۔ سالانہ اجلاسِ عام میں شرکت کمپنی کے جملہ ممبران/ شیئر ہولڈرز اجلاس میں شرکت کرنے اور ووٹ دینے کے اہل ہیں۔

4۔ ممبران کی حاضری:

A- COVID-19 وباء کی وجہ سے پیدا ہونے والے خطرات اور ہمارے شیئر ہولڈرز کے تحفظ کے پیشِ نظر، کمپنی نے سالانہ اجلاسِ عام الیکٹرانک طریقے سے ویڈیو لنک کے ذریعے منعقد کرنے کا فیصلہ کیا ہے اور سالانہ اجلاس عام کے انعقاد کیلئے کوئی مخصوص جگہ نہیں ہوگی۔

i) ممبران اجلاس میں حاضری کے تقاضوں کو مکمل کرنے کے بعد اپنے اسمارٹ فونز یا کمپیوٹر ڈیوائسز کے ذریعے ویڈیو لنک انتظامات میں لاگ اِن کر سکتے ہیں جو ممبران کو شناخت اور توثیق کی باضابطہ کارروائی مکمل کرنے کے بعد فراہم کیے جائیں گے۔ ممبران سے گزارش ہے کہ وہ اپنا نام، قومی شناختی کارڈ (دونوں اطراف سے اسکین شدہ کاپیاں)، فولیو نمبر، موبائل فون نمبر اور ای میل ایڈریس مورخہ 6 مئی 2020 کو سہ پہر 3:00 بجے تک یا اس سے پہلے اس ای میل ایڈریس PTC_AGM@bat.com پر فراہم کریں۔ سالانہ اجلاس عام کے ویڈیو لنک انتظامات کی تفصیلات صرف ان ممبران کو ارسال کی جائیں گی جو مذکورہ تاریخ اور وقت تک درج بالا تفصیلات فراہم کریں گے۔

ii) علاوہ ازیں، اگر شرکت کرنے والے ممبران کے پاس سالانہ اجلاس عام کے ایجنڈا آئٹمز پر تبادلہ خیال کرنے کیلئے تاثرات / آراء ہوں تو وہ اس ای میل ایڈریس، PTC_AGM@bat.com پر، مورخہ 6 مئی 2020 کو سہ پہر 03:00 بجے یا اس سے پہلے اسے ای میل کریں۔ ایجنڈا آئٹمز پر صرف ان تاثرات / آراء پر ہی سالانہ اجلاس عام میں تبادلہ خیال کیا جائے گا جو مذکورہ تاریخ اور وقت تک مذکورہ ای میل ایڈریس پر موصول ہوں گے۔

iii) کمپنی اس بات کو یقینی بنائے گی کہ مذکورہ بالا شق (ii) کے مطابق پیش کردہ ممبران کے تاثرات/ آراء، کمپنی سکریٹری کی جانب سے اجلاس میں پڑھ کر سنائے جائیں گے اور جوابات کو اجلاس کے منٹس کا حصہ بنایا جائے گا۔

B- متبادل (پراکسی) کے ذریعے حاضری: کوئی بھی ممبر اپنا متبادل (جس کیلئے کمپنی کا ممبر ہونا ضروری نہیں) تعینات کر سکتا ہے جسے تعینات کرنے والے ممبر کی جگہ بذریعہ ویڈیو لنک اجلاس میں شرکت کرنے، بولنے اور ووٹ دینے کا حق حاصل ہوگا۔ متبادل (پراکسی) حسب ذیل طریقوں سے مقرر کیا جائے گا:

i) پراکسی فارم کی سافٹ کاپی سیکشن انویسٹر ریلیشنز کے تحت ہماری ویب سائٹ www.ptc.com پر مہیا کر دیا گیا ہے۔ پُر شدہ فارم کی اسکین شدہ کاپی اس ای میل ایڈریس zeeshan.akhtar@famco.com.pk پر اجلاس کے انعقاد سے کم از کم اڑتالیس (48) گھنٹے قبل ارسال کیا جائے۔ مذکورہ اڑتالیس (48) گھنٹوں یعنی 6 مئی 2020 کو سہ پہر 3:00 بجے کے بعد موصول ہونے والا پراکسی فارم درست نہیں تصور کیا جائے گا۔

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
Asia 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

ICP
Investment Corporation of Pakistan

IDT
Information and Digital Technology

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

NIT
National Investment Trust

NEBOSH
National Examination Board in Occupational Safety and Health

Net Working Capital:
Current assets minus current liabilities

NJSP
Non-Judicial Stamp Paper

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 73rd Annual General Meeting of the Company to be held on the 8th day of May 2020 and at any and every adjournment thereof.

Signed by ____________________________

Signed under my/our hand this the __________ day of ______________, 2020.

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 (scanned copies) properly completed along with attested copies of CNIC or the Passport of the Proxy shall be sent to zeeshan.akhtar@famco.com.pk not less than 48 hours (excluding closed days) before the Meeting.

d. The Proxy Form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the Form.

e. In case of a corporate entity, the Board of Directors’ Resolution / Power of Attorney with specimen signature shall be sent at zeeshan.akhtar@famco.com.pk along with Proxy Form.

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 08 مئی 2020 کو منعقد ہونے والے کمپنی کے 73 واں 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 ______________________________

بدست میرے مورخہ ______________ سال 2020ء 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 (سکین شدہ نقلیں) مناسب طریقے سے پر کر کے قومی شناختی کارڈ کی تصدیق شدہ نقول کے ہمراہ یا نیابت کنندہ کے پاسپورٹ کے ہمراہ zeeshan.akhtar@famco.com.pk پر اجلاس کے کم از کم 48 گھنٹے قبل (علاوہ تعطیلات) ارسال کریں۔

d نیابت فارم پر دو افراد کی گواہی موجود ہو اور دونوں گواہوں کے نام پتے اور قومی شناختی کارڈ نمبر درج ہوں۔

e کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد / پاور آف اٹارنی مع نمونہ دستخط، نیابت کے فارم کے ہمراہ zeeshan.akhtar@famco.com.pk پر ارسال کریں۔

PAKISTAN TOBACCO COMPANY

Pakistan Tobacco Company Limited Serena Business Complex, Khayaban-e-Suhrwardy, Islamabad, Pakistan

Tel: +92 (51) 2083200-1

Fax: +92 (51) 2604516

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