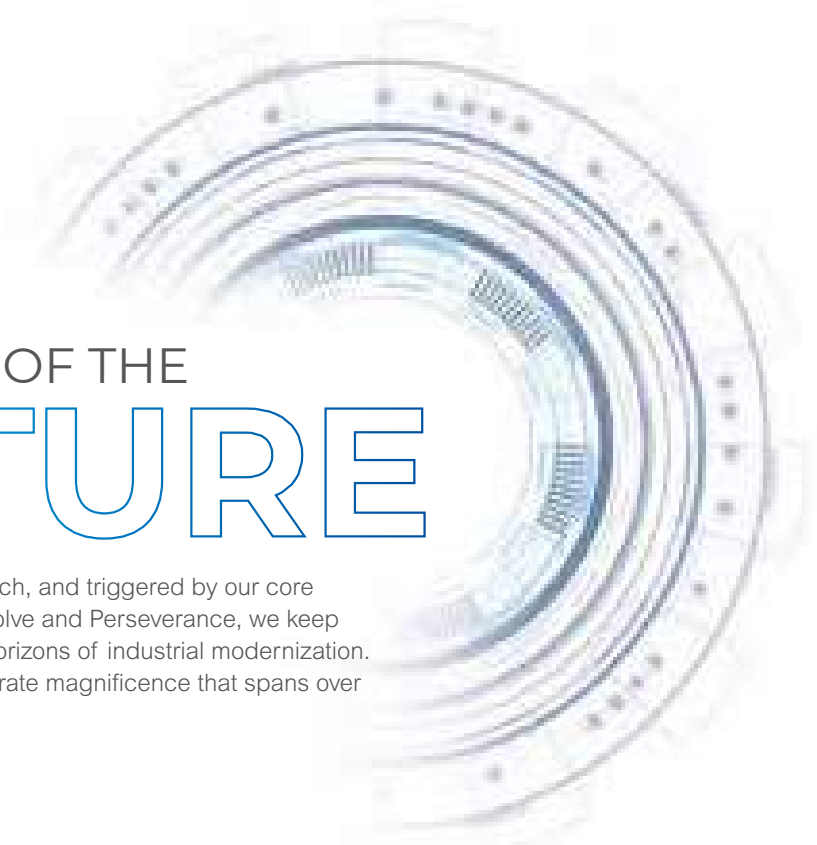




ENTERPRISE OF THE
FUTURE



ENTERPRISE OF THE FUTURE

Driven by our futuristic approach, and triggered by our core philosophy of Resilience, Resolve and Perseverance, we keep embarking at much broader horizons of industrial modernization. Today, we celebrate our corporate magnificence that spans over 74 years.



AWARDS & ACCOLADES



Largest Tax
Payer Award



Global Diversity &
Inclusion Benchmark
Award



36th Management
Association of
Pakistan Award

TABLE OF CONTENTS

04	05	06	08	10	12
Pakistan Tobacco Company Limited	Our Footprint	Corporate Information	BAT p.l.c.'s Geographical Spread	BAT Group Overview	BAT p.l.c.'s Purpose
13	14				
BAT p.l.c.'s ETHOS	BAT p.l.c.'s Nine-Step Business Model				
Our Achievements					
16	18	20	21	22	23
Afforestation	Championing Excellence in Water Stewardship	Accelerating Our Green Energy Journey	Modern Oral Journey	Dunhill Migration	IWS Certification
24	25				
Digitizing Operations	RealCheck				
Management					
26	27	28	30	32	34
Illicit Trade	Securing Enterprise of the Future	Operational Excellence	Marketing Performance Review	Fostering Future Fit Employees	Enabling the Enterprise of the Future
35	36	38	40	44	48
Product Portfolio	ESG	Organisational Structure	Board of Directors	Committees of Board	Tackling COVID
49	52	53	54	64	65
Standards of Business Conduct and Ethical Principles	Chairman's Review	MD / CEO's Message	Director's Report	Summary of Statement of Profit or Loss, Financial Position & Cash Flows	Cash Flow Analysis

66	67	68	72	74
Performance Indicators Ratios For 6 Years	Analysis of Performance Indicators	Notice of the Annual General Meeting	Statement of Compliance	Independent Auditors' Review Report

Financial Statements

76	80	81	82	83	84
Independent Auditors' Report	Statement of Profit or Loss	Statement of Comprehensive Income	Statement of Financial Position	Statement of Changes in Equity	Statement of Cash Flows

85
Notes to the Financial Statements

Consolidated Financial Statements

130	131	140	144	145	146
Chairman's Review (Consolidated Accounts)	Director's Report (Consolidated Accounts)	Independent Auditors Report (Consolidated Accounts)	Consolidated Statement of Profit or Loss	Consolidated Statement of Comprehensive Income	Consolidated Statement of Financial Position
147	148	149	193	202	206
Consolidated Statement of Changes in Equity	Consolidated Statement of Cash Flows	Notes to the Consolidated Financial Statements	Pattern of Shareholding	Director's Report (Urdu)	Notice of Annual General Meeting (Urdu)
207	209	210			
Glossary and Definitions	Form of Proxy	Form of Proxy (Urdu)			

PAKISTAN TOBACCO COMPANY LIMITED

Pakistan Tobacco Company Limited (PTC) is the first multinational to be incorporated in Pakistan, right after the partition of the Subcontinent in 1947. We are a subsidiary of the BAT Group 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 Fast Moving Consumer Goods (FMCG) companies in the country. Recently we transformed our business from a single category business to multi category business by introducing our modern oral product, VELO, in Pakistan and establishing its manufacturing facility in Jhelum

We are making a step-change in the development of standards to support our New Categories ambition. We have created new benchmarks and set new records across the value chain - establishing Pakistan as an export hub for VELO in the APME region - thus building A Better Tomorrow™ for BAT, our consumers and all our stakeholders. Furthermore, this year is poised to be the year of Sustainability.

We exported Raw Tobacco and Finished goods to GCC and other Middle Eastern countries with an approximate worth of around £24 million. Overall, we exported over £28.8+ million worth of finished products and raw tobacco during the year. These numbers have the potential to grow manifold in the years to come.

We are extremely positive about the strategic interventions that our team undertook during 2021. 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 from local FMCG's.

OUR FOOTPRINT

03

Factories

Jhelum & Akora Khattak (Cigarette Factory)
Jhelum (Modern Oral Factory)

04

Regional Trade Offices

Lahore, Multan, Karachi & Rawalpindi

10

Warehouses

Jhelum, Islamabad, Gujranwala, Lahore, Faisalabad, 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

04

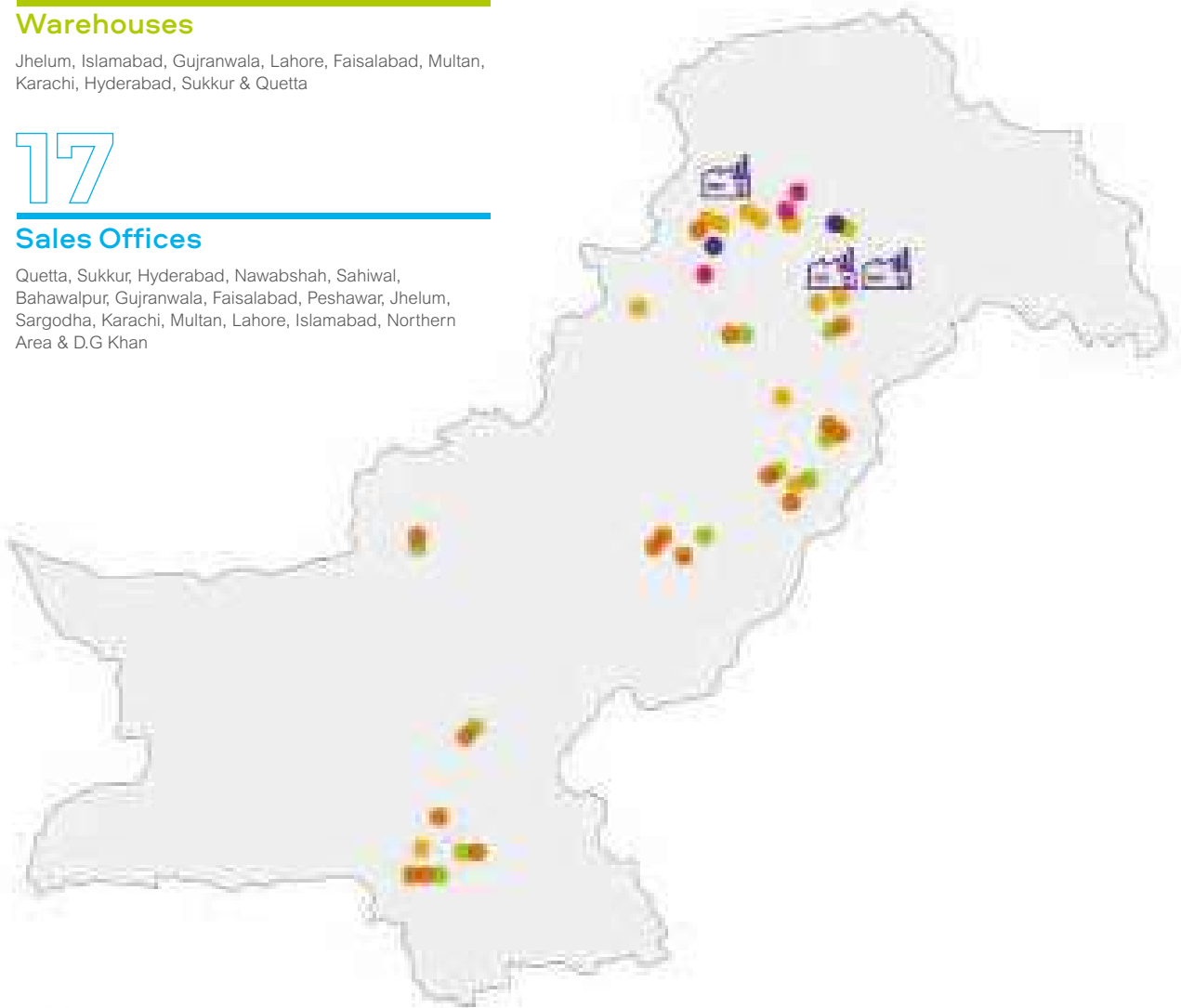
Regional Leaf Offices

Sawabi, Mardan, Mansehra & Gujrat

13

Leaf Depots

Shergarh, Jamalgarhi, Mandani, Faujoon, Yaruhussain,
Roshanpura, Buner, Chamla, Baffa, Bherkund, Paikhel, Kunjah
& Okara



CORPORATE INFORMATION



Registered Office

Pakistan Tobacco Company Limited
Serena Business Complex
Khayaban-e-Suhrwardy
P.O. Box 2549
Islamabad – 44000
T: +92 (51) 2083200, 2083201
F: +92 (51) 2604516
www.ptc.com.pk



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



Company Secretary

Nauman Masood
T: +92 (51) 2083200



Factories

Akora Khattak Factory

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

Jhelum Factory

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

Velo Factory

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



Auditors

KPMG Taseer Hadi & Co.
6th Floor, State Life Building No. 5, Jinnah
Avenue, Blue Area, Islamabad 44000
T: +92 (51) 2823558
F: +92 (51) 2822671



Share Registrar

Famco Associates (PVT) LTD
8-F, Near Hotel Faran
Nursery, Block 6, P.E.C.H.S.
Shahrah-e-Faisal, Karachi
T: +92 (21) 34380101-5

Regional and Area Sales Offices

Central Punjab

200-FF Block, Central Commercial Area,
Phase 4, DHA, Lahore Cantt
T: +92 (42) 35899351-55

The Orion, 2nd Floor, Office # 1,2,3 8-G,7-B
Kohinoor City Faisalabad

G.T Road, Rahwali, Gujranwala Cantt
T: +92 (55) 3864297

Southern Punjab

Office No. 601/602, 6th Floor,
The United Mall, Main Abdali Road, Multan
T: +92 (61) 4512553, 4585992

House No. 42/3, Tipu Shaheed Road,
Model Town A, Bahawalpur
T: +92 (62) 2877576

House #50 Ganj Shaker Colony
Muhammadpur Road Sahiwal
T: +92 (40) 4500216-7

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

MM Plaza, Plot # 110-111, Soni Pura Chak
47 Road, Shaheen Park, Sargodha
T: +92 (48) 3769921

2nd Floor Marina Mall Opposite Chief
Burger Near Abdara Chowk Main
University Road Peshawar
T: +92 (91) 5702649-50

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

Office No. 5 & 6, Second Floor, Dawood
Centre, Main Auto Bahn Road, Hyderabad
T: +92 (22) 3813636

Bungalow No. A-17, Housing Society,
(Near SSGC 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



BAT p.l.c.'s GEOGRAPHICAL SPREAD

Map is accurate as at 31 Dec 2021 and is representative of general geographic regions and does not suggest that the Group operated in each country of every region.



**United States
of America (U.S)**



**Americas and Sub-
Saharan Africa (AmSSA)**

Argentina, Brazil, Canada, Caribbean, Central America, Chile, Colombia, Kenya, Mexico, Nigeria, Paraguay, Peru, South Africa, Venezuela



Europe and North Africa (ENA)

Austria, Bulgaria, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Italy, Norway, Poland, Russia, Spain, Sweden, Switzerland, Turkey, Ukraine, Morocco, Algeria, Tunisia, Libya, Egypt & Sudan

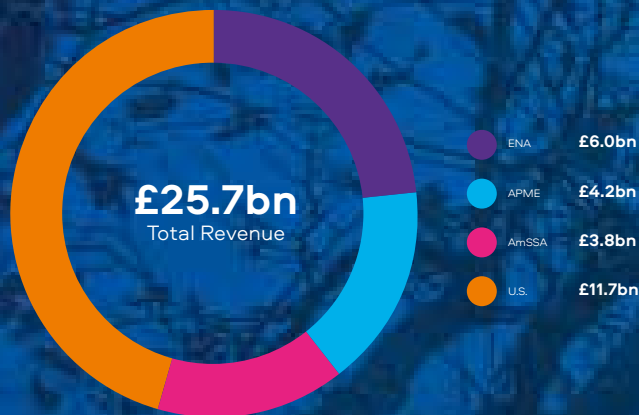


Asia-Pacific and Middle East (APME)

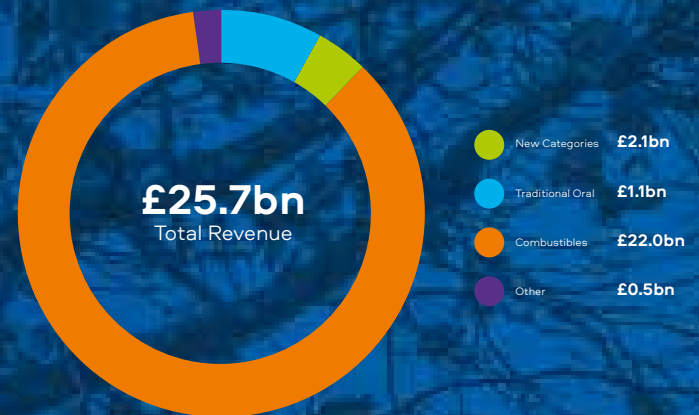
Australia, Bangladesh, Cambodia, China, Hong Kong, Indonesia, Japan, Korea, Malaysia, New Zealand, Pakistan, Sri Lanka, Taiwan, Vietnam, UAE, Qatar, Oman, Lebanon, Iraq, Jordan, Syria, Palestine, Yemen, KSA, Bahrain, Kuwait & Afghanistan

BAT Group OVERVIEW

Revenue by Region



Revenue by Product Category



BAT Group Employees



BAT has been recognised as a Global Top Employer for four consecutive years, acknowledging our commitment to best-in-class working environments and career opportunities.

BAT is a leading consumer goods business: global, consumer-centric, multi-category, with sustainability at our core. We operate in more than 175 markets and our business is divided into four complementary regions, with a balanced presence in both emerging markets and developed markets.

By combining existing and new capabilities, we are radically redefining our organisation. We are creating new products, backed by science, that provides adult smokers with alternatives to smoking*.

Today, our portfolio includes a range of New Categories, including vapour, tobacco heating and modern oral products. By driving value from combustibles business - we will accelerate this ambitious transformation.

The Group's headquarters are in London and the company is listed on the London Stock Exchange. In 2021, the Group generated revenue of £25.7 billion and profit from operations of more than £10.23 billion.

Today BAT is transitioning from being a business where sustainability has always been important to one where it is front and center in everything that it does.

The Group has made significant progress on its sustainability journey, as reflected by its presence in the Dow Jones Sustainability Indices for many years and the other notable independent recognitions it has received.

BAT's strategy has evolved with the purpose of delivering A Better Tomorrow™ for all our stakeholders. At its heart, the strategy is about anticipating and satisfying the ever-evolving consumer: providing pleasure, reducing risk and offering increasing choice.

Central to the strategy is the Group's updated sustainability agenda which reflects our changing external environment. Specifically, we are clear that reducing the health impact of our businesses is our principal focus area, as well as placing a greater emphasis on the importance of addressing climate change and excellence in environmental management. At the same time, we remain committed to delivering a positive social impact and ensuring robust corporate governance across the Group.



175+
Markets



150mn
Consumers



18.3mn
Non-Combustibles product consumer



15,000+
Product material suppliers



75,000+
**Farmers contracted through
BAT leaf operation**

*Based on the weighted of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive.

BAT p.l.c.'s PURPOSE

To reduce the health impact of our business by offering a greater choice of enjoyable and less risky products

We are clear that combustible cigarettes pose serious health risks. The only way to avoid these risks is not to start or to quit. However, we encourage those who would otherwise continue to smoke to switch completely to scientifically-substantiated, reduce-risk alternatives.*

In order to deliver this, BAT is transforming into a truly multi-category consumer products business, with a mission to stimulate the senses.

BAT p.l.c.'s VISION

Reducing the health impact through offering a greater choice of enjoyable and less risky products for our consumers

The BAT Group set out an inspiring purpose for the whole Company when it introduced its evolved strategy in March 2020. The Group's renewed purpose is to build A Better Tomorrow™ by reducing the health impact of its business through offering a greater choice of enjoyable and reduced risk products* for our consumers. It will evolve its growth model through the development of a portfolio in tobacco, nicotine and beyond, meeting consumers' evolving needs for enjoyment and satisfaction. The Group now aims to generate an increasingly greater proportion of revenue from products other than cigarettes and so, reduce the health impact of its business. This will deliver A Better Tomorrow™ for consumers who will have a range of enjoyable and reduced risk choices for every mood and moment; for society through reducing the overall health and environmental impacts of our business; for employees by creating a dynamic and purposeful place to work; and for shareholders by delivering sustainable superior returns.

BAT p.l.c.'s MISSION

Stimulating the Senses of New Adult Generations

Today, we see opportunities to capture consumer moments which have, over time, become limited by societal and regulatory shifts, and to satisfy evolving consumer needs and preferences.

Our mission is to anticipate and satisfy this ever-evolving consumer: provide pleasure, reduce risk, increase choice and stimulate the senses of adult consumers worldwide.

BAT p.l.c.'s ETHOS



BOLD

Dream big – with innovative ideas.

Make tough decisions quickly and proudly stand accountable for them.

Resilient & fearless to beat the competition.



FAST

Speed Matters. Set clear direction and move fast.

Keep it simple. Focus on outcomes.

Learn quickly and share learnings.



EMPOWERED

Set the context for our teams and trust their expertise.

Challenge each other. Once in agreement, we commit collectively.

Collaborate and hold each other accountable to deliver.



DIVERSE

Value different perspectives.

Build on each others' ideas, knowledge and experiences.

Challenge ourselves to be open-minded and recognising unconscious bias.



RESPONSIBLE

Take action to reduce the health impact of our business.

Ensure the best quality products for our consumers, the best place to work for our people and the best results for our shareholders.

Act with integrity, never compromising our standards and ethics.

BAT p.l.c.'s NINE-STEP BUSINESS MODEL

Our global business understands our diverse consumers, develops products to satisfy their preferences and ultimately distributes them over 175 markets.

Seven key enablers support us in turning powerful insights into products that provide enjoyment to our consumers, while engagement helps our key stakeholders benefit from sustainable growth.



SPOTLIGHT: Source



Tobacco

Subject to the industry's Sustainable Tobacco Programme, supported by farm-level monitoring and, in selected countries, human rights impact assessments



Tobacco

58%

BAT leaf operations, contracting 75,000+ farmers



58%

Third parties: sourcing from 250,000+ farmers



Other materials, goods and services

Subject to human rights risk assessments and independent audits by Intertek for those with the highest risks



Direct product materials

1,500+

tier 1 suppliers of filters, paper, adhesives, vapour devices, e-liquids, etc.

Strategic lower tier Batteries, packing, etc.



Indirect goods and services

30,000+

suppliers of logistics, marketing, IT services, facilities management, etc.

01 and 09 Insights

Seeing Over the Horizon

As one of the most long-standing and established consumer goods business in the world, we have a unique view of the consumer across our product categories, which is increasingly driven by powerful data and analytics. The insights ensure that the development and responsible marketing of our products is fit to satisfy consumer needs.

Driven by our unique and data driven consumer insights platform (PRISM), we focus on product categories and consumer segment across our global business that have the best potential for long-term sustainable growth.

02 Science

Accelerating Tobacco Harm Reduction

World-class science is needed to substantiate the quality, safety and reduced-risk potential of our new category products. This is crucial for building consumer trust and encouraging adult smokers to completely switch to less risky alternatives*.

We have extensive scientific research programme in a broad spectrum of scientific fields, including molecular biology, toxicology and chemistry. We are transparent about our science and published details of our research programs on earth dedicated website, www.bat-science.com, and the results of our studies in peer reviewed journals.

03 Innovate

Staying Ahead of the Curve

As consumer preferences in technology rapidly evolve, we rely on our growing global network of digital hubs, innovation hubs, world class or Indy laboratories, external partnerships and our corporate venturing initiative, Btomorrow Ventures, to stay ahead of the curve.

Driving sustainable growth is at the core of our innovation. We make significant investments in research and development to deliver innovation that satisfy or anticipate consumer preferences and generate growth for the business.

Led by our strength in developing consumer insights, each innovation helps us on our journey to build a better tomorrow by reducing the health impact of our business.

04 Source

Sourcing Materials Responsibly

The majority of our tobacco is sourced by our own BAT leaf operations through direct contacts with over 75,000 farmers. The remainder is from third party suppliers that in turn, contract with an estimated 264,000 farmers. The vast majority of tobacco firms in our supply chain are smallholder family farms.

Beyond tobacco, We source product materials like papers and filters for cigarettes and, for our new category products, we have growing supply chain in consumer electronics and e-liquids. We also have a number of suppliers of indirect goods and services that are not related to our products, such as IT services and facilities management.

05 Manufacture

Utilizing Our Global Manufacturing Footprint

We manufacture high-quality product in facilities all over the world. We also ensure that these products and tobacco leaf we purchase are in the right place at the right time. Our new category products are manufactured in a mix of our own and third party factories. We work to ensure that our costs are globally competitive and that we use our resources as effectively as possible.

06 Move

Moving Our Products Seamlessly Everywhere

By applying modern technologies, including AI and machine learning, we ensure our products are where they are needed when they are needed.

Our products are sold around the world and we distribute them effectively and efficiently using a variety of distribution models suited to local circumstances and conditions. These distribution models include retailers, supplied through our direct distribution capability or exclusive distributors, and our Direct to Consumer business - Which has been accelerated through the deployment of owned e-commerce sites.

07 Market

Marketing Our Products Responsibly

Tobacco and nicotine products should be marketed responsibly to adult-only consumers and not designed to appeal to youth.

Through a globally responsible approach to marketing, we help to raise the standards and prevent underage access, while growing our market share and encouraging adult consumers to choose our products over our competitors.

Our internal marketing principles (IMP) govern our marketing across all our product categories. They include strict requirements to be responsible, accurate and targeted at adult consumers only. Our IMP or re-applied even when they are stricter than local laws.

08 Sell

Offering Consumer Choice

We have a powerful brand portfolio that we are proud of. Our global brands are well positioned, with leading-edge insights, science and innovation behind our product pipeline.

We offer adult consumers a range of products, including combustible products, vapour, modern oral and THPs, in markets around the world. Our range of high-quality products cover all segments, from value-for-money to premium.

*Based on the weighted of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive.

AFFORESTATION

PTC is committed to keeping sustainability at the front and center of the business through delivering a positive social impact and achieving environmental excellence. PTC has currently the oldest and largest private sector afforestation program in the country and has planted and distributed 100+ million plant saplings since the inception of this programme in 1981. In 2021, PTC planted and distributed over 55 million saplings. This number was achieved through issuing free of cost saplings through our 6 nurseries across Pakistan, block afforestation in collaboration with National Rural Support Programme, first of its kind initiative of “throw & grow” in Margalla hills forest reserve and aerial seeding in Barakahu forest reserve. This is the highest number we have achieved since the start of this initiative.



100+MN

Saplings distributed since 1981



5+MN

Saplings distributed from Nurseries



50+MN

Seeds dispersed in 2021



The company, in collaboration with local administration, added two new solar powered plant nurseries in Lahore and Faisalabad, each with a capacity to churn out 800,000 plant saplings per year. These two new nurseries are an addition to the already established four nurseries in Islamabad, Jhelum and Swabi. Apart from this portfolio expansion, all the nursery operations were made paperless through the introduction of digital afforestation management dashboard, which focused on eliminating unnecessary paper usage, inventory tracking and the automation of plant sapling requests from individuals and organisations.



800K Per Nursery



END-END
User Journey Digitized



With the focus on diversifying and accelerating its afforestation efforts, PTC collaborated with the Ministry of Climate Change for one-of-a-kind aerial seed balls dispersal project that has never been undertaken before by any private sector organisation in Pakistan. PTC dispersed 16 million seeds of indigenous species over 700 Acres of protected Barakahu forest reserve through aerial seeding. This aerial dispersal was followed by a GIS and drone baseline mapping of the Barakahu Reserve Forest, which will help us monitor the increase in reserve's forest cover because of this activity on a year-over-year basis. In addition to this, another 34 million seeds of indigenous species were dispersed manually in the reserve forest zones of Margalla Hills, Kohalaa and Lissan. A total of 50 million seeds, translating to 12.5 million seed balls were dispersed in 2021.



16+ mn
Aerially Dispersed



34+ mn
Manually Dispersed



CHAMPIONING EXCELLENCE IN WATER STEWARDSHIP

Every Drop Counts; High Efficiency Drip Irrigation Program.

Pakistan is identified as a high-risk country for Water shortages in future years. As per the UNDP report, Pakistan may face severe water scarcity after 2025. Pakistan Tobacco Company Limited is supporting farmers to adopt sustainable water efficient technology of High Efficiency Drip Irrigation system. As part of our ESG agenda, we are supporting farmers in water scarce areas enabling them to grow tobacco cash crops and maintaining their livelihoods. These technologies being the most efficient are delivering water saving making tobacco a sustainable choice for farmers. PTC by taking lead in Water stewardship has provided 215 drip irrigation units free of cost in water scarce areas of KPK to save 231 ML Litres water.

Furthermore, since 2016, PTC in collaboration with Irrigation department KPK provides 1000 KVA Genset support for the Government lift irrigation scheme in Buner, which was out of operation due to power outage.

With genset support 1000 Ha are benefited on a yearly basis which includes tobacco and other food crops. This initiative has been widely acknowledged by the local farming community and has created a positive impact on the livelihoods of the Buner farming community.

Driving ESG Agenda

- 48% water saving
- Reduced Cost of Production
- Improved Yield and Quality

Futuristic Approach

- Programed irrigation
- Improved precision – Use of Artificial Intelligence – Sensors in the field
- Remote operation – Use of Gadgets to run system





Water recycling

Access to clean drinking water while being a basic human right, is still a challenge in some unprivileged areas of Pakistan. PTC has delivered game changing results in 2021, as Jhelum Factory has the highest water recycling capability and Akora Khattak Factory stands 3rd in this category across all BAT organisations across the globe.



Jhelum Factory
1st in BAT World



Akora Khattak Factory
3rd in BAT World

Water Filtration Plants

To combat incidence of water borne diseases, PTC has built and continues to maintain 27 water filtration plants across 9 districts providing safe and clean drinking water to the less privileged sections of the society. Our current foot print is as follows:

Bunner - 6	Mansehra - 1
Mardan - 3	Swabi - 2
Nowshera - 6	Jhelum - 5
Faisalabad - 1	Islamabad - 1
Lahore - 2	

Each plant has a capacity to provide 20,000 liters of clean drinking water per day. To ensure the optimal water quality and sustainability of the initiative, a monthly operations and maintenance regime has been established for all the 27 water filtration plants.



ACCELERATING OUR GREEN ENERGY JOURNEY

In its continuous efforts of keeping the manufacturing operations environment friendly and reducing the carbon emissions, PTC's Jhelum & Akora Khattak Factories inaugurated Solar Parks on its sites of 3.1 MW.

Beyond its operations facilities, PTC has also expanded its Solar Energy footprint to its Leaf Buying Locations and Logistics Warehouses. A total of 150 kW of installations across 10 different locations are now powering the energy demand there.

PTC, being a firm believer of giving back to the community, has taken the innovative step of extending the Solar Energy envelope to 3 plant nurseries and 6 water filtration plants. These installations utilize the 70 kW of Solar Energy produced within the premises.

These projects are in line with the BAT group's ESG (Environmental, Social and Governance) priorities. BAT has set a vision of achieving carbon neutrality by 2030 while migrating 100% of the grid electricity to renewable sources.

PTC's 3.1 MW solar project is not only one of the largest on-site solar projects in the country but also the largest on-site solar project within BAT factories in the region. This renewable power plant will help PTC to improve further on its Green Energy landscape by generating 16,000 GJ and reducing 1,700 tonnes of CO₂ annually from the carbon footprint of both PTC factories.

MODERN ORAL JOURNEY

Velo Factory left a staggering impact among its peers in the world becoming the first Modern Oral plant to qualify Factory Acceptance Test and Commissioning, Qualification & Validation on GD Double line. The team with sheer determination following Integrated Work System (IWS) ideology of total employee involvement and zero loss mindset strived even harder to establish the highest Overall Equipment Efficiency (OEE) and Mean Time Between Failures (MTBF) of 64.8% and 13.5 minutes respectively for 2021, setting new standards for the BAT Modern Oral world to follow. With the sheer desire and grit to be the market leaders and consumers' preferred choice, consumer complaints vs last year were improved by 72%.

Furthermore, Procurement and Operations worked hand in hand for a mutual goal, an overall £1.1 million saving was delivered through wrapping materials localization alone. The three biggest categories of VELO operations constituting about 65% of VELO wrapping materials requirements (Cans, lids, Side labels) have been localized and two further potential localizations are currently being accessed at the factory.



These localization projects while leaving a significant impact on cost picture alongside have left a far greater and overarching impact on resiliency of our supply chain. With reduced supply chain times, reduced cash stuck in supply chain and duties emission, we are more End to End synchronized from Procurement to Consumer and more agile than ever before.

With Modern Oral Plant being set up in Pakistan, we are not only defining new alternates for a wholesome consumer experience, but we are also working towards boosting the countries' economy by becoming an export hub of Modern Oral Products in the region.

DUNHILL MIGRATION



In 2018, PTC embarked on a journey catered towards establishing a future fit portfolio, safeguarding its position as a market leader in Pakistan for years to come.

The business took the bold decision to migrate one of the largest growing premium brands in the country; JPGL Special and seamlessly integrate it into the House of Dunhill in a comprehensive two-stage migration.

The inaugural step was the migration of the Dunhill architecture actioned by the integration of the popular Dunhill Reloc into the brand. This bold initiative enabled the brand to garner massive traction from progressive adult smokers and propel it towards an unprecedented growth trajectory.

The second phase of the migration was witnessed in 2021 with a closely monitored pilot launch market, culminating

in the highly anticipated completion of the migration and the birth of what we now know as Dunhill Special.

We witnessed an unprecedented 100% portfolio retention across the country, a remarkable 2.2% source of business draw, and superiority in all key imageries amongst key competitor brands.

This migration has been a true embodiment of the BAT spirit and ethos coming to life. The collaborative endeavors and impeccable transformative abilities have ensured that House of Dunhill has now crossed the threshold of +One billion stick brand and cemented itself as one of the preferred premium brands across Pakistan.

IWS CERTIFICATION

Integrated Work System (IWS) is a recognized platform that BAT adopted to drive business excellence, encouraging a zero loss mindset with the slogan – more with less. PTC operations team Manufacturing embarked upon this journey in 2015 and Jhelum became the second factory in BAT group to be IWS Phase 1 certified in 2018, followed closely by Akora Khattak Factory in 2019. Taking inspiration from Manufacturing, Green Leaf Threshing (GLT) also embarked on its journey of IWS in 2017 by modifying and reapplying the framework from cigarette factories. On August 27, 2021, our GLT became the first GLT across BAT group to be IWS Phase 1 certified. This certification gave Akora Khattak Factory complex the unique distinction of being a site with both Cigarette factory and GLT being qualified on IWS. Over these years, our acceleration on IWS has yielded breakthrough results on machine efficiencies, with both Akora Khattak & Jhelum Factories being the best in class in BAT world for their respective technologies on secondary manufacturing.

The journey still continues with both factories approaching Phase 2 certification in Q2 '22, which would make Pakistan the third end market in the Group to reach this milestone. Scope of this certification will also include Jhelum Modern Oral Factory, which would make it the first Modern Oral site in BAT to be IWS qualified.



DIGITIZING OPERATIONS

Velo.com

PTC ventured into first ever digital distribution model by partnering with the country's biggest B2B E-commerce players (Bazaar & Jugnu). The platforms aim to become a key player in the future RTM landscape.

For the first time ever, PTC launched its own E-commerce solution for the NC. This marks a significant step towards setting PTC as an enterprise for future. This intervention has enabled existing adult nicotine consumers to access our NC products anywhere across the country. Setting a clear ambition of building "Enterprise of the Future" and catering to the changing customer dynamics.

RTM Digitization

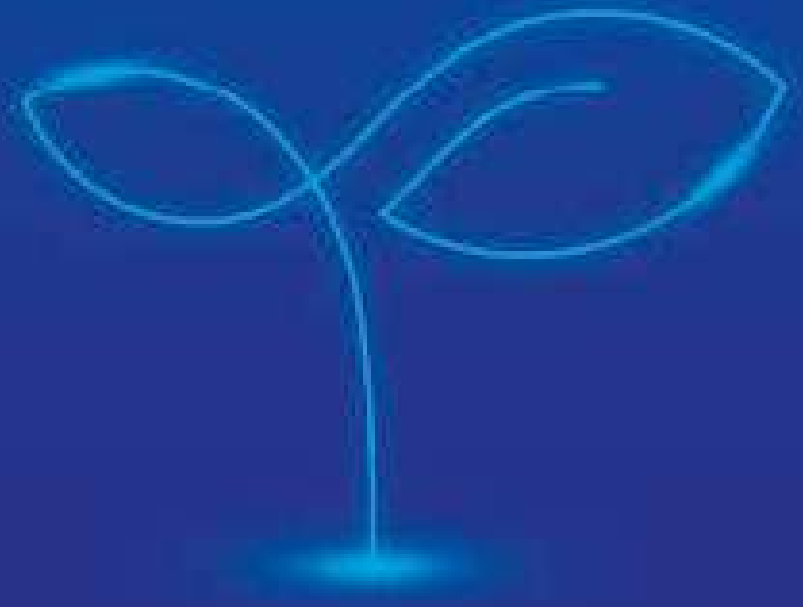
Trade & IDT led the digital transformation agenda by pioneering state of the art solutions like Digital market visit app, RTM integration with digital financial services and process simplification. These initiatives led to a 3K man hours saving and created additional capacity for successful delivery of Multi Category business with same resources.

Digitization of Leaf – Use of Automated Technologies

A state-of-the-art automated technology was introduced in the drip irrigation systems installed by PTC. This initiative demonstrates Leaf team's futuristic approach in introducing smart and digitized solutions for our tobacco farmers to improve farm productivity and ensure business sustainability by leading ESG agenda.

The technology uses Artificial Intelligence (AI) to operate and control 5 Ha system with a single command. Solar energy is being used to run the system enabling farmer to save 100% fuel cost and contribute to low carbon emission agenda. The system will be operated online using a smart phone application to make it a truly digitized solution for our farmers.

The technology demonstrated significant savings in terms of Irrigation water (48%), fuel (100%), and labour cost (87%) along with yield increase to make tobacco crop sustainable for the current & next generation of farmers.



REALCHECK

PTC adopted a technological solution to address the growing issue of counterfeiting of its brands. In 2021, PTC transitioned from Digimarc to its first consumer facing application, named RealCheck. The application can be downloaded by distributors, wholesalers, retailers, consumers, and Law Enforcement Agency (LEA) officials to authenticate PTC's cigarette brands to be sure that the product being purchased or sold is genuine and the liable taxes and duties have been paid to the Government of Pakistan. This app is supporting LEA's in carrying out enforcement activities across the country.



88% reduction in counterfeit incidence



17.7+mn lifetime scans
(Digimarc + RealCheck)



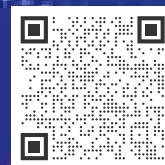
70+ K total RealCheck downloads
(Android + IOS)



97% PTC volume protected
by RealCheck



Available on the iPhone
App Store



GET IT ON
Google Play

ILLICIT TRADE

The year 2021 was an unprecedented year for illicit sector in terms of enforcement and policies to support the legitimate industry. The government introduced legislation to curb illicit trade in Pakistan with the introduction of a brand licensing regime to ensure that illicit players do not launch new brands frequently to evade attention of Law Enforcement Agencies (LEAs). Additionally, it was also introduced to ensure that manufacturers in Azad Jammu & Kashmir (AJK) do not manufacture brands being manufactured in Pakistan to evade taxes. Similarly, the government also issued an amendment to destroy seized contraband cigarettes rather than auctioning them to be sold in the market again. FBR also took up the issue of sale of contraband cigarettes at Petro-Marts and wrote to the heads of Oil Marketing Companies to discourage this practice. The largest ever seizure in Pakistan was carried out by Pakistan Customs when a large quantity of tipping paper was seized in Karachi, equivalent to over 800 million sticks of cigarettes. Such initiatives coupled with strict enforcement led to seizures of approximately 1 billion sticks worth of raw material and cigarettes.

PTC adopted a technological solution to address the growing issue of counterfeiting of its brands. In 2021, PTC transitioned from Digimarc to its first consumer facing application, named RealCheck. The application can be downloaded by distributors, wholesalers, retailers, consumers, and LEA officials to authenticate PTC's cigarette brands to be sure that the product being purchased or sold is genuine and the liable taxes and duties have been paid to the Government of Pakistan. This app, by virtue of on-the-spot authentication of PTC's brands, is supporting LEA's in carrying out enforcement activities across the country. This initiative led to a decline of approximately 90% in the incidence of counterfeit of PTC's brands.

Federal Board of Revenue awarded the license for the supply of a Track and Trace System for Tobacco, to a consortium led by Authentix. The system has been rolled out in the sugar industry and is in the process of being rolled out in the tobacco industry. Recently, a tripartite agreement was signed between FBR, Authentix and PTC. It is believed that the implementation of a Track & Trace System at all cigarette factories coupled with effective enforcement will be a game changer in curbing illicit trade in Pakistan, especially Duty Not Paid (DNP) cigarettes, which currently stand at over 30 percent of the total market.

The implementation of a Track & Trace System for the cigarette industry, in true letter and spirit will help in curtailing the spread of illicit trade in the cigarette industry. The success of the Track and Trace System hinges on effective and across the board enforcement against illicit cigarettes, not just at the manufacturer's facility but also through the distribution channels and at the retail level. The benefit of this system will be clearly visible by the increase in the revenues of the government and simultaneously contribute to the provision of a level playing field for the legitimate industry.

SECURING ENTERPRISE OF THE FUTURE

Support to Group Security as a Leading End Market for Group Security Digitization and Automation

PTC security team worked closely with Group Security whilst they embarked upon the digitization, automation, and simplification of different platforms for simpler, faster, and stronger processes. Security Risk Management platform previously used to be conducted on complex spreadsheets is upgraded to Power Apps, providing end user an interactive experience while conducting risk assessments and an opportunity to revise the risks and threats in different areas and parts of the country with an aim that, PTC can also benefit from the dividends of improving security situation turning into normalcy across the country. An example of benefiting from the improving security situation in the country was the Security enabling support for Crop Expansion in Swat which is aimed at import substitution for Burley crop. Major revamp in Business Continuity Management is also in progress for which a BCM development team was formed at Group level and PTC Security was made part of it as member. PTC was asked to develop template Crisis Management plans to be used as sample by other BAT end markets.

Security enabling support to business was the focus at delivery of commercial goals keeping simplicity in implementation and excellence in execution. More than 200 CCTV cameras were installed in Leaf areas for monitoring of buying process. Buying vigilance supervisors were also deployed on each buying line for the security and support to the leaf buyers, thus creating a system of Leaf and Security team joint buying.

The Hallmark remained the Security and Business Continuity Management Support to Digital Business Solutions (DBS). Timely completion of risk assessments and effective mitigation actions deployment for the identified sites both at Islamabad and Lahore enabled DBS team to initiate their operations in a timely and effective manner. Set of trainings were conducted for DBS staff members on conducting Business Impact Analysis and in developing their identified Business Continuity plans.

OPERATIONAL EXCELLENCE

With the advent of Omicron variant in early 2021, as the world was back to shutting down doors again, Our Operations (Ops) team fought back with unshattered zeal and enthusiasm and changed the dynamics of operations, defining new horizons, new success for themselves.

Even in such times when all major businesses in Pakistan despite their continuous efforts were facing setbacks and were on the down trend, BAT Ops team transformed their operating strategies to such hyper scalability that every action, decision, and initiative was driven through it to enable new growth, value and timeless success. Practicing core fundamentals of IWS, they delivered above and beyond, setting new benchmarks for the BAT World. Following unprecedented results were delivered by Ops team keeping up with the vision of an End-to-End Synchronized product supply function

1. 85% OEE, the highest OEE ever delivered in BAT history around the globe amidst COVID restrictions and limited staffing on site
2. Flat 100% improvement in MTBF vs last year, improving production portfolio by multiple folds
3. Generating 1 M GBP+ Productivity Saving Using zero loss mindset of IWS. Multiple improvements were delivered in existing work processes, decreasing human effort through Digitization and Automation,
4. Decreased the cost of manufacturing to as low as 0.53 GBP/mile, delivering the lowest ever manufacturing cost in PTC history
5. An incremental 8 billion volume vs co-plan against the projected volume, generating the highest ever export revenue of 28.8M GBP
6. Ensuring the right Process Control Strategy in place, Q2S for the quarter was closed at 99.96% ensuring every time we produce, we produce quality product and continue to be the consumer's preferred choice.



1mn GBP
Productivity Savings



28.8mn GBP
Exports Revenue

It is worth mentioning here that all of the achievements we have had so far were possible only due to the sheer determination and effectiveness of our IWS deployment team, ensuring to

1. Conduct multiple refresher sessions on IWS Pillar Loss Elimination/Analysis tools
2. Site wide calibration sessions with the regional pillar owners to build standardized capability across IWS Pillar tools
3. Workshops on digitization tools such as Power BI and Power Apps to truly enable simplified work processes and long-lasting data reserves for BAT

4. Weekly HPO session as part of Rewards & Recognition to ensure right behaviors are rewarded and key opportunities are discussed on one forum as one team

With all these Operational advancements and improvements taking place, PTC continued to have a keen focus on ensuring a sustainable future for our business, partners, employees and consumers with the core focus on sustainability.

Leaf

Pakistan Leaf team achieved above and beyond in 2021. Crop Sustainability being the key to our business, we have strived hard and worked with our partners to ensure a full leaf volume delivery even under the threats posed by COVID. We strive hard to making this partnership

equally valuable for our business partners by using 04W (Outside of 4 walls) Loss Analysis strategy, with a vision of cultivating and supplying premium quality tobacco at a competitive cost, enabling improvements in farmers' margins through use of current technological developments as well as streamlining the processes to enable higher returns in lesser time in terms of throughput. It was owing to this grit and agility of Leaf team, we were able to deliver 100% leaf volume, 100% COVID compliance and zero Lost Time Injury (LTI). Despite all odds and challenges that this pandemic brought forward, PTC managed to be the only site in the globe to be GLT Phase -1 IWS qualified, alongside generating GLT lamina yields, as high as 65.9%. With COVID new variant being at its peak, posing threats to Growth and Leaf sourcing, the team surmounted all impediments in its way and wrapped the year setting a new vision for the BAT world.



MARKETING PERFORMANCE REVIEW

With the continuous threat and resurgence of COVID-19, 2021 has been a challenging yet exciting year.

Industry

The Duty Paid legit FMC industry saw a volume growth of 17.3% in 2021 vs Same Period Last Year (SPLY) due to two consecutive years of price stability, which has been instrumental in curbing the accelerated growth of illicit/duty non paid segment.



PTC FMC Performance

We've achieved our highest ever legit market share of 77.7% (+1.3ppt vs SPLY). Moreover, the total market share is 48.6% (+0.61 ppt vs. SPLY). This phenomenal performance is at the back of a strong, well rounded FMC portfolio delivery with 43bn Sticks sold in 2021.

All brands across the PTC portfolio closed the year on a growth trajectory; especially the premium brands delivering over indexed growth owing to John Player Gold Leaf's strong brand equity. With the successful migration of JPGL Special, Dunhill has become the leading 1Bn+ sticks brand for premium consideration seekers. The growth momentum on the aspirational premium segment is on a positive trajectory and is expected to continue in

2022 with the introduction of value adding features such as Reloc to maintain freshness of the product. Capstan by Pall Mall continues to be the market leader with 31.9% market share and the strongest brand health indicators in the category.

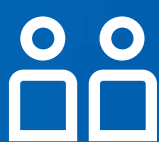
In 2021, PTC also recovered an estimated 2.7Bn annualized counterfeit volume with the help of technology enabled tool Real Check and an accelerated AIT/enforcement play. Entering 2021, we remain committed to fighting counterfeit and preventing illegal, low quality counterfeit brands from growing again.



Value Maximization/Optimization

As part of the corporate agenda of commercial maximization and delivering revenue growth, trade team underwent a paradigm shift towards 'in market sales' model, introduced clear principles that led to strong market control that generated higher profitability and value for the organisation and its valued business partners.

Top Trader initiative, the biggest loyalty program in the country, covering more than 15k customers was optimized by rewarding the right customers which led to an annual savings of £ 0.2mn while increasing the Velo volume contribution by 14%.



15 k

Customers covered through top trader



£ 0.2 mn

Annual Savings

New Categories

2021 has also been a pivotal year in establishing strong foundations for the Modern Oral business in Pakistan, and in turn a step forward in achieving BAT's A Better Tomorrow™ Vision for emerging markets. We remain committed to providing adult nicotine users the option to switch to scientifically substantiated, potentially reduced-risk alternatives*. We have made excellent progress by closing the year with 190mn pouches Velo volume i.e. 144% growth vs. FY 20 – making Pakistan the 5th largest and fastest growing Modern Oral market globally. Key interventions:

1. Launched PTC's first Tobacco Harm Reduction campaign to actively educate adult nicotine users on the potentially reduced risk features of Modern Oral nicotine pouches backed by BAT science
2. Focused and consumer centric strategic interventions enabling rapid growth momentum via the introduction of new flavours and nicotine variations, alignment with global packaging, exploring innovative formats etc
3. Continue to transform our digital activations footprint – with the highest digital impressions and engagement globally for BAT



200 k

Adult Nicotine Consumers

Exports

Made in Pakistan initiative was first launched in 2018 when PTC started exports of cigarettes to other BAT entities (1.6Bn volume exported in '21). We now also have the honor of manufacturing Velo modern oral nicotine pouches fully in Pakistan – making it the first state of the art facility meeting International standards in the APME region. The local manufacturing has not only resulted in significant manufacturing cost reduction for the business but has also improved freshness of product and greater flexibility. Above all, it opens doors to the next wave of Made in Pakistan as PTC is geared up to export modern oral pouches from Pakistan to rest of the world.

*Based on the weighted of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive.

FOSTERING FUTURE FIT EMPLOYEES

2021 was the year of transformational change, exploring new geographies, pushing boundaries, and innovating with teams around the world. That change was encapsulated in the form of new innovative and progressive policies which redefined what it means to work for PTC.

Policies like the "You Rock" Policy, which outlines reward and recognition of individuals and teams, with a focus on reinforcing PTC's ethos across the organisation to boost the passion to win, were enhanced and simplified in 2021. Through this policy, not only was the value of rewards exponentially increased but front-line managers were also empowered through the power to approve rewards. Furthermore, employee centric policies such as the Meal Subsidy Policy was amended; providing meal subsidies for employees working in Leaf Areas, TM&D Field, TM&D Warehouses and other sites of PTC where an operating cafeteria does not exist. The Mobile Device Policy was upgraded as well, which is the eligibility for use of mobile devices for business purposes and was launched to make working at PTC a smooth and secure process for all. Under the ambit of PTC's People and Culture Society, OLADOC, the first ever Online Mental Well-being platform was also launched in 2021. It included not only free of cost online counseling from anywhere in Pakistan but also around the clock mental health support from certified professionals.

Furthermore, to support employees in their endeavors outside of work, PTC also revised their Sabbatical Leave Policy, which provides guidance on employees taking an unpaid break in their career, for an agreed period for the purposes of further education, childcare, eldercare or to pursue any other personal interest.

Policies Around Female Employees

PTC's performance in relation to maintaining the pillars of corporate sustainability while also diversifying winning capabilities within the internal talent pool has led it to frame policies to further convenience the lives of its female employees, which make up 17% percent of PTCs management population. One such policy is the Child Care Policy, extensively upgraded in January 2021, encouraging the facilitation of employees who are single parents and working mothers to provide them with Child Care facility and Child-care Support for raising their children as well as business travel support. To cater to the needs of the diverse class of working mothers here at PTC, Nanny support along with child-care services were added to the pre-existing policy. Not to mention the formulation of the brand-new Pregnancy Loss Policy, where PTC is committed to supporting all employees who suffer the loss of a pregnancy, whether it happens directly to them or their spouses.

Policies Around Working Fathers

To exemplify in service experience and satisfaction to the fullest, policies to uplift and empower men as well were pioneered in 2021. The Paternity Leave Policy upgraded in January 2021 was put in place to support male employees in their domestic responsibilities, after the birth of their child, by increasing the amount of time they can take off work.

Shattering the Glass Ceiling; Increasing Diversity

PTC strives to shatter the fundamentals of gender inequality in the corporate world by emphasizing the need to hire more female employees. A snapshot of 2021 highlights the progress of PTC in this regard, with females making up 44.7% of the Human Resource Department, 13.3% of LEX, 21% of the Finance Department, 13% of the Marketing Department and 6.21% of Operations. The total percentage of females hired as Global Graduates is 55.56% whereas total percentages of women working at G34, 35 and 36 positions are 25%, 19% and 10% respectively. The average gender diversity for G33+ Employees stands at a 14.27%. As a whole, PTC's total Gender Diversity at the managerial level is 17%.

Trainings

Here at PTC, diversity is not just limited to gender. To streamline the diverse influx of talent coming into the company, a wide array of progressive and developmental trainings to revolutionize PTC's Talent Brand, were launched in 2021. The Outside-In Learning Transformation Series, led by the Director HR of Pakistan, was a 3-part learning series led by the latest trendsetters of the MNC world. Subjects from Operationalizing Transformation Strategy and a Transformation journey in Financial Services, the power of creative content to transform Consumer Behavior were covered. A MESA wide Leading Teams training done by PTC's Talent and OE Manager was launched in quarter 2 followed by Leading Teams and Leading Self for the employees at a managerial level in the last quarter. The 'Leading Teams' program was introduced to provide skills future leaders need to engage and align people for a shared purpose. The exclusive leadership development intervention empowered them to nurture an environment in which people can debates issues, and lead in a way that translates into high performance. The 'Leading Self' program, on the other hand, was launched to help employees deal with the changes they are experiencing and provide them with the skills that are relevant at this point of their careers. Moreover, to help funnel learning time to the winning capabilities that are fuelling our transformation, the GRID mandate was launched as well in the last quarter of 2021, which exponentially increased average learning time from 135 learning hours a month to 311 learning hours a month. PTC also continues to make waves on all its social media platforms by delivering content with high engagement and revolutionizing corporate discourse. For Pakistan, total followers

for the year 2021 on LinkedIn rose by 9,762 adding up to a total followership of 71,738 compared to 61,976 which showed a 14% growth in followership compared to last year. Percentage growth when compared to the last 3 years is 62%.

Battle of The Minds '21

Year on year, PTC embarks on the revolutionary journey to transform the corporation, with its flagship Top Employer Branding Event of the year, scouring the country for young progressive talent to add to its talent pool. Stepping into unprecedented charters in the midst of a pandemic, PTC launched Battle of Minds (BOM) 2021 with an innovative twist, linking this year's global theme to our Sustainability and ESG Agenda. Hundreds of groundbreaking ideas surrounding the Energy, Waste, Culture and Farming challenge were formulated and shortlisted with over 4000+ students engaged virtually through an extensively launched social media campaign on 14th July. With the pandemic allowing limited contact to students, PTC's social media platforms were the only mode of communication between both parties which is why we launched an energetic & engaging social media campaign, to celebrate BOM throughout the country. This was the first time in the history of BOM that this campaign reach was extended to masses of invigorative new talent, capturing a total of 16 universities across Pakistan. This was also the Highest ever university engagement all managed virtually by the BOM team with highest student engagement in BAT – 4,428 students engaged. 6 virtual campus drives were conducted in which students registered from 71 campuses nationwide and students were familiarized with BAT's vision of A Better Tomorrow™, New EVP collateral, 'Be the Change' as well as the company's focus on ESG through revamped employer branding. BOM 2021 brought about savings of PKR 4.5 million through this fully virtual model and had the highest number of team registrations globally; 1640+ with Pakistan accounting for 59% of overall Global Battle of Minds (GBOM) registrations.

She Returns

As we aspire to be an enterprise of the future, it is imperative to have a balanced employee pool. In October 2021, a one-of-a-kind transformative program was launched for women on a hiatus, looking to restart their careers. The purpose was to leverage the opportunity to access a largely untapped high caliber, experienced and motivated individuals who have taken an extended career break and are keen to get back to their profession. Over 460 Applications were received with 18 shortlisted for the final round and 5 women joined the PTC family as the first ever cohort of She Returns 2021. This program not only offered returners a re-introduction to the workplace and an opportunity to build upon industry-specific knowledge and grow their skills as well as a chance to address issues such as confidence and relationship building. It also gave PTC a chance to benefit from a developed pool of experienced talent. As part of their induction process, a 3-day extensive onboarding program which included interactive trainings, sessions with the EXCO, insights from prior returnees, were arranged and executed. A full day training program outsourced by Carnelian, which included specialized courses about how to ease the transition back into the workforce, stakeholder management and relationship building was also organized.

	2021	2020
	1,066	1,038
Total Employees		
	2021	2020
	390	377
Factory Employees		
	2021	
	91	
Employees Turnover		

ENABLING THE ENTERPRISE OF THE FUTURE

Our IT team now known as Digital Business Solution (DBS) team played an instrumental role throughout the year to enable this enterprise of the future in tough socioeconomic conditions where connectivity was fundamental to our sustenance. Following are the landmark projects delivered by the DBS team during the year.

ESG Dashboard

Our ESG dashboard enables us to track our key objectives such as carbon neutralization, renewable electricity, water recycling and waste management. It provides detailed information about management approach, performance and targets for our environment, social and governance (ESG) priorities.

Enabling Tomorrow

The DBS team continues to embed digital technologies in everyday work for our employees. The projects like WeConnect, Virtual visits and Immersive Townhalls are enabling users to live ETHOS by giving them tools to connect effectively, fast & with a better remote experience which gives a more immersive experience for virtual market visits in our new normal.

Reducing the Health Impact

The Modern Oral plant and factory enablement is a great contribution towards our key objective to reduce the health impact of our business by offering a greater choice of enjoyable and less risky products for our consumers. DBS Pakistan played an instrumental role to enable APME's first modern oral plant for Velo during the challenging COVID time.

Business Continuity Wherever You Are

COVID has changed our lifestyle but DBS ensured our services delivery during COVID Lockdowns by providing tools/equipment which are added into digital ecosystem to ensure employees are connected seamlessly wherever they may be. The Work From Home support and services have made it possible to leverage technology to unlock commercial values.

Global Business Solutions

Pakistan DBS team played a key role for GBS Pakistan's IT operations and infrastructure, since GBS Pakistan is based on business process outsourcing model, it is highly reliant on technological infrastructure.

Automation & Simplification

DBS is helping business by simplifying and automating day to day processes. Initiatives such as Car Lease App and Expense Claim Automation are contributing towards employees productivity as they spend less time on administrative work and focus on value creation for our customers, consumers, and shareholders.

Driving Digitization

Fast is the word that defines DBS digitization, projects like Modern BAT Leaf, Digital EH&S App, Digital Tax Stamps for Exports are some major contributions for the year 2021. This shows the capability and talent of our team which can deliver anything on time with resilience and effectiveness.



PRODUCT PORTFOLIO

Premium

DUNHILL

- Dunhill
- Dunhill Switch
- Dunhill Special

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

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 us and the offer is now available in King Size Filter

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 best in class taste, quality and establishing its position as Pakistan's #1

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

New Category

VELO

- Polar Mint
- Berry Frost

Our Tobacco free alternatives come in 2 flavours varying in nicotine content i.e. 6mg, 10mg, 14mg

ESG

As the dynamics of our tobacco industry evolve, we continue upon our journey of Excellence and building Enterprise of the Future, by delivering on our Environment Social and Governance Agenda.

With the evolved BAT ESG agenda, PTC has embarked upon on some amazing projects that are shaping the sustainability of farming industry of Pakistan. Some of these projects are mentioned below



Improving Farmer Livelihood

Key to our vision of sustainability is Sustainable Farmer's Livelihood. We aim to improve farmers' livelihood by increasing their tobacco yield 3% year on year. This vertical expansion allows the farmer with ample farming space for planting a second crop followed by tobacco. Our aim is to increase their income beyond international poverty line. PTC provides profitable combination crops such as seed for Mustard, Maize and Mushroom spawns to augment Farmer income thus making them sustainable in the long run. In 2021, PTC Provided Seed for Food Crop (Mustard) to 200 farms and Mushroom Spawns to 300 farms.



Productivity Enhancement through Crop Input Support Program

In the last 6 years, PTC has extended 2.7 Bln PKR interest free crop input loans to support crop productivity enhancement. PTC also provides subsidy for the other loaning items like pesticides, hybrid seeds, barn flue pipes. In 6 years (2016-21), PKR 102 million subsidy & free of cost items valuing PKR 414 million provided to PTC contracted farmers

For crop 2021, 79% of PTC contracted farmers have been extended input loans – PKR 342 million. PTC is currently providing end to end farmer facilitation for yield, quality improvement & mechanization services value PKR 30 million annually.



Striving for Community Development: (Women Trainings)

Women are the unsung heroes of the tobacco community; therefore, PTC is strengthening farming communities by Empowering Women. We are ensuring that we educate our farmer families on the most important elements that impact community development.

To date, we have trained more than 2,000 farmer families in collaboration with National Rural Support Programme (NRSP). In 2021 alone, we trained 1,100 families across all leaf growing areas and helped them develop awareness on Child Education, Farm Economics, Farm Safety and Kitchen Gardening. We Provided 2,175 Kitchen Gardening packs to families in 2021.



Eliminating the risk of Child Labour; Summer Camps

In 2021, PTC conducted 8 Summer Camps across all Regions, enrolling 259 ambitious learners. PTC while targeting Zero Child Labour in tobacco supply chain, has engaged ambitious learners in positive learning activities during summer vacations to mitigate the risk of children involvement in tobacco production activities and encourage farmers on the importance of child education. These ambitious learners were engaged in healthy activities such as Arts, Science and Math to create a fun learning environment. These summer camps were run by Vision 21, Non-profit Organisation with expertise in Poverty alleviation and Rights awareness.



Providing Health Care Services; Mobile Doctor Units

Since 1985, PTC has been providing free of cost medication and consultations to less privileged sectors of the society. In 2021, we expanded our fleet from 7 MDUs to 13 MDUs and upgraded to new vehicles equipped with the most modern basic health care equipment. We also expanded our routes and included 5 new trade marketing areas. A total of 150,000 patients were given free of cost basic health care consultations, treatment, and medication in 11 districts of KPK & Punjab.



Inculcating Safety Mindset, PPEs Coverage

PTC is leading sustainable agriculture in Pakistan where farm safety is embedded in the pulse of the farmers by inculcating the safety mindset. Free of cost Personal Protective Equipment (PPE) were provided by PTC to 100% contracted farmers, which are replenished on yearly basis on loan model. This ensures that farmers stay protected from the impact of Crop Protecting Agents (CPAs). Additional free of cost PPEs (Water Repellent Coveralls) were also issued to 100% farmers in 2021.



Hazardous Waste Recycling Program

Waste recycling is key to achieving environmental excellence. PTC collects empty Crop Protective Agents (CPA) containers from its farmers by incentivizing them and recycling that hazardous waste. In 2021, PTC recycled 6 Tons of hazardous waste collected from its contracted farmers. We covered 80% of our contracted farms in 2021.



Fuel efficient Barns

PTC drives to achieve environmental excellence through fuel efficient barns Turbo barns in the area. These turbo barns reduce the wood fuel cost of farmers and reduce the impact on environment with efficient fuel usage. So far, PTC has converted 40% of its farmer's barns into Turbo barns.



Compensation to Hail Affected farmers

PTC being the industry leader works to make farmers' livelihood sustainable. Therefore, in times of natural calamities, PTC has stood with its farmers to ensure their sustainable returns via 2nd crop. PTC extended support – Pea and Maize Seeds - PKR 5.0 M in 2021 for the hail affected growers in Mansehra, Swabi. This helped them in compensating the losses faced due to the natural calamity on Tobacco Crop. Moreover, this assistance enabled the farmers to ensure sustainable livelihood.



Lift Irrigation

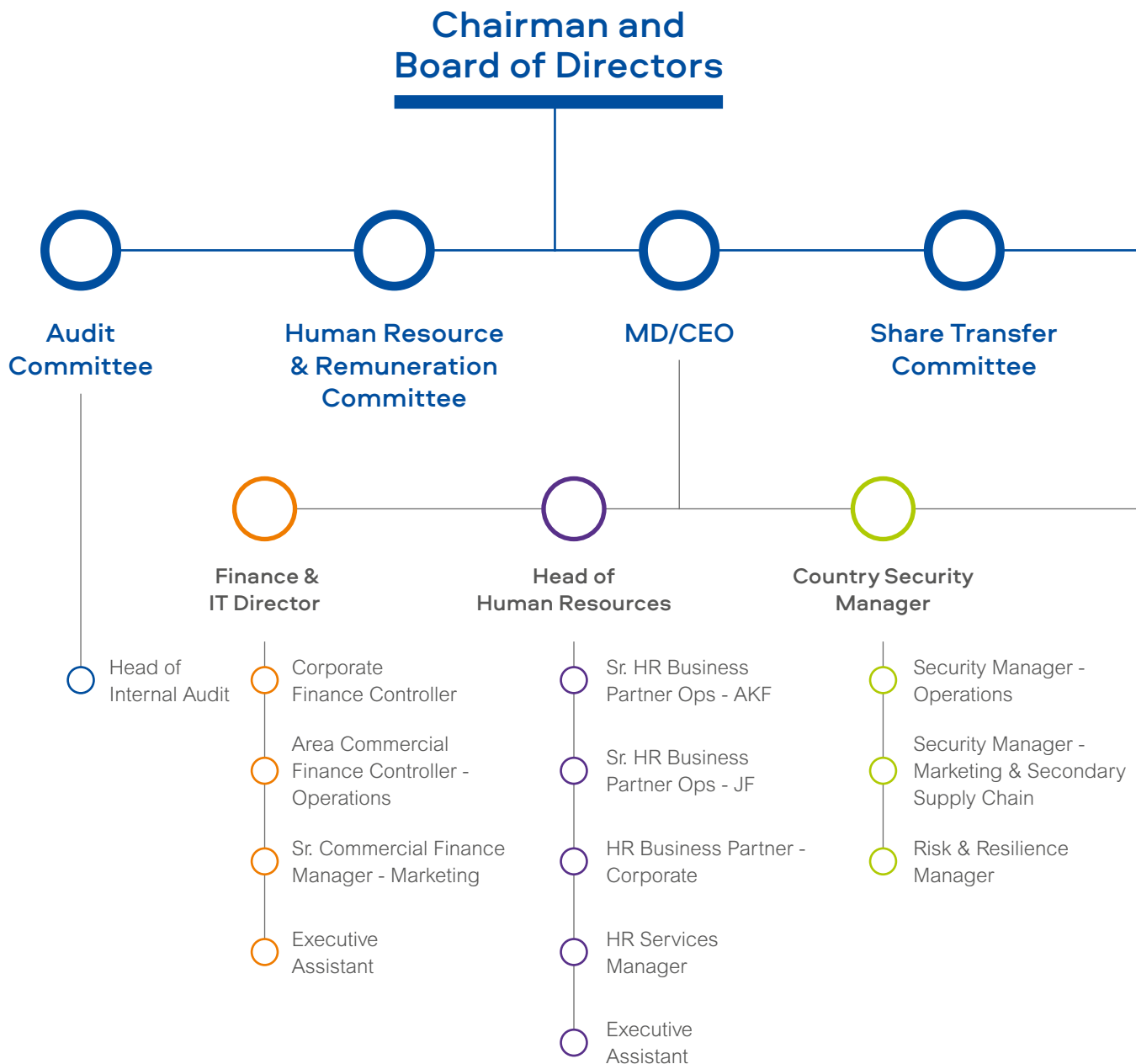
Since 2016, PTC in collaboration with the Irrigation Department KPK provides 1000 KVA Genset support for the Government's lift irrigation scheme in Buner, which was out of operation due to power outage. With Genset support, 1,000 Ha are benefited on a yearly basis which includes tobacco and other food crops. This initiative has been widely acknowledged by the local farming community and has created a very good positive impact on the livelihoods of the Buner farming community.

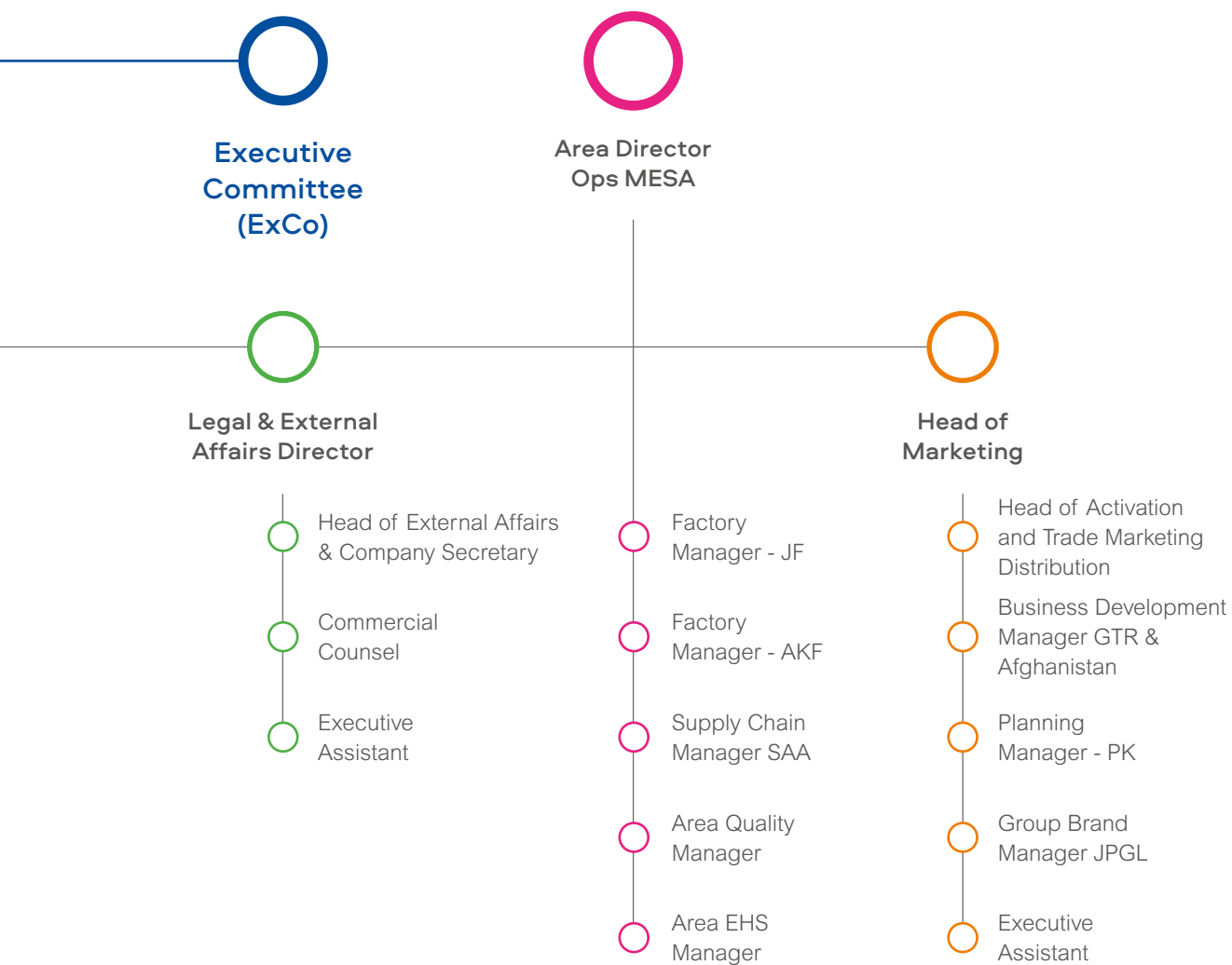


Project AgBot – Drone Technology

PTC Leaf in line with its Leaf Digitization strategy and ESG agenda, took the first of its kind initiative of Crop Protective Agents (CPA) applications using Drone technology for Tobacco farming community. This year we carried out Proof of Concept on 55 Ha. This initiative has the potential to save 30% of CPA during application & 70% water usage of the farmers along with, 90% time saving in one go. In addition, this practice will also ensure safe farm practices with respect to CPA application as the entire process will be operated from the farmers' palm. This eliminates the risk of direct exposure to Agro-chemicals and thereby ensures safe usage of CPAs.

ORGANISATIONAL STRUCTURE





As at 31st December 2020

BOARD OF DIRECTORS



Zafar Mahmood

(Chairman and Non- Executive Director)

Mr. Mahmood holds a Master's degree in Economics, LLB. and Post Graduate Diploma in Development Administration from Manchester University, UK. He has served the Government of Pakistan for 38 years in multiple roles including Secretary Textile, Secretary Industries, Secretary Water & Power, Secretary Petroleum & Natural Resources, Secretary Commerce and Secretary Cabinet. He has also served as Chairman Punjab Public Service Commission, Consul General Istanbul, Vice Chairman Export Promotion Bureau, Secretary Punjab Education Schools. His last assignment was as Chairman WAPDA. He joined the PTC Board in 2016.



Syed Ali Akbar

(Managing Director and CEO)

Mr. Akbar joined PTC in 2019 as the Marketing Director, holding a strong legacy with over two decades of multi-faceted experience. He holds extensive experience of working with various multinational corporations and Fortune 500 companies not just in Pakistan but also the Middle East, North Africa and North America. During his professional journey, he has held various senior leadership roles in General Management, Sales, Marketing, New Business Development, Supply Chain and Mergers & Acquisitions and has served as a Director in different organisations both in public and commercial sectors. He embarked on his outstanding career journey as a Management Trainee at Unilever Bestfoods and very quickly grew taking up senior leadership roles in Engro Corporation, BAT and the Coca-Cola Company. He has led large and diverse teams in multiple countries with complex business challenges. During his career, he has received various local & global honors for his contributions towards strategic marketing & innovation in notable positions. One of the most coveted accolades he received was in recognition of his ground-breaking strategy of driving innovation at the Coca-Cola company whereby he was presented the Global Award – the Zenith of recognition, by the Chairman & the Board of Directors in 2018. He joined the PTC Board in 2019 and was appointed Managing Director and CEO on March 1, 2021.



William Pegel

(Finance and IT Director)

Mr. Pegel joined PTC as Area Head of Finance 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, William 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 PTC Board in 2019.



Syed Asad Ali Shah

(Legal and External Affairs Director)

Mr. Shah has a master's degree from Cranfield University School of Management. He has more than 19 years of experience with PTC. He has worked in several managerial roles in different functions including Marketing, Supply Chain and Corporate & Regulatory Affairs. He has previously served as the Head of Government Affairs and in 2018, he was appointed as Director, Legal and External Affairs. He joined the PTC Board in 2019.



Asif Jooma

(Non-Executive Director)

Mr. Jooma started his career in the corporate sector with ICI Pakistan Limited in 1983, and has over 35 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. A Bachelor of Arts in Developmental Economics from Boston University, he has previously served as President of the American Business Council, President of the Overseas Investors Chamber of Commerce and Industry (OICCI), Chairman of the Pharma Bureau and Executive Committee member of Board of Investment (BOI) - Government of Pakistan. He has also served on the Board of Directors of NIB Bank Limited and Engro Fertilizers Limited, and Board of Governors of Indus Valley School of Art and Architecture (IVSAA). Currently he serves on the Board of Systems Limited, National Bank of Pakistan, International Industries Ltd. in addition to serving as the Chief Executive of NutriCo Pakistan Private Limited. He is on the Board of Governors of the Lahore University of Management Sciences (LUMS) and is also a Trustee of the Duke of Edinburgh's Awards Programme. He has attended Executive Development Programmes at INSEAD and Harvard Business School. He joined the PTC Board in 2019.



Lt. Gen. (R) Muhammad Masood Aslam

(Non-Executive Director)

Mr. Aslam post his retirement remains actively involved with numerous think tanks in Pakistan and abroad. He has special expertise in countering militancy, violent extremism and undertaking rehabilitative measures to ensure lasting peace. He has also remained as Pakistan's Ambassador to Mexico. He commanded the Peshawar Corps and oversaw all military operations in FATA and KPK. He held various command and staff appointments during his career including commanding a brigade and a Division in active operations along LOC. He was commissioned in Infantry, Pakistan Army in November 1971. He has been actively involved in charity work and heads a family Trust (Shaheed Hashim Masood Memorial Trust) geared towards helping the underprivileged in the field of health and education. He is also a Trustee of Al-Shifa Eye Trust, Rawalpindi. He joined the PTC Board in 2019.

BOARD OF DIRECTORS



Mohammad Riaz Khan

(Non-Executive Director)

Mr. Riaz holds a Master's degree in Development Economics from Williams College, Massachusetts, USA with a post graduate diploma in Mathematics and Economics from University of Colorado, Boulder, USA. He also has a Master's degree in Defense and Strategic Studies from National Defense University Islamabad. He has over 36 years' experience and has held senior level jobs in various ministries and departments of Government of Pakistan both within and outside the country. His jobs involved policy making, diplomacy, negotiations of trade, customs, finance, investments and economic related laws and rules. He has served in the Federal Board of Revenue, the Prime Minister's office, and the National Assembly Secretariat. He was Trade and Commercial Counsellor in the embassy of Pakistan Paris, France and also remained as Counsel General Istanbul, Turkey. He has served on the Board of State Bank of Pakistan as a Director and also served as Member of the Monetary Policy Committee. His last assignment was as Secretary of the National Assembly of Pakistan before he joined the PTC Board in 2019.



Shannon McInnes

(Non-Executive Director)

Mr. McInnes holds a Bachelor of Commerce from Bond University, Australia and has wealth of experience working for multinationals such as Kellogg, Campbell and Coca-Cola Amatil prior to joining BAT. He has been with the BAT Group for over 19 years and has held various senior positions with the Group. He has served as General Manager, Austria delivering unprecedented growth with considerable cost reduction of the operation. He has also served as a Marketing Director for South East Asia, which represents one of the highest profit contributors for the Group globally. In this capacity, he set and delivered a strategy of turnaround driving the business into sustainable growth. He is currently serving as the Area Head of Marketing for Middle East and South Asia region. He joined the PTC Board in 2021.



Belinda Ross

(Non-Executive Director)

Ms. Belinda completed her LLB and B. Com at the University of Otago, New Zealand and is registered as a Barrister and Solicitor in the High Court of New Zealand. Before joining BAT, she 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 20 years of experience within BAT and her current role encompasses Legal Affairs, Corporate Affairs and Security matters across Asia Pacific and Middle East region. She is a member of the leadership teams of Asia Pacific and Middle East regions and the Global Legal and External Affairs team. She joined the PTC Board in 2019.



Wael Sabra

(Non-Executive Director)

Mr. Sabra holds a Master's degree in Finance from University of Florida and is a Certified Management Accountant (CMA). He has over 18 years of experience with BAT, since 2003 he has held various key senior positions in the finance function across Middle East, Africa and South Asia. In 2010, he was appointed as Finance Director, Democratic Republic of Congo before moving to South Africa in 2012, where he was assigned to take up the role of Finance Director, Southern African Markets. In July 2014, he moved to Cairo as Finance Director, North Africa Area. In August 2016, he moved to Pakistan as Finance Director, South Asia Cluster. In his 18 years with BAT, he has been an Executive board member in several BAT operating companies. Presently, he is serving as Area Finance Director, Middle East South Asia & North Africa. He was previously appointed to PTC's board in 2016 and has served till 2019. He was reappointed to PTC's board in 2021.



Syed Javed Iqbal

(Non-Executive Director)

Mr. Iqbal has an MBA with Majors in Finance & MIS. He has been with the BAT Group for over 25 years. He joined PTC as a Management Trainee and has held various key positions in the Finance function within PTC as well as within the BAT Group. He has served in BAT South Korea as the Finance Controller and later in Global Headquarters in London as Finance Manager for Global Marketing. In 2011, he was appointed as the Finance Director for BAT's Swiss Business Unit. He returned to Pakistan in 2014 as Director Finance & IT, PTC. In July 2016, he became the Managing Director of PTC and at the same time was also the Chairman, Board of Director Ceylon Tobacco Company, Sri Lanka and Area Director of South Asia Cluster. He was reappointed to PTC Board in 2019. In 2020 Javed was appointed as Area Director of Middle East and South Asia, based in Dubai, and since January 2022 he has also taken additional responsibility for BAT's North Africa business unit.



Ozsan Ozbas

(Non-Executive Director)

Mr. Ozbas is a Mechanical Engineer who has diverse experience prior to joining BAT ranging from holding senior positions in global automotive suppliers to being a founder of his own company and serving in the Turkish Navy. He has over 20 years' experience in various BAT companies and has acquired extensive global experience within manufacturing, quality, engineering and overall Supply Chain/Operations management. He has undertaken multiple senior roles in Turkey, Australia, Egypt, North Africa, Bangladesh, and most recently in Middle East & South Asia (MESA). Having recently been part of BAT MESA Leadership Team as an Area Director for Operations since July 2020, he successfully recalibrated the widespread MESA Operations landscape during the pandemic and laid the foundation of the 1st New Categories factory in Pakistan which also marks the first in Asia Pacific & Middle East region in the Modern Oral category. He became a member of the Global Operation Leadership Team as the Group Head of New Categories Operations in February 2021. He joined the PTC board in 2021.

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.



Syed Ali Akbar

MD / CEO



William Pegel

Finance & IT Director



Syed Asad Ali Shah

Legal & External Affairs Director



Waqas Ahmad Khan

Head of Human Resources



Ahsan Irshad

Head of Marketing



Nauman Masood Butt

Company Secretary

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

During the year 2021, five meetings were held on February 23, April 22, July 27, October 22 and December 16. Attendance of members is as follows:

Members	Attendance
Mr. Zafar Mahmood <i>Chairman</i>	5/5
Usman Zahur <i>Managing Director and CEO (resigned w.e.f 01.03.21)</i>	1/5
Syed Ali Akbar <i>Managing Director and CEO (appointed w.e.f 01.03.21)</i>	4/5
William Francis Pegel <i>Director Finance & IT</i>	5/5
Syed Asad Ali Shah <i>Director Legal and External Affairs</i>	5/5
Syed Javed Iqbal <i>Non-Executive Director</i>	3/5
Belinda Joy Ross <i>Non-Executive Director</i>	3/5
Zafar Aslam Khan <i>Non-Executive Director (resigned w.e.f 01.03.21)</i>	0/5
Lt. Gen.(R) M. Masood Aslam <i>Independent Director</i>	5/5
Mohammad Riaz <i>Independent Director</i>	5/5
Asif Jooma <i>Independent Director</i>	5/5
Mr. Tajamal Shah <i>Non-Executive Director (resigned w.e.f 01.03.21)</i>	1/5
Wael Sabra <i>(joined w.e.f 03.05.21) Non-Executive Director</i>	1/5
Shannon McInnes <i>(joined w.e.f 03.05.21) Non-Executive Director</i>	3/5
Ozsan Ozbas <i>(joined w.e.f 03.05.21) Non-Executive Director</i>	2/5

Audit Committee

In 2021, four meetings were held on February 23, April 22, July 27 and October 22. Attendance of members is as follows:

Members	Attendance
Mohammad Riaz <i>Chairman</i>	4/4
Lt. Gen.(R) M. Masood Aslam	4/4
Asif Jooma	4/4
Mr. Tajamal Shah <i>Non-Executive Director (resigned w.e.f 01.03.21)</i>	1/4
Belinda Joy Ross	3/5
Wael Sabra <i>(joined w.e.f 03.05.21) Non-Executive Director</i>	1/4

Human Resources & Remuneration Committee Meetings

In 2021, one meeting was held on March 26, 2021. Attendance of members is as follows:

Members	Attendance
Lt. Gen.(R) M. Masood Aslam	1/1
Asif Jooma	1/1
Syed Ali Akbar	1/1

Shares Transfer Committee

In 2020, twelve meetings were held. Attendance of members is as follows:

Members	Attendance
Usman Zahur <i>(resigned w.e.f 01.03.21)</i>	2/16
Syed Ali Akbar <i>(joined w.e.f 01.03.21)</i>	11/16
William Pegel	16/16
Syed Asad Ali Shah	16/16

Sub Committees of ExCo

Governance Committee

In 2021, twelve meetings were held. Attendance of the directors is as follows:

Members	Attendance
William Pegel	12/12
Syed Asad Shah	12/12
Waqas Ahmed Khan	9/12

Commercial Committee

In 2021, twelve meetings were held. Attendance of the Directors is as follows:

Members	Attendance
Usman Zahur (resigned w.e.f 01.03.21)	2/12
Syed Ali Akbar	9/12
William Pegel	11/12
Syed Asad Ali Shah	10/12
Waqas Ahmad Khan	6/6
Ahsan Irshad (joined w.e.f 01.03.21)	10/12

TORs / Functions of Board Committees

Committee Audit Committee	Committee Human Resources and Remuneration (HR&R)
Functions <p>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 and as well as the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019. The role and responsibilities of the Audit Committee include:</p> <ul style="list-style-type: none"> 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. 	Functions <p>The Committee is responsible for:</p> <ul style="list-style-type: none"> 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.

Committee Audit Committee

- Monitoring compliance with the best practices of corporate governance and instituting special projects and investigations on matters deemed appropriate by the Committee or desired by the Board.
- Review and approve the scope and extent of internal audit, including the annual Internal Audit Plan, and regularly monitors the progress of the internal audit engagements.

Committee Share Transfer Committee

Functions

The Committee is responsible for dealing with the day to day matters relating to the shares of the Company.

Committee Executive Committee of the Board (ExCo)

Functions

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.

Committee Governance Committee

Functions

The Governance Committee (the Committee) is a sub-committee of the Executive Committee (ExCo).

The objective of the Committee is to assist the PTC ExCo to discharge their corporate governance responsibilities to exercise due care, diligence and skill in relation to:

- achievement of PTC goals within an appropriate framework of internal control and risk management;
- process simplification with empowered teams leading to smarter and faster decision making;
- internal control system;
- risk management and analysis;
- business policies and practices;
- compliance with the SoBC standards and policies;
- compliance with applicable laws and regulations; and
- monitoring and controlling of business and other risks while recognising that the primary responsibility for corporate governance resides with the Board, it has been delegated to the Committee, which has a representation of the ExCo and their direct reports

The Committee does not replace or replicate established management responsibilities and delegations or the reporting lines and responsibilities of internal audit or external audit functions and nor does the delegation to the Committee fragment or diminish the responsibilities of the Board as a whole.

Committee Commercial Committee

Functions

The committee is also sub- committee of ExCo. The objective is to assist the ExCo in reviewing key business metrics on a monthly basis which include market overview, current business performance, proposed plans, financial performance, latest estimates, operational performance and supply plans.

The commercial forum is responsible for the following

1. Seamlessly drive the commercial agenda for PTC
2. Monitor progress and facilitate delivery for ongoing projects and workstreams (Star Charts)
3. Provide organisational support to and approval for ongoing projects
4. Operational decision making and business cases for key projects and budgetary approvals
5. Detailed PIRs of completed projects
6. Necessary Escalations and approvals if required for ASOP and ALT Commercial

This is an approving forum for all budgets for business plans as per the SoDA governance.

TACKLING COVID

PTC is well known for its close-knit community where collaboration and innovation go hand in hand. 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 inclusivity culture. This culture was shaken upon the arrival of COVID-19 in 2020 and since then we have proven to be bolder, faster and more agile as we continuously adapted to the new normal and shifted our ways of working back and forth according to the ebb and flow of the COVID waves. This is the cornerstone of our success.

Since the start of the pandemic, our Crisis Management Team (CMT) has delivered fast decision making in order to protect and further the wellbeing of our employees. Our employees have also demonstrated stretch in balancing work, life and the pandemic.

Comprehensive SOPs, branding, awareness campaigns and ZTPs were their arsenal in this battle. EH&S portrayed a living embodiment of our 'Responsible' Ethos by successfully flattening the curve – and then re-flattening it when required.

Successful control of the situation took place with implementation of our emergency response protocols within our domain. Masks, hairnets & gloves were made mandatory and sanitizers were more readily available. Dispensing stations were deployed in every nook and corner and 'Cluster-ized Way of Working' was put into practice to mitigate any potential spread.

Business continuity was maintained throughout Ramadan as well and congregation activities continued with stringent control measures.

PTC as a whole has displayed a successful emergence into the digital era which is a testament to the great leadership and resilience of its people. The manifestation of our 'Fast' Ethos enabled our employees to adapt and deliver results OTIF without causing any disruptions.

All sites followed a phase-wise Return-to-Work approach which was dialed up and down along the months as the cases started to rise and fall. Wearing masks, social distancing, occupancy limits

and sanitization had become the core of our operating values and our Zero-Tolerance Policy for any non-compliances to the COVID-19 SOPs aided in putting these measures into effect.

Going forward, PTC will continue to strive for excellence and become a role model for other FMCGs in battling this pandemic. PTC was applauded for carrying out vaccination drives across our factories where Government agencies were engaged to vaccinate our employees on a mass scale. This coupled with awareness campaigns regarding vaccinations were the cornerstone of our success in achieving 99% Vaccination status across Pakistan by the end of November. We urge the masses to adhere to all guidelines and directives laid out by the Government at large and for our employees, the directives laid down by the EH&S department.

In the initial stages of the pandemic, CMT went through rigorous brain storming sessions to encapsulate all possible scenarios and robust guidelines were developed to mitigate the risks that each scenario posed. This is now known to be PTC's Pandemic Response Plan. It covers the following scenarios:

1. Suspected Case – Offsite
2. Suspected Case – Onsite
3. Close Contact with Suspected Case
4. Close Contact with Confirmed Case
5. Subject is a Confirmed Case
6. Site Shutdown



STANDARDS OF BUSINESS CONDUCT AND ETHICAL PRINCIPLES

Whistleblowing

At the Company any employee who suspects a wrongdoing at work is strongly encouraged to report such wrongdoing through the whistleblowing procedure.

Policy and Procedures

The Company's Whistleblowing Policy (Policy) gives employees (and third parties) trust and confidence in how their concerns will be treated. The whistleblowing policy allows employees (and third parties) to report their concerns on any breach of the Standards of Business Conduct (SoBC). The actions that can be reported include (among others):

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

The Policy ensures the highest level of confidentiality for the whistleblower and the investigation process. Additionally, in order to encourage people to speak up, the Policy also mandates no reprisal against the whistleblower who may also report the concern anonymously.

All employees of the Company are made aware of this Policy and the safeguards it provides to the whistleblower.

The various avenues for raising concerns are provided below:

Informal reporting:

Voice concern(s) 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(s) either verbally or in writing.

Designated Officer(s):

Referred to by the individual directly or by the line manager for investigation but matter is kept confidential and investigated as such.

Anonymous reports:

Individuals may 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

Number of incidences reported in 2021

08 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 duty to act in the best interests of 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. The Company applies similar standards on the third parties it works with and to ensure the same it has in place policies like Suppliers Code of Conduct and Anti-Bribery & Corruption Procedure.

Gifts and Entertainment

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. The Company's Gifts and Entertainment Policy prohibits giving and receiving of such gifts that may create any improper influence.

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. It thus has in place a comprehensive policy framework for Community Investment.

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 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

The Company is committed to supporting fair and open securities markets. Accordingly, employees are prohibited from dealing on the basis of insider information or engaging in other forms of market abuse.

Competition and Anti-Trust Laws

The Company believes in free and fair competition. The Company requires its employees 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. The Company does not condone, facilitate or support money laundering and requires its employees to abide by its anti-money laundering policy.

Trade in the Company's Products

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

Sanctions

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

Respect in the Workplace

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

respect. The Company is committed to maintaining a workplace free from bullying, intimidation and/or harassment.

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.

Business Ethics & Anti-Corruption Measures

The Company is committed to operate the business fairly and ethically in line with applicable laws. Conducting business ethically and with integrity 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 Company's Standards of Business Conduct form the framework for the Company's comprehensive compliance program. The Company ensures all employees across various levels of the organisation understand and uphold the Standards of Business Conduct. In order to ensure corporate sustainability, the Company further stresses and encourages 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

It is a part of the Company's 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 the case of any Board member of the Company, disclosure are made to, and approval is sought from, the Board of the Company at its next meeting and the decision is recorded in the minutes. The Company Secretary is responsible for maintaining the 'conflicts log' of the Board of Directors of the Company.



CHAIRMAN'S REVIEW

I am pleased to share the Annual Report for the year 2021.

2021 Performance

The legitimate tobacco industry remained under pressure due to the renewed surge of counterfeit products and continued presence of duty not paid (DNP) brands. The Government's decision not to change excise rates was a positive outcome from FY 2021-22 budget that provided consumer price stability. Enhanced enforcement support by the Government is key to ensure fair competition within the tobacco industry and would prevent loss of further tax revenues towards the national exchequer.

Stable excise rates helped in growing PTC's volume and owing to this the Company's overall financial position has remained healthy. The Company delivered EPS growth of 14% which was 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.

Environment, Social & Governance (ESG) Agenda

PTC continues to build upon its heritage of giving back to the community. Since 1981, the company has been running one of the largest private sector afforestation programs across the country. Under this initiative, the Company plants and distributes tree saplings free of cost. During 2021, the Company planted and distributed more than 5 million saplings in addition to dispersing 50 million seeds in a first of its kind initiative, throw & grow.

In the backdrop of growing environmental sustainability concerns PTC has invested heavily in Solar Energy, with our Jhelum (1.9 MW) and Akora (1.3 MW) sites becoming the highest renewable energy generating sites in Middle East & South Asia Area for BAT.

Amongst our other CSR initiatives, the Company continued to provide free medical advice and medicines under its Mobile Doctor Unit program. In 2021, more than 150,000 patients took medical advice and medicines under this program. To ensure local community is protected from water borne diseases, the Company is providing clean drinking to the less privileged sectors of the society through 27 water filtration plants, each filtering 20,000 liters of water per day. PTC installed drip irrigation systems on 215 hectares of land in water scarce areas that enabled water conservation of 237.5 million liters of water per annum.

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 and strongly discourages malpractice. This message is cascaded and internalized across the Company through face to face and online trainings conducted throughout the year as part SoBC refreshers. 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. In line with this, PTC continues to invest in the new category of nicotine pouches called 'VELO' with the aim of driving 'tobacco harm reduction' agenda. This was delivered on the back of bold and agile initiatives including national expansion of VELO, and setup of an exclusive local factory for VELO. On the cigarettes and cut-tobacco exports front, \$39 million in foreign direct inflows were generated to further augment the Company's ambition of becoming the primary export hub for the region. Pakistan also emerged as the front runner for setting up a shared services hub, thus serving as a talent incubator, enabling Pakistan to become a Services Exports market unlocking enormous potential for future foreign direct investment.

The presence of a large illicit sector remains an area of concern, as it continues to create major sustainability issues for the legitimate industry while causing revenue losses of over Rs. 70 billion 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, the regulations issued in 2020 by Ministry of National Health Services, Regulations and Coordination to prohibit tobacco and tobacco products' advertising, promotion, and sponsorship continued to remain a key hindrance. Local DNP brands continue to violate the previous laws and the new regulation which not only disrupted the creation of a level playing field within the tobacco industry but also negatively impacted Government tax revenues. 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 Mahmood Chairman

MD / CEO'S MESSAGE

It gives me immense pleasure to present the performance of the Company for the year 2021.



Business Performance

During the year generating value for consumers remained the key focus for duty paid tobacco sector due to the ever-present price differential between legitimate and duty not paid (DNP) brands. The excise hold in FY 2021-22 budget was a temporary respite for duty paid sector attributing to the 19% increase in sales volume for 2021. With the advent of multiple variants, COVID-19 continued to have a tenable impact on business and social activities. However, PTC results remained buoyant which is testament to its people's resilience and drive for results.

PTC continued to instill a cost-conscious culture across the organisation with the aim for sustainable profit growth. Even with the primarily COVID-19 driven increase in costs, the Company recorded 13.7% growth in gross revenues from same period last year. EPS growth was 14% resulting in the highest ever dividend payout to PTC shareholders at Rs. 80/share for the full year subject to approval of shareholders in their meeting scheduled for April 21st. This was driven by a clear and aligned strategy that was underpinned by passionate commitment of our people and excellence in execution and delivery.

Our Brands

The Company continued with its strategy to build a differentiated brand portfolio with strong brand equity in every consumer segment. Our flagship brand John Player Gold Leaf continues to lead the premium segment as the preferred choice of consumers in the segment while Capstan by Pall Mall retains its standing as the best performing brand in the Value for Money (VFM) segment. With a strong performance by these powerhouse brands, PTC closed this year with the highest ever Legit Share of 78.0% with an increase of 0.7% from 2020.

In line with BAT Group's vision for A Better Tomorrow™, PTC continues its production of modern oral nicotine pouches VELO with the aim of tobacco harm reduction and is currently the 5th biggest modern oral company within the BAT Group. The Company closed the year with 190 million pouches delivered to consumers.

Our People

PTC remains committed to investing in hiring, retaining, and developing high performing employees that will lead to successful delivery of business objectives and drive the corporate strategy. The Company takes immense pride in the fact that local talent not only excels in Pakistan but is preferred across the BAT world with many Pakistanis placed in leadership roles internationally in BAT Group companies.

Our Processes

PTC has continued its journey towards manufacturing excellence with the aim of enhancing productivity throughout the value chain by investing in modernization of machinery and optimal processes. This led to effective cost management, enabling the Company to generate more value for its shareholder. Furthermore, to ensure safe and smooth operations, strong focus was given during the year to developing robust operating procedures to mitigate the risk of COVID-19 pandemic impact.

Our Future

Looking forward PTC aims to drive BAT's vision for A Better Tomorrow™ by delivering on the tobacco harm reduction agenda through its modern oral VELO brand. This coupled with an exclusive factory setup will reinforce the Company's commitment for A Better Tomorrow™ by providing its consumers with reduced risk* alternatives to tobacco products.

The challenges of 2021 are expected to continue in 2022. The uncertainty in the country's economy alongside COVID-19 pandemic will continue to impact PTC's operating environment. The continuous presence of illicit brands and its sizeable market share creates a non-level playing field for legitimate brands placing them at a serious disadvantage. PTC continues to work with the Government on enforcement against the illicit sector and counterfeit producers to ensure fiscal and regulatory discipline across the industry in the future. This will not only ensure the sustainability of the legitimate sector but also result in significant revenue inflows for the Government.

The regulations issued in 2020 by Ministry of National Health Services, Regulations and Coordination to prohibit tobacco and tobacco products' advertising, promotion, and sponsorship continued to remain a key hindrance. Since these regulations were formulated without any consultation with the legitimate tobacco industry, we believe that illicit players will continue to violate the previous laws and the new regulation fueling further unfair competition with the tobacco industry.

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

Ali Akbar MD/CEO

*Based on the weighted of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive.

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, 2021.

Macroeconomic Environment

In 2021, the global economy faced continuing uncertainty by the Covid-19 Pandemic, with Pakistan being no different. The lockdowns across the country continued to impact business and social activities. However, due to an increased roll-out and uptake of vaccines across the country, some normalcy in business operations returned in 2021.

Although there were various positive signs in the Pakistan economy high inflation coupled with an adverse volatility of the Pakistan rupee severely impacted the bottom-line. The current account balance continues to be under immense pressure due to increased imports and a stagnant export base. All of this results in consumers disposable income remaining under pressure.

Industry Overview

Fiscal Environment

In FY 2020-21 budget, the Government did not change the excise rates. This helped in ensuring the price differential between Duty Not Paid (DNP) and legitimate brands did not increase. Furthermore, this had a positive outcome as it provided consumer price stability in the tobacco sector and helped in curbing the increasing illicit market, leading to a drop in illicit market share of 0.9%¹ vs SPLY. Moreover, due to excise stability, government revenues significantly increased by Rs. 22.3 billion from FY 2020.

Despite the price stability, the disparity between Duty paid and DNP brands continues to pose a serious challenge to the legitimate tobacco sector where selling prices of DNP brands are not just lower than the Government mandated minimum price of Rs. 62.75/pack, but even lower than the minimum excise and sales tax payable on a pack of 20 cigarettes i.e. Rs. 42.12/pack. This consistent tax

avoidance not only impacts the sustainability of the tax-paying legitimate industry but also results in loss of Government revenue to the tune of approximately Rs. 70 billion per annum.

Enforcement remains a key pillar to curtail growth of the DNP segment. The Government needs significantly scale up enforcement with dedicated human and financial resources to ensure a level playing field in the legitimate tobacco industry which will positively impact revenue collection for the Government. We are hopeful that with the implementation of Track and Trace by the government in mid-2022 there accompanying enforcement will enable government to claw back significant volume from the DNP segment.

Counterfeit incidence was a key challenge in 2021. According to one independent research, counterfeit incidence of PTC brands amounted to an annualized volume loss of 2.8 billion sticks with a potential revenue loss of Rs. 6 billion for the Government. To curtail the incidence of counterfeit, the Company introduced a technology enabled solution. This solution not only enabled consumers to identify a genuine product at the point of sale but also served as an effective tool for Law Enforcement Agencies (LEAs) for on spot detection of counterfeit products. This initiative has been instrumental in curbing counterfeit incidence and has helped PTC to add back 2.5bn sticks to the legitimate sector and adding Rs. 5.3 billion in increased government revenue.

Regulatory Environment

DNP products continue to violate the tobacco advertisement and promotion restrictions issued by the Ministry of National Health Services, Regulations and Coordination.

¹ Access Retail & Nielsen – Retail Audit 2020

Company Performance

The Company increased sales volume by 19% during the year under review. This is primarily attributable to reduction in counterfeit volume and the excise rates stability allowing the legitimate sector to not increase the price gap with illicit products. The Company continued to maintain its market share leadership in the legitimate segment growing market share by 0.7% in 2021, reaching 78.0%. In 2021, PTC contributed Rs. 134.8 billion to the National Exchequer in the form of excise duties and various regulatory duties.

The Company's cost base remained under pressure throughout 2021 in the wake of the currency devaluation, inflation and COVID-19 associated costs. 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.

The Company continued to focus on enhancing productivity across its value chain by ensuring effective cost management, lean operations, and modernization of machinery infrastructure. PTC's export initiative "Made in Pakistan", in its second year of full-scale operation, resulted in exports of \$38.4 million during the period under review. PTC export initiatives have significant potential to grow in the coming years generating additional valuable foreign currency inflows for the Country.

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. For its drive and consistent focus on Diversity and Inclusion, the Company was awarded the "Global Diversity & Inclusion, Progressive Award 2021" by Global Diversity and Inclusion Benchmarks.

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 5 million saplings free of cost in 2021. In a first of its

kind initiative, Throw and Grow, 50 million seeds were dispersed in the forest reserves of Margalla Hills and Barakahu.

Under the MDU program, the Company dispensed medical advice and medicines free of cost to more than 150,000 patients in 2021. To ensure that the local community is protected from water borne diseases, the Company is providing clean drinking water to the less privileged segments of society through 27 water filtration plants, providing 20,000 liters of water per plant per day.

BAT Group is driving the agenda for A Better Tomorrow™ by reducing health impact of its business by offering potentially less risky products to its adult consumers. The group has invested approximately \$5 billion in research and development for new categories which comprise of potentially reduced risk products. In line with Group's agenda for tobacco harm reduction, PTC continued to build on its venture into new categories of tobacco-free nicotine products (VELO). VELO has now been launched across all major cities in Pakistan.

Financial Review

	Rs. (million)	
	FY2021	FY2020
Gross Turnover	199,469	166,258
FED & Sales Tax	124,481	105,368
Net Turnover	74,988	60,891
Cost of Sales	39,092	29,329
Gross Profit	35,896	31,562
Operating Profit	25,500	21,846
Profit Before Tax – PBT	26,207	22,388
Profit After Tax – PAT	18,862	16,492
Earnings Per Share – EPS (Rs.)	73.83	64.55

Profit & Loss Analysis

The Company contributed 68% of gross earnings (Rs. 134.8bn vs Rs. 112.7bn for 2020) as revenue to the Government while retaining 9% of revenues for distribution amongst shareholders and reinvestment in

*Based on the weighted of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive.

the business. Cost of Sales and Operating Expenses accounted for 18% and 5% of gross earnings respectively.

Domestic gross turnover increased by 20% vs SPLY in line with a 19% volume increase on account of the price stability due to excise hold. Exports Turnover increased by 26% vs SPLY, driven by a significant increase in export volumes as compared to SPLY. The Company exported 1.6 billion cigarette sticks, 5.6 million kgs of cut rag tobacco and 1.2 million kgs of unmanufactured tobacco in 2021 with a turnover amounting to \$38.4 million.

Cost of Sales increased primarily due to devaluation of local currency, increase in exports and inflationary pressures. These were mitigated through multiple productivity savings initiatives and focused cost management to reduce the overall cost base. Administrative expenses had a 19% increase due to higher information technology costs, in line with BAT's strategy of simplification through automation.

Net Finance Income increased by 30% in 2021, attributable to surplus funds available for T-Bill investments on account of better cash position.

Statement of Financial Position Analysis

Property, plant & equipment increase in 2021 was primarily driven by upgrades to existing manufacturing capacities and infrastructure to support better product quality, innovation, higher operating efficiencies and regulatory requirements.

Stock in Trade increase was attributable to higher finished goods and raw material inventory.

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 2021 due to more import orders in Q4'21.

Short term investments in Government treasury bills recorded an increase from the previous year due to higher availability of surplus funds from sales cash inflows at year end.

Current Liabilities increased due to higher dividends payable to internal shareholders on account of lesser access to Foreign Exchange (FX) due to stricter monitoring by the State Bank of Pakistan.

Liquidity Management

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.

Profit Distribution & Reserve Analysis

The Company started the year with reserves of Rs. 16.9 billion. During the year, final dividend of Rs. 28 per share related to year ended 2020, was approved by shareholders and was subsequently paid. In 2021, the Company earned a net profit of Rs. 18.9 billion and declared two interim dividends of Rs. 26 per share in Q2'21 and Rs. 26 per share in Q3'21. The net reserves position of the Company at year end stands at Rs. 15.4 billion. The details of appropriations are also elaborated in the table below:

	Rs. (million)	Rs. Per Share
Opening Reserves	16,958	
Final Dividend 2020	(7,154)	28.00
Net Profit 2021	18,862	73.83
Other Comprehensive Income	38	
Available for appropriation	28,704	
Interim Dividends 2021	(13,286)	52.00
Closing Reserves	15,418	

Final Dividend

The Board of Directors of PTC in its meeting held on February 24, 2022 is pleased to recommend a final cash dividend of 28 per share for the year ended December

31, 2021 (2020: 28 per share), for the shareholders' approval. This recommendation is subject to approval of the shareholders in the Annual General Meeting, scheduled on April 21, 2022.

Consolidated Financial Statements and Segmental Review

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

Subsequent Events Review

The Management has assessed events arising after 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.

Operations Review

PTC has a full seed to smoke business encapsulating two factories and one of the largest leaf operations in the BAT Group. To enhance productivity throughout the value chain, the Company has a strong focus on effective cost management, lean operations, and continuous modernization of the machinery infrastructure.

As part of the tobacco harm reduction agenda, PTC has invested more than \$10 million in plant and machinery for an independent factory at Jhelum site to produce tobacco-free nicotine pouches. This factory is the first of its kind in the Asia Pacific and Middle East Region. It is producing nicotine pouches for both local consumption and export, thus enabling PTC to further its agenda towards tobacco harm reduction and cement its position as an export hub for BAT Group. The Company aims to invest considerably over the next 5 years in developing PTC's new category portfolio.

EH&S – Environment, Health & Safety

COVID-19 pandemic and its challenge to the health and safety of PTC's employees was handled in an organized and responsible manner in 2021. A dedicated 'Crisis Management Team' comprising of PTC's leadership was formulated to brainstorm risk mitigation strategies for crisis scenarios. Further, comprehensive standard operating procedures and 'Zero Tolerance Policies' were enforced, and company-wide awareness sessions were conducted to avoid COVID-19 contraction amongst PTC's employees.

Significant awareness and infrastructural improvements have been made concerning Environment, Health & Safety processes and procedures across the Company. Keeping in view the energy crisis in Pakistan, multiple energy conservation initiatives were undertaken in 2021. Jhelum Factory & Akora Khattak Factory became the highest renewable energy generating sites in Middle East South Asia (MESA) Area with solar generating capacities of 1.9MW and 1.3MW respectively.

Additionally, Jhelum Factory was also the leading water recycling plant in all BAT organizations across the globe and Akora Khattak Factory holds the 3rd position globally. The CO2 emissions reduction of 1050 tons is a testament to our commitment to environmentally friendly operations. PTC's manufacturing has been globally recognized in BAT Group for the efforts and outstanding results delivered through this drive for excellence.

Marketing Review

Consumer affordability continued to come under stress in 2021 due to pandemic-led economic tightening. However, despite the challenges faced, focused investments were made for a future-fit brands portfolio.

Capstan by Pall Mall retained its standing as the best performing brand in the VFM segment with a 0.2% increase in market share in 2021. Additionally, VFM segment witnessed reinforcement campaigns during the year to further enhance Gold Flake's equity and mix. This was a strategic intervention which helped the brand significantly capture lost volume and market share.

In the Aspirational Premium segment, John Player with TASTELOC was launched in the month of December 2021. The pack was changed to better fit the profile of a leading aspirational premium offering for good value and for style seekers. With regards to the premium segment strategic interventions were made pertaining to Dunhill.

Risk Management & Internal Controls

The Board is responsible for managing the risks and challenges faced by the Company in its course of operations, while maintaining a strong controlled environment. The Company's risk management and internal controls framework is aimed at safeguarding the shareholders' investment and the Company's assets, while minimizing the impact of the risks that may impede the delivery of the Company's objectives.

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.

Forward Looking Approach

Looking ahead, 2022 will be a highly 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.

Drive Growth Agenda

The Company's strategic objective is to deliver sustainable growth for its shareholders. Enabled by the implementation of the track and trace system in 2022 and enforcement by the LEAs, the Company will focus on increasing its volume base and market share.

This will be executed by means of 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 share leadership of the industry in the future.

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.

It is expected that the local currency will remain weak with minimal value appreciation, if any. 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.

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 and quality but is also capable of supporting future product innovations, necessary to maintain competitive advantage in the marketplace.

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

Environment, Social & Governance (ESG)

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 ESG agenda of the Company.

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.

Corporate Governance

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:

- 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.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and the accounting estimates are based on reasonable and prudent judgement.
- 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.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There are no significant doubts about the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the Code of Corporate Governance and listing regulations.
- All major Government levies in the normal course of business, payable as at December 31, 2021 have been disclosed in the notes to the financial statements.
- Key operating and financial data for last six years in summarized form is provided separately in this Annual Report.
- Values of investments in employee's retirement funds for the year ended December 31, 2021 are as follows. Further details are provided in Note 33 to the separate financial statements.

Fund name	(Rs. million)
Staff pension fund	6,209
Employees gratuity fund	1,472
Management provident fund	1,615

Composition of the Board

The Board comprises a total of 12 directors: 4 are independent directors, 5 non-executive directors and 3 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 Directors	4
(i) Mr. Zafar Mahmood (Chairman)	
(ii) Lt. Gen. M. Masood Aslam (R)	
(iii) Mr. Mohammad Riaz	
(iv) Mr. Asif Jooma	
b. Non- Executive Directors	5
(i) Mr. Wael Sabra	
(ii) Ms. Belinda Joy Ross	
(iii) Mr. Ozsan Ozbas	
(iv) Syed Javed Iqbal	
(v) Mr. Shannon Luke McInnes	
c. Executive Directors	3
(i) Mr. Syed Ali Akbar	
(ii) Mr. William Francis Pegel	
(iii) Mr. Syed Asad Ali Shah	

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

The overall effectiveness of the Board is enhanced by the diversity and breadth of perspective of its members, who combine professional and academic skills and experience, local and international, and collectively the Board also has sufficient financial acumen and

knowledge. PTC conforms to the regulatory requirements on the composition and qualification of the Board of Directors.

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

Changes in the Board

Three new directors were inducted in 2021. Mr. Tajamal Shah, Mr. Zafar Aslam and Mr. Usman Zahur resigned w.e.f. March 1st 2021. They were replaced by Mr. Wael Sabra, Mr. Shannon Luke McInnes and Mr. Ozsan Ozbas.

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 2021, 5 Board meetings were held, out of which the 1st meeting was held on 23rd February 2021.

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.

Members	Attendance
Mr. Zafar Mahmood <i>Chairman</i>	5/5
Usman Zahur <i>Managing Director and CEO (resigned w.e.f 01.03.21)</i>	1/5
Syed Ali Akbar <i>Managing Director and CEO (appointed w.e.f 01.03.21)</i>	4/5
William Francis Pegel <i>Director Finance & IT</i>	5/5
Syed Asad Ali Shah <i>Director Legal and External Affairs</i>	5/5
Syed Javed Iqbal <i>Non-Executive Director</i>	3/5
Belinda Joy Ross <i>Non-Executive Director</i>	3/5
Zafar Aslam Khan <i>Non-Executive Director (resigned w.e.f 01.03.21)</i>	0/5
Lt. Gen.(R) M. Masood Aslam <i>Independent Director</i>	5/5
Mohammad Riaz <i>Independent Director</i>	5/5
Asif Jooma <i>Independent Director</i>	5/5
Mr. Tajamal Shah <i>Non-Executive Director (resigned w.e.f 01.03.21)</i>	1/5
Wael Sabra <i>Non-Executive Director (joined w.e.f 03.05.21)</i>	1/5
Shannon McInnes <i>(joined w.e.f 03.05.21) Non-Executive Director</i>	3/5
Ozsan Ozbas <i>(joined w.e.f 03.05.21) Non-Executive Director</i>	2/5

Meetings Held Outside Pakistan

In 2021, PTC conducted all its Board meetings in Pakistan.

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.

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.

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 must 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.

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.

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.

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.

Performance for the year 2021 is demonstrated by achievement of the corporate plan and compliance with the applicable regulatory requirements.

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.

Directors' Training Program

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

Last AGM

The Company's 74th AGM (Annual General Meeting) was held on April 22, 2021. 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. No issues were reported in that meeting.

Auditors

Statutory Audit for the Company for the financial year ended December 31, 2021 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, 2021 on the recommendation of the Audit Committee. This shall be subject to the approval of the shareholders in their meeting scheduled for April 21, 2022.

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, 2020 alongside the disclosure as required under Code of Corporate Governance is provided separately in this Annual Report.

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.

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 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 Mahmood Chairman

Ali Akbar MD/CEO

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

Rs. in million		2021	2020	2019	2018	2017	2016
----------------	--	------	------	------	------	------	------

Statement of Profit or Loss

Gross turnover*	Rs. million	199,469	166,258	149,025	137,116	129,278	129,278
Excise duties/Sales Tax	Rs. million	(124,481)	(105,368)	(97,050)	(84,004)	(68,206)	(84,412)
Net turnover	Rs. million	74,988	60,891	51,975	53,112	43,279	44,867
Cost of Sales	Rs. million	(39,092)	(29,329)	(25,765)	(29,829)	(23,075)	(22,093)
Profit for the Year	Rs. million	18,862	16,492	12,889	10,338	9,574	10,361
Earning per share	Rs./share	73.83	64.55	50.45	40.46	37.47	40.55

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

Statement of Financial Position

Property Plant & Equipment/Advances for Capital Expenditure	Rs. million	16,929	15,819	12,499	10,090	8,631	8,629
Working Capital (Current Assets-Current Liabilities)	Rs. million	3,462	6,124	7,744	8,512	9,611	5,756
Share Capital & Reserves	Rs. million	17,973	19,513	18,291	17,766	16,911	12,977
Non- Current Liabilities	Rs. million	2,451	2,462	1,988	874	1,368	1,447

Statement of Cash Flows

Cash flow from Operating Activities	Rs. million	18,973	22,215	8,564	12,810	12,280	10,555
Cash flow from Investing Activities	Rs. million	(1,020)	(3,192)	(835)	(1,359)	(740)	17
Cash flow from Financing Activities	Rs. million	(14,548)	(15,317)	(13,110)	(9,688)	(5,418)	(8,374)
Net Change in Cash and Cash Equivalents	Rs. million	3,404	3,707	(5,380)	1,763	6,122	2,198
Beginning Cash and Cash Equivalents	Rs. million	7,244	3,537	8,917	7,154	1,032	(1,166)
Ending Cash and Cash Equivalents	Rs. million	10,648	7,244	3,537	8,917	7,154	1,032

Cash and Cash Equivalents comprise

Cash and Bank Balances/Short Term Investments	Rs. million	10,648	7,244	3,537	8,993	7,154	1,127
Short Term Borrowings	Rs. million	—	—	—	(76)	—	(95)
	Rs. million	10,648	7,244	3,537	8,917	7,154	1,032

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. 10.5 billion in 2016 to Rs. 18.9 billion in 2021 (CAGR of 12.47%). This was primarily driven by increase in turnover, improved profitability and effective cash management. In its journey towards working capital improvement, the Company has been able to reduce its cash generation cycle from around 90 days in 2020 to 45 days in 2021.

2. Net cash generated from investing activities

Cash utilized on investing activities has decreased from Rs. 3.2 billion in 2020 to Rs. 1 billion in 2021 due to reduction in capital expenditure in comparison to previous year (Rs. 3.7bn to Rs. 2bn) 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 decreased from Rs. 15.3 billion in 2020 to Rs. 14.5 billion in 2021. The Company paid out dividends of Rs. 80/share totaling Rs. 15.8 billion during the year compared to Rs. 58/share totaling Rs. 14.8 billion in 2020. This is partly offset by proceeds from the exports refinancing facility of PKR 2.3 billion availed during the year. This is a testament of Company's ability to generate sustainable value for its shareholders.

PERFORMANCE INDICATORS RATIOS FOR 6 YEARS

			2021	2020	2019	2018	2017	2016
Profitability Ratios								
1	*Gross Profit ratio	%	47.9	51.8	50.4	43.8	46.7	50.8
2	*Net Profit to Sales	%	25.2	27.1	24.8	19.5	22.1	23.1
3	*EBITDA Margin to Sales	%	36.3	38.3	36.6	29.2	32.2	35.9
4	Operating leverage ratio	Times	0.8	2.0	2.5	0.6	1.0	13.2
5	Return on Equity	%	100.6	87.3	71.5	59.6	64.1	88.8
6	Return on Capital employed	%	124.8	99.4	87.2	78.2	70.2	104.0

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

Liquidity Ratios

1	Current ratio	Times	1.1	1.3	1.4	1.4	1.7	1.5
2	Quick / Acid Test Ratio	Times	0.4	0.4	0.3	0.5	0.6	0.3
3	**Cash and cash equivalents to Current Liabilities	Times	33.3	31.5	17.5	41.2	51.6	10.3
4	Cash flow from operations to Sales	Times	9.5	13.4	5.7	9.3	11.0	8.2
**This includes short term investments as well								

Activity / Turnover Ratios

1	Inventory turnover ratio	Times	1.8	1.5	1.2	1.6	1.6	1.6
2	No. of Days in Inventory	Days	205.8	242.5	303.5	226.2	228.7	225.0
3	Debtor turnover ratio	Times	0.0	0.0	0.0	0.0	0.0	0.0
4	No. of Days in Receivables	Days	0.0	0.0	0.0	0.0	0.0	0.0
5	Creditor turnover ratio	Times	2.3	2.4	2.4	2.0	2.4	2.9
6	No. of Days in Payables	Days	160.9	152.7	150.9	179.6	149.5	124.8
7	Total Assets turnover ratio	Times	3.8	3.7	3.7	3.4	3.5	5.1
8	Fixed Assets turnover ratio	Times	11.8	10.5	11.9	13.6	12.9	15.0
9	Operating cycle	Days	45	90	153	47	79	100

Investment /Market Ratios

1	Earnings per share After Tax(EPS) and diluted EPS	Rs.	73.8	64.6	50.4	40.5	37.5	40.6
2	Price-Earning Ratio	Times	16.2	24.9	48.4	71.7	57.3	35.3
3	Dividend Yield ratio	%	6.7	3.6	2.0	1.3	1.4	1.7
4	Dividend Payout ratio	%	108.4	89.9	95.1	96.4	80.1	61.6
5	Dividend Cover ratio	Times	0.9	1.1	1.1	1.0	1.2	1.6
6	Dividend Per Share	Rs.	80.0	58.0	48.0	39.0	30.0	25.0
7	Stock Dividend per share	Rs.	0.0	0.0	0.0	0.0	0.0	0.0
8	Market value per share at year end	Rs.	1,198	1,610	2,441	2,900	2,148	1,433
9	Highest Market value per share during the year	Rs.	1,700	2,320	2,999	3,000	2,148	1,433
10	Lowest Market value per share during the year	Rs.	971	1,450	2,186	1,692	1,081	950
11	Break-up value per share	Rs.	70.3	76.4	71.6	69.5	66.2	50.8
12	Breakup value per share including investment in related party at fair value and also the effect of Surplus on Revaluation of Fixed Assets	Rs.	70.3	76.4	71.6	69.5	66.2	50.8
13	Price to Book Ratio	Times	17.0	21.1	34.1	41.7	32.5	28.2

Capital Structure Ratios

1	Financial leverage ratio	Times	2.6	2.3	2.2	2.1	1.9	2.1
2	***Weighted average cost of debt	%	0.0	0.0	0.0	0.0	0.0	0.0
3	***Debt to Equity ratio (as per book value/market value)	%	0.1	0.0	0.0	0.0	0.0	0.0
5	Interest Cover/Time interest earned ratio	Times	96.5	94.0	91.3	452.7	232.0	336.6

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

ANALYSIS OF PERFORMANCE INDICATORS

Profitability Ratios

Maintaining strong profitability ratios in the midst of a global pandemic has been attributable to a growth in gross profit coupled with effective cost management. Gross turnover recorded an increase of 20% in 2021 which was primarily driven by the 19% volume increase and premium portfolio price increase in second half of 2020. The gross profit ratio increased by 13.7% whereas net profit ratio increased by 14.4%. The increase in net profit ratio is clearly indicating Company's effective cost management, productivity savings and greater efficiency in operations.

Liquidity Ratios

The Company's liquidity ratios present a healthy position over the years. PTC's cash advance sales model coupled with effective resource allocation enables it to meet its liquidity requirements including capital expenditures. In 2021, a slight deviation in this trend has been witnessed with the current ratio deteriorating slightly compared to 2020 due to exports refinance facility and higher unpaid dividend compared to 2020. However, the quick ratio remained the same mainly due to higher availability of cash and cash equivalents at year-end.

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 as well as to hedge against unfavorable FX headwinds. Further due to better working capital management, we have reduced our inventory days and resultantly the cash conversion cycle decreased from 90 days to 45 days only.

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 increase in dividend per share, which are certainly very attractive for our shareholders. The Company's share price witnessed a decline of 26% from 2020 along with P/E ratio declining by 35% owing to deteriorating macroeconomic factors and underperformance of Pakistan Stock Exchange in the wake of global Covid-19 pandemic.

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 requirement for long-term financing, though, the Company avails a relatively small lease facility for financing vehicles provided to its employees and exports refinancing facility of PKR 2.3 billion. Interest cover has seen a minor increase from 2020 owing to increase in profits during the year.

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventy Fifth (75th) Annual General Meeting (Meeting) of Pakistan Tobacco Company Limited (“the Company”) will be held at the Serena Hotel, Khayaban-e-Suhrwardy, Islamabad on Thursday, the 21st April 2022 at 10.00 a.m. to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the audited Accounts for the year ended 31st December 2021, and the Report of the Directors and Auditors thereon.
2. To consider and approve the Final Dividend @ Rs. 28/- as recommended by the Board of Directors for the year ended on December 31, 2021.
3. To appoint Auditors and to fix their remuneration.
4. To elect 12 (twelve) directors as fixed by the Board for a period of three years commencing 21st April 2022 (close of business). The following are the names of the retiring directors:
 - Mr. Zafar Mahmood
 - Mr. Syed Ali Akbar
 - Mr. Mohammad Riaz
 - Mr. Asif Jooma
 - Lt. Gen (Retd) M. Masood Aslam
 - Mr. Syed Asad Ali Shah
 - Mr. William Pegel
 - Ms. Belinda Ross
 - Mr. Syed Javed Iqbal
 - Mr. Wael Sabra
 - Mr. Shannon McInnes
 - Mr. Ozsan Ozbas.

By order of the board



Nauman Masood Butt

Company Secretary

Islamabad: March 29, 2022

Notes:

1. Annual Report

A soft copy of the annual report for the year ended on December 31, 2021 is being sent through email to the shareholders who have given their email addresses and a CD of the same is being sent to the shareholders at their registered addresses. For download a copy is being uploaded on our website www.ptc.com.pk. Shareholders who wish to obtain a hard copy of the annual report are requested to inform us at PTC_AGM@bat.com, a hard copy of the Annual Report will be duly sent to them.

2. Closure of Share Transfer Books

The Share Transfer Books of the Company will be closed from 15th April to 21st April 2022, both days inclusive. Transfers received at the office of the Company's Share Registrar, FAMCO Associates (Pvt.) Ltd, 8-F, Near Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahr-e-Faisal, Karachi by the close of business on Thursday, the 14th April 2022, will be in time to be entitled to vote and for the entitlement of dividend.

3. Participation in the Annual General Meeting

A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy who will have the right to attend, speak and vote in place of that member. Forms of proxy must be deposited at Company's Share Registrar's office not less than 48 hours before the time of the Meeting (i.e., 21st April 2022 at 10.00 a.m.). Proxy form(s) received after the said 48 hours i.e., after 10:00 am on April 19, 2022 will not be treated as valid.

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

A) In Person:

- i) Individual members must bring their participant's ID number and account/sub-account number along with original Computerized National Identity Card (CNIC) or original Passport at the time of attending the Meeting.
- ii) In the case of a corporate entity, presentation of a certified copy of the Board of Directors' Resolution/ Power of Attorney with specimen signatures of the nominee at the time of the Meeting.

B) By Proxy:

- i) In case of individuals, the submission of proxy form as per the requirement notified in Note 3 above.
- ii) The proxy must be witnessed by two persons whose names, addresses and CNIC numbers should be stated on the form.
- iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv) In case of a corporate entity, the Board of Directors' Resolution/Power of Attorney with specimen signatures shall be submitted with the proxy form to the Company's Share Registrar.
- v) The proxy shall produce his/her original CNIC or original passport at the time of the Meeting.
- vi) A form of proxy is attached to the notice and is also available on Company's website.

4. Submission of CNIC/NTN Details (Mandatory)

The CNIC number /NTN details are mandatory and are 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.

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

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 to withhold dividend of such shareholders.

5. Electronic Credit Mandate for Dividend (Mandatory)

Pursuant to the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed Company to pay cash dividend to its shareholders only through electronic mode by making direct remittance into their respective bank account designated by the entitled shareholder(s) ("the bank account"). Therefore, in order to receive dividends directly into their bank account, shareholders holding shares in physical form are requested to fill in "Electronic Credit Mandate Form" available on Company's website i.e. www.ptc.com.pk and send the completed form along with a copy of a valid CNIC or provide the following information to the registrar of the Company M/s. FAMCO Associates (Private) Limited, 8-F, Near Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahrah-e-Faisal, Karachi latest by 14h April, 2022.

Folio Number
Name of Shareholder
Title of the Bank Account
International Bank Account (IBAN) (24 digits)
Name of Bank
Name of Bank Branch and Address
Cellular Number of Shareholder
Landline Number of Shareholder
Email Address
CNIC/NTN Number, in case of corporate shareholder (Attach Copy)
Signature of Member

6. Deduction of Income Tax from Dividend under Section 150 of the Income Tax Ordinance, 2001 (Mandatory)

- (i) The rates of deduction of income tax from dividend payments under the Income Tax Ordinance are as follows:
 1. Rate of tax deduction for shareholders appearing in Active Taxpayers List (ATL): 15%
 2. Rate of tax deduction for 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 entered into the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to immediately make sure that their names are entered in ATL, otherwise tax on their cash dividend will be deducted @ 30% instead of 15%.

- (ii) Withholding Tax exemption from the dividend income, shall only be allowed if a copy of valid tax exemption certificate is made available to FAMCO Associates (Pvt) Ltd., by the first day of Book Closure.
- (iii) Further, according to clarification received from Federal Board of Revenue (FBR), with-holding 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 shareholders 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 as follows:

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

The required information must reach our Share Registrar within 10 days of this Notice; otherwise, it will be assumed that the shares are equally held by Principal shareholder and Joint Holder(s).

- (iv) The corporate shareholders 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 the company or FAMCO Associates (Pvt.) Ltd. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

7. Intimation for Non-Resident Individual Shareholders

Non-resident individual shareholders shall submit declaration or undertaking with copy of valid passport under definition contained in Section 82 of the Income Tax Ordinance, 2001 for determination of residential status for

the purposes of tax deduction on dividend to the Share Registrar (M/s. Famco Associates (Private) Limited at 8-F, near Hotel Faran, Nursery, Block-6, P.E.C.H.S, Shahrah-e-Faisal, Karachi or email at info.shares@famco.com.pk at the latest by 10th April 2022. The copy of declaration form can be downloaded at Shares Registrar website: <https://famco.com.pk/share-registration-services/>.

8. Zakat Deductions

To claim exemption from compulsory deduction of Zakat, shareholders are requested to submit a notarised copy of 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 of Section 143-145 of Companies Act, 2017 and applicable clauses of Companies (Postal Ballot) Regulation 2018.

10. Video-Link Facility

Pursuant to Section 134 (1) (b) of the Companies Act 2017 and SECP's circular No. 10 of 2014 dated May 21, 2014, if the Company receives consent from members holding in aggregate 10% or more shareholding residing in a geographical location to participate in the meeting through video conference at least 10 days prior to the date of Annual General Meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city. To avail this facility, please provide the following information to the Share Registrar.

I/We, _____ being a member of Pakistan Tobacco Company Limited holding _____ of Ordinary Shares (s) as per Register Folio No. _____ hereby opt for the video Conference facility at _____ (Please insert name of the City).

11. Election of Directors Procedure

The term of the office of the present Board of Directors of the Company will expire on 20th April 2022. In terms of Section 159(1) of the Companies Act, 2017 ("Act") the Board of Directors in its Board meeting held on February 24, 2022 has fixed the number of elected Directors at 12 (twelve) to be elected in the Annual General Meeting of the Company for the period of next three years.

Any person who seeks to contest the election to the office of a Director, whether he is a retiring director or otherwise, shall file the following documents with the Company

Secretary, at the Registered Office of the Company located at Serena Business Complex, Khayaban-e-Suhrwardy Islamabad, not later than 14 days before the date of Annual General Meeting.

- a. Notice of his / her intention to offer him / herself for the election to the Office of Director in terms of section 159(3).
- b. Consent to act as director of the Company along with consent on Form 28 prescribed under the Act.
- c. A detailed profile along with office address as required under SECP' SRO 634(1)2014 dated July 10, 2014.
- d. Declaration under Clause 3 of the Listed Companies (Code of Corporate Governance) Regulations 2017.
- e. Declaration that he/she is not ineligible to become a director of Pakistan Tobacco Company Limited in terms of Section 153 of the Act.
- f. A director must be holding 1 qualification share of the Company at the time of filing of his / her consent to act as director. The aforesaid qualification shall not be applicable for instances mentioned in Section 153(i) of the Companies Act 2017.
- g. Independent Director(s) will be elected through the process of election of director in terms of section 159 of the Act and they shall meet the criteria laid down in Section 166 of the Act, and the Companies (Manner and Selection of Independent Directors) Regulations 2018, accordingly the following additional documents are to be submitted by the candidates intending to contest election of directors as an independent director:
 - o Declaration by Independent Director(s) under Clause 6(2) of the Listed Companies (Code of Corporate Governance) Regulation 2017.
 - o Undertaking on non-judicial stamp paper that he / she meets the requirements of sub-regulation (1) of Regulation 4 of the Companies (Manner and Selection of Independent Directors) Regulations, 2018.

12. Change of Address

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

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 maintained.

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

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

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

14. Conversion of Shares from Physical Form to Book-Entry-Form

The Securities and Exchange Commission of Pakistan (SECP) has issued a letter No. CSD/ED/Misc./2016-639-640 dated March 26, 2021 addressed to all listed companies drawing attention towards the provision of Section 72 of the Companies Act, 2017 (Act) which requires all companies to replace shares issued by them in physical form with shares to be issued in the Book-Entry-form within a period not exceeding four years from the date of the promulgation of the Act. In order to ensure full compliance with the provisions of the aforesaid Section 72 and to benefit from the facility of holding shares in the Book-Entry-Form, the shareholders who still hold shares in physical form are requested to convert their shares in the Book-Entry-Form.

15. Contact Details

Company Contact:

Company Secretary, Pakistan Tobacco Company Limited,
Serena Business Complex, Khayaban-e-. Suhrwardy,
Islamabad
Phone: (051) 2083200

Share Registrar:

FAMCO Associates (Pvt) Ltd. 8-F, Near Hotel Faran,
Nursery, Block-6, P.E.C.H.S., Shahrah-e-Faisal, Karachi
Phone: (021) 34380101-5
Email address: 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, 2021**

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

1. Total number of Directors are twelve as per the following:



2. The Board's composition is as follows:

Independent Directors

Zafar Mahmood (Chairman)

Lt. Gen. M. Masood Aslam (R)

Mohammad Riaz

Asif Joona

Non- Executive Directors

Wael Sabra

Belinda Joy Ross

Shannon McInnes

Syed Javed Iqbal

Ozsan Ozbas

Executive Directors

Syed Ali Akbar (Managing Director and CEO)

William Francis Pegel

Syed Asad Ali Shah

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. Seven out of twelve have already attended the Directors 'Training Programme, a few are exempted.
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. CFO and CEO duly endorsed the financial statements before approval of the Board.

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
Wael Sabra	Member
Asif Jooma	Member

b) HR and Remuneration Committee

Lt. Gen. M. Masood Aslam (R)	Member & Chairman
Syed Ali Akbar	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 2020.
- b) HR and Remuneration Committee: One (1) meeting was held during the year ended 31 December 2020.
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 Mahmood Chairman



Ali Akbar MD/CEO

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 ("the Company") for the year ended 31 December 2021 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. 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 31 December 2021.



KPMG Taseer Hadi & Co.

Chartered Accountants

Islamabad

21st March 2022

UDIN: CR20211011534yVHpX8v

PAKISTAN TOBACCO COMPANY LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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, 2021 and the 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, 2021 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	<p>Revenue recognition</p> <p>Refer notes 7.1 and 8 to the financial statements.</p> <p>The Company is engaged in the production and sale of tobacco and tobacco products. The Company recognized net revenue from the sales of cigarettes/tobacco of Rs 74,987.7 million for the year ended December 31, 2021.</p> <p>We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Company and gives rise to an inherent risk that revenue could be subject to misstatement to meet expectations or targets.</p>	<p>Our audit procedures to assess the recognition of revenue, amongst others, included the following:</p> <ul style="list-style-type: none"> • 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	<p>Valuation of stock-in-trade</p> <p>Refer notes 7.12 and 20 to the financial statements.</p> <p>As at 31 December 2021, stock-in-trade is stated at Rs 22,044.6 million. Stock-in-trade is measured at the lower of cost and net realizable value.</p> <p>We identified existence and valuation of stock-in-trade as a key audit matter due to its size, representing 42% of total assets of the Company as at December 31, 2021, and the judgment involved in valuation.</p>	<p>Our audit procedures to assess the valuation of stock-in-trade, amongst others, included the following:</p> <ul style="list-style-type: none"> • Assessing the design, implementation and operating effectiveness of key internal controls over valuation of stock-in-trade including determination of net realizable values; • Attending inventory counts and reconciling the count results to the inventory listings; • Assessing the accuracy of cost of stock in trade in accordance with the accounting policy; • Assessing the net realizable value of stock-in-trade by comparing, on a sample basis, management's estimation of future selling prices for the products and selling prices achieved subsequent to the end of the reporting period; and • Comparing the net realizable value to the cost of a sample of stock-in-trade and comparison to the associated provision to assess whether stock-in-trade provisions are complete.

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, 2021, 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:

- proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- 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;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- 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 Riaz Akbar Ali Pesnani.

21st March 2022
Islamabad
UDIN: AR202110115ML8VC6Xoz


KPMG Taseer Hadi & Co.
Chartered Accountants

STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2021

	Note	2021 Rs '000	2020 Rs '000
Gross turnover	8	199,469,017	166,258,483
Excise duties		(95,177,089)	(80,907,579)
Sales tax		(29,304,177)	(24,460,393)
Net turnover		74,987,751	60,890,511
Cost of sales	9	(39,091,727)	(29,328,821)
Gross profit		35,896,024	31,561,690
Selling and distribution costs	10	(5,002,183)	(5,015,427)
Administrative expenses	11	(3,988,963)	(3,357,904)
Other operating expenses	12	(2,129,084)	(2,091,229)
Other income	13	724,132	748,598
		(10,396,098)	(9,715,962)
Operating profit		25,499,926	21,845,728
Finance income		981,404	782,866
Finance cost	14	(274,282)	(240,699)
Net finance income		707,122	542,167
Profit before income tax		26,207,048	22,387,895
Income tax expense	15	(7,344,961)	(5,895,405)
Profit for the year		18,862,087	16,492,490
Earnings per share (basic and diluted)- (Rupees)	16	73.83	64.55

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



Syed Ali Akbar
Chief Executive Officer



William Pegel
Chief Financial Officer / Director

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2021

	Note	2021 Rs '000	2020 Rs '000
Profit for the year		18,862,087	16,492,490
Other comprehensive income/loss:			
Items that will not be reclassified to profit or loss			
- Remeasurement gain/(loss) on defined benefit pension and gratuity plans	33	53,341	(636,405)
- Tax charge/credit related to remeasurement loss on defined benefit pension and gratuity plans	15.2	(15,469)	184,557
		37,872	(451,848)
Total comprehensive income for the year		18,899,959	16,040,642

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



Syed Ali Akbar
Chief Executive Officer



William Pegel
Chief Financial Officer / Director

STATEMENT OF FINANCIAL POSITION

As at December 31, 2021

	Note	2021 Rs '000	2020 Rs '000
Non current assets			
Property, plant and equipment	17	15,813,540	15,101,755
Advance for capital expenditure		1,115,233	716,864
Long term investment in subsidiary company	18	5,000	5,000
Long term deposits and prepayments	19	28,661	27,720
		16,962,434	15,851,339
Current assets			
Stock-in-trade	20	22,044,653	19,482,676
Stores and spares	21	646,230	678,900
Trade debts	22	2,142	1,392
Loans and advances	23	88,916	335,205
Short term prepayments		33,346	76,415
Other receivables	24	1,933,242	1,336,336
Short term investments	25	9,402,598	6,401,215
Cash and bank balances	26	1,245,068	842,296
		35,396,195	29,154,435
Current liabilities			
Trade and other payables	27	20,586,440	19,202,867
Other liabilities	28	2,496,927	2,073,866
Short term running finance/export refinance	29	2,300,000	—
Lease liability	30	577,272	678,730
Unpaid dividend	31	4,663,641	84,856
Unclaimed dividend		77,006	77,381
Accrued interest / mark-up		13,141	583
Current income tax liabilities		1,219,431	912,236
		(31,933,858)	(23,030,519)
Net current assets		3,462,337	6,123,916
Non current liabilities			
Lease liability	30	(1,421,913)	(1,573,892)
Deferred income tax liabilities	32	(1,029,546)	(888,506)
		(2,451,459)	(2,462,398)
Net assets		17,973,312	19,512,857
Share capital and reserves			
Share capital	34	2,554,938	2,554,938
Revenue reserve - Unappropriated profit		15,418,374	16,957,919
		17,973,312	19,512,857
Contingencies and commitments	35		

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



Syed Ali Akbar
Chief Executive Officer



William Pegel
Chief Financial Officer / Director

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2021

	Share capital Rs '000	Revenue Reserve - unappropriated profit Rs '000	Total Rs '000
Balance at January 1, 2020	2,554,938	15,735,917	18,290,855
Total Comprehensive income for the year:			
Profit for the year	—	16,492,490	16,492,490
Other comprehensive loss for the year	—	(451,848)	(451,848)
Total Comprehensive income for the year	—	16,040,642	16,040,642
Transactions with owners of the Company:			
Final dividend of Rs 23.00 per share relating to the year ended December 31, 2019	—	(5,876,357)	(5,876,357)
Interim dividend of Rs 15.00 per share relating to the year ended December 31, 2020	—	(3,832,407)	(3,832,407)
Interim dividend of Rs 20.00 per share relating to the year ended December 31, 2020	—	(5,109,876)	(5,109,876)
Total transactions with owners of the Company	—	(14,818,640)	(14,818,640)
Balance at December 31, 2020	2,554,938	16,957,919	19,512,857
Balance at January 1, 2021	2,554,938	16,957,919	19,512,857
Total Comprehensive income for the year:			
Profit for the year	—	18,862,087	18,862,087
Other comprehensive income for the year	—	37,872	37,872
Total comprehensive income for the year	—	18,899,959	18,899,959
Transactions with owners of the Company:			
Final dividend of Rs 28.00 per share relating to the year ended December 31, 2020	—	(7,153,826)	(7,153,826)
Interim dividend of Rs 26.00 per share relating to the year ended December 31, 2021	—	(6,642,839)	(6,642,839)
Interim dividend of Rs 26.00 per share relating to the year ended December 31, 2021	—	(6,642,839)	(6,642,839)
Total transactions with owners of the Company	—	(20,439,504)	(20,439,504)
Balance at December 31, 2021	2,554,938	15,418,374	17,973,312

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



Syed Ali Akbar
Chief Executive Officer



William Pegel
Chief Financial Officer / Director

STATEMENT OF CASH FLOWS

For the year ended December 31, 2021

	Note	2021 Rs '000	2020 Rs '000
Cash flows from operating activities			
Cash generated from operations	39	26,720,933	27,923,964
Finance cost paid		(261,724)	(258,975)
Income tax paid		(6,912,195)	(5,005,444)
Contribution to retirement benefit funds		(574,464)	(444,152)
Net cash generated from operating activities		18,972,550	22,215,393
Cash flows from investing activities			
Purchases of property, plant and equipment		(2,022,139)	(3,659,936)
Advance for capital expenditure		(398,369)	(541,081)
Proceeds from sale of property, plant and equipment		419,059	226,567
Interest received		981,404	782,866
Net cash used in investing activities		(1,020,045)	(3,191,584)
Cash flows from financing activities			
Dividends paid		(15,861,094)	(14,801,378)
Lease payments		(987,256)	(515,883)
Proceeds from export refinance facility		2,300,000	–
Net cash used in financing activities		(14,548,350)	(15,317,261)
Net increase in cash and cash equivalents		3,404,155	3,706,548
Cash and cash equivalents at beginning of year		7,243,511	3,536,963
Cash and cash equivalents at end of year		10,647,666	7,243,511
Cash and cash equivalents comprise:			
Cash and bank balances	26	1,245,068	842,296
Short term investments	25	9,402,598	6,401,215
		10,647,666	7,243,511

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



Syed Ali Akbar
Chief Executive Officer



William Pegel
Chief Financial Officer / Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

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 47,728 million cigarettes (2020: 45,330 million cigarettes) actual production was 46,080 million cigarettes (2020: 39,113 million cigarettes). For modern oral manufacturing capacity was 330 million pouches (2020: nil) and actual production was 172 million pouches (2020: nil). The split from each industrial unit is given below.

FMC Site	Manufacturing Capacity	
	2021 (Units in Millions)	2020 (Units in Millions)
Akora Khattak Factory	22,710	21,412
Jhelum Factory	25,018	23,918
Total	47,728	45,330
Modern Oral Site Jhelum Factory	330	–

FMC Site	Actual Production	
	2021 (Units in Millions)	2020 (Units in Millions)
Akora Khattak Factory	22,690	18,494
Jhelum Factory	23,390	20,619
Total	46,080	39,113
Modern Oral Site Jhelum Factory	172	–

Actual production is less than the installed capacity due to market demand. Capacity has been also increased due to increase in demand.

Number of employees

Total number of employees as at December 31, 2021 were 1,066 (2020: 1,038). Out of the total number of employees, the number of factory employees as at December 31, 2021 were 390 (2020: 377). Average number of employees during the year were 1,043 (2020: 1,059), whereas average factory employees during the year were 377 (2020: 411).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

Impact of COVID-19

During the last year, the COVID-19 pandemic emerged which impacted the economy of country in general, however the Company has not experienced any major disruptions to the operations or decline in revenue due to temporary lockdown imposed by the Government to counter COVID-19 outbreak.

2 Statement of compliance

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

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

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

3 Basis of measurement

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

4 Functional and presentation currency

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

5 Use of estimates and judgements

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

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 International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 1 January 2022:

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual periods beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprises the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The following annual improvements to IFRS Standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.

IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for annual periods beginning on or after 1 January 2022 clarifies that sales proceeds and costs of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

Reference to the Conceptual Framework (Amendments to IFRS 3) – Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.

Classification of liabilities as current or non-current (Amendments to IAS 1) amendments apply retrospectively for the annual periods beginning on or after 1 January 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.

Definition of Accounting Estimates (Amendments to IAS 8) – The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after 1 January 2023 and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) – The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

The above amendments are not likely to have an impact on the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

7 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements

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 recognized when specific criteria have been met for each of the Company's activities as described below.

Revenue from contracts with customers

Sale of goods

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

Contract assets

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

Contract liabilities

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 recognized on realized amounts. All other income is recognized on accrual basis.

7.2 Income tax

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

Current

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

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

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

Deferred income tax is calculated at the rates that are expected to apply to the period when the differences reverse.

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

7.3 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount could be reliably estimated. Provisions are not recognized for future operating losses. All provisions are reviewed at each statement of financial position date and adjusted to reflect current best estimate.

7.4 Earnings per share

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

7.5 Contingent assets

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

7.6 Contingent liabilities

Contingent liability is disclosed when the Company has a possible obligation as a result of past events whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent liabilities are not 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 recognized in the financial statements.

7.7 Employee benefits

(a) Retirement benefit plans

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

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

The Company operates:

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

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

The current service cost of the defined benefit plan, 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 recognized as employee benefit expense when they are due. Prepaid contributions, if any, are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Termination benefits

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

(c) Medical benefits

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

(d) Bonus plans

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

(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

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e. below Rs 100,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

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 recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized.

All other repairs and maintenance expenses are recognized in the statement of profit or loss during the financial period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

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

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

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Gains and losses on disposals of operating fixed assets are recognized in the statement of profit 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

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount for which assets carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date. Reversals of the impairment losses are restricted to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if impairment losses had not been 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 realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in process comprises design costs, raw materials, direct labour, other direct costs and related production overheads. Net realizable value is the estimated selling price in the ordinary course of business, less cost of completion and costs necessary to be incurred to make the sale.

7.13 Stores and spares

Stores and spares are stated at cost less allowance for obsolete and slow moving items. Cost is determined using weighted average method. Items in transit are valued at cost comprising invoice value and other related charges incurred up to the statement of financial position date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

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 amortized cost or FVOCI as described above are measured at FVTPL.

iii. Subsequent measurement

Financial assets at FVTPL	Measured at fair value. Net gains and losses, including any interest or dividend income, are 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.
----------------------------------	---

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

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 amortized cost using the effective interest method.

iv. **De-recognition**

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

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Any gain / (loss) on the recognition and de-recognition of the financial assets and liabilities is included in the statement of profit or loss for the period in which it arises.

v. **Impairment of financial assets**

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

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

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

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

Financial liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

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 recognized 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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received.

	2021 Rs '000	2020 Rs '000
8 Gross turnover		
- Domestic	193,211,473	161,274,986
- Export	6,257,544	4,983,497
	199,469,017	166,258,483

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 12,034 thousand (2020: Rs 16,817 thousand).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

	2021 Rs '000	2020 Rs '000
9 Cost of sales		
Raw material consumed		
Opening stock of raw materials and work in process	16,977,657	19,573,174
Raw material purchases and expenses - note 9.1	31,952,909	21,026,617
Closing stock of raw materials and work in process	(18,261,871)	(16,977,657)
	30,668,695	23,622,134
Government taxes and levies		
Customs duty and surcharges	2,534,866	1,138,889
Provincial and municipal taxes and other duties	369,137	283,753
Excise duty on royalty	59,917	53,109
	2,963,920	1,475,751
	33,632,615	25,097,885
Royalty - note 9.2	598,658	531,093
Provision/(Reversal) for severance benefits	136,772	(169,268)
Production overheads		
Salaries, wages and benefits	2,310,885	2,075,632
Stores, spares and machine repairs	1,024,182	690,930
Fuel and power	851,283	445,393
Insurance	43,396	38,595
Repairs and maintenance	742,371	457,110
Postage, telephone and stationery	14,974	14,775
Information technology	32,726	20,780
Depreciation	873,665	795,972
Provision for damaged stocks / stock written off	98,476	67,901
Provision / (reversal) for slow moving items / stores written off	8,896	(10,428)
Sundries	53,705	45,593
	6,054,559	4,642,253
Cost of goods manufactured	40,422,604	30,101,963
Cost of finished goods		
Opening stock	2,632,867	1,859,725
Closing stock	(3,963,744)	(2,632,867)
	(1,330,877)	(773,142)
Cost of sales	39,091,727	29,328,821
9.1 Raw material purchases and expenses:		
Materials	28,151,667	18,244,787
Salaries, wages and benefits	1,326,310	1,231,786
Stores, spares and machine repairs	539,583	348,000
Fuel and power	875,804	475,990
Property rentals	80,685	56,303
Insurance	29,412	36,928
Repairs and maintenance	86,818	103,728
Postage, telephone and stationery	17,879	12,319
Depreciation	255,483	197,658
Sundries	589,267	319,118
	31,952,909	21,026,617

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

	2021 Rs '000	2020 Rs '000
10 Selling and distribution costs		
Salaries, wages and benefits	1,074,591	1,015,427
Selling expenses	3,066,565	3,259,737
Freight	157,392	241,638
Repairs and maintenance	73,209	82,529
Postage, telephone and stationery	13,663	10,136
Travelling	89,906	96,343
Property rentals	10,988	—
Insurance	31,634	16,200
Provision for damaged stocks / stock written off	118,903	107,089
Finished goods / wrapping material stock written off	143,587	12,422
Depreciation	221,745	173,906
	5,002,183	5,015,427
11 Administrative expenses		
Salaries, wages and benefits	875,897	757,211
Fuel and power	9,697	10,518
Insurance	2,343	2,795
Repairs and maintenance	48,811	39,277
Postage, telephone and stationery	19,298	14,293
Legal and professional charges	82,927	124,585
Donations - note 11.1	300	28,291
Information technology	2,509,088	1,938,195
Travelling	44,363	75,576
Depreciation	355,962	332,523
Auditor's remuneration and expenses - note 11.2	13,825	13,292
Sundries	26,452	21,348
	3,988,963	3,357,904
11.1 Details of donations exceeding Rs 1,000 thousand are as follows:		
Name of Donee		
Pakistan Baitul Mall	—	22,000
One To Many	—	5,000
	—	27,000

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

	2021 Rs '000	2020 Rs '000
11.2 Auditor's remuneration and expenses include:		
- Statutory audit fee	2,675	2,500
- 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	10,600	10,200
- Out-of-pocket expenses	550	592
	13,825	13,292
12 Other operating expenses		
Workers' Profit Participation Fund - 27.7	1,407,468	1,202,357
Workers' Welfare Fund - note 27.6	485,656	407,804
Bank charges and fees	45,801	37,022
Interest to Workers' Profit Participation Fund	36,700	1,263
Loss on disposal of property, plant and equipment	—	198,342
Foreign exchange loss	153,459	244,441
	2,129,084	2,091,229
13 Other income		
Income from sales / services rendered to associated companies:		
- BAT Middle East DMCC - UAE	581,565	456,624
Recharges / other payable to associated companies written back:		
-BAT ASPAC Service Center Sdn Bhd - Malaysia	53,048	253,255
-BAT (Holdings) Limited - UK	4,098	30,445
-BAT (Singapore) Pte Ltd. - Singapore	—	4,729
Gain on disposal of property, plant and equipment	81,741	—
Miscellaneous	3,680	3,545
	724,132	748,598
14 Finance cost		
Interest expense on:		
Bank borrowings	45,261	14,902
Lease liability	229,021	225,797
	274,282	240,699

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

	2021 Rs '000	2020 Rs '000
15 Income tax expense		
Current:		
For the year	6,868,461	5,722,536
For prior years	297,351	(72,062)
	7,165,812	5,650,474
Deferred	179,149	244,931
	7,344,961	5,895,405

15.1 Effective tax rate reconciliation:

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

	2021 %	2020 %
Applicable tax rate	29.00	29.00
Tax effect of:		
Prior year charge / (reversal)	1.14	(0.32)
Income taxed at different rate	(2.08)	(1.91)
Others	(0.03)	(0.44)
Average effective tax rate	28.03	26.33

	2021 Rs '000	2020 Rs '000
15.2 Tax on items directly credited to statement of other comprehensive income		
Current tax charge/(credit) on defined benefit plans	53,578	(182,189)
Deferred tax charge/(credit) on defined benefit plans	(38,109)	(2,368)
	15,469	(184,557)

	2021	2020
16 Earnings per share		
Profit after tax (Rs '000)	18,862,087	16,492,490
Number of fully paid weighted average ordinary shares ('000)	255,494	255,494
Earnings per share - Basic (Rs)	73.83	64.55

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

	2021 Rs '000	2020 Rs '000
17 Property, plant and equipment		
Operating assets - note 17.1	14,879,640	12,678,139
Capital work in progress - note 17.2	933,900	2,423,616
	15,813,540	15,101,755

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

17.1 Operating assets

	Free-hold land Rs '000	Buildings on free-hold land Rs '000	Plant and machinery Rs '000	Office and household equipment Rs '000	Furniture and fittings Rs '000	Vehicles Rs '000	Right of use assets				Total Rs '000
							Land and building Rs '000	Factory vehicles-fork lifter trucks Rs '000	Vehicles Rs '000	Sub-total Rs '000	
At January 1, 2020											
Cost	30,570	970,868	17,251,879	1,980,058	474,810	128,432	1,579,109	45,807	1,232,393	2,857,309	23,693,926
Accumulated Depreciation	–	(306,927)	(9,222,109)	(1,357,700)	(320,113)	(102,954)	(343,927)	(31,411)	(418,589)	(793,927)	(12,103,730)
Net book amount January 1, 2020	30,570	663,941	8,029,770	622,358	154,697	25,478	1,235,182	14,396	813,804	2,063,382	11,590,196
Year ended December 31, 2020											
Net book amount at January 1, 2020	30,570	663,941	8,029,770	622,358	154,697	25,478	1,235,182	14,396	813,804	2,063,382	11,590,196
Additions	–	69,738	1,474,838	342,436	81,764	178	257,592	352,768	433,597	1,043,957	3,012,911
Disposals	–	(187)	(294,469)	(613)	(535)	(4,795)	(31,285)	–	(93,025)	(124,310)	(424,909)
Depreciation charge	–	(19,809)	(585,149)	(264,892)	(26,515)	(4,076)	(364,525)	(87,040)	(148,053)	(599,618)	(1,500,059)
Net book amount at December 31, 2020	30,570	713,683	8,624,990	699,289	209,411	16,785	1,096,964	280,124	1,006,323	2,383,411	12,678,139
At December 31, 2020											
Cost	30,570	1,039,621	17,698,534	2,242,202	551,113	70,068	1,765,829	367,164	1,510,957	3,643,950	25,276,058
Accumulated depreciation	–	(325,938)	(9,073,544)	(1,542,913)	(341,702)	(53,283)	(668,865)	(87,040)	(504,634)	(1,260,539)	(12,597,919)
Net book amount at December 31, 2020	30,570	713,683	8,624,990	699,289	209,411	16,785	1,096,964	280,124	1,006,323	2,383,411	12,678,139
At January 1, 2021											
Cost	30,570	1,039,621	17,698,534	2,242,202	551,113	70,068	1,765,829	367,164	1,510,957	3,643,950	25,276,058
Accumulated Depreciation	–	(325,938)	(9,073,544)	(1,542,913)	(341,702)	(53,283)	(668,865)	(87,040)	(504,634)	(1,260,539)	(12,597,919)
Net book amount January 1, 2021	30,570	713,683	8,624,990	699,289	209,411	16,785	1,096,964	280,124	1,006,323	2,383,411	12,678,139
Year ended December 31, 2021											
Net book amount at January 1, 2021	30,570	713,683	8,624,990	699,289	209,411	16,785	1,096,964	280,124	1,006,323	2,383,411	12,678,139
Additions	–	584,971	2,463,531	316,659	146,694	–	315,591	–	418,228	733,819	4,245,674
Disposals	–	(2,652)	(193,667)	(126)	(17)	(1,018)	(22,182)	–	(117,656)	(139,838)	(337,318)
Depreciation charge	–	(30,967)	(685,398)	(259,180)	(36,227)	(3,357)	(414,987)	(60,475)	(216,264)	(691,726)	(1,706,855)
Net book amount at December 31, 2021	30,570	1,265,035	10,209,456	756,642	319,861	12,410	975,386	219,649	1,090,631	2,285,666	14,879,640
At December 31, 2021											
Cost	30,570	1,621,697	20,206,115	2,531,831	697,594	69,050	1,995,764	367,164	1,655,236	4,018,164	29,175,021
Accumulated depreciation	–	(356,662)	(9,996,659)	(1,775,189)	(377,733)	(56,640)	(1,020,378)	(147,515)	(564,605)	(1,732,498)	(14,295,381)
Net book amount at December 31, 2021	30,570	1,265,035	10,209,456	756,642	319,861	12,410	975,386	219,649	1,090,631	2,285,666	14,879,640

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

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.

	2021 Rs '000	2020 Rs '000
17.2 Capital work in progress		
Carrying value at the beginning of the year	2,423,616	732,634
Additions during the year	1,054,344	2,343,498
	3,477,960	3,076,132
Transferred to operating fixed assets	(2,544,060)	(652,516)
Carrying value at the end of the year - note 17.2.1	933,900	2,423,616

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

	2021 Rs '000	2020 Rs '000
17.3 Depreciation charge has been allocated as follows:		
Cost of sales	873,665	795,972
Raw material purchases and expenses	255,483	197,658
Selling and distribution expenses	221,745	173,906
Administrative expenses	355,962	332,523
	1,706,855	1,500,059

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

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	Book value	Sale proceeds less selling expenses	Gain/ (loss) on sale	Particulars of buyers	Relationship
	Rs '000	Rs '000	Rs '000	Rs '000		
Plant & machinery						
- by negotiation	3,253	1,313	1,313	–	BAT Myanmar Limited	Associate company
	435,791	154,573	154,573	–	BAT Bangladesh Co. Ltd.	Associate company
	5,493	4,480	2,109	(2,371)	Scrap Buyers	Contractor
Vehicles						
- as per Company's policy	2,092	621	418	(203)	Zubair Ashraf	Ex-Executive
	2,092	621	418	(203)	Ahmar Raees	Executive
	2,092	535	418	(117)	Arslan Chawla	Executive
	2,092	623	669	46	Hafsa Bakhtiar	Ex-Executive
	2,092	652	418	(234)	Kamil Shehzad	Executive
	2,094	679	751	72	Shahid Aziz Khan	Ex-Executive
	2,104	854	855	1	Jamal Toru	Executive
	2,104	537	418	(119)	Nafees Malik	Executive
	2,249	1,027	1,080	53	Syed Fahad Gillani	Ex-Executive
	2,402	680	480	(200)	Zain Mughal	Executive
	2,402	713	479	(234)	Usama Bin Shabir	Executive
	2,404	614	472	(142)	Sabeen Kazi	Ex-Executive
	2,404	580	481	(99)	Faisal Iqbal	Executive
	2,464	1,248	1,103	(145)	Umer Khan	Executive
	2,689	1,290	1,443	153	Muhammad Usman	Ex-Executive
	2,789	1,264	1,275	11	Hiba Akhtar	Ex-Executive
	2,846	1,897	1,739	(158)	M.Shanas Khan	Executive
	2,997	1,958	1,898	(60)	Usman Azam	Ex-Executive
	3,131	1,878	1,632	(246)	Agha Nawazish	Executive
	3,240	2,247	2,547	300	Ali Abdullah	Executive
	3,663	3,321	3,106	(215)	Maemoona Nauman	Ex-Executive
	3,663	3,419	3,226	(193)	Mir M.Ali Khan	Executive
	3,733	3,633	3,347	(286)	Syed Raza Imam	Ex-Executive
	5,433	1,964	1,832	(132)	Qadeer Hussain	Ex-Executive
	6,837	4,558	4,463	(95)	Ahsen Altaf	Ex-Executive
	21,500	14,047	15,336	1,289	Syed Ali Akbar	Executive
	38,448	30,246	30,274	28	Usman Zahur	Ex-Executive
- by auction	2,092	628	2,310	1,682	Through bidding in auction	Auction agent
	2,639	1,653	3,530	1,877	Through bidding in auction	Auction agent
	2,639	1,653	3,220	1,567	Through bidding in auction	Auction agent
	3,127	2,002	3,505	1,503	Through bidding in auction	Auction agent
	5,131	1,026	6,000	4,974	Through bidding in auction	Auction agent
- by insurance claim	2,646	1,446	3,000	1,554	EFU General Insurance Ltd.	Insurance agent
	3,483	2,926	3,483	557	EFU General Insurance Ltd.	Insurance agent
	3,658	3,024	3,658	634	EFU General Insurance Ltd.	Insurance agent

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

18 Long term investment in subsidiary company

This represents 500,001 (2020: 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 (2020: Rs 10 per share) based on audited financial statements for the year ended December 31, 2021.

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).

	2021 Rs '000	2020 Rs '000
19 Long term deposits and prepayments		
Security deposits	28,661	27,720
	28,661	27,720
20 Stock-in-trade		
Raw materials	16,762,002	16,030,364
Raw materials in transit	1,411,372	856,470
Work in process	88,497	90,823
Finished goods	3,963,744	2,632,867
	22,225,615	19,610,524
Provision for damaged / obsolete stocks - note 20.1	(180,962)	(127,848)
	22,044,653	19,482,676
20.1 Movement in provision for damaged stocks is as follows:		
Balance as at January 1	127,848	10,356
Provision for the year	243,684	187,412
Written off during the year	(190,570)	(69,920)
Balance as at December 31	180,962	127,848
21 Stores and spares		
Stores and spares	725,533	749,307
Provision for slow moving items - note 21.1	(79,303)	(70,407)
	646,230	678,900
21.1 Movement in provision for slowing moving items is as follows:		
Balance as at January 1	70,407	80,835
Provision/(Reversal) during the year- note 9	8,896	(10,428)
Balance as at December 31	79,303	70,407

22 Trade debts

These are unsecured, considered good.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

	2021 Rs '000	2020 Rs '000
23 Loans and advances		
Related parties:		
Advances to key management personnel for house rent and expenses - note 23.1	3,774	1,214
Others:		
Advances to executives for house rent and expenses	32,383	25,732
Advances to other parties	52,759	308,259
	88,916	335,205
23.1 The following advances were outstanding as at December 31:		
Haroon Saleem	3,139	–
Uzair Qazi	635	554
Hassan Khalid	–	660
	3,774	1,214

The maximum aggregate amount of advances to key management personnel outstanding at the end of any month during the year was Rs 3,902 thousand (2020: Rs 1,518 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.

	2021 Rs '000	2020 Rs '000
24 Other receivables		
Related parties - unsecured:		
Due from holding company / associated companies - note 24.1	514,075	899,794
Due from subsidiary company - note 24.1	20,021	20,021
Staff pension fund - note 33	501,307	316,026
Management provident fund	39,663	1,179
Employees' provident fund	35,682	15,908
Others:		
Claims against suppliers	6,576	6,576
Cash margin with banks - imports	771,605	55,815
Others	44,313	21,017
	1,933,242	1,336,336

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

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	2021 Rs '000	2020 Rs '000
Holding company:					
British American Tobacco p.l.c. - UK	11,533	—	—	11,533	10,538
Associated companies:					
BAT SAA Service (Private) Ltd. - Pakistan	60,357	139,455	—	199,812	—
BASS Europe SRL - Romania	24,116	29,022	—	53,138	119,982
BAT Nigeria Ltd-Nigeria	—	50,828	—	50,828	38,237
BAT M.E DMCC - UAE	49,832	—	—	49,832	488,394
BAT Exports Limited - UK	—	36,655	—	36,655	18,750
BAT (Investments) Ltd-UK	35,969	—	—	35,969	—
Nicoventures Trading Limited - UK	26,530	—	—	26,530	—
BAT Marketing (S) Pte Ltd - Singapore	12,222	—	—	12,222	6,016
BAT Korea Limited - Korea	—	11,608	—	11,608	—
BAT (Singapore) Pte Ltd-Singapore	10,492	—	—	10,492	5,798
BAT Aspac Service Centre Sdn Bhd-Malaysia	—	5,182	—	5,182	58,279
BAT (GLP) Limited - UK	—	3,356	—	3,356	—
Ceylon Tobacco Co. Ltd - SriLanka	2,951	—	—	2,951	—
BAT PNG Ltd - Papua New Guinea	—	2,538	—	2,538	345
Central Manufacturing Co. Ltd-Fiji Islands	—	899	—	899	138
BAT M.E SPC - Bahrain	—	—	530	530	113,536
TDR d.o.o. - Croatia	—	—	—	—	25,010
PT Bentoel International Investama - Indonesia	—	—	—	—	10,292
BAT Q LLC.- Qatar	—	—	—	—	3,483
BAT (Romania) Trading SRL - Romania	—	—	—	—	632
BAT Australia - Australia	—	—	—	—	364
	234,002	279,543	530	514,075	899,794
Subsidiary company:					
Phoenix (Pvt) Limited	—	—	20,021	20,021	20,021
Total	234,002	279,543	20,551	534,096	919,815

24.1.2 The maximum aggregate amount of receivable from related parties at the end of any month during the year was Rs 825,967 thousand (2020: Rs 919,815 thousand).

	2021 Rs '000	2020 Rs '000
25 Short term investments		
At fair value through profit or loss (FVTPL):		
- Market treasury bills	9,402,598	6,401,215

This represents short term investment in treasury bills issued by the Government of Pakistan and carries effective interest rate of 10.10% (2020 : 7.20%) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

	2021 Rs '000	2020 Rs '000
26 Cash and bank balances		
Deposit account - note 26.1	17,687	29,705
Current accounts:		
Local currency - note 26.2	442,149	492,760
Foreign currency	785,232	317,885
	1,245,068	840,350
Cash in hand	–	1,946
	1,245,068	842,296

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

26.2 This includes balance amounting to Rs 3.74 million (2020 :Rs 61.85) million held with National Bank of Pakistan (an associated company).

	2021 Rs '000	2020 Rs '000
27 Trade and other payables		
Related parties - unsecured:		
Due to holding company / associated companies - note 27.1	816,919	1,301,159
Others:		
Creditors	7,914,318	6,765,057
Federal excise duty - note 27.2	8,655,007	7,314,335
Sales tax	1,820,898	1,738,194
Workers' welfare fund - note 27.6	534,838	456,896
Workers' profit participation fund - note 27.7	10,968	855,357
Other accrued liabilities	97,837	117,655
Employee incentive schemes - note 27.4	124,332	106,600
Employees' gratuity fund - note 33	219,441	275,517
Staff pension fund - defined contribution	13,395	112,587
Tobacco excise duty / Tobacco development cess - note 27.3	114,834	118,134
Security deposits - note 27.5	16,935	29,342
Contract liability	246,718	12,034
	20,586,440	19,202,867

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

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

	2021 Rs '000	2020 Rs '000
Holding company:		
British American Tobacco p.l.c. - UK	180,013	197,458
Associated companies:		
BAT M.E DMCC - UAE - note 27.1.1	202,881	217,990
BAT GLP Ltd - UK	125,773	140,534
BAT Exports Limited - UK	81,327	125,955
BAT Saudia for Trading, Saudi Arabia - note 27.1.1	66,784	35,288
BAT Mexico Ltd - Mexico	31,669	—
BAT M.E SPC - Bahrain - note 27.1.1	24,915	4,674
PT Bentoel Prima - Indonesia	23,484	14,426
BAT Asia Pacific Ltd - HongKong	21,269	—
BAT Souza Cruz Ltd - Brazil	17,527	16,015
BASS GSD Ltd. - UK	11,655	55,935
BAT Singapore (Pte) Ltd - Singapore	9,516	2,363
BAT Myanmar Ltd - Myanmar - note 27.1.1	4,981	5,102
BAT GSD (KL) SDN BHD - Malaysia	3,066	2,818
Nicoventures Trading Ltd-UK	3,007	—
BAT Chile Tobacco - Chile	2,882	409
BAT Korea Manufacturing - South Korea	2,408	6,700
BAT Australia Ltd-Australia	2,023	13,339
BAT Romania Investments Ltd - Romania	584	553
BAT Tutun Mamulleri - Turkey	435	—
BAT Vranje - Serbia	285	—
BAT Nigeria Ltd - Nigeria	283	140
Ceylon Tobacco Company Plc - Sri Lanka	152	11,766
BAT Bangladesh Co. Ltd- Bangladesh	—	215,267
BAT (Investments) Ltd - UK	—	98,297
BAT ASPAC Service Center Sdn Bhd - Malaysia	—	63,121
BAT JSC-Spb - Russia	—	61,474
BAT Q LLC.- Qatar - note 27.1.1	—	10,662
Fielder & Lundgren AB. - Sweden	—	873
	816,919	1,301,159

27.1.1 Rs 299,561 thousand (2020: 273,716 thousand) relates to unsecured export advance.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

	2021 Rs '000	2020 Rs '000
27.2 Federal excise duty		
Balance as at January 1	7,314,335	7,255,338
Charged during the year	95,177,089	80,907,579
Payment to the Government during the year	(93,836,417)	(80,848,582)
Balance as at December 31	8,655,007	7,314,335
27.3 Tobacco excise duty / tobacco development cess:		
Balance as at January 1	118,134	118,134
Charge for the year	222,869	176,324
Payment to the Government during the year	(226,169)	(176,324)
Balance as at December 31	114,834	118,134

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.

	2021 Rs '000	2020 Rs '000
Long Term Incentive Plan (LTIP) - note 27.4.1		
Balance as at January 1	31,707	35,384
Charge for the year	27,141	13,611
Share options exercised	(18,170)	(17,288)
Balance as at December 31	40,678	31,707
Deferred Share Bonus Scheme (DSBS) - note 27.4.2		
Balance as at January 1	74,893	64,329
Charge for the year	57,166	45,497
Share options exercised	(48,405)	(34,933)
Balance as at December 31	83,654	74,893
	124,332	106,600

27.4.1 Long Term Incentive Plan (LTIP)

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

	2021 Number of options	2020
Outstanding as at January 1	15,399	17,373
Granted during the year	1,885	1,915
Exercised during the year	(5,490)	(3,889)
Outstanding as at December 31	11,794	15,399

There are no exercisable options as at 31st December, 2021.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

27.4.2 Deferred Share Bonus Scheme (DSBS)

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

	2021	2020
	Number of options	
Outstanding as at January 1	22,617	21,721
Granted during the year	7,515	6,694
Exercised during the year	(7,940)	(5,798)
Outstanding as at December 31	22,192	22,617

There are no exercisable options as at 31st December, 2021.

- 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.

	2021	2020
	Rs '000	Rs '000
27.6 Movement in Workers' Welfare Fund is as follows:		
Balance as at January 1	456,896	373,162
Charged during the year	485,656	407,804
Payment to Government /reversal during the year	(407,714)	(324,070)
Balance as at December 31	534,838	456,896
27.7 Movement in Workers' Profit Participation Fund is as follows:		
Balance as at January 1	855,357	12,004
Allocation for the year	1,407,468	1,202,357
Payments during the year	(2,251,857)	(359,004)
Balance as at December 31	10,968	855,357

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 502 million (2020: Rs 1,180 million) and recorded further obligations of Rs 925 million (2020:Rs 1,066 million).

29 Short term running finance - secured

(a) Short term running finance/export refinance

Short term running finance facilities available under mark-up arrangements with banks amount to Rs 6,500 million (2020: Rs 6,500 million), out of which the amount unavailed at the year end was Rs 6,500 million (2020: Rs 6,500 million). These facilities are secured by hypothecation of stock in trade and plant and machinery amounting to Rs 7,222 million (2020: Rs 7,222 million). The mark-up ranges between 7.49% and 9.71% (2020: 7.37% and 13.88%) per annum and is payable quarterly. The facilities are renewable on annual basis.

Effective August 2021, the Company has rolled over/obtained new loan of Rs 2,300 million (Dec 31, 2020 : Nil) from different banks under export refinance scheme. The interest rate is 2.20%.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

(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 (2020: Rs 2,500 million) and Rs 1,200 million (2020: Rs 600 million) is available for letter of credit and letter of guarantee respectively, out of which the facility availed at the year end is Rs 295 million (2020: Rs 1,019 million) and Rs 542 million (2020: Rs 447 million). The letter of credit and guarantee facility is secured by second ranking hypothecation charge over stock-in-trade amounting to Rs 1,333 million (2020: Rs 667 million).

30 Lease liability

This represents lease agreements entered into with a leasing company for vehicles and IFRS 16 leases. Total lease rentals due under various lease agreements aggregate to Rs 1,999,185 thousand - short term Rs 577,272 thousand and long term Rs 1,421,913 thousand (December 31, 2020: Rs 2,252,622 thousand - short term Rs 678,730 thousand and long term Rs 1,573,892 thousand) and are payable in equal monthly instalments latest by December 2026. Taxes, repairs, replacement and insurance costs are to be borne by the Company. Financing rates of 9% to 13% (December 31, 2020: 7.75% to 14.61%) 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 capitalised as leased assets. When measuring the lease liabilities for leases that were capitalised during the period, the Company discounted lease payments using an estimated incremental borrowing rate and recorded lease obligation of Rs 373,573 thousand (2020: Rs 558,228 thousand) during the year. Financing rates of 9% to 13% (December 31, 2020: 9% to 14%) per annum have been used as discounting factor.

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

	2021 Rs '000	2020 Rs '000
Present value of minimum lease payments	1,999,185	2,252,622
Current maturity shown under current liabilities	(577,272)	(678,730)
	1,421,913	1,573,892
Future minimum lease payments		
Not later than one year	742,882	872,824
Later than one year	1,725,627	1,961,265
Interest	2,468,509 (469,324)	2,834,089 (581,467)
Present value of minimum lease payments	1,999,185	2,252,622
Present value of minimum lease payments		
Not later than one year	577,272	678,730
Later than one year	1,421,913	1,573,892
	1,999,185	2,252,622

31 Unpaid dividend

Unpaid dividend includes amount of Rs 4,507,434 thousand (2020: Rs Nil), payable to British American Tobacco (Investments) Limited, parent company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

	2021 Rs '000	2020 Rs '000
32 Deferred income tax liability		
Deferred tax liability is in respect of:		
Accelerated tax depreciation	1,412,009	1,325,785
Leased assets	142,931	47,426
	1,554,940	1,373,211
Deferred tax asset is in respect of:		
Remeasurement loss arising on employees' retirement benefit	(156,231)	(118,122)
Provision for severance benefits	(346,163)	(346,163)
Provision for stock and stores	(23,000)	(20,420)
	1,029,546	888,506
The gross movement on deferred income tax account is as follows:		
At January 1	888,506	645,943
Charge for the year - statement of profit or loss	179,149	244,931
(Credit) for the year - statement of comprehensive income	(38,109)	(2,368)
At December 31	1,029,546	888,506

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.

	2021 Rs '000	2020 Rs '000
Staff pension fund - asset - note 24	(501,307)	(316,026)
Employees' gratuity fund - liability - note 27	219,441	275,517

The latest actuarial valuation of the defined benefit plans was conducted at December 31, 2021 using the projected unit credit method. Details of the defined benefit plans are:

	Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
	2021 Rs '000	2020 Rs '000	2021 Rs '000	2020 Rs '000
(a) The amounts recognised in the statement of financial position:				
Present value of defined benefit obligations	5,707,806	5,882,010	1,691,179	1,598,481
Fair value of plan assets	(6,209,113)	(6,198,036)	(1,471,738)	(1,322,964)
Net (assets) / liability	(501,307)	(316,026)	219,441	275,517

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

	Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
	2021 Rs '000	2020 Rs '000	2021 Rs '000	2020 Rs '000
(b) Movement in the (asset) / liability recognized in the statement of financial position is as follows:				
Balance as at January 1	(316,026)	(881,821)	275,517	337,649
Charge for the year - profit and loss	26,821	(39,848)	113,429	129,492
Employer's contribution during the year	(27,352)	(22,596)	(300,914)	(129,492)
Benefits paid by the Company	–	–	–	(70,298)
Remeasurement (gain)/loss recognized in Other Comprehensive Income (OCI) during the year	(184,750)	628,239	131,409	8,166
Balance as at December 31	(501,307)	(316,026)	219,441	275,517
(c) The amounts recognised in the statement of profit and loss:				
Current service cost	94,898	93,114	102,462	103,704
Interest cost	593,042	612,324	162,596	204,671
Expected return on plan assets	(627,581)	(716,248)	(134,845)	(163,947)
Net interest	(34,539)	(103,924)	27,751	40,724
Members' own contribution	(4,330)	(22,921)	–	–
Seconded's own contribution	(5,473)	(6,117)	–	–
Contribution by employer in respect of secondees	(23,735)	–	(16,784)	(14,936)
	26,821	(39,848)	113,429	129,492
(d) Re-measurements recognised in Other Comprehensive Income (OCI) during the year:				
Actuarial (gain) / loss on obligation	(598,185)	539,563	9,748	(10,317)
Net return on plan assets over interest income	413,435	88,676	121,661	18,483
Total remeasurements loss / (gain) recognised in OCI	(184,750)	628,239	131,409	8,166
(e) Movement in the present value of defined benefit obligation:				
Present value of defined benefit obligation at January 1	5,882,010	4,978,396	1,598,482	1,650,938
Current service cost	94,898	93,114	102,462	103,704
Interest cost	593,042	612,324	162,596	204,671
Actual benefits paid during the year	(263,959)	(341,387)	(182,109)	(350,514)
Remeasurements: Actuarial loss /(gain) on obligation	(598,185)	539,563	9,748	(10,317)
Present value of defined benefit obligation at December 31	5,707,806	5,882,010	1,691,179	1,598,482

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

	Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
	2021 Rs '000	2020 Rs '000	2021 Rs '000	2020 Rs '000
(f) Movement in the fair value of plan assets:				
Fair value of plan assets at January 1	6,198,036	5,860,217	1,322,964	1,313,288
Interest income	627,581	716,248	134,845	163,947
Contribution by employer in respect of members	27,352	22,596	300,915	129,492
Members' own contribution	23,735	22,921	–	–
Seconded's own contribution	4,330	6,117	–	–
Contribution by employer in respect of seconded's	5,473	–	16,784	14,836
Actual benefits paid during the year	(263,959)	(341,387)	(182,109)	(280,216)
Return on plan assets, excluding amounts included in interest income	(413,435)	(88,676)	(121,661)	(18,483)
Fair value of plan assets at December 31	6,209,113	6,198,036	1,471,738	1,322,864
Actual return on plan assets	399,897	665,839	13,685	147,513

The Company expects to charge Rs 24 million for pension plan and charge Rs 123 million for gratuity plan for the year ending December 31, 2022.

	Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
	2021 Rs '000	2020 Rs '000	2021 Rs '000	2020 Rs '000
(g) The major categories of plan assets:				
Investment in listed equities	1,542,807	1,363,509	374,414	275,691
Investment in bonds	1,493,619	1,736,594	322,894	370,191
Cash and other assets	3,172,687	3,097,933	774,430	677,082
	6,209,113	6,198,036	1,471,738	1,322,964
(h) Significant actuarial assumptions at the statement of financial position date:				
Discount rate	12.50%	10.25%	10.25%	10.25%
Pension increase rate	7.00%	5.50%	–	–
Expected rate of increase in salary				
First year	10.50%	9.00%	10.50%	9.00%
Second year onwards	10.50%	9.00%	10.50%	9.00%

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 reporting date.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

(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	(623,801)	765,157	(135,369)	155,354
Salary increase	144,122	(131,668)	161,015	(142,352)
Increase in post retirement pension	628,992	(523,529)	–	–

If life expectancy increases by 1 year, the obligation of the Pension Fund increases by Rs 343,537 thousand (2020: 328,652 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	
	2021 Rs '000	2020 Rs '000	2021 Rs '000	2020 Rs '000
Weighted average duration of the PBO (Years)	10.93	11.91	8.00	8.46

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

Historical Information

	Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
	Present value of defined benefit obligation	Net asset 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
2021	5,707,806	(501,307)	1,691,179	219,441
2020	5,882,010	(316,026)	1,598,482	275,517
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

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

	2021 Rs '000	2020 Rs '000
Defined Contribution Provident Fund	109,512	103,230
Defined Benefit Pension Fund	26,821	(39,848)
Defined Contribution Pension Fund	136,686	118,536
Defined Benefit Gratuity Fund	113,429	129,492
	386,448	311,410

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	1,722,422	1,749,791
Cost of investments made	1,615,318	1,615,045
Percentage of investments made	94%	91%
Fair value of investments made	1,615,012	1,592,984

	2021		2020	
	Rs '000	% age	Rs '000	% age
(b) Breakup of investments at cost				
Pakistan Investment Bonds	188,615	11%	252,041	14%
Investment plus deposit certificates	579,750	34%	589,750	35%
Investment in savings account with bank	194,029	11%	150,661	7%
Investment in securities	281,809	16%	283,661	18%
Accrued interest	371,115	22%	338,932	17%
	1,615,318	94%	1,615,045	91%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

34 Share capital

34.1 Authorized share capital

	2021 Number of shares	2020 Number of shares		2021 Rs '000	2020 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

	2021 Number of shares	2020 Number of shares		2021 Rs '000	2020 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 (2020: 241,045,141) ordinary shares at the year-end and 10,274 (2020:10,274) and 798,282 (2020:798,282) ordinary shares are held by the directors/other executives 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.

	2021 Rs '000	2020 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	541,991	447,376

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. Subsequent to December 31st 2020, the Rawalpindi Bench of the Lahore High Court vide Judgement dated 20th January 2021 (Judgement) has decided the case in PTC's favor. However, the Committee has filed appeal against the Judgement before the Supreme Court of Pakistan.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

- 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, fixes 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 March 4th, 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 February 14th, 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. The payments to T&S were delayed due to which T&S served Notice of Termination and subsequently filed a civil suit for recovery in the district court of Islamabad. 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

- (b) Letters of credit outstanding at December 31, 2021 were Rs 295,277 thousand (2020: Rs 1,018,701 thousand).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

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.

	Note	December 31, 2021			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	9,402,598	–	9,402,598	–	9,402,598	–
Financial assets not measured at fair value							
Deposits	19	–	28,661	28,661	–	–	–
Trade debts	22	–	2,142	2,142	–	–	–
Other receivables	24	–	1,356,590	1,356,590	–	–	–
Cash and bank balances	26	–	1,245,068	1,245,068	–	–	–
		9,402,598	2,632,461	12,035,059			
Financial liabilities measured at fair value							
Financial liabilities not measured at fair value							
Trade and other payables	27	–	(9,489,714)	(9,489,714)	–	–	–
Lease liability	30	–	(1,999,185)	(1,999,185)	–	–	–
Accrued interest/mark-up		–	(13,141)	(13,141)	–	–	–
		–	(11,502,040)	(11,502,040)			
	Note	December 31, 2020			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	6,401,215	–	6,401,215	–	6,401,215	–
Financial assets not measured at fair value							
Deposits	19	–	27,720	27,720	–	–	–
Trade debts	22	–	1,392	1,392	–	–	–
Other receivables	24	–	1,003,223	1,003,223	–	–	–
Cash and bank balances	26	–	842,296	842,296	–	–	–
		6,401,215	1,874,631	8,275,846			
Financial liabilities measured at fair value							
Financial liabilities not measured at fair value							
Trade and other payables	27	–	(8,375,451)	(8,375,451)	–	–	–
Lease liability	30	–	(2,252,622)	(2,252,622)	–	–	–
Accrued interest/mark-up		–	(583)	(583)	–	–	–
		–	(10,628,656)	(10,628,656)			

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

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 Financial 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 12,035 million (2020: Rs 8,276 million) do not include any amounts which are past due or impaired. The table below shows bank balances held with counterparties at the reporting date.

Counterparty	Rating		Rating agency	2021 Rs '000	2020 Rs '000
	Short term	Long term			
Cash at bank:					
MCB Bank Ltd	A-1+	AAA	PACRA	172,338	434,786
Habib Bank Ltd	A-1+	AAA	VIS	195,329	10,851
Deutsche Bank AG	A-2	BBB+	S&P	175,397	151,296
MCB Islamic Bank	A-1	A	PACRA	50,252	6,737
National Bank of Pakistan	A-1+	AAA	PACRA	3,738	61,851
Standard Chartered Bank	A-1+	AAA	PACRA	622,267	173,017
Citibank N.A.	P-1	Aa3	Moody's	25,747	1,812
				1,245,068	840,350
Short term investments:					
Government of Pakistan		B3+	Moody's	9,402,598	6,401,215
				10,647,666	7,241,565

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

As at December 31, 2021, maximum exposure to credit risk for financial assets by geographic was as follows:

	Carrying amount	
	2021 Rs '000	2020 Rs '000
Pakistan	11,720,796	7,376,052
United Kingdom	114,043	29,288
Asia & other	200,220	870,506
	12,035,059	8,275,846

As at 31 December 2021, the ageing of financial assets was as follows:

	Carrying amount	
	2021 Rs '000	2020 Rs '000
Not due	11,494,387	8,214,403
1-30 days	234,002	26,639
31-90 days	279,543	8,207
90 days	27,127	26,597
	12,035,059	8,275,846

36.2.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking to the Company's reputation.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of the netting arrangements:

	Carrying amount Rs '000	Contractual cash flows		
		Total Rs '000	12 months or less Rs '000	1 to 5 years Rs '000
31 December 2021				
Financial liabilities				
Trade and other payables	9,489,714	(9,489,714)	(9,489,714)	—
Accrued interest/mark-up	13,141	(13,141)	(13,141)	—
	9,502,855	(9,502,855)	(9,502,855)	—
31 December 2020				
Financial liabilities				
Trade and other payables	8,375,451	(8,375,451)	(8,375,451)	—
Accrued interest/mark-up	583	(583)	(583)	—
	8,376,034	(8,376,034)	(8,376,034)	—

Cash flows included in the maturity analysis are not expected to occur significantly earlier or at significantly different amounts.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

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, 2021			December 31, 2020		
	Euro	Sterling	US dollars	Euro	Sterling	US dollars
Other receivables	184,087	67,857	313,019	223,812	3,321,168	817,041
Cash and bank balances	–	–	4,448,907	–	–	1,989,270
Trade and other payables	(1,729,952)	(325,143)	(3,581,725)	(1,362,654)	(783,979)	(1,318,157)
Net exposure	(1,545,865)	(257,286)	1,180,201	(1,138,842)	2,537,189	1,488,154

The following significant exchange rates have been applied:

	Average rate		Year-end spot rate	
	2021	2020		
Euro 1	192.47	184.77	200.72	195.52
Sterling 1	223.97	207.64	239.06	218.44
US dollar 1	162.91	161.79	176.50	159.80

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, remains constant and ignores any impact of forecast sales and purchases.

	Profit or loss		Equity, net of tax	
	Strengthening Rs '000	Weakening Rs '000	Strengthening Rs '000	Weakening Rs '000
31 December 2021				
Euro	31,029	(31,029)	22,331	(22,331)
Sterling	6,151	(6,151)	4,427	(4,427)
US dollar	(20,831)	20,831	(14,992)	14,992

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

	Profit or loss		Equity, net of tax	
	Strengthening Rs '000	Weakening Rs '000	Strengthening Rs '000	Weakening Rs '000
31 December 2020				
Euro	22,267	(22,267)	15,696	(15,696)
Sterling	(55,422)	55,422	(39,067)	39,067
US dollar	(23,781)	23,781	(16,763)	16,763

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 1,999,185 thousand (2020: Rs 2,252,622 thousand) which are subject to interest rate risk. Applicable interest rates for these financial liabilities have been indicated in respective notes.

At statement of financial position date, if interest rates had been 1% higher/lower, with all other variables remain constant, profit for the year would have been Rs 19.992 million (2020: Rs 22.526 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			
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Managerial remuneration	93,838	39,717	127,572	157,241	162,603	139,658	839,688	734,414	1,223,701	1,071,030
Corporate bonus	34,239	27,518	48,432	43,522	126,463	102,811	261,515	230,626	470,649	404,477
Leave fare assistance	2,590	1,364	7,306	6,596	1,477	1,252	25	-	11,398	9,212
Housing and utilities	14,110	14,970	16,458	14,722	59,212	61,261	343,055	320,128	432,835	411,081
Medical expenses	136	152	1,989	1,319	8,762	9,536	73,064	55,891	83,951	66,898
Post employment benefits	1,202	1,120	12,114	8,507	26,442	36,064	204,284	187,939	244,042	233,630
	146,115	84,841	213,871	231,907	384,959	350,582	1,721,631	1,528,998	2,466,576	2,196,328
Number of persons	1	1	2	3	13	18	311	302	327	324

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 nine (2020: eight) non-executive directors of the Company amounted to Rs 6,515 thousand (2020: Rs 7,846 thousand).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

38 Transactions with related parties

British American Tobacco (Investments) Limited (BAT-IL) holds 94.34% (2020: 94.34%) shares of the Company at the year end. Therefore, all the subsidiaries and associated undertakings of BAT-IL and the ultimate parent company British American Tobacco, p.l.c (BAT) are related parties of the Company. The related parties also include directors, major shareholders, key management personnel, employee funds and the entities over which the directors are able to exercise significant influence. The amounts due from and due to these undertakings are shown under receivables and payables. The remuneration of the chief executive, directors, key management personnel and executives is given in note 37 to the financial statements. Transactions with employee funds and associated payable/receivable balances are provided in note 33 to the financial statements.

As National Bank of Pakistan is an associated company under the Companies Act 2017 due to common directorship, yet does not fall under the definition of related party as interpreted from IAS 24 "Related Party Disclosures". Accordingly, transactions and balances with National Bank of Pakistan have not been disclosed in the related party disclosure.

	2021 Rs '000	2020 Rs '000
Procurement of goods and services from:		
Holding company	2,253,371	1,664,897
Associated companies	5,273,360	3,386,385
Director	—	34,834
Sale of goods and services to:		
Holding company	11,335	10,522
Associated companies	7,872,332	5,206,729
Dividend paid to:		
Holding company	19,348,274	14,027,499
Royalty charged by:		
Holding /associate company		
Charged	598,658	531,093
Expenses reimbursed to:		
Holding company	590	20,807
Associated companies	372	22,687
Expenses reimbursed by:		
Holding company	53,228	77,414
Associated companies	456,184	911,071
Payment under employee incentive schemes:		
Key management personnel	57,709	38,832
Other income:		
Associated company:		
Recharges written back	57,146	288,504

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

Associated companies / related parties and associated undertakings	Aggregate % of Basis of relationship	shareholding
Pheonix (Private) Limited	Subsidiary	Nil
BAT SAA Services (Private) Limited	Common Directorship	Nil
National Bank of Pakistan	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%
Syed Ali Akbar	Director	0.000978%
William Pegel	Director	0.000978%
Syed Asad Ali Shah	Director	0.000196%
Syed Javed Iqbal	Director	0.000196%
Wael Sabra	Director	0.000196%
Belinda Ross	Director	0.000196%
Asif Jooma	Director	0.000196%
Mohammad Riaz	Director	0.000196%
Lt. Gen (Rtd.) Muhammad Masood Aslam	Director	0.000196%
Shannon Luke McInnes	Director	0.000196%
Huseyin Ozsan Ozbas	Director	0.000196%
M. Idries Ahmed	Key management personnel	0.000025%
Sami Zaman	Key management personnel	0.000059%
Ahsan Irshad	Key management personnel	Nil
Syed Hammad Ali Naqvi	Key management personnel	Nil
Waqas Ahmed Khan	Key management personnel	Nil
Mohammad W.Naser	Key management personnel	Nil
Khubaib Akram	Key management personnel	Nil
Khan Muhammad Mohmand	Key management personnel	Nil
Muhammad Asim	Key management personnel	Nil
Hassan Khalid	Key management personnel	Nil
Uzair Qazi	Key management personnel	Nil
Haroon Saleem	Key management personnel	Nil
Muhammad Imran Sharif	Key management personnel	Nil
Muhammad Usama Bin Shabbir	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	94.34%	United Kingdom
BAT Rothmans International	Holding Company	0.31%	United Kingdom
BAT Exports Limited	Fellow Subsidiary	0.00%	United Kingdom
Ceylon Tobacco Company PLC	Fellow Subsidiary	0.00%	Sri Lanka
British American Tobacco Myanmar Limited	Fellow Subsidiary	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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

Associated company	Basis of relationship	Aggregate % of Shareholding	Country of Incorporation
BAT Switzerland SA	Fellow Subsidiary	0.00%	Switzerland
British American Tobacco Chile Operaciones SA	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
BASS (GSD) Limited	Fellow Subsidiary	0.00%	United Kingdom
British American Tobacco (GLP) Limited	Fellow Subsidiary	0.00%	United Kingdom
Nicoventures Trading Ltd	Fellow Subsidiary	0.00%	United Kingdom
British American Tobacco Asia Pacific Region Ltd	Fellow Subsidiary	0.00%	Hong Kong
British American Tobacco Co. (HK) Ltd	Fellow Subsidiary	0.00%	Hong Kong
British American Tobacco GTR Ltd	Fellow Subsidiary	0.00%	Hong Kong
Fielder & Lundgren AB	Fellow Subsidiary	0.00%	Sweden
BAT Pecs 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 SA de CV	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
BAT Marketing 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 Investment (Romania) SRL	Fellow Subsidiary	0.00%	Romania
BAT (Romania) Trading SRL.	Fellow Subsidiary	0.00%	Romania
BASS Europe 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
TDR D.O.O	Fellow Subsidiary	0.00%	Croatia
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 Saudia for Trading	Fellow Subsidiary	0.00%	Saudi Arabia
BAT GCC DMCC	Fellow Subsidiary	0.00%	United Arab Emirates
BAT Middle East DMCC	Fellow Subsidiary	0.00%	United Arab Emirates
BAT Qatar LLC	Fellow Subsidiary	0.00%	Qatar
BAT Middle East S.P.C.	Fellow Subsidiary	0.00%	Bahrain
BAT Egypt Ltd.	Fellow Subsidiary	0.00%	Egypt
Central Manufacturing Company Ltd	Fellow Subsidiary	0.00%	Fiji
PT Bentoel International Investama	Fellow Subsidiary	0.00%	Indonesia
PT Bentoel International Prima	Fellow Subsidiary	0.00%	Indonesia
PT Export Leaf	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 Japan Ltd	Fellow Subsidiary	0.00%	Japan
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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

	2021 Rs '000	2020 Rs '000
39 Cash generated from operations		
Profit before taxation	26,207,048	22,387,895
Adjustment for non-cash items:		
- Depreciation / impairment	1,706,855	1,500,059
- Gain on disposal of property, plant and equipment	(81,741)	198,342
- Finance cost	274,282	240,699
- Finance income	(981,404)	(782,866)
- Foreign exchange loss	153,459	244,441
- Provision /(Reversal of provision) for slow moving stores and spares	8,896	(10,428)
- Provision / (reversal of provision) for stock-in-trade	53,114	117,492
- Provision for staff retirement benefit plans	386,448	311,410
	1,519,909	1,819,149
Changes in working capital:		
- Stock-in-trade	(2,615,091)	1,822,375
- Stores and spares	23,774	(4,473)
- Trade debts	(750)	2,868
- Loans and advances	246,289	(209,561)
- Short term prepayments	43,069	(60,494)
- Other receivables	(411,625)	229,781
- Trade and other payables	1,286,190	2,725,341
- Other liabilities	423,061	(791,956)
	(1,005,083)	3,713,881
Changes in long term deposits and prepayments	(941)	3,039
	26,720,933	27,923,964

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

	Liabilities		Equity	Total
	Unclaimed / Unpaid Dividend	Lease liability	Revenue reserves	
	Rs '000	Rs '000	Rs '000	Rs '000
Balance at January 1, 2020	144,975	1,724,548	15,735,917	17,605,440
Changes from financing cash flows:				
Finance lease payments	–	(515,883)	–	(515,883)
Dividend declared	14,818,640	–	(14,818,640)	–
Dividend paid	(14,801,378)	–	–	(14,801,378)
Total changes from financing cash flows	17,262	(515,883)	(14,818,640)	(15,317,261)
Other changes:				
New leases	–	1,168,267	–	1,168,267
Retirements	–	(124,310)	–	(124,310)
Total equity-related other changes	–	–	16,040,642	16,040,642
Balance at December 31, 2020	162,237	2,252,622	16,957,919	19,372,778

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

	Liabilities			Total
	Unclaimed / Unpaid Dividend	Lease liability	Short term Running finance / export refinance	
	Rs '000	Rs '000	Rs '000	Rs '000
Balance at January 1, 2021	162,237	2,252,622	–	2,414,859
Changes from financing cash flows:				
Finance Lease payments	–	(987,256)	–	(987,256)
Additions during the year	–	–	2,300,000	2,300,000
Dividend declared	20,439,504	–	–	20,439,504
Dividend paid	(15,861,094)	–	–	(15,861,094)
Total changes from financing cash flows	4,578,410	(987,256)	2,300,000	5,891,154
Other changes:				
New leases	–	873,657	–	873,657
Retirements	–	(139,838)	–	(139,838)
Total equity-related other changes	–	–	18,899,959	18,899,959
Balance at December 31, 2021	4,740,647	1,999,185	21,199,959	27,939,791

41 Events after the reporting date

In respect of the year ended December 31, 2021 final dividend of Rs 28.00 (2020: Rs 28.00) per share amounting to a total dividend of Rs 7,153,826 thousand (2020: Rs 7,153,826 thousand) has been proposed at the Board of Directors meeting held on February 24, 2022. These financial statements do not reflect this proposed dividend.

42 General

42.1 Date of authorization for issue

These financial statements have been authorized for circulation to the shareholders by the Board of Directors of the Company on February 24, 2022.



Syed Ali Akbar
Chief Executive Officer



William Pegel
Chief Financial Officer / Director

PAKISTAN TOBACCO COMPANY LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

CHAIRMAN'S REVIEW

(Consolidated Accounts)

I am pleased to share the Annual Report for the year 2021.

2021 Performance

The legitimate tobacco industry remained under pressure due to the renewed surge of counterfeit products and continued presence of duty not paid (DNP) brands. The Government's decision not to change excise rates was a positive outcome from FY 2021-22 budget that provided consumer price stability. Enhanced enforcement support by the Government is key to ensure fair competition within the tobacco industry and would prevent loss of further tax revenues towards the national exchequer.

Stable excise rates helped in growing PTC's volume and owing to this the Company's overall financial position has remained healthy. The Company delivered EPS growth of 14% which was 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.

Environment, Social & Governance (ESG) Agenda

PTC continues to build upon its heritage of giving back to the community. Since 1981, the company has been running one of the largest private sector afforestation programs across the country. Under this initiative, the Company plants and distributes tree saplings free of cost. During 2021, the Company planted and distributed more than 5 Million saplings in addition to dispersing 50 Million seeds in a first of its kind initiative, throw & grow.

In the backdrop of growing environmental sustainability concerns PTC has invested heavily in Solar Energy, with our Jhelum (1.9 MW) and Akora (1.3 MW) sites becoming the highest renewable energy generating sites in Middle East & South Asia Area for BAT.

Amongst our other CSR initiatives, the Company continued to provide free medical advice and medicines under its Mobile Doctor Unit program. In 2021, more than 150,000 patients took medical advice and medicines under this program. To ensure local community is protected from water borne diseases, the Company is providing clean drinking to the less privileged sectors of the society through 27 water filtration plants, each filtering 20,000 liters of water per day. PTC installed drip irrigation systems on 215 hectares of land in water scarce areas that enabled water conservation of 237.5 Million liters of water per annum.

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 and strongly discourages malpractice. This message is cascaded and internalized across the Company through face to face

and online trainings conducted throughout the year as part SoBC refreshers. 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. In line with this, PTC continues to invest in the new category of nicotine pouches called 'VELO' with the aim of driving 'tobacco harm reduction' agenda. This was delivered on the back of bold and agile initiatives including national expansion of VELO, and setup of an exclusive local factory for VELO. On the cigarettes and cut-tobacco exports front, \$39 Million in foreign direct inflows were generated to further augment the Company's ambition of becoming the primary export hub for the region. Pakistan also emerged as the front runner for setting up a shared services hub, thus serving as a talent incubator, enabling Pakistan to become a Services Exports market unlocking enormous potential for future foreign direct investment.

The presence of a large illicit sector remains an area of concern, as it continues to create major sustainability issues for the legitimate industry while causing revenue losses of over Rs 70 Billion 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, the regulations issued in 2020 by Ministry of National Health Services, Regulations and Coordination to prohibit tobacco and tobacco products' advertising, promotion, and sponsorship continued to remain a key hindrance. Local DNP brands continue to violate the previous laws and the new regulation which not only disrupted the creation of a level playing field within the tobacco industry but also negatively impacted Government tax revenues. 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 Mahmood Chairman

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, 2021.

Macroeconomic Environment

In 2021, the global economy faced continuing uncertainty by the Covid-19 Pandemic, with Pakistan being no different. The lockdowns across the country continued to impact business and social activities. However, due to an increased roll-out and uptake of vaccines across the country, some normalcy in business operations returned in 2021.

Although there were various positive signs in the Pakistan economy high inflation coupled with an adverse volatility of the Pakistan rupee severely impacted the bottom-line. The current account balance continues to be under immense pressure due to increased imports and a stagnant export base. All of this results in consumers disposable income remaining under pressure.

Industry Overview

Fiscal Environment

In FY 2020-21 budget, the Government did not change the excise rates. This helped in ensuring the price differential between Duty Not Paid (DNP) and legitimate brands did not increase. Furthermore, this had a positive outcome as it provided consumer price stability in the tobacco sector and helped in curbing the increasing illicit market, leading to a drop in illicit market share of 0.9%¹ vs SPLY. Moreover, due to excise stability, government revenues significantly increased by Rs. 22.3 billion from FY 2020.

Despite the price stability, the disparity between Duty paid and DNP brands continues to pose a serious challenge to the legitimate tobacco sector where selling prices of DNP brands are not just lower than the Government mandated minimum price of Rs. 62.75/pack, but even lower than the minimum excise and sales tax payable on a pack of 20 cigarettes i.e. Rs. 42.12/pack. This consistent tax avoidance not only impacts the sustainability of the tax-paying legitimate industry but also results in loss of Government revenue to the tune of approximately Rs. 70 billion per annum.

Enforcement remains a key pillar to curtail growth of the DNP segment. The Government needs significantly scale up enforcement with dedicated human and financial resources to ensure a level playing field in the legitimate tobacco industry which will positively impact revenue collection for the Government. We are hopeful that with the implementation of Track and Trace by the government in mid-2022 there accompanying enforcement will enable government to claw back significant volume from the DNP segment.

Counterfeit incidence was a key challenge in 2021. According to one independent research, counterfeit incidence of PTC brands amounted to an annualized volume loss of 2.8 billion sticks with a potential revenue loss of Rs. 6 billion for the Government. To curtail the incidence of counterfeit, the Company introduced a technology enabled solution. This solution not only enabled consumers to identify a genuine product at the point of sale but also served as an effective tool for Law Enforcement Agencies (LEAs) for on spot detection of counterfeit products. This initiative has been instrumental in curbing counterfeit incidence and has helped PTC to add back 2.5 Bn sticks to the legitimate sector and adding Rs. 5.3 Billion in increased government revenue.

Regulatory Environment

DNP products continue to violate the tobacco advertisement and promotion restrictions issued by the Ministry of National Health Services, Regulations and Coordination.

Company Performance

The Company increased sales volume by 19% during the year under review. This is primarily attributable to reduction in counterfeit volume and the excise rates stability allowing the legitimate sector to not increase the price gap with illicit products. The Company continued to maintain its market share leadership in the legitimate segment growing market share by 0.7% in 2021, reaching 78.0%. In 2021, PTC contributed Rs. 134.8 billion to the National Exchequer in the form of excise duties and various regulatory duties.

¹ Access Retail & Nielsen – Retail Audit 2020

The Company's cost base remained under pressure throughout 2021 in the wake of the currency devaluation, inflation and COVID-19 associated costs. 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.

The Company continued to focus on enhancing productivity across its value chain by ensuring effective cost management, lean operations, and modernization of machinery infrastructure. PTC's export initiative "Made in Pakistan", in its second year of full-scale operation, resulted in exports of \$38.4 million during the period under review. PTC export initiatives have significant potential to grow in the coming years generating additional valuable foreign currency inflows for the Country.

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. For its drive and consistent focus on Diversity and Inclusion, the Company was awarded the "Global Diversity & Inclusion, Progressive Award 2021" by Global Diversity and Inclusion Benchmarks.

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 5 million saplings free of cost in 2021. In a first of its kind initiative, Throw and Grow, 50 million seeds were dispersed in the forest reserves of Margalla Hills and Barakahu.

Under the MDU program, the Company dispensed medical advice and medicines free of cost to more than 150,000 patients in 2021. To ensure that the local community is protected from water borne diseases, the Company is providing clean drinking water to the less privileged segments of society through 27 water filtration plants, providing 20,000 liters of water per plant per day. BAT Group is driving the agenda for A Better Tomorrow™ by reducing health impact of its business by offering potentially less risky products to its adult consumers. The group has invested approximately \$5 billion in research and development for new categories which comprise of potentially reduced risk products. In line with Group's agenda for tobacco harm reduction, PTC continued to

build on its venture into new categories of tobacco-free nicotine products (VELO). VELO has now been launched across all major cities in Pakistan.

Financial Review

	Rs. (million)	
	FY2021	FY2020
Gross Turnover	199,469	166,258
FED & Sales Tax	124,481	105,368
Net Turnover	74,988	60,891
Cost of Sales	39,092	29,329
Gross Profit	35,896	31,562
Operating Profit	25,500	21,846
Profit Before Tax – PBT	26,207	22,388
Profit After Tax – PAT	18,862	16,492
Earnings Per Share – EPS (Rs.)	73.83	64.55

Profit & Loss Analysis

The Company contributed 68% of gross earnings (Rs. 134.8bn vs Rs. 112.7bn for 2020) as revenue to the Government while retaining 9% of revenues for distribution amongst shareholders and reinvestment in the business. Cost of Sales and Operating Expenses accounted for 18% and 5% of gross earnings respectively.

Domestic gross turnover increased by 20% vs SPLY in line with a 19% volume increase on account of the price stability due to excise hold. Exports Turnover increased by 26% vs SPLY, driven by a significant increase in export volumes as compared to SPLY. The Company exported 1.6 billion cigarette sticks, 5.6 million kgs of cut rag tobacco and 1.2 million kgs of unmanufactured tobacco in 2021 with a turnover amounting to \$38.4 million.

Cost of Sales increased primarily due to devaluation of local currency, increase in exports and inflationary pressures. These were mitigated through multiple productivity savings initiatives and focused cost management to reduce the overall cost base. Administrative expenses had a 19% increase due to higher information technology costs, in line with BAT's strategy of simplification through automation.

*Based on the weighted of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive.

Net Finance Income increased by 30% in 2021, attributable to surplus funds available for T-Bill investments on account of better cash position.

Statement of Financial Position Analysis

Property, plant & equipment increase in 2021 was primarily driven by upgrades to existing manufacturing capacities and infrastructure to support better product quality, innovation, higher operating efficiencies and regulatory requirements.

Stock in Trade increase was attributable to higher finished goods and raw material inventory.

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 2021 due to more import orders in Q4'21.

Short term investments in Government treasury bills recorded an increase from the previous year due to higher availability of surplus funds from sales cash inflows at year end.

Current Liabilities increased due to higher dividends payable to internal shareholders on account of lesser access to Foreign Exchange (FX) due to stricter monitoring by the State Bank of Pakistan.

Liquidity Management

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.

Profit Distribution & Reserve Analysis

The Company started the year with reserves of Rs. 16.9 billion. During the year, final dividend of Rs. 28 per share related to year ended 2020, was approved by shareholders and was subsequently paid. In 2021, the Company earned a net profit of Rs. 18.9 billion and declared two interim dividends of Rs. 26 per share in

Q2'21 and Rs. 26 per share in Q3'21. The net reserves position of the Company at year end stands at Rs. 15.4 billion. The details of appropriations are also elaborated in the table below:

	Rs. (Million)	Rs. Per Share
Opening Reserves	16,958	
Final Dividend 2020	(7,154)	28.00
Net Profit 2021	18,862	73.83
Other Comprehensive Income	38	
Available for appropriation	28,704	
Interim Dividends 2021	(13,286)	52.00
Closing Reserves	15,418	

Final Dividend

The Board of Directors of PTC in its meeting held on February 24, 2022 is pleased to recommend a final cash dividend of 28 per share for the year ended December 31, 2021 (2020: 28 per share), for the shareholders' approval. This recommendation is subject to approval of the shareholders in the Annual General Meeting, scheduled on April 21, 2022.

Consolidated Financial Statements and Segmental Review

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

Subsequent Events Review

The Management has assessed events arising after 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.

Operations Review

PTC has a full seed to smoke business encapsulating two factories and one of the largest leaf operations in the BAT Group. To enhance productivity throughout the value chain, the Company has a strong focus on effective

cost management, lean operations, and continuous modernization of the machinery infrastructure.

As part of the tobacco harm reduction agenda, PTC has invested more than \$10 Million in plant and machinery for an independent factory at Jhelum site to produce tobacco-free nicotine pouches. This factory is the first of its kind in the Asia Pacific and Middle East Region. It is producing nicotine pouches for both local consumption and export, thus enabling PTC to further its agenda towards tobacco harm reduction and cement its position as an export hub for BAT Group. The Company aims to invest considerably over the next 5 years in developing PTC's new category portfolio.

EH&S – Environment, Health & Safety

COVID-19 pandemic and its challenge to the health and safety of PTC's employees was handled in an organized and responsible manner in 2021. A dedicated 'Crisis Management Team' comprising of PTC's leadership was formulated to brainstorm risk mitigation strategies for crisis scenarios. Further, comprehensive standard operating procedures and 'Zero Tolerance Policies' were enforced, and company-wide awareness sessions were conducted to avoid COVID-19 contraction amongst PTC's employees.

Significant awareness and infrastructural improvements have been made concerning Environment, Health & Safety processes and procedures across the Company. Keeping in view the energy crisis in Pakistan, multiple energy conservation initiatives were undertaken in 2021. Jhelum Factory & Akora Khattak Factory became the highest renewable energy generating sites in Middle East South Asia (MESA) Area with solar generating capacities of 1.9MW and 1.3MW respectively.

Additionally, Jhelum Factory was also the leading water recycling plant in all BAT organizations across the globe and Akora Khattak Factory holds the 3rd position globally. The CO2 emissions reduction of 1050 tons is a testament to our commitment to environmentally friendly operations. PTC's manufacturing has been globally recognized in BAT Group for the efforts and outstanding results delivered through this drive for excellence.

Marketing Review

Consumer affordability continued to come under stress in 2021 due to pandemic-led economic tightening. However, despite the challenges faced, focused investments were made for a future-fit brands portfolio.

Capstan by Pall Mall retained its standing as the best performing brand in the VFM segment with a 0.2% increase in market share in 2021. Additionally, VFM segment witnessed reinforcement campaigns during the year to further enhance Gold Flake's equity and mix. This was a strategic intervention which helped the brand significantly capture lost volume and market share.

In the Aspirational Premium segment, John Player with TASTELOC was launched in the month of December 2021. The pack was changed to better fit the profile of a leading aspirational premium offering for good value and for style seekers. With regards to the premium segment strategic interventions were made pertaining to Dunhill.

Risk Management & Internal Controls

The Board is responsible for managing the risks and challenges faced by the Company in its course of operations, while maintaining a strong controlled environment. The Company's risk management and internal controls framework is aimed at safeguarding the shareholders' investment and the Company's assets, while minimizing the impact of the risks that may impede the delivery of the Company's objectives.

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.

Forward Looking Approach

Looking ahead, 2022 will be a highly 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.

Drive Growth Agenda

The Company's strategic objective is to deliver sustainable growth for its shareholders. Enabled by the implementation of the track and trace system in 2022 and enforcement by the LEAs, the Company will focus on increasing its volume base and market share.

This will be executed by means of 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 share leadership of the industry in the future.

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.

It is expected that the local currency will remain weak with minimal value appreciation, if any. 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.

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 and quality but is also capable of supporting future product innovations, necessary to maintain competitive advantage in the marketplace.

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

Environment, Social & Governance (ESG)

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 ESG agenda of the Company.

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.

Corporate Governance

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:

- 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.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and the accounting estimates are based on reasonable and prudent judgement.
- 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.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There are no significant doubts about the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the Code of Corporate Governance and listing regulations.
- All major Government levies in the normal course of business, payable as at December 31, 2021 have been disclosed in the notes to the financial statements.
- Key operating and financial data for last six years in summarized form is provided separately in this Annual Report.
- Values of investments in employee's retirement funds for the year ended December 31, 2021 are as follows. Further details are provided in Note 33 to the separate financial statements.

Fund name	(Rs. Million)
Staff pension fund	6,209
Employees gratuity fund	1,472
Management provident fund	1,615

Composition of the Board

The Board comprises a total of 12 directors: 4 are independent directors, 5 non-executive directors and 3 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 Directors	4
(i) Mr. Zafar Mahmood (Chairman)	
(ii) Lt. Gen. M. Masood Aslam (R)	
(iii) Mr. Mohammad Riaz	
(iv) Mr. Asif Jooma	
b. Non- Executive Directors	5
(i) Mr. Wael Sabra	
(ii) Ms. Belinda Joy Ross	
(iii) Mr. Ozsan Ozbas	
(iv) Syed Javed Iqbal	
(v) Mr. Shannon Luke McInnes	
c. Executive Directors	3
(i) Mr. Syed Ali Akbar	
(ii) Mr. William Francis Pegel	
(iii) Mr. Syed Asad Ali Shah	

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

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

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

Changes in the Board

Three new directors were inducted in 2021. Mr. Tajamal Shah, Mr. Zafar Aslam and Mr. Usman Zahur resigned w.e.f. March 1st 2021. They were replaced by Mr. Wael Sabra, Mr. Shannon Luke McInnes and Mr. Ozsan Ozbas.

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 2021, 5 Board meetings were held, out of which the 1st meeting was held on 23rd February 2021.

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.

Members	Attendance
Mr. Zafar Mahmood Chairman	5/5
Usman Zahur Managing Director and CEO (resigned w.e.f 01.03.21)	1/5
Syed Ali Akbar Managing Director and CEO (appointed w.e.f 01.03.21)	4/5
William Francis Pegel Director Finance & IT	5/5
Syed Asad Ali Shah Director Legal and External Affairs	5/5
Syed Javed Iqbal Non-Executive Director	3/5
Belinda Joy Ross Non-Executive Director	3/5
Zafar Aslam Khan Non-Executive Director (resigned w.e.f 01.03.21)	0/5
Lt. Gen.(R) M. Masood Aslam Independent Director	5/5
Mohammad Riaz Independent Director	5/5
Asif Jooma Independent Director	5/5
Mr. Tajamal Shah Non-Executive Director (resigned w.e.f 01.03.21)	1/5
Wael Sabra Non-Executive Director (joined w.e.f 03.05.21)	1/5
Shannon McInnes (joined w.e.f 03.05.21) Non-Executive Director	3/5
Ozsan Ozbas (joined w.e.f 03.05.21) Non-Executive Director	2/5

Meetings Held Outside Pakistan

In 2021, PTC conducted all its Board meetings in Pakistan.

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.

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.

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 must 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.

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.

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.

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.

Performance for the year 2021 is demonstrated by achievement of the corporate plan and compliance with the applicable regulatory requirements.

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.

Directors' Training Program

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

Last AGM

The Company's 74th AGM (Annual General Meeting) was held on April 22, 2021. 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. No issues were reported in that meeting.

Auditors

Statutory Audit for the Company for the financial year ended December 31, 2021 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, 2021 on the recommendation of the Audit Committee. This shall be subject to the approval of the shareholders in their meeting scheduled for April 21, 2022.

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, 2020 alongside the disclosure as required under Code of Corporate Governance is provided separately in this Annual Report.

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.

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 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 Mahmood Chairman

Ali Akbar MD/CEO

INDEPENDENT AUDITORS' REPORT

To the members of Pakistan Tobacco Company Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of Pakistan Tobacco Company Limited (PTC) and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 31 December 2021, and 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 2021, 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	<p>Revenue recognition</p> <p>Refer notes 7.2 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/tobacco of Rs 74,987.7 million for the year ended 31 December 2021.</p> <p>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.</p>	<p>Our audit procedures to assess the recognition of revenue, amongst others, included the following:</p> <ul style="list-style-type: none"> • 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	<p>Valuation of stock-in-trade</p> <p>Refer notes 7.12 and 18 to the consolidated financial statements.</p> <p>As at 31 December 2021, stock-in-trade is stated at Rs 22,044.6 million. Stock-in-trade is measured at the lower of cost and net realisable value.</p> <p>We identified existence and valuation of stock-in-trade as a key audit matter due to its size, representing 42% of total assets of the Group as at 31 December 2021, and the judgement involved in valuation.</p>	<p>Our audit procedures to assess the valuation of stock-in-trade, amongst others, included the following:</p> <ul style="list-style-type: none"> • Assessing the design, implementation and operating effectiveness of key internal controls over valuation of stock-in-trade including determination of net realizable values; • Attending inventory counts and reconciling the count results to the inventory listings; • Assessing the accuracy of cost of stock in trade in accordance with the accounting policy; • Assessing the net realizable value of stock-in-trade by comparing, on a sample basis, management's estimation of future selling prices for the products and selling prices achieved subsequent to the end of the reporting period; and • Comparing the net realizable value to the cost of a sample of stock-in-trade and comparison to the associated provision to assess whether stock-in-trade provisions are complete.

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 2021, 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 Riaz Akbar Ali Pesnani.



KPMG Taseer Hadi & Co.
Chartered Accountants

21st March 2022
Islamabad
UDIN: AR202110115wZ7LzCRJ9

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2021

	Note	2021 Rs '000	2020 Rs '000
Gross turnover	8	199,469,017	166,258,483
Excise duties		(95,177,089)	(80,907,579)
Sales tax		(29,304,177)	(24,460,393)
Net turnover		74,987,751	60,890,511
Cost of sales	9	(39,091,727)	(29,328,821)
Gross profit		35,896,024	31,561,690
Selling and distribution costs	10	(5,002,183)	(5,015,427)
Administrative expenses	11	(3,988,963)	(3,357,904)
Other operating expenses	12	(2,129,084)	(2,091,229)
Other income	13	724,132	748,598
		(10,396,098)	(9,715,962)
Operating profit		25,499,926	21,845,728
Finance income		981,404	782,866
Finance cost	14	(274,282)	(240,699)
Net finance income		707,122	542,167
Profit before income tax		26,207,048	22,387,895
Income tax expense	15	(7,344,961)	(5,895,405)
Profit for the year		18,862,087	16,492,490
Earnings per share (basic and diluted)- (Rupees)		73.83	64.55

The annexed notes 1 to 40 form an integral part of these consolidated financial statements.



Syed Ali Akbar
Chief Executive Officer



William Pegel
Chief Financial Officer / Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2021

	Note	2021 Rs '000	2020 Rs '000
Profit for the year		18,862,087	16,492,490
Other comprehensive income/loss:			
Items that will not be reclassified to profit or loss			
- Remeasurement gain/(loss) on defined benefit pension and gratuity plans	31	53,341	(636,405)
- Tax charge/credit related to remeasurement loss on defined benefit pension and gratuity plans	15.2	(15,469)	184,557
		37,872	(451,848)
Total comprehensive income for the year		18,899,959	16,040,642

The annexed notes 1 to 40 form an integral part of these consolidated financial statements.



Syed Ali Akbar
Chief Executive Officer



William Pegel
Chief Financial Officer / Director

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2021

	Note	2021 Rs '000	2020 Rs '000
Non current assets			
Property, plant and equipment	16	15,838,588	15,126,803
Advance for capital expenditure		1,115,233	716,864
Long term deposits and prepayments	17	28,661	27,720
		16,982,482	15,871,387
Current assets			
Stock-in-trade	18	22,044,653	19,482,676
Stores and spares	19	646,230	678,900
Trade debts	20	2,142	1,392
Loans and advances	21	88,916	335,205
Short term prepayments		33,346	76,415
Other receivables	22	1,913,221	1,316,315
Short term investments	23	9,402,598	6,401,215
Cash and bank balances	24	1,245,068	842,296
		35,376,174	29,134,414
Current liabilities			
Trade and other payables	25	20,586,467	19,202,894
Other liabilities	26	2,496,927	2,073,866
Short term running finance/export refinance	27	2,300,000	—
Lease liability	28	577,272	678,730
Unpaid dividend	29	4,663,641	84,856
Unclaimed dividend		77,006	77,381
Accrued interest / mark-up		13,141	583
Current income tax liabilities		1,219,431	912,236
		(31,933,885)	(23,030,546)
Net current assets		3,442,289	6,103,868
Non current liabilities			
Lease liability	28	(1,421,913)	(1,573,892)
Deferred income tax liabilities	30	(1,029,546)	(888,506)
		(2,451,459)	(2,462,398)
Net assets		17,973,312	19,512,857
Share capital and reserves			
Share capital	32	2,554,938	2,554,938
Revenue reserve - Unappropriated profit		15,418,374	16,957,919
		17,973,312	19,512,857
Contingencies and commitments	33		

The annexed notes 1 to 40 form an integral part of these consolidated financial statements.



Syed Ali Akbar
Chief Executive Officer



William Pegel
Chief Financial Officer / Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2021

	Share capital Rs '000	Revenue Reserve - unappropriated profit Rs '000	Total Rs '000
Balance at January 1, 2020	2,554,938	15,735,917	18,290,855
Total Comprehensive income for the year:			
Profit for the year	—	16,492,490	16,492,490
Other comprehensive loss for the year	—	(451,848)	(451,848)
Total Comprehensive income for the year	—	16,040,642	16,040,642
Transactions with owners of the Company:			
Final dividend of Rs 23.00 per share relating to the year ended December 31, 2019	—	(5,876,357)	(5,876,357)
Interim dividend of Rs 15.00 per share relating to the year ended December 31, 2020	—	(3,832,407)	(3,832,407)
Interim dividend of Rs 20.00 per share relating to the year ended December 31, 2020	—	(5,109,876)	(5,109,876)
Total transactions with owners of the Company	—	(14,818,640)	(14,818,640)
Balance at December 31, 2020	2,554,938	16,957,919	19,512,857
Balance at January 1, 2021	2,554,938	16,957,919	19,512,857
Total Comprehensive income for the year:			
Profit for the year	—	18,862,087	18,862,087
Other comprehensive income for the year	—	37,872	37,872
Total comprehensive income for the year	—	18,899,959	18,899,959
Transactions with owners of the Company:			
Final dividend of Rs 28.00 per share relating to the year ended December 31, 2020	—	(7,153,826)	(7,153,826)
Interim dividend of Rs 26.00 per share relating to the year ended December 31, 2021	—	(6,642,839)	(6,642,839)
Interim dividend of Rs 26.00 per share relating to the year ended December 31, 2021	—	(6,642,839)	(6,642,839)
Total transactions with owners of the Company	—	(20,439,504)	(20,439,504)
Balance at December 31, 2021	2,554,938	15,418,374	17,973,312

The annexed notes 1 to 40 form an integral part of these consolidated financial statements.



Syed Ali Akbar
Chief Executive Officer



William Pegel
Chief Financial Officer / Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2021

	Note	2021 Rs '000	2020 Rs '000
Cash flows from operating activities			
Cash generated from operations	37	26,720,933	27,923,964
Finance cost paid		(261,724)	(258,975)
Income tax paid		(6,912,195)	(5,005,444)
Contribution to retirement benefit funds		(574,464)	(444,152)
Net cash generated from operating activities		18,972,550	22,215,393
Cash flows from investing activities			
Purchases of property, plant and equipment		(2,022,139)	(3,659,936)
Advance for capital expenditure		(398,369)	(541,081)
Proceeds from sale of property, plant and equipment		419,059	226,567
Interest received		981,404	782,866
Net cash used in investing activities		(1,020,045)	(3,191,584)
Cash flows from financing activities			
Dividends paid		(15,861,094)	(14,801,378)
Lease payments		(987,256)	(515,883)
Proceeds from export refinance facility		2,300,000	–
Net cash used in financing activities		(14,548,350)	(15,317,261)
Net increase in cash and cash equivalents		3,404,155	3,706,548
Cash and cash equivalents at beginning of year		7,243,511	3,536,963
Cash and cash equivalents at end of year		10,647,666	7,243,511
Cash and cash equivalents comprise:			
Cash and bank balances	24	1,245,068	842,296
Short term investments	23	9,402,598	6,401,215
		10,647,666	7,243,511

The annexed notes 1 to 40 form an integral part of these consolidated financial statements.



Syed Ali Akbar
Chief Executive Officer



William Pegel
Chief Financial Officer / Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

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 47,728 million cigarettes (2020: 45,330 million cigarettes) actual production was 46,080 million cigarettes (2020: 39,113 million cigarettes). For modern oral manufacturing capacity was 330 million pouches (2020: nil) and actual production was 172 million pouches (2020: nil). The split from each industrial unit is given below.

FMC Site	Manufacturing Capacity	
	2021 (Units in Millions)	2020 (Units in Millions)
Akora Khattak Factory	22,710	21,412
Jhelum Factory	25,018	23,918
Total	47,728	45,330
Modern Oral Site		
Jhelum Factory	330	–

FMC Site	Actual Production	
	2021 (Units in Millions)	2020 (Units in Millions)
Akora Khattak Factory	22,690	18,494
Jhelum Factory	23,390	20,619
Total	46,080	39,113
Modern Oral Site		
Jhelum Factory	172	–

Actual production is less than the installed capacity due to market demand. Capacity has been also reduced due to reduction in demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

Number of employees

Total number of employees as at December 31, 2021 were 1,066 (2020: 1,038). Out of the total number of employees, the number of factory employees as at December 31, 2021 were 390 (2020: 377). Average number of employees during the year were 1,043 (2020: 1,059), whereas average factory employees during the year were 377 (2020: 411)

Impact of COVID-19

During the last year, the COVID-19 pandemic emerged which impacted the economy of country in general, however the Group has not experienced any major disruptions to the operations or decline in revenue due to temporary lockdown imposed by the Government to counter COVID-19 outbreak.

2 Statement of compliance

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

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

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

3 Basis of measurement

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

4 Functional and presentation currency

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

5 Use of estimates and judgements

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts 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 16 – useful lives, residual values and depreciation method of property, plant and equipment
- Note 18 and 19 – Provision for obsolescence of stock in trade and stores and spares
- Notes 15 and 30 – Provision for income tax and calculation of deferred tax
- Note 31 – Retirement benefits
- Note 34 – Financial instruments – fair values
- Note 33 – Contingencies
- Note 28 – 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

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 International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 1 January 2022:

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual periods beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprises the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The following annual improvements to IFRS Standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.

IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for annual periods beginning on or after 1 January 2022 clarifies that sales proceeds and costs of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

Reference to the Conceptual Framework (Amendments to IFRS 3) – Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.

Classification of liabilities as current or non-current (Amendments to IAS 1) amendments apply retrospectively for the annual periods beginning on or after 1 January 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.

Definition of Accounting Estimates (Amendments to IAS 8) – The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after 1 January 2023 and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) – The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

The above amendments are not likely to have an impact on the Group's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

7 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements

Significant accounting policies of the Group are as follows:

7.1 Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its wholly owned subsidiary company i.e. PPL, collectively called "the Group".

Subsidiaries are all entities over which the Group has the control or a shareholding of more than half of the voting rights. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which the control is transferred to the Group. They are derecognized from the date the control ceases.

7.2 Revenue recognition

Revenue comprises the invoiced value for the sale of goods net of sales taxes, rebates and discounts. Certain marketing costs are deducted from the gross amount of sales. Revenue from the sale of goods is 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 recognized when specific criteria have been met for each of the Group's activities as described below.

Revenue from contracts with customers

Sale of goods

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

Contract assets

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

Contract liabilities

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 recognized on realized amounts. All other income is recognized on accrual basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

7.3 Income tax

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

Current

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

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

Deferred income tax is calculated at the rates that are expected to apply to the period when the differences reverse.

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

7.4 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount could be reliably estimated. Provisions are not recognized for future operating losses. All provisions are reviewed at each statement of financial position date and adjusted to reflect current best estimate.

7.5 Earnings per share

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

7.6 Contingent assets

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

7.7 Contingent liabilities

Contingent liability is disclosed when the Group has a possible obligation as a result of past events whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent liabilities are not 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 recognized in the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

7.8 Employee benefits

(a) Retirement benefit plans

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

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

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

The Group operates:

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

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

The current service cost of the defined benefit plan, 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 Group are recognized as employee benefit expense when they are due. Prepaid contributions, if any, are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Termination benefits

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

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

(e) Share-based payments

The Group has two cash-settled share-based compensation plans. Share options are granted to key management personnel which vest over a period of three years. A liability equal to the portion of the services received is 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.

7.9 Lease liability

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e. below Rs 100,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

7.10 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized.

All other repairs and maintenance expenses are recognized in the statement of profit or loss during the financial period in which they are incurred.

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

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

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Gains and losses on disposals of operating fixed assets are recognized in the statement of profit 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.

7.11 Impairment of non-financial asset

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount for which assets carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date. Reversals of the impairment losses are restricted to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if impairment losses had not been recognised. An impairment loss or reversal of impairment loss is recognised in the statement of profit or loss.

7.12 Stock in trade

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

7.13 Stores and spares

Stores and spares are stated at cost less allowance for obsolete and slow moving items. Cost is determined using weighted average method. Items in transit are valued at cost comprising invoice value and other related charges incurred up to the statement of financial position date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

7.14 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 amortized cost or FVOCI as described above are measured at FVTPL.

iii. Subsequent measurement

Financial assets at FVTPL Measured at fair value. Net gains and losses, including any interest or dividend income, are 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

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 amortized cost using the effective interest method.

iv. De-recognition

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

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Any gain / (loss) on the recognition and de-recognition of the financial assets and liabilities is included in the statement of profit or loss for the period in which it arises.

v. Impairment of financial assets

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

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

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

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

Financial liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

7.16 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.

7.17 Cash and cash equivalents

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

7.18 Foreign currency transactions and translation

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

7.19 Fair value measurement

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

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

	2021 Rs '000	2020 Rs '000
8 Gross turnover		
- Domestic	193,211,473	161,274,986
- Export	6,257,544	4,983,497
	199,469,017	166,258,483

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 12,034 thousand (2020: Rs 16,817 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

	2021 Rs '000	2020 Rs '000
9 Cost of sales		
Raw material consumed		
Opening stock of raw materials and work in process	16,977,657	19,573,174
Raw material purchases and expenses - note 9.1	31,952,909	21,026,617
Closing stock of raw materials and work in process	(18,261,871)	(16,977,657)
	30,668,695	23,622,134
Government taxes and levies		
Customs duty and surcharges	2,534,866	1,138,889
Provincial and municipal taxes and other duties	369,137	283,753
Excise duty on royalty	59,917	53,109
	2,963,920	1,475,751
	33,632,615	25,097,885
Royalty - note 9.2	598,658	531,093
Provision/(Reversal) for severance benefits	136,772	(169,268)
Production overheads		
Salaries, wages and benefits	2,310,885	2,075,632
Stores, spares and machine repairs	1,024,182	690,930
Fuel and power	851,283	445,393
Insurance	43,396	38,595
Repairs and maintenance	742,371	457,110
Postage, telephone and stationery	14,974	14,775
Information technology	32,726	20,780
Depreciation	873,665	795,972
Provision for damaged stocks / stock written off	98,476	67,901
Provision / (reversal) for slow moving items / stores written off	8,896	(10,428)
Sundries	53,705	45,593
	6,054,559	4,642,253
Cost of goods manufactured	40,422,604	30,101,963
Cost of finished goods		
Opening stock	2,632,867	1,859,725
Closing stock	(3,963,744)	(2,632,867)
	(1,330,877)	(773,142)
Cost of sales	39,091,727	29,328,821
9.1 Raw material purchases and expenses:		
Materials	28,151,667	18,244,787
Salaries, wages and benefits	1,326,310	1,231,786
Stores, spares and machine repairs	539,583	348,000
Fuel and power	875,804	475,990
Property rentals	80,685	56,303
Insurance	29,412	36,928
Repairs and maintenance	86,818	103,728
Postage, telephone and stationery	17,879	12,319
Depreciation	255,483	197,658
Sundries	589,267	319,118
	31,952,909	21,026,617

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

	2021 Rs '000	2020 Rs '000
10 Selling and distribution costs		
Salaries, wages and benefits	1,074,591	1,015,427
Selling expenses	3,066,565	3,259,737
Freight	157,392	241,638
Repairs and maintenance	73,209	82,529
Postage, telephone and stationery	13,663	10,136
Travelling	89,906	96,343
Property rentals	10,988	—
Insurance	31,634	16,200
Provision for damaged stocks / stock written off	118,903	107,089
Finished goods / wrapping material stock written off	143,587	12,422
Depreciation	221,745	173,906
	5,002,183	5,015,427
11 Administrative expenses		
Salaries, wages and benefits	875,897	757,211
Fuel and power	9,697	10,518
Insurance	2,343	2,795
Repairs and maintenance	48,811	39,277
Postage, telephone and stationery	19,298	14,293
Legal and professional charges	82,927	124,585
Donations - note 11.1	300	28,291
Information technology	2,509,088	1,938,195
Travelling	44,363	75,576
Depreciation	355,962	332,523
Auditor's remuneration and expenses - note 11.2	13,825	13,292
Sundries	26,452	21,348
	3,988,963	3,357,904
11.1 Details of donations exceeding Rs 1,000 thousand are as follows:		
Name of Donee		
Pakistan Baitul Mall	—	22,000
One To Many	—	5,000
	—	27,000

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

	2021 Rs '000	2020 Rs '000
11.2 Auditor's remuneration and expenses include:		
- Statutory audit fee	2,675	2,500
- 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	10,600	10,200
- Out-of-pocket expenses	550	592
	13,825	13,292
12 Other operating expenses		
Workers' Profit Participation Fund - 25.7	1,407,468	1,202,357
Workers' Welfare Fund - note 25.6	485,656	407,804
Bank charges and fees	45,801	37,022
Interest to Workers' Profit Participation Fund	36,700	1,263
Loss on disposal of property, plant and equipment	—	198,342
Foreign exchange loss	153,459	244,441
	2,129,084	2,091,229
13 Other income		
Income from sales / services rendered to associated companies:		
- BAT Middle East DMCC - UAE	581,565	456,624
Recharges / other payable to associated companies written back:		
-BAT ASPAC Service Center Sdn Bhd - Malaysia	53,048	253,255
-BAT (Holdings) Limited - UK	4,098	30,445
-BAT (Singapore) Pte Ltd. - Singapore	—	4,729
Gain on disposal of property, plant and equipment	81,741	—
Miscellaneous	3,680	3,545
	724,132	748,598
14 Finance cost		
Interest expense on:		
Bank borrowings	45,261	14,902
Lease liability	229,021	225,797
	274,282	240,699

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

	2021 Rs '000	2020 Rs '000
15 Income tax expense		
Current:		
For the year	6,868,461	5,722,536
For prior years	297,351	(72,062)
	7,165,812	5,650,474
Deferred	179,149	244,931
	7,344,961	5,895,405

15.1 Effective tax rate reconciliation:

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

	2021 %	2020 %
Applicable tax rate	29.00	29.00
Tax effect of:		
Prior year charge / (reversal)	1.14	(0.32)
Income taxed at different rate	(2.08)	(1.91)
Others	(0.03)	(0.44)
Average effective tax rate	28.03	26.33

	2021 Rs '000	2020 Rs '000
15.2 Tax on items directly credited to statement of other comprehensive income		
Current tax charge/(credit) on defined benefit plans	53,578	(182,189)
Deferred tax charge/(credit) on defined benefit plans	(38,109)	(2,368)
	15,469	(184,557)

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

	2021 Rs '000	2020 Rs '000
16 Property, plant and equipment		
Operating assets - note 16.1	14,883,004	12,681,503
Capital work in progress - note 16.2	955,584	2,445,300
	15,838,588	15,126,803

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

16.1 Operating assets

	Free-hold land Rs '000	Buildings on free-hold land Rs '000	Plant and machinery Rs '000	Office and household equipment Rs '000	Furniture and fittings Rs '000	Vehicles Rs '000	Right of use assets				Total Rs '000
							Land and building Rs '000	Factory vehicles-fork lifter trucks Rs '000	Vehicles Rs '000	Sub-total Rs '000	
At January 1, 2020											
Cost	33,934	970,868	17,251,879	1,980,058	474,810	128,432	1,579,109	45,807	1,232,393	2,857,309	23,697,290
Accumulated Depreciation	–	(306,927)	(9,222,109)	(1,357,700)	(320,113)	(102,954)	(343,927)	(31,411)	(418,589)	(793,927)	(12,103,730)
Net book amount January 1, 2020	33,934	663,941	8,029,770	622,358	154,697	25,478	1,235,182	14,396	813,804	2,063,382	11,593,560
Year ended December 31, 2020											
Net book amount at January 1, 2020	33,934	663,941	8,029,770	622,358	154,697	25,478	1,235,182	14,396	813,804	2,063,382	11,593,560
Additions	–	69,738	1,474,838	342,436	81,764	178	257,592	352,768	433,597	1,043,957	3,012,911
Disposals	–	(187)	(294,469)	(613)	(535)	(4,795)	(31,285)	–	(93,025)	(124,310)	(424,909)
Depreciation charge	–	(19,809)	(585,149)	(264,892)	(26,515)	(4,076)	(364,525)	(87,040)	(148,053)	(599,618)	(1,500,059)
Net book amount at December 31, 2020	33,934	713,683	8,624,990	699,289	209,411	16,785	1,096,964	280,124	1,006,323	2,383,411	12,681,503
At December 31, 2020											
Cost	33,934	1,039,621	17,698,534	2,242,202	551,113	70,068	1,765,829	367,164	1,510,957	3,643,950	25,279,422
Accumulated depreciation	–	(325,938)	(9,073,544)	(1,542,913)	(341,702)	(53,283)	(668,865)	(87,040)	(504,634)	(1,260,539)	(12,597,919)
Net book amount at December 31, 2020	33,934	713,683	8,624,990	699,289	209,411	16,785	1,096,964	280,124	1,006,323	2,383,411	12,681,503
At January 1, 2021											
Cost	33,934	1,039,621	17,698,534	2,242,202	551,113	70,068	1,765,829	367,164	1,510,957	3,643,950	25,279,422
Accumulated Depreciation	–	(325,938)	(9,073,544)	(1,542,913)	(341,702)	(53,283)	(668,865)	(87,040)	(504,634)	(1,260,539)	(12,597,919)
Net book amount January 1, 2021	33,934	713,683	8,624,990	699,289	209,411	16,785	1,096,964	280,124	1,006,323	2,383,411	12,681,503
Year ended December 31, 2021											
Net book amount at January 1, 2021	33,934	713,683	8,624,990	699,289	209,411	16,785	1,096,964	280,124	1,006,323	2,383,411	12,681,503
Additions	–	584,971	2,463,531	316,659	146,694	–	315,591	–	418,228	733,819	4,245,674
Disposals	–	(2,652)	(193,667)	(126)	(17)	(1,018)	(22,182)	–	(117,656)	(139,838)	(337,318)
Depreciation charge	–	(30,967)	(685,398)	(259,180)	(36,227)	(3,357)	(414,987)	(60,475)	(216,264)	(691,726)	(1,706,855)
Net book amount at December 31, 2021	33,934	1,265,035	10,209,456	756,642	319,861	12,410	975,386	219,649	1,090,631	2,285,666	14,883,004
At December 31, 2021											
Cost	33,934	1,621,697	20,206,115	2,531,831	697,594	69,050	1,995,764	367,164	1,655,236	4,018,164	29,178,385
Accumulated depreciation	–	(356,662)	(9,996,659)	(1,775,189)	(377,733)	(56,640)	(1,020,378)	(147,515)	(564,605)	(1,732,498)	(14,295,381)
Net book amount at December 31, 2021	33,934	1,265,035	10,209,456	756,642	319,861	12,410	975,386	219,649	1,090,631	2,285,666	14,883,004

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

16.1.1 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.
Mirpur Azad Jammu & Kashmir	178,324 Sq ft.

	2021 Rs '000	2020 Rs '000
16.2 Capital work in progress		
Carrying value at the beginning of the year	2,445,300	754,318
Additions during the year	1,054,344	2,343,498
	3,499,644	3,097,816
Transferred to operating fixed assets	(2,544,060)	(652,516)
Carrying value at the end of the year - note 16.2.1	955,584	2,445,300

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

	2021 Rs '000	2020 Rs '000
16.3 Depreciation charge has been allocated as follows:		
Cost of sales	873,665	795,972
Raw material purchases and expenses	255,483	197,658
Selling and distribution expenses	221,745	173,906
Administrative expenses	355,962	332,523
	1,706,855	1,500,059

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

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

	Cost	Book value	Sale proceeds less selling expenses	Gain/ (loss) on sale	Particulars of buyers	Relationship
	Rs '000	Rs '000	Rs '000	Rs '000		
Plant & machinery						
- by negotiation	3,253	1,313	1,313	–	BAT Myanmar Limited	Associate company
	435,791	154,573	154,573	–	BAT Bangladesh Co. Ltd.	Associate company
	5,493	4,480	2,109	(2,371)	Scrap Buyers	Contractor
Vehicles						
- as per Company's policy	2,092	621	418	(203)	Zubair Ashraf	Ex-Executive
	2,092	621	418	(203)	Ahmar Raees	Executive
	2,092	535	418	(117)	Arslan Chawla	Executive
	2,092	623	669	46	Hafsa Bakhtiar	Ex-Executive
	2,092	652	418	(234)	Kamil Shehzad	Executive
	2,094	679	751	72	Shahid Aziz Khan	Ex-Executive
	2,104	854	855	1	Jamal Toru	Executive
	2,104	537	418	(119)	Nafees Malik	Executive
	2,249	1,027	1,080	53	Syed Fahad Gillani	Ex-Executive
	2,402	680	480	(200)	Zain Mughal	Executive
	2,402	713	479	(234)	Usama Bin Shabir	Executive
	2,404	614	472	(142)	Sabeen Kazi	Ex-Executive
	2,404	580	481	(99)	Faisal Iqbal	Executive
	2,464	1,248	1,103	(145)	Umer Khan	Executive
	2,689	1,290	1,443	153	Muhammad Usman	Ex-Executive
	2,789	1,264	1,275	11	Hiba Akhtar	Ex-Executive
	2,846	1,897	1,739	(158)	M.Shanas Khan	Executive
	2,997	1,958	1,898	(60)	Usman Azam	Ex-Executive
	3,131	1,878	1,632	(246)	Agha Nawazish	Executive
	3,240	2,247	2,547	300	Ali Abdullah	Executive
	3,663	3,321	3,106	(215)	Maemoona Nauman	Ex-Executive
	3,663	3,419	3,226	(193)	Mir M.Ali Khan	Executive
	3,733	3,633	3,347	(286)	Syed Raza Imam	Ex-Executive
	5,433	1,964	1,832	(132)	Qadeer Hussain	Ex-Executive
	6,837	4,558	4,463	(95)	Ahsen Altaf	Ex-Executive
	21,500	14,047	15,336	1,289	Syed Ali Akbar	Executive
	38,448	30,246	30,274	28	Usman Zahur	Ex-Executive
- by auction	2,092	628	2,310	1,682	Through bidding in auction	Auction agent
	2,639	1,653	3,530	1,877	Through bidding in auction	Auction agent
	2,639	1,653	3,220	1,567	Through bidding in auction	Auction agent
	3,127	2,002	3,505	1,503	Through bidding in auction	Auction agent
	5,131	1,026	6,000	4,974	Through bidding in auction	Auction agent
- by insurance claim	2,646	1,446	3,000	1,554	EFU General Insurance Ltd.	Insurance agent
	3,483	2,926	3,483	557	EFU General Insurance Ltd.	Insurance agent
	3,658	3,024	3,658	634	EFU General Insurance Ltd.	Insurance agent

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

	2021 Rs '000	2020 Rs '000
17 Long term deposits and prepayments		
Security deposits	28,661	27,720
	28,661	27,720
18 Stock-in-trade		
Raw materials	16,762,002	16,030,364
Raw materials in transit	1,411,372	856,470
Work in process	88,497	90,823
Finished goods	3,963,744	2,632,867
	22,225,615	19,610,524
Provision for damaged / obsolete stocks - note 18.1	(180,962)	(127,848)
	22,044,653	19,482,676
18.1 Movement in provision for damaged stocks is as follows:		
Balance as at January 1	127,848	10,356
Provision for the year	243,684	187,412
Written off during the year	(190,570)	(69,920)
Balance as at December 31	180,962	127,848
19 Stores and spares		
Stores and spares	725,533	749,307
Provision for slow moving items - note 19.1	(79,303)	(70,407)
	646,230	678,900
19.1 Movement in provision for slowing moving items is as follows:		
Balance as at January 1	70,407	80,835
Provision/(Reversal) during the year- note 9	8,896	(10,428)
Balance as at December 31	79,303	70,407
20 Trade debts		
These are unsecured, considered good.		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

	2021 Rs '000	2020 Rs '000
21 Loans and advances		
Related parties:		
Advances to key management personnel for house rent and expenses - note 21.1	3,774	1,214
Others:		
Advances to executives for house rent and expenses	32,383	25,732
Advances to other parties	52,759	308,259
	88,916	335,205
21.1 The following advances were outstanding as at December 31:		
Haroon Saleem	3,139	–
Uzair Qazi	635	554
Hassan Khalid	–	660
	3,774	1,214

The maximum aggregate amount of advances to key management personnel outstanding at the end of any month during the year was Rs 3,902 thousand (2020: Rs 1,518 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.

	2021 Rs '000	2020 Rs '000
22 Other receivables		
Related parties - unsecured:		
Due from holding company / associated companies - note 22.1	514,075	899,794
Staff pension fund - note 31	501,307	316,026
Management provident fund	39,663	1,179
Employees' provident fund	35,682	15,908
Others:		
Claims against suppliers	6,576	6,576
Cash margin with banks - imports	771,605	55,815
Others	44,313	21,017
	1,913,221	1,316,315

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

22.1.1 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	2021 Rs '000	2020 Rs '000
Holding company:					
British American Tobacco p.l.c. - UK	11,533	—	—	11,533	10,538
Associated companies:					
BAT SAA Service (Private) Ltd. - Pakistan	60,357	139,455	—	199,812	—
BASS Europe SRL - Romania	24,116	29,022	—	53,138	119,982
BAT Nigeria Ltd-Nigeria	—	50,828	—	50,828	38,237
BAT M.E DMCC - UAE	49,832	—	—	49,832	488,394
BAT Exports Limited - UK	—	36,655	—	36,655	18,750
BAT (Investments) Ltd-UK	35,969	—	—	35,969	—
Nicoventures Trading Limited - UK	26,530	—	—	26,530	—
BAT Marketing (S) Pte Ltd - Singapore	12,222	—	—	12,222	6,016
BAT Korea Limited - Korea	—	11,608	—	11,608	—
BAT (Singapore) Pte Ltd-Singapore	10,492	—	—	10,492	5,798
BAT Aspac Service Centre Sdn Bhd-Malaysia	—	5,182	—	5,182	58,279
BAT (GLP) Limited - UK	—	3,356	—	3,356	—
Ceylon Tobacco Co. Ltd - SriLanka	2,951	—	—	2,951	—
BAT PNG Ltd - Papua New Guinea	—	2,538	—	2,538	345
Central Manufacturing Co. Ltd-Fiji Islands	—	899	—	899	138
BAT M.E SPC - Bahrain	—	—	530	530	113,536
TDR d.o.o. - Croatia	—	—	—	—	25,010
PT Bentoel International Investama - Indonesia	—	—	—	—	10,292
BAT Q LLC.- Qatar	—	—	—	—	3,483
BAT (Romania) Trading SRL - Romania	—	—	—	—	632
BAT Australia - Australia	—	—	—	—	364
Total	234,002	279,543	530	514,075	899,794

22.1.2 The maximum aggregate amount of receivable from related parties at the end of any month during the year was Rs 805,946 thousand (2020: Rs 899,794 thousand).

	2021 Rs '000	2020 Rs '000
23 Short term investments		
At fair value through profit or loss (FVTPL):		
- Market treasury bills	9,402,598	6,401,215

This represents short term investment in treasury bills issued by the Government of Pakistan and carries effective interest rate of 10.10% (2020 : 7.20%) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

	2021 Rs '000	2020 Rs '000
24 Cash and bank balances		
Deposit account - note 24.1	17,687	29,705
Current accounts:		
Local currency - note 24.2	442,149	492,760
Foreign currency	785,232	317,885
	1,245,068	840,350
Cash in hand	–	1,946
	1,245,068	842,296

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

24.2 This includes balance amounting to Rs 3.74 million (2020 :Rs 61.85) million held with National Bank of Pakistan (an associated company).

	2021 Rs '000	2020 Rs '000
25 Trade and other payables		
Related parties - unsecured:		
Due to holding company / associated companies - note 25.1	816,919	1,301,159
Others:		
Creditors	7,914,345	6,765,084
Federal excise duty - note 25.2	8,655,007	7,314,335
Sales tax	1,820,898	1,738,194
Workers' welfare fund - note 25.6	534,838	456,896
Workers' profit participation fund - note 25.7	10,968	855,357
Other accrued liabilities	97,837	117,655
Employee incentive schemes - note 25.4	124,332	106,600
Employees' gratuity fund - note 31	219,441	275,517
Staff pension fund - defined contribution	13,395	112,587
Tobacco excise duty / Tobacco development cess - note 25.3	114,834	118,134
Security deposits - note 25.5	16,935	29,342
Contract liability	246,718	12,034
	20,586,467	19,202,894

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

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

	2021 Rs '000	2020 Rs '000
Holding company:		
British American Tobacco p.l.c. - UK	180,013	197,458
Associated companies:		
BAT M.E DMCC - UAE - note 25.1.1	202,881	217,990
BAT GLP Ltd - UK	125,773	140,534
BAT Exports Limited - UK	81,327	125,955
BAT Saudia for Trading, Saudi Arabia - note 25.1.1	66,784	35,288
BAT Mexico Ltd - Mexico	31,669	—
BAT M.E SPC - Bahrain - note 25.1.1	24,915	4,674
PT Bentoel Prima - Indonesia	23,484	14,426
BAT Asia Pacific Ltd - HongKong	21,269	—
BAT Souza Cruz Ltd - Brazil	17,527	16,015
BASS GSD Ltd. - UK	11,655	55,935
BAT Singapore (Pte) Ltd - Singapore	9,516	2,363
BAT Myanmar Ltd - Myanmar - note 25.1.1	4,981	5,102
BAT GSD (KL) SDN BHD - Malaysia	3,066	2,818
Nicoventures Trading Ltd-UK	3,007	—
BAT Chile Tobacco - Chile	2,882	409
BAT Korea Manufacturing - South Korea	2,408	6,700
BAT Australia Ltd-Australia	2,023	13,339
BAT Romania Investments Ltd - Romania	584	553
BAT Tutun Mamulleri - Turkey	435	—
BAT Vranje - Serbia	285	—
BAT Nigeria Ltd - Nigeria	283	140
Ceylon Tobacco Company Plc - Sri Lanka	152	11,766
BAT Bangladesh Co. Ltd- Bangladesh	—	215,267
BAT (Investments) Ltd - UK	—	98,297
BAT ASPAC Service Center Sdn Bhd - Malaysia	—	63,121
BAT JSC-Spb - Russia	—	61,474
BAT Q LLC.- Qatar - note 25.1.1	—	10,662
Fielder & Lundgren AB. - Sweden	—	873
	816,919	1,301,159

25.1.1 Rs 299,561 thousand (2020: 273,716 thousand) relates to unsecured export advance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

	2021 Rs '000	2020 Rs '000
25.2 Federal excise duty		
Balance as at January 1	7,314,335	7,255,338
Charged during the year	95,177,089	80,907,579
Payment to the Government during the year	(93,836,417)	(80,848,582)
Balance as at December 31	8,655,007	7,314,335
25.3 Tobacco excise duty / tobacco development cess:		
Balance as at January 1	118,134	118,134
Charge for the year	222,869	176,324
Payment to the Government during the year	(226,169)	(176,324)
Balance as at December 31	114,834	118,134

25.4 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.

	2021 Rs '000	2020 Rs '000
Long Term Incentive Plan (LTIP) - note 25.4.1		
Balance as at January 1	31,707	35,384
Charge for the year	27,141	13,611
Share options exercised	(18,170)	(17,288)
Balance as at December 31	40,678	31,707
Deferred Share Bonus Scheme (DSBS) - note 25.4.2		
Balance as at January 1	74,893	64,329
Charge for the year	57,166	45,497
Share options exercised	(48,405)	(34,933)
Balance as at December 31	83,654	74,893
	124,332	106,600

25.4.1 Long Term Incentive Plan (LTIP)

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

	2021 Number of options	2020
Outstanding as at January 1	15,399	17,373
Granted during the year	1,885	1,915
Exercised during the year	(5,490)	(3,889)
Outstanding as at December 31	11,794	15,399

There are no exercisable options as at 31st December, 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

25.4.2 Deferred Share Bonus Scheme (DSBS)

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

	2021 Number of options	2020
Outstanding as at January 1	22,617	21,721
Granted during the year	7,515	6,694
Exercised during the year	(7,940)	(5,798)
Outstanding as at December 31	22,192	22,617

There are no exercisable options as at 31st December, 2021.

- 25.5** 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.

	2021 Rs '000	2020 Rs '000
25.6 Movement in Workers' Welfare Fund is as follows:		
Balance as at January 1	456,896	373,162
Charged during the year	485,656	407,804
Payment to Government /reversal during the year	(407,714)	(324,070)
Balance as at December 31	534,838	456,896
25.7 Movement in Workers' Profit Participation Fund is as follows:		
Balance as at January 1	855,357	12,004
Allocation for the year	1,407,468	1,202,357
Payments during the year	(2,251,857)	(359,004)
Balance as at December 31	10,968	855,357

26 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 502 million (2020: Rs 1,180 million) and recorded further obligations of Rs 925 million (2020:Rs 1,066 million).

27 Short term running finance - secured

(a) Short term running finance/export refinance

Short term running finance facilities available under mark-up arrangements with banks amount to Rs 6,500 million (2020: Rs 6,500 million), out of which the amount unavailed at the year end was Rs 6,500 million (2020: Rs 6,500 million). These facilities are secured by hypothecation of stock in trade and plant and machinery amounting to Rs 7,222 million (2020: Rs 7,222 million). The mark-up ranges between 7.49% and 9.71% (2020: 7.37% and 13.88%) per annum and is payable quarterly. The facilities are renewable on annual basis.

Effective August 2021, the Company has rolled over/obtained new loan of Rs 2,300 million (Dec 31, 2020 : Nil) from different banks under export refinance scheme. The interest rate is 2.20%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

(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 (2020: Rs 2,500 million) and Rs 1,200 million (2020: Rs 600 million) is available for letter of credit and letter of guarantee respectively, out of which the facility availed at the year end is Rs 295 million (2020: Rs 1,019 million) and Rs 542 million (2020: Rs 447 million). The letter of credit and guarantee facility is secured by second ranking hypothecation charge over stock-in-trade amounting to Rs 1,333 million (2020: Rs 667 million).

28 Lease liability

This represents lease agreements entered into with a leasing company for vehicles and IFRS 16 leases. Total lease rentals due under various lease agreements aggregate to Rs 1,999,185 thousand - short term Rs 577,272 thousand and long term Rs 1,421,913 thousand (December 31, 2020: Rs 2,252,622 thousand - short term Rs 678,730 thousand and long term Rs 1,573,892 thousand) and are payable in equal monthly instalments latest by December 2026. Taxes, repairs, replacement and insurance costs are to be borne by the Company. Financing rates of 9% to 13% (December 31, 2020: 7.75% to 14.61%) 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 capitalised as leased assets. When measuring the lease liabilities for leases that were capitalised during the period, the Company discounted lease payments using an estimated incremental borrowing rate and recorded lease obligation of Rs 373,573 thousand (2020: Rs 558,228 thousand) during the year. Financing rates of 9% to 13% (December 31, 2020: 9% to 14%) per annum have been used as discounting factor.

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

	2021 Rs '000	2020 Rs '000
Present value of minimum lease payments	1,999,185	2,252,622
Current maturity shown under current liabilities	(577,272)	(678,730)
	1,421,913	1,573,892
Future minimum lease payments		
Not later than one year	742,882	872,824
Later than one year	1,725,627	1,961,265
Interest	2,468,509 (469,324)	2,834,089 (581,467)
Present value of minimum lease payments	1,999,185	2,252,622
Present value of minimum lease payments		
Not later than one year	577,272	678,730
Later than one year	1,421,913	1,573,892
	1,999,185	2,252,622

29 Unpaid dividend

Unpaid dividend includes amount of Rs 4,507,434 thousand (2020: Rs Nil), payable to British American Tobacco (Investments) Limited, parent company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

	2021 Rs '000	2020 Rs '000
30 Deferred income tax liability		
Deferred tax liability is in respect of:		
Accelerated tax depreciation	1,412,009	1,325,785
Leased assets	142,931	47,426
	1,554,940	1,373,211
Deferred tax asset is in respect of:		
Remeasurement loss arising on employees' retirement benefit	(156,231)	(118,122)
Provision for severance benefits	(346,163)	(346,163)
Provision for stock and stores	(23,000)	(20,420)
	1,029,546	888,506
The gross movement on deferred income tax account is as follows:		
At January 1	888,506	645,943
Charge for the year - statement of profit or loss	179,149	244,931
(Credit) for the year - statement of comprehensive income	(38,109)	(2,368)
At December 31	1,029,546	888,506

31 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.

	2021 Rs '000	2020 Rs '000
Staff pension fund - asset - note 22	(501,307)	(316,026)
Employees' gratuity fund - liability - note 25	219,441	275,517

The latest actuarial valuation of the defined benefit plans was conducted at December 31, 2021 using the projected unit credit method. Details of the defined benefit plans are:

	Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
	2021 Rs '000	2020 Rs '000	2021 Rs '000	2020 Rs '000
(a) The amounts recognised in the statement of financial position:				
Present value of defined benefit obligations	5,707,806	5,882,010	1,691,179	1,598,481
Fair value of plan assets	(6,209,113)	(6,198,036)	(1,471,738)	(1,322,964)
Net (assets) / liability	(501,307)	(316,026)	219,441	275,517

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

		Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
		2021 Rs '000	2020 Rs '000	2021 Rs '000	2020 Rs '000
(b)	Movement in the (asset) / liability recognized in the statement of financial position is as follows:				
	Balance as at January 1	(316,026)	(881,821)	275,517	337,649
	Charge for the year - profit and loss	26,821	(39,848)	113,429	129,492
	Employer's contribution during the year	(27,352)	(22,596)	(300,914)	(129,492)
	Benefits paid by the Company	–	–	–	(70,298)
	Remeasurement (gain)/loss recognized in Other Comprehensive Income (OCI) during the year	(184,750)	628,239	131,409	8,166
	Balance as at December 31	(501,307)	(316,026)	219,441	275,517
(c)	The amounts recognised in the statement of profit and loss:				
	Current service cost	94,898	93,114	102,462	103,704
	Interest cost	593,042	612,324	162,596	204,671
	Expected return on plan assets	(627,581)	(716,248)	(134,845)	(163,947)
	Net interest	(34,539)	(103,924)	27,751	40,724
	Members' own contribution	(4,330)	(22,921)	–	–
	Seconded's own contribution	(5,473)	(6,117)	–	–
	Contribution by employer in respect of secondees	(23,735)	–	(16,784)	(14,936)
		26,821	(39,848)	113,429	129,492
(d)	Re-measurements recognised in Other Comprehensive Income (OCI) during the year:				
	Actuarial (gain) / loss on obligation	(598,185)	539,563	9,748	(10,317)
	Net return on plan assets over interest income	413,435	88,676	121,661	18,483
	Total remeasurements loss / (gain) recognised in OCI	(184,750)	628,239	131,409	8,166
(e)	Movement in the present value of defined benefit obligation:				
	Present value of defined benefit obligation at January 1	5,882,010	4,978,396	1,598,482	1,650,938
	Current service cost	94,898	93,114	102,462	103,704
	Interest cost	593,042	612,324	162,596	204,671
	Actual benefits paid during the year	(263,959)	(341,387)	(182,109)	(350,514)
	Remeasurements: Actuarial loss /(gain) on obligation	(598,185)	539,563	9,748	(10,317)
	Present value of defined benefit obligation at December 31	5,707,806	5,882,010	1,691,179	1,598,482

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

	Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
	2021 Rs '000	2020 Rs '000	2021 Rs '000	2020 Rs '000
(f) Movement in the fair value of plan assets:				
Fair value of plan assets at January 1	6,198,036	5,860,217	1,322,964	1,313,288
Interest income	627,581	716,248	134,845	163,947
Contribution by employer in respect of members	27,352	22,596	300,915	129,492
Members' own contribution	23,735	22,921	–	–
Seconded's own contribution	4,330	6,117	–	–
Contribution by employer in respect of seconded's	5,473	–	16,784	14,836
Actual benefits paid during the year	(263,959)	(341,387)	(182,109)	(280,216)
Return on plan assets, excluding amounts included in interest income	(413,435)	(88,676)	(121,661)	(18,483)
Fair value of plan assets at December 31	6,209,113	6,198,036	1,471,738	1,322,864
Actual return on plan assets	399,897	665,839	13,685	147,513

The Company expects to charge Rs 24 million for pension plan and charge Rs 123 million for gratuity plan for the year ending December 31, 2022.

	Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
	2021 Rs '000	2020 Rs '000	2021 Rs '000	2020 Rs '000
(g) The major categories of plan assets:				
Investment in listed equities	1,542,807	1,363,509	374,414	275,691
Investment in bonds	1,493,619	1,736,594	322,894	370,191
Cash and other assets	3,172,687	3,097,933	774,430	677,082
	6,209,113	6,198,036	1,471,738	1,322,964
(h) Significant actuarial assumptions at the statement of financial position date:				
Discount rate	12.50%	10.25%	10.25%	10.25%
Pension increase rate	7.00%	5.50%	–	–
Expected rate of increase in salary				
First year	10.50%	9.00%	10.50%	9.00%
Second year onwards	10.50%	9.00%	10.50%	9.00%

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 reporting date.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

(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	(623,801)	765,157	(135,369)	155,354
Salary increase	144,122	(131,668)	161,015	(142,352)
Increase in post retirement pension	628,992	(523,529)	–	–

If life expectancy increases by 1 year, the obligation of the Pension Fund increases by Rs 343,537 thousand (2020: 328,652 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	
	2021 Rs '000	2020 Rs '000	2021 Rs '000	2020 Rs '000
Weighted average duration of the PBO (Years)	10.93	11.91	8.00	8.46

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

Historical Information

	Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
	Present value of defined benefit obligation	Net asset 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
2021	5,707,806	(501,307)	1,691,179	219,441
2020	5,882,010	(316,026)	1,598,482	275,517
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

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

	2021 Rs '000	2020 Rs '000
Defined Contribution Provident Fund	109,512	103,230
Defined Benefit Pension Fund	26,821	(39,848)
Defined Contribution Pension Fund	136,686	118,536
Defined Benefit Gratuity Fund	113,429	129,492
	386,448	311,410

31.2 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	1,722,422	1,749,791
Cost of investments made	1,615,318	1,615,045
Percentage of investments made	94%	91%
Fair value of investments made	1,615,012	1,592,984

	2021		2020	
	Rs '000	% age	Rs '000	% age
(b) Breakup of investments at cost				
Pakistan Investment Bonds	188,615	11%	252,041	14%
Investment plus deposit certificates	579,750	34%	589,750	35%
Investment in savings account with bank	194,029	11%	150,661	7%
Investment in securities	281,809	16%	283,661	18%
Accrued interest	371,115	22%	338,932	17%
	1,615,318	94%	1,615,045	91%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

32 Share capital

32.1 Authorized share capital

	2021 Number of shares	2020 Number of shares		2021 Rs '000	2020 Rs '000
	300,000,000	300,000,000	Ordinary shares of Rs 10 each	3,000,000	3,000,000

32.2 Issued, subscribed and paid-up capital

	2021 Number of shares	2020 Number of shares		2021 Rs '000	2020 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 (2020: 241,045,141) ordinary shares at the year-end and 10,274 (2020:10,274) and 798,282 (2020:798,282) ordinary shares are held by the directors/other executives 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.

	2021 Rs '000	2020 Rs '000
33 Contingencies and commitments		
33.1 Contingencies		
Claims and guarantees		
(i) Claims against the Company not acknowledged as debt - Note 33.1.1	75,706	75,706
(ii) Guarantees issued by banks on behalf of the Group	541,991	447,376

33.1.1 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. Subsequent to December 31st 2020, the Rawalpindi Bench of the Lahore High Court vide Judgement dated 20th January 2021 (Judgement) has decided the case in PTC's favor. However, the Committee has filed appeal against the Judgement before the Supreme Court of Pakistan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

- 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, fixes 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 March 4th, 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 February 14th, 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. The payments to T&S were delayed due to which T&S served Notice of Termination and subsequently filed a civil suit for recovery in the district court of Islamabad. The matter is pending adjudication.

The Company expects favorable outcome in these matters and accordingly, no provision is recognised in the financial statements.

33.2 Commitments

- (b) Letters of credit outstanding at December 31, 2021 were Rs 295,277 thousand (2020: Rs 1,018,701 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

34 FINANCIAL INSTRUMENTS - Fair values and risk management

34.1 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.

	Note	December 31, 2021			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	23	9,402,598	–	9,402,598	–	9,402,598	–
Financial assets not measured at fair value							
Deposits	17	–	28,661	28,661	–	–	–
Trade debts	20	–	2,142	2,142	–	–	–
Other receivables	22	–	1,336,569	1,336,569	–	–	–
Cash and bank balances	24	–	1,245,068	1,245,068	–	–	–
		9,402,598	2,612,440	12,015,038			
Financial liabilities measured at fair value							
Financial liabilities not measured at fair value							
Trade and other payables	25	–	(9,489,741)	(9,489,741)	–	–	–
Lease liability	28	–	(1,999,185)	(1,999,185)	–	–	–
Accrued interest/mark-up		–	(13,141)	(13,141)	–	–	–
		–	(11,502,067)	(11,502,067)			
	Note	December 31, 2020			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	23	6,401,215	–	6,401,215	–	6,401,215	–
Financial assets not measured at fair value							
Deposits	17	–	27,720	27,720	–	–	–
Trade debts	20	–	1,392	1,392	–	–	–
Other receivables	22	–	983,202	983,202	–	–	–
Cash and bank balances	24	–	842,296	842,296	–	–	–
		6,401,215	1,854,610	8,255,825			
Financial liabilities measured at fair value							
Financial liabilities not measured at fair value							
Trade and other payables	25	–	(8,375,478)	(8,375,478)	–	–	–
Lease liability	28	–	(2,252,622)	(2,252,622)	–	–	–
Accrued interest/mark-up		–	(583)	(583)	–	–	–
		–	(10,628,683)	(10,628,683)			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

34.2 Financial risk management

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

- credit risk
- liquidity risk
- market risk

34.2.1 Financial 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.

34.2.2 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 12,015 million (2020: Rs 8,256 million) do not include any amounts which are past due or impaired. The table below shows bank balances held with counterparties at the reporting date.

Counterparty	Rating		Rating agency	2021 Rs '000	2020 Rs '000
	Short term	Long term			
Cash at bank:					
MCB Bank Ltd	A-1+	AAA	PACRA	172,338	434,786
Habib Bank Ltd	A-1+	AAA	VIS	195,329	10,851
Deutsche Bank AG	A-2	BBB+	S&P	175,397	151,296
MCB Islamic Bank	A-1	A	PACRA	50,252	6,737
National Bank of Pakistan	A-1+	AAA	PACRA	3,738	61,851
Standard Chartered Bank	A-1+	AAA	PACRA	622,267	173,017
Citibank N.A.	P-1	Aa3	Moody's	25,747	1,812
				1,245,068	840,350
Short term investments:					
Government of Pakistan		B3+	Moody's	9,402,598	6,401,215
				10,647,666	7,241,565

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

As at December 31, 2021, maximum exposure to credit risk for financial assets by geographic was as follows:

	Carrying amount	
	2021 Rs '000	2020 Rs '000
Pakistan	11,700,775	7,356,031
United Kingdom	114,043	29,288
Asia & other	200,220	870,506
	12,015,038	8,255,825

As at 31 December 2021, the ageing of financial assets was as follows:

	Carrying amount	
	2021 Rs '000	2020 Rs '000
Not due	11,494,387	8,214,403
1-30 days	234,002	26,639
31-90 days	279,543	8,207
90 days	7,106	6,576
	12,015,038	8,255,825

34.2.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking to the Company's reputation.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of the netting arrangements:

	Carrying amount Rs '000	Contractual cash flows		
		Total Rs '000	12 months or less Rs '000	1 to 5 years Rs '000
31 December 2021				
Financial liabilities				
Trade and other payables	9,489,741	(9,489,741)	(9,489,741)	—
Accrued interest/mark-up	13,141	(13,141)	(13,141)	—
	9,502,882	(9,502,882)	(9,502,882)	—
31 December 2020				
Financial liabilities				
Trade and other payables	8,375,478	(8,375,478)	(8,375,478)	—
Accrued interest/mark-up	583	(583)	(583)	—
	8,376,061	(8,376,061)	(8,376,061)	—

Cash flows included in the maturity analysis are not expected to occur significantly earlier or at significantly different amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

34.2.4 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, 2021			December 31, 2020		
	Euro	Sterling	US dollars	Euro	Sterling	US dollars
Other receivables	184,087	67,857	313,019	223,812	3,321,168	817,041
Cash and bank balances	–	–	4,448,907	–	–	1,989,270
Trade and other payables	(1,729,952)	(325,143)	(3,581,725)	(1,362,654)	(783,979)	(1,318,157)
Net exposure	(1,545,865)	(257,286)	1,180,201	(1,138,842)	2,537,189	1,488,154

The following significant exchange rates have been applied:

	Average rate		Year-end spot rate	
	2021	2020		
Euro 1	192.47	184.77	200.72	195.52
Sterling 1	223.97	207.64	239.06	218.44
US dollar 1	162.91	161.79	176.50	159.80

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, remains constant and ignores any impact of forecast sales and purchases.

	Profit or loss		Equity, net of tax	
	Strengthening Rs '000	Weakening Rs '000	Strengthening Rs '000	Weakening Rs '000
31 December 2021				
Euro	31,029	(31,029)	22,331	(22,331)
Sterling	6,151	(6,151)	4,427	(4,427)
US dollar	(20,831)	20,831	(14,992)	14,992

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

	Profit or loss		Equity, net of tax	
	Strengthening Rs '000	Weakening Rs '000	Strengthening Rs '000	Weakening Rs '000
31 December 2020				
Euro	22,267	(22,267)	15,696	(15,696)
Sterling	(55,422)	55,422	(39,067)	39,067
US dollar	(23,781)	23,781	(16,763)	16,763

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 1,999,185 thousand (2020: Rs 2,252,622 thousand) which are subject to interest rate risk. Applicable interest rates for these financial liabilities have been indicated in respective notes.

At statement of financial position date, if interest rates had been 1% higher/lower, with all other variables remain constant, profit for the year would have been Rs 19.992 million (2020: Rs 22.526 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

35 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			
	2021 Rs '000	2020 Rs '000	2021 Rs '000	2020 Rs '000	2021 Rs '000	2020 Rs '000	2021 Rs '000	2020 Rs '000	2021 Rs '000	2020 Rs '000
Managerial remuneration	93,838	39,717	127,572	157,241	162,603	139,658	839,688	734,414	1,223,701	1,071,030
Corporate bonus	34,239	27,518	48,432	43,522	126,463	102,811	261,515	230,626	470,649	404,477
Leave fare assistance	2,590	1,364	7,306	6,596	1,477	1,252	25	-	11,398	9,212
Housing and utilities	14,110	14,970	16,458	14,722	59,212	61,261	343,055	320,128	432,835	411,081
Medical expenses	136	152	1,989	1,319	8,762	9,536	73,064	55,891	83,951	66,898
Post employment benefits	1,202	1,120	12,114	8,507	26,442	36,064	204,284	187,939	244,042	233,630
	146,115	84,841	213,871	231,907	384,959	350,582	1,721,631	1,528,998	2,466,576	2,196,328
Number of persons	1	1	2	3	13	18	311	302	327	324

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

35.2 The aggregate amounts charged in the financial statements of the year for remuneration including all benefits to nine (2020: eight) non-executive directors of the Company amounted to Rs 6,515 thousand (2020: Rs 7,846 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

36 Transactions with related parties

British American Tobacco (Investments) Limited (BAT-IL) holds 94.34% (2020: 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 35 to the financial statements. Transactions with employee funds and associated payable/receivable balances are provided in note 31 to the financial statements.

As National Bank of Pakistan is an associated company under the Companies Act 2017 due to common directorship, yet does not fall under the definition of related party as interpreted from IAS 24 "Related Party Disclosures". Accordingly, transactions and balances with National Bank of Pakistan have not been disclosed in the related party disclosure.

	2021 Rs '000	2020 Rs '000
Procurement of goods and services from:		
Holding company	2,253,371	1,664,897
Associated companies	5,273,360	3,386,385
Director	—	34,834
Sale of goods and services to:		
Holding company	11,335	10,522
Associated companies	7,872,332	5,206,729
Dividend paid to:		
Holding company	19,348,274	14,027,499
Royalty charged by:		
Holding /associate company		
Charged	598,658	531,093
Expenses reimbursed to:		
Holding company	590	20,807
Associated companies	372	22,687
Expenses reimbursed by:		
Holding company	53,228	77,414
Associated companies	456,184	911,071
Payment under employee incentive schemes:		
Key management personnel	57,709	38,832
Other income:		
Associated company:		
Recharges written back	57,146	288,504

36.1 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 36.2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

Associated companies / related parties and associated undertakings	Aggregate % of Basis of relationship	shareholding
BAT SAA Services (Private) Limited	Common Directorship	Nil
National Bank of Pakistan	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%
Syed Ali Akbar	Director	0.000978%
William Pegel	Director	0.000978%
Syed Asad Ali Shah	Director	0.000196%
Syed Javed Iqbal	Director	0.000196%
Wael Sabra	Director	0.000196%
Belinda Ross	Director	0.000196%
Asif Jooma	Director	0.000196%
Mohammad Riaz	Director	0.000196%
Lt. Gen (Rtd.) Muhammad Masood Aslam	Director	0.000196%
Shannon Luke McInnes	Director	0.000196%
Huseyin Ozsan Ozbas	Director	0.000196%
M. Idries Ahmed	Key management personnel	0.000025%
Sami Zaman	Key management personnel	0.000059%
Ahsan Irshad	Key management personnel	Nil
Syed Hammad Ali Naqvi	Key management personnel	Nil
Waqas Ahmed Khan	Key management personnel	Nil
Mohammad W.Naser	Key management personnel	Nil
Khubaib Akram	Key management personnel	Nil
Khan Muhammad Mohmand	Key management personnel	Nil
Muhammad Asim	Key management personnel	Nil
Hassan Khalid	Key management personnel	Nil
Uzair Qazi	Key management personnel	Nil
Haroon Saleem	Key management personnel	Nil
Muhammad Imran Sharif	Key management personnel	Nil
Muhammad Usama Bin Shabbir	Key management personnel	Nil

36.2 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	94.34%	United Kingdom
BAT Rothmans International	Holding Company	0.31%	United Kingdom
BAT Exports Limited	Fellow Subsidiary	0.00%	United Kingdom
Ceylon Tobacco Company PLC	Fellow Subsidiary	0.00%	Sri Lanka
British American Tobacco Myanmar Limited	Fellow Subsidiary	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

Associated company	Basis of relationship	Aggregate % of Shareholding	Country of Incorporation
BAT Switzerland SA	Fellow Subsidiary	0.00%	Switzerland
British American Tobacco Chile Operaciones SA	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
BASS (GSD) Limited	Fellow Subsidiary	0.00%	United Kingdom
British American Tobacco (GLP) Limited	Fellow Subsidiary	0.00%	United Kingdom
Nicoventures Trading Ltd	Fellow Subsidiary	0.00%	United Kingdom
British American Tobacco Asia Pacific Region Ltd	Fellow Subsidiary	0.00%	Hong Kong
British American Tobacco Co. (HK) Ltd	Fellow Subsidiary	0.00%	Hong Kong
British American Tobacco GTR Ltd	Fellow Subsidiary	0.00%	Hong Kong
Fielder & Lundgren AB	Fellow Subsidiary	0.00%	Sweden
BAT Pecs 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 SA de CV	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
BAT Marketing 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 Investment (Romania) SRL	Fellow Subsidiary	0.00%	Romania
BAT (Romania) Trading SRL.	Fellow Subsidiary	0.00%	Romania
BASS Europe 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
TDR D.O.O	Fellow Subsidiary	0.00%	Croatia
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 Saudia for Trading	Fellow Subsidiary	0.00%	Saudi Arabia
BAT GCC DMCC	Fellow Subsidiary	0.00%	United Arab Emirates
BAT Middle East DMCC	Fellow Subsidiary	0.00%	United Arab Emirates
BAT Qatar LLC	Fellow Subsidiary	0.00%	Qatar
BAT Middle East S.P.C.	Fellow Subsidiary	0.00%	Bahrain
BAT Egypt Ltd.	Fellow Subsidiary	0.00%	Egypt
Central Manufacturing Company Ltd	Fellow Subsidiary	0.00%	Fiji
PT Bentoel International Investama	Fellow Subsidiary	0.00%	Indonesia
PT Bentoel International Prima	Fellow Subsidiary	0.00%	Indonesia
PT Export Leaf	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 Japan Ltd	Fellow Subsidiary	0.00%	Japan
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

	2021 Rs '000	2020 Rs '000
37 Cash generated from operations		
Profit before taxation	26,207,048	22,387,895
Adjustment for non-cash items:		
- Depreciation / impairment	1,706,855	1,500,059
- Gain on disposal of property, plant and equipment	(81,741)	198,342
- Finance cost	274,282	240,699
- Finance income	(981,404)	(782,866)
- Foreign exchange loss	153,459	244,441
- Provision /(Reversal of provision) for slow moving stores and spares	8,896	(10,428)
- Provision / (reversal of provision) for stock-in-trade	53,114	117,492
- Provision for staff retirement benefit plans	386,448	311,410
	1,519,909	1,819,149
Changes in working capital:		
- Stock-in-trade	(2,615,091)	1,822,375
- Stores and spares	23,774	(4,473)
- Trade debts	(750)	2,868
- Loans and advances	246,289	(209,561)
- Short term prepayments	43,069	(60,494)
- Other receivables	(411,625)	229,781
- Trade and other payables	1,286,190	2,725,341
- Other liabilities	423,061	(791,956)
	(1,005,083)	3,713,881
Changes in long term deposits and prepayments	(941)	3,039
	26,720,933	27,923,964

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

	Liabilities		Equity	Total
	Unclaimed / Unpaid Dividend	Lease liability	Revenue reserves	
	Rs '000	Rs '000	Rs '000	Rs '000
Balance at January 1, 2020	144,975	1,724,548	15,735,917	17,605,440
Changes from financing cash flows:				
Finance lease payments	–	(515,883)	–	(515,883)
Dividend declared	14,818,640	–	(14,818,640)	–
Dividend paid	(14,801,378)	–	–	(14,801,378)
Total changes from financing cash flows	17,262	(515,883)	(14,818,640)	(15,317,261)
Other changes:				
New leases	–	1,168,267	–	1,168,267
Retirements	–	(124,310)	–	(124,310)
Total equity-related other changes	–	–	16,040,642	16,040,642
Balance at December 31, 2020	162,237	2,252,622	16,957,919	19,372,778

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

	Liabilities			Total
	Unclaimed / Unpaid Dividend	Lease liability	Short term Running finance / export refinance	
	Rs '000	Rs '000	Rs '000	Rs '000
Balance at January 1, 2021	162,237	2,252,622	–	2,414,859
Changes from financing cash flows:				
Finance Lease payments	–	(987,256)	–	(987,256)
Additions during the year	–	–	2,300,000	2,300,000
Dividend declared	20,439,504	–	–	20,439,504
Dividend paid	(15,861,094)	–	–	(15,861,094)
Total changes from financing cash flows	4,578,410	(987,256)	2,300,000	5,891,154
Other changes:				
New leases	–	873,657	–	873,657
Retirements	–	(139,838)	–	(139,838)
Total equity-related other changes	–	–	18,899,959	18,899,959
Balance at December 31, 2021	4,740,647	1,999,185	21,199,959	27,939,791

39 Events after the reporting date

In respect of the year ended December 31, 2021 final dividend of Rs 28.00 (2020: Rs 28.00) per share amounting to a total dividend of Rs 7,153,826 thousand (2020: Rs 7,153,826 thousand) has been proposed at the Board of Directors meeting held on February 24, 2022. These financial statements do not reflect this proposed dividend.

40 General

40.1 Date of authorization for issue

These consolidated financial statements have been authorized for circulation to the shareholders by the Board of Directors of the Group on February 24, 2022.



Syed Ali Akbar
Chief Executive Officer



William Pegel
Chief Financial Officer / Director

PATTERN OF SHAREHOLDING

As at December 31, 2021

No. of Shareholders	Categories				Total Shares
1,512	From	1	To	100	47,984
1,128	From	101	To	500	314,666
344	From	501	To	1,000	241,810
231	From	1,001	To	5,000	487,463
32	From	5,001	To	10,000	223,380
6	From	10,001	To	15,000	70,923
2	From	15,001	To	20,000	34,223
5	From	20,001	To	25,000	116,035
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
2	From	55,001	To	60,000	114,390
2	From	60,001	To	65,000	121,461
2	From	165,001	To	170,000	335,714
1	From	240,001	To	245,000	240,280
1	From	300,001	To	305,000	300,752
1	From	385,001	To	390,000	389,480
1	From	795,001	To	800,000	798,282
1	From	1,755,001	To	1,760,000	1,755,873
1	From	8,715,001	To	8,720,000	8,715,555
1	From	241,045,001	To	241,050,000	241,045,141
3,277					255,493,792

PATTERN OF SHAREHOLDING

As at December 31, 2021

	No. of Shares
Associated Companies, Undertakings and Related Parties	241,843,423
NIT and ICP	515
Directors, CEO and their spouse and minor children	10,000
Executives	274
Banks, Development Finance Institutions, Non-Banking	
Finance Institutions, Insurance companies, Modaraba and Mutual Funds	2,098,014
Individuals	2,364,524
Others	9,177,042
	255,493,792

Categories of Shareholders	Number	Shares Held	%
Directors, CEO and their spouse and minor children	12	10,000	0.0
Executives	7	274	0.0
Associated Companies, Undertakings and Related Parties	2	241,843,423	94.7
Investment Companies	1	515	0.0
Modarabas & Mutual Funds	4	1,767,613	0.7
Insurance Companies	3	327,119	0.1
Banks, Development and other Financial Institutions	8	3,282	0.0
Individuals	3,198	2,364,524	0.9
Others	42	9,177,042	3.6
Total	3,277	255,493,792	100.0

	No. of Shares
Associated Companies, Undertakings and Related Parties	
British American Tobacco (Investments) Limited	241,045,141
Rothmans International	798,282

NIT and ICP (name wise details)

National Bank of Pakistan	515
---------------------------	-----

Directors, CEO and their spouse and minor children (name wise details)

Zafar Mahmood	500
Syed Ali Akbar	2,500
William Francis Pegel	2,500
Syed Asad Ali Shah	500
Syed Javed Iqbal	500
Wael Sabra	500
Asif Joorna	500
Mohammad Riaz	500
Muhammad Masood Aslam	500
Belinda Ross	500
Shannon Luke McInnes	500
Huseyin Ozsan Ozbas	500

Executives

Sami Zaman	150
M.Idries Ahmed	65
Syed Aamir Iqbal	10
Farkhanda Naheed	17
Awais Hussain Kazi	15
Shahid Yamin	9
Hamid Usman	8

Shareholders holding 10% or more voting interest	
British American Tobacco (Investments) Limited	241,045,141

بڑی کمپنی کی طور پر کمپنی کے ذریعہ کی گئی ہے۔

کمپنی کے ذریعہ کی گئی ہے۔

کمپنی کے ذریعہ کی گئی ہے۔

کمپنی کے ذریعہ کی گئی ہے۔

کمپنی کے ذریعہ کی گئی ہے۔

محمد علی احمد

محمد علی احمد

مکتبہ اعلیٰ عربیہ اسلامیہ، لاہور، پاکستان

[illegible][illegible][illegible]

اجلاس کے کارکنوں اور ایگزیکٹو افسران کا قیام بھی کے ٹاؤن کے ہوٹلوں اور گھرانوں سے پہلے ہی کیا گیا تھا۔ انہوں نے کے ٹاؤن کے رہائشیوں کے ساتھ ہمدردی کا اظہار کیا اور ان کے مسائل کو سامنے لیا۔

گوئی تکراری، پورا میں تکرار کی کیفیت سے کام لے کر ہے۔ پورا کے اجلاسوں کے دوران کچھ جابلے اور بے لگام فیصلوں اور فیصلے تکرار کی کہ جب سے مجلس آف سیکرٹری میں، پورا کیا گیا ہے جس کی وجہ سے اس کی فیصلوں کے لئے تمام ذرا بخیر نہ ہو گیا تھا۔ پورا کے اجلاس سے متعلق کیا گیا۔

۱۵) اگر یہ چند گناہوں کے اعلیٰ ترین طریقہ کا ہے تو کئی قسم کا خوف بھی پیدا کیا کہ اسے کچھ بڑے گناہوں کا
خوشحال ہونے کے لیے استعمال کیا جائے گا۔

5) انصاف کارڈ میں حالتِ ناہیہ کی وصولی 31.12.2021 تک 2 ملین 4 لاکھ نو سو نو سو روپے کی رقم وصول ہوئی ہے۔

۱۷۔ اس سال درود میں تین علامتوں میں کوثر ہے۔ سالوں سے ہم نے چنگ اور دلی سعادت کا شکر ادا کیا ہے۔

18۔ عذر کی وجہ سے صحت کارڈ میں 31 دسمبر 2021 کو ختم ہونے والے ایسے رپورٹوں کی تعداد 53 ہے۔ عرصہ سمیت حالات 33 میں مضمون کا کوئی ایسے رپورٹ کی گئی ہے۔

1990

[illegible]

about 1000

198

باجل، محمد ابراهيم

[illegible][illegible]

خونے دماغ بہتر چھڑی دے گا۔ ہر کے قوم BAT اعلیٰ میں دماغی سائنس کا کتب سے پتہ چلتا ہے۔ اور ان کے ایک ایک چھڑی دے گا۔ ہر کے قوم BAT اعلیٰ میں دماغی سائنس کا کتب سے پتہ چلتا ہے۔ اور ان کے ایک ایک چھڑی دے گا۔ ہر کے قوم BAT اعلیٰ میں دماغی سائنس کا کتب سے پتہ چلتا ہے۔ اور ان کے ایک ایک چھڑی دے گا۔

2014

[illegible]

گٹھن پٹال پانی نے 2021 تک ایک شہر میں 2.2 لاکھ افراد کے ساتھ VFM گٹھن میں حصہ لیا
کاروبار کا تصور کر کے پٹال نے ایک کامیاب شہر میں 2.2 لاکھ افراد کے ساتھ VFM گٹھن کی
انجینئرنگ کے طور پر کام کیا ہے۔ اس کے لیے اس نے ایک ایسے منصوبہ کو تیار کیا ہے جس میں
شہر کے ہر گھرانے کو شامل کیا جائے گا اور اس کے ساتھ ساتھ شہر کے ہر گھرانے کو شامل کیا جائے گا۔

Aspirational پر بیجم شکستہ تھی، TASTELOC کے ماہر John Player کو ستمبر 2021 کے لیے میں شروع کیا گیا تھا۔ اس بیجم کو اچھی قیمت اور اس کے کھانسی کے لیے ایک اہم aspirational پر بیجم رکھنے کے طور پر جوڑ دیا گیا تھا۔ بیجم شکستہ کے حاملے سے ان کی سہولت اور بیجم اتھارڈ تھا۔

ریاست محترم ہندوستان

[illegible]

تعدادی شرح	تعدادی شرح	تعدادی شرح
	15,958	تعدادی شرح
28.00	(7,154)	تعدادی شرح 2020
73.83	18,862	تعدادی شرح 2021
	38	تعدادی شرح
	28,704	تعدادی شرح
52.00	(13,286)	تعدادی شرح 2021
	15,418	تعدادی شرح

2017

[illegible]

وَمَعَ الْإِلَهِ بِالْعَدَاوَةِ كَمَا جَاءَ

ہاں، ایسی ہی بات ہے کہ جس شخص کو یہ پتہ چلے گا کہ اس شخص کی اصل تعلیق دینی تعلیق ہے، اس شخص کو یہ پتہ چلے گا کہ اس شخص کی اصل تعلیق دینی تعلیق ہے۔

بعض اوقات کے حالات کا جائزہ

انکلامیہ سہ ماہی کے لیے تاریخ کے کھن کے مالی مسائل کے حل کا نام کے بعد ہونے والے واقعات کا جائزہ لیتے ہوئے اس
 ایک کی تشریح کی ہے کہ اگر یہ صورت کے بعد اس کھن کی مالی حیثیت کو کوئی مالی تبدیلیاں اور اس کی تاریخ کے
 کے

2017

[illegible][illegible]

انسانی ہمدردی انعام کے تحت کھلی نے 2021ء میں 150,000 سے زائد درخواستوں کا سلسلہ طے کیا اور ان میں سے 27,427 درخواستیں منظور ہوئی ہیں۔ انعام کے تحت کھلی نے 2021ء میں 20,000 سے زائد درخواستوں کا سلسلہ طے کیا اور ان میں سے 27,427 درخواستیں منظور ہوئی ہیں۔

المجلة

[illegible]

تجارتی حاکم میں اختلافی جج، شہرہ رسا ہونے کے باوجود ان کی انوکھی سب سے پہلی بات۔

المادة 3

درجہ اولیٰ	درجہ دوم	درجہ اولیٰ
2020 سال	2021 سال	2020 سال
188,258	189,468	فہرست
105,368	124,481	ایم ای ایس ایس ایس
80,891	74,968	ایم ای ایس ایس
28,329	38,082	ایم ای ایس ایس
31,562	35,696	ایم ای ایس ایس
21,848	25,500	ایم ای ایس ایس
22,388	26,207	ایم ای ایس ایس
16,482	18,662	ایم ای ایس ایس
64.55	73.83	ایم ای ایس ایس

11/11/2019

تفصیلی رپورٹ کے مطابق 2020 کے لیے 112.7 ارب روپے کی ضرورت ہے جبکہ 2021 کے لیے 134.8 ارب روپے کی ضرورت ہے۔

ایکماہر ہونے کی وجہ سے انھوں نے پاکستان کی دولت مند اور ایک جمالی، صوبائی سطح پر 25 فیصد تک کے اضافے کے ساتھ SPLY کے اضافے میں 20 فیصد اضافہ ہوا۔ برآمدی صوبائی SPLY کے اضافے میں 20 فیصد اضافہ، جس کی وجہ سے SPLY کے اضافے میں برآمدات کے حجم میں اضافہ ہوا۔ ان کے اضافے 2022 میں 1.8 سہ سو کروڑ ٹن تھے۔ 2020 میں ان کا اضافہ 1.2 ٹن کو کروڑ فی سال تھا۔ یہ اضافہ کو آ کر دیکھا جس کی وجہ سے 2022 میں اضافہ 1.8 ٹن ہوا۔

آج کے مسائل اور ملت میں مقامی اور قومی کی قدر میں کمی، معاملات میں اختلاف اور الحاد کے دورہ کی وجہ سے اختلاف اور جھگڑا کی اسباب کو کم کرنے کے لیے متعدد اداروں کی جدت کے جوہر لات اور جوہر مرکز اور ملت کے انتظام کے اسباق میں تعلیم کی گئی۔ BAT کی کامیابیوں کے بارے میں آسانی کی حکومت مل کے مقامی، ملٹی نیشنل اور قومی کے اداروں کے ساتھ کام کی جو ہے۔ ان اداروں میں 19 اداروں اور اداروں ہیں۔

انگریزوں میں ایسی طرحی اہمیت تھی کہ کئی بار خلیفہ کی قیادت میں مسیحی ممالک کی طرف سے دہاکے لگے گئے۔ لیکن ان سے محفوظ ممالک میں بھی ان کا غلبہ ہوا۔ ان کی تعداد کے لحاظ سے انھوں نے 100 اہم ممالک اور ان میں سے ایک سو تیس سال 2021 کی جنگی سرگرمیوں میں مزید اضافہ کیا۔ ان کے بعد 2021 میں ان ممالک میں ممالک میں اضافہ ہوا۔

ہمارے اس مضمون پر کاش آئندہ جتنا بھی لکھا جائے وہ سب اسی ہی موضوع سے متعلق ہو گا۔ ہمارا مقصد ہے کہ ان لوگوں کے لیے جو ابھی تک اسلام کی حقیقتوں سے واقف نہیں ہیں، ان کو بتائیں کہ اسلام کیا ہے اور یہ دنیا کیسے بنی۔

اس وقت چنگیز خان کا تاجن کی خدمت گزرنے کی وجہ سے وہاں پہنچنے تک کہ وہاں کی جو سے انہوں نے انگریزوں کو قتل
اور ان کے زبوں و ہتھیار کی برباد کرنا وہاں ہتھیاروں کے ساتھ گئے تھے۔

2010

[illegible]

مذہب کی تفسیر اور غلط فہمیوں کا دور

[illegible]

پاکستان ٹوکیو کھلی لٹریچر (ٹی ٹی سی) کے ڈائریکٹر کی جانب سے 31 دسمبر 2021 کا اختتام پر ہونے والے سالانہ کیلئے کھلی کی سالانہ رپورٹ اور اسٹینڈرڈ اپریل کو ختم ہونے والی صورت میں ہے۔

اقتصادی ماحول

سال 2021 میں مالی صورت کو 19 دسمبر کی وجہ سے مسلسل پیرچینی کی صورتوں کا سامنا کرنا پڑا۔ پاکستان میں بھی یہ صورتحال مختلف ڈیجیٹل ٹیکہ ٹرینڈز کا سامنا کر رہی ہے۔ پاکستان کے حالات مزید بڑھ گئے۔ ہم ملک ٹرینڈز کی پیش گوئی کے ساتھ ساتھ سالانہ رپورٹ کی ہدایت 2021 میں کاروباری امور کو محفوظ طور پر معمول پر آگئے۔

اگرچہ پاکستانی صورت میں رجسٹرڈ شدہ کمپنیوں کے رجسٹرڈ ہونے والے سالانہ رپورٹ کی ہدایت 2021 میں جاری ہے۔ اگرچہ سالانہ رپورٹ کی ہدایت 2021 میں جاری ہے۔ اگرچہ سالانہ رپورٹ کی ہدایت 2021 میں جاری ہے۔ اگرچہ سالانہ رپورٹ کی ہدایت 2021 میں جاری ہے۔

صنعتی جائزہ

بازاری ماحول

سال 2020-21 کے بجائے صورت میں حکومت نے ایک نیا نیا ٹریڈنگ میں کوئی حد بندی نہیں کی۔ اس سے پہلے ڈیٹ پی (DNP) اور ڈی پی کے رجسٹرڈ کمپنیوں کے رجسٹرڈ ہونے والے سالانہ رپورٹ کی ہدایت 2021 میں جاری ہے۔ اگرچہ سالانہ رپورٹ کی ہدایت 2021 میں جاری ہے۔ اگرچہ سالانہ رپورٹ کی ہدایت 2021 میں جاری ہے۔

تجربوں میں حکومت کے رجسٹرڈ ہونے والے سالانہ رپورٹ کی ہدایت 2021 میں جاری ہے۔ اگرچہ سالانہ رپورٹ کی ہدایت 2021 میں جاری ہے۔ اگرچہ سالانہ رپورٹ کی ہدایت 2021 میں جاری ہے۔ اگرچہ سالانہ رپورٹ کی ہدایت 2021 میں جاری ہے۔

ای ای پی کے لیے کی جانے والی رپورٹ کی ہدایت 2021 میں جاری ہے۔ اگرچہ سالانہ رپورٹ کی ہدایت 2021 میں جاری ہے۔ اگرچہ سالانہ رپورٹ کی ہدایت 2021 میں جاری ہے۔ اگرچہ سالانہ رپورٹ کی ہدایت 2021 میں جاری ہے۔

سال 2021 میں سالانہ رپورٹ کے ساتھ ساتھ ایک ای ای پی کے لیے کی جانے والی رپورٹ کی ہدایت 2021 میں جاری ہے۔ اگرچہ سالانہ رپورٹ کی ہدایت 2021 میں جاری ہے۔ اگرچہ سالانہ رپورٹ کی ہدایت 2021 میں جاری ہے۔ اگرچہ سالانہ رپورٹ کی ہدایت 2021 میں جاری ہے۔

کے لیے ایک سالانہ رپورٹ کی ہدایت 2021 میں جاری ہے۔ اگرچہ سالانہ رپورٹ کی ہدایت 2021 میں جاری ہے۔ اگرچہ سالانہ رپورٹ کی ہدایت 2021 میں جاری ہے۔ اگرچہ سالانہ رپورٹ کی ہدایت 2021 میں جاری ہے۔

ریگولیٹری ماحول

ای ای پی کے لیے کی جانے والی رپورٹ کی ہدایت 2021 میں جاری ہے۔ اگرچہ سالانہ رپورٹ کی ہدایت 2021 میں جاری ہے۔ اگرچہ سالانہ رپورٹ کی ہدایت 2021 میں جاری ہے۔ اگرچہ سالانہ رپورٹ کی ہدایت 2021 میں جاری ہے۔

کھلی کی ہدایت

زیر کاروبار سالانہ رپورٹ کی ہدایت 2021 میں جاری ہے۔ اگرچہ سالانہ رپورٹ کی ہدایت 2021 میں جاری ہے۔ اگرچہ سالانہ رپورٹ کی ہدایت 2021 میں جاری ہے۔ اگرچہ سالانہ رپورٹ کی ہدایت 2021 میں جاری ہے۔

کھلی کی ہدایت 2021 میں جاری ہے۔ اگرچہ سالانہ رپورٹ کی ہدایت 2021 میں جاری ہے۔ اگرچہ سالانہ رپورٹ کی ہدایت 2021 میں جاری ہے۔ اگرچہ سالانہ رپورٹ کی ہدایت 2021 میں جاری ہے۔

کھلی کی ہدایت 2021 میں جاری ہے۔ اگرچہ سالانہ رپورٹ کی ہدایت 2021 میں جاری ہے۔ اگرچہ سالانہ رپورٹ کی ہدایت 2021 میں جاری ہے۔ اگرچہ سالانہ رپورٹ کی ہدایت 2021 میں جاری ہے۔

کھلی کی ہدایت 2021 میں جاری ہے۔ اگرچہ سالانہ رپورٹ کی ہدایت 2021 میں جاری ہے۔ اگرچہ سالانہ رپورٹ کی ہدایت 2021 میں جاری ہے۔ اگرچہ سالانہ رپورٹ کی ہدایت 2021 میں جاری ہے۔

ای ای پی کے لیے کی جانے والی رپورٹ کی ہدایت 2021 میں جاری ہے۔ اگرچہ سالانہ رپورٹ کی ہدایت 2021 میں جاری ہے۔ اگرچہ سالانہ رپورٹ کی ہدایت 2021 میں جاری ہے۔ اگرچہ سالانہ رپورٹ کی ہدایت 2021 میں جاری ہے۔

۹۹۔ ڈاکٹر میگزین کی گفتگو کا طریقہ کار

[illegible]

۱۱۔ ذکر کی طرف

ذکر: کہانی کو مافیہ کے اعلیٰ کے لئے مضمون حاصل سے درخواست ہے کہ اپنے ذکاوت
 اور تخیل سے ہم 500-700 کی ایک نوٹ لیا کہ ان کی NJSP ہے 500 روپے میں شکر و تحریک
 کیا ہے۔

۹۔ اے-ہوگ

میراثی کھنڈہ اکادمی کی روضہ ۱۹۹۵-۱۹۹۶ء کی پبلشنگ (پیش قدمی) کے اختتام 2018ء کی 16 مئی کی تقریب کے تحت، اسے شہری کے مطابق سے متعلق اپنے حق کا اعلان کیا۔

10۔ دیہی علاقوں کی سہولت

[illegible]

Latent class analysis

کتاب: _____ نویسنده: _____

دعوتِ فلاحیہ..... کے مال پر جہاں ہے

[illegible]

کھیل کے سلسلہ میں آئیف اے انٹرنیشنل کے صدر کی قیادت میں 2022ء میں 2022ء کا افتتاحی چارہ
میں۔ کھیلوں کا سال 2017ء (3 ایکڑ کے پکٹی 159) کے مطابق چارہ آئیف اے انٹرنیشنل نے
نومبر 2022ء فروری 2022ء کو لاہور میں پوری ہو چکا ہے، آج کل کے سالوں کے لیے کھیل کے سالوں
اجلاس عام میں منعقد ہونے والے آئیف اے انٹرنیشنل کے اختتام پر 2022ء اور 2023ء کے سالوں کے لیے

کونسی بھی شخص اور ادارہ جو چاہے وہ ۱۹۷۹ء اور ۱۹۸۰ء کے انتخابات کے بعد کے لیے انکسٹری میں حصہ لے گا۔ یہ بھی نگرانی کے پاس رہا۔ ان اداروں میں سے ایک انجمن ترقی و زوال ہے جو اس وقت کے پاکستان کی سرکاری اصطلاح کے تحت کھلی کے رجسٹرڈ انجمن ترقی و زوال ہے۔

شماره ۱۵۹ (۳) سال شانزدهم - دی ماه ۱۳۸۵ خ. - شماره ۱۳۸۵

۵۔ ایکٹ کے تحت قائم شدہ 28 جج کھلی سدا جج کیلئے کام کرنے کی رضا مندی۔

۵۰۔ ایس ایچ ای پی کے لئے ۲۰۱۴ء ۱۱۵۶۳۴ ملین روپے ۲۰۱۴ء کے قرضہ فوری ہے کے
میں سے تقسیم ہوئے ہیں۔

۵۔ لٹریچر (کوالیفائیڈ) پوسٹ گریجویٹ، ایڈمکسیٹک سائنسز، 2017 کی ٹیئر 3 کے امتحان سے۔

۱۰۔ - امام مہر کو، ایک سو پچیس ۱۵۵ کے مطابق پاکستان کی کھلی لکھ ۱۵۸۸ کی طرح ہے کے لیے
اہل نہیں ہے۔

پھر ان کے کام کرنے کے لیے اپنی خصوصی فوج کرائے جاتا ہے۔ ان کے پاس پہلے کتنی کامیابی تھی کہ حال ۲۰۱۷ء فروری میں جب مذکورہ علیحدہ گھوڑا ایکڑ ۲۰۱۷ کے نتیجے میں ۱۵۹ (159) کے ذریعہ ذبح کر دیا گیا تھا۔

نوروز اور یکنوازی کا انتخاب ایک نئے سیکشن 159 کے مطابق اور یکنوازی کے اہل حق کے لئے
 اور یکنوازی کا انتخاب کے سیکشن 158 اور یکنوازی اور یکنوازی کا انتخاب اور یکنوازی
 کا انتخاب اور یکنوازی کا انتخاب کے سیکشن 158 اور یکنوازی اور یکنوازی کا انتخاب اور یکنوازی
 کا انتخاب اور یکنوازی کا انتخاب کے سیکشن 158 اور یکنوازی اور یکنوازی کا انتخاب اور یکنوازی

۵۔ لٹریچر (گنوا آف برہمہ گورنمنٹ کالج ٹیٹن 2017) کی فن (12) کے قصبہ لٹریچر (1) کیل (1) طاب۔

۵۔ غیر عدالتی مسائل پر جج یا قاضی جہاں کہہ دے وہاں کہتا ہے اور خود مختار ادارہ کیلئے ان کی تعینات کیا گیا ہے اور طریقہ کار میں کیا تبدیلیاں 2018 کے سال کے لیے 4 کے لیے فیصلہ کیا گیا ہے (۱) کے لیے فیصلہ کیا گیا ہے۔

(iv) کارپسٹ اور سبکی صحت میں، کھجور کے بیج، زعفران، گودھ، آف اور انڈیا کی قراداد کیا جاوے۔
آف اور فی کے دو مختلف قسم کے نمونے کے مریضوں کی کمی کا مجموعہ کر لیا جائے گا۔

(v) لکھنے (یا کسی) کا جہاں کے جہاں اصل شاعری کا اصل یا اصل یا جہاں کے جہاں۔

(۱۱) یہاں کسی کا دم جو اُن کے ساتھ لٹک رہا ہے، کھینچ کر اُن کی طرف مائل کر دیا جائے گا۔

4۔ NTN/ CNIC تصدیقات کی فراہمی (کاوٹی):

فیڈرل بورڈ آف ریسرچ (ایف بی آر) کی جانب سے دیا گیا حکام کی طرف سے
(ATL) کے مطابق CNIC نمبر NTN کی تصدیق کے لیے فراہمی والی ہے جو کہ ٹیکس ٹیلیفون کو چیک
کرنے کے لیے ضروری ہیں۔

اس لیے تمام جوانوں کو ہندوستان کی آزادی کے لیے جان و مال کی قربانی کرنی چاہیے۔ ان کے لیے ان کی تعلیم، ان کی ترقی، ان کی خوشحالی کے لیے ان کی زندگی بھر کی قربانی کرنی چاہیے۔ ان کے لیے ان کی تعلیم، ان کی ترقی، ان کی خوشحالی کے لیے ان کی زندگی بھر کی قربانی کرنی چاہیے۔

کسی مؤثر بین الاقوامی کارڈ کی کاپی موصول نہ ہونے کی صورت میں، کھیل کو اس طرح کے حصص یا ذخائر میں، ایوانی یا غیر تنظیموں کے لئے کیٹنگ ایکٹ، 2017 کے سیکشن 243(3) کے تحت پابند کیا جائے گا۔

5۔ اگر باطل کیلئے ایجنٹز ایک کریڈٹ میٹریٹ (LAD) :

کنیڈا ایکس 2017 کے سیشن 242 کی نشست کے قضا ایک لٹو گئی کے لیے لازمی ہے کہ وہ اپنے حصص بانٹنا کہ صرف ایکسٹرا ایک ماہ کے اوپر پیش دانی کی ضرورت ہے کہ اس وقت کے سال حصص بانٹنا کی طرف سے ضرورت ہے، ان مختلف بینک اکاؤنٹ میں باوجود اس وقت کے حصص ہو سکے۔

[illegible]

پیشرفتات

04/20/16

اعتراف و تکالیف (IBAN) (24 حصے)

1115

وَلَمْ يَكُنْ لَكُمْ كُفْرًا

فیروز علی صاحبزادہ

فيمر بكتك يا كليل

الکلیہ کے

NTN/ CNIC نمبر کا رپورٹ شیجر ہولڈر کی صورت میں (کاپی منسلک کریں)

22

6۔ ایچ ایچ سے اہم ٹیس کی متعلق اہم ٹیس آؤٹ گیس 2001 کے پچیس 150 کے تحت (لازمی):

۱۱) انہیں آواز حق کے قہر اور عین کی طاقتوں سے انہیں کی کھڑی کر دیا ہے۔

۱۔ اگرچہ اس وقت (ATL) میں داخلہ لینے والے طلبہ کوئی کنویں 15 لیتے

2۔ اہم شخصیات (ATL) کی مثال دہرانے والے شخصیات کو قدر کیلئے شخصیات کا ریت
30 لکھو

سکھیں کہ 30% کی بجائے 15% کشش دایہ لڑکی رقم پر لکھیں کنوئی کر کے کے قابل جانے کے لیے ایسے شخص یا شخص جن کے مطالبہ کی آرکی دیب ساعت پر فراہم کر دیا کیونکہ لکھیں جڑ راست (ATL) میں اس وقت نہیں ہیں وہاں حقیقت کے بعد کہ وہ فاکرڈ ہیں انھیں مشورہ دیا جا چکا ہے کہ وہ غریبی طور پر اس بات کو چھٹی جانے کی کہ ان کے یہ ATL میں صرف ہیں، بصورت دیگر ان کے کشش دایہ لڑکی 15% کی بجائے 30% لکھیں کا بجائے گا۔

(۱۱) ایچ بی ڈی نے کہا کہ وہ ان کے پاس سے دور ہو کر تنگ گلیوں میں بھڑکتے ہوئے گاڑیوں پر ہر ایک شخص کو افسانوں کو کہتی ہوئی جب کتاب کے اقسام کے پچھلے دور تک کہانی کے شیڈر ریزنر اور ان کے افسانوی انشیں (پراپیٹس) کو لے کر اور مسٹر گیسٹر کی سرانجام دہی کی ایک افسانوی راجدراپ ہو جائے۔

(۳۱) حرمہ یہ کہ ایک نیا آریسہ موصول شدہ اس کے مطابق مشورہ کے ساتھ اس کے ساتھ ملے ہیں۔ وہ جو ایک لکھنؤ میں پھیل چکے ہیں ان کے ساتھ ساتھ مشورہ کے ساتھ (مخصوص) ان کے ساتھ ساتھ ملے ہیں۔ ان کے ساتھ ساتھ ملے ہیں۔ ان کے ساتھ ساتھ ملے ہیں۔

[illegible]

تعداد افراد	تعداد افراد که از این گروه مدرسه	تعداد افراد که از این گروه مدرسه	تعداد افراد که از این گروه مدرسه
مردان	مردان	مردان	مردان
زنان	زنان	زنان	زنان

اس اطلاع کے بعد (۱۵) دن کے اندر مطلوبہ مصروفات کھلی کے شجر و عمارت رکھ کھینچنا ضروری ہے۔

بھروسہ دیکر یہ سمجھا جائے گا کہ مصلحت کیا اس طرح پر کھینچنا شجر و عمارت اور چراگاہ کے ماحولیات کے لیے

فجائیہ۔

(۱۷) میڈیسی کا دانش ور اپنی کھینچی کے کنارے بیٹھ کر ہاتھ دھو کر کاغذ پر لکھ کر پڑھتا ہے کہ وہ اپنے قویٰ جسم کو برقرار رکھے۔
 اپنے ہاتھ کے حلقہ پر لکھا ہوا میڈیسی کے ہاتھ پر لکھا ہوا کاغذ پر لکھ کر پڑھتا ہے کہ وہ اپنے قویٰ جسم کو برقرار رکھے۔
 ساتھ ان کے جسم کے لئے لکھا ہوا کاغذ پر لکھ کر پڑھتا ہے کہ وہ اپنے قویٰ جسم کو برقرار رکھے۔
 کالی لکھ کر پڑھتا ہے۔ کھینچی یا لکھ کر پڑھتا ہے کہ وہ اپنے قویٰ جسم کو برقرار رکھے۔
 سرکاری طور پر لکھ کر پڑھتا ہے کہ وہ اپنے قویٰ جسم کو برقرار رکھے۔
 لکھ کر پڑھتا ہے۔

سالانہ اجلاس عام کانوٹس

نوٹس:

1- سالانہ رپورٹ

31 دسمبر 2021 کو ختم ہونے والے سال کی سالانہ رپورٹ کی سافٹ کاپی شیئر ہولڈرز کو ان کے دیے گئے ای میل ایڈریس پر اور اس کی کاپی ان کے رجسٹرڈ پتے پر ارسال کی جارہی ہے اور ڈاؤن لوڈ کرنے کیلئے ہماری ویب سائٹ www.ptc.com.pk پر شائع کی جارہی ہے۔ وہ شیئر ہولڈرز جو سالانہ رپورٹ کی ہارڈ کاپی حاصل کرنے کے خواہاں ہیں ان سے درخواست کی جاتی ہے کہ وہ ہمیں PTC_AGM@bat.com پر مطلع کریں، انہیں سالانہ رپورٹ کی ہارڈ کاپی ارسال کردی جائے گی۔

2- شیئر ٹرانسفر بکس کی بندش

کینیڈا کی شیئر ٹرانسفر بکس مورچہ 15 اپریل 2022 سے 21 اپریل 2022 (شامل دونوں ایام) تک بند رہے گی۔ کینیڈا کے شیئر رجسٹرار، ٹیکسٹو ایس ایس (پرائیویٹ) لمیٹڈ، 8-ایب، ہڈو ویل، قارن، ٹرسری، بڈاک - 6، پی ای سی ایچ ایس، شاہراہ فیصل، کراچی-75400 کے دفتر میں مورچہ 14 اپریل 2022 بروز جمعرات کو کاروبار کے اختتام تک بروقت وصول ہونے والے ٹرانسفر ووٹ ڈالنے اور ڈیڈ لائن کے حقدار ہوں گے۔

3- سالانہ اجلاس عام میں شرکت بذریعہ آن لائن پلیٹ فارم اسکولت

سالانہ اجلاس عام میں شرکت کرنے اور ووٹ دینے کا حقدار کینیڈا کے ممبر اپنا ایک نمائندہ (پرائیویٹ) مقرر کر سکتا ہے جسے اس ممبر کی جگہ شرکت کرنے والے اور ووٹ دینے کا حق حاصل ہوگا۔ نمائندہ (پرائیویٹ) کے کاروبار اجلاس کے وقت (یعنی 21 اپریل 2022 کو صبح 10:00 بجے) سے کم از کم 48 گھنٹے (تفصیلات کے علاوہ) قبل کینیڈا کے شیئر رجسٹرار کے دفتر میں جمع کرائے جائیں۔ مذکورہ 48 گھنٹوں یعنی 19 اپریل 2022 کو صبح 10:00 بجے کے بعد وصول ہونے والے پرائیویٹ فارم مستند تصور نہیں ہوں گے۔

سینٹرل ڈیپازٹری کینیڈا آف پاکستان لمیٹڈ میں اپنے حصص جمع کرائے والے ممبران کی حاضری درج ذیل لازمی شرائط کے مطابق ہوگی۔

الف) خصوصی طور پر

(i) انفرادی ممبران کو اجلاس میں شرکت کے وقت اپنے شرکت کنندہ کا شناختی نمبر اور اکاؤنٹ انٹرنیٹ اکاؤنٹ نمبر اصل کمپیوٹر یا موبائل فون پر کارڈ یا اصل پاسپورٹ سمرٹ کارڈ ہونا چاہئے۔

(ii) کارپوریٹ ادارے کی صورت میں اجلاس کے وقت بورڈ آف ڈائریکٹرز کی قراردادوں پر آراء اظہار کی ایک محدود نمونہ تاحرہ جس کے متعلقوں کے ساتھ پیش کرنی چاہئے۔

ب) بذریعہ نمائندہ (پرائیویٹ):

(i) افراد کی صورت میں مذکورہ بالا نوٹ 3 میں بیان کردہ شرط کے تحت پرائیویٹ فارم جمع کروائیں۔

(ii) نمائندہ (پرائیویٹ) کیلئے دو افراد بطور مقررہ فراہم کئے جائیں جن کا نام پتہ اور قومی شناختی کارڈ نمبر فارم پر درج کئے جائیں۔

(iii) مختلف مالکان یا نمائندہ (پرائیویٹ) کے قومی شناختی کارڈ یا پاسپورٹ کی تصدیق پر ایک فارم کے ہمراہ فراہم کی جائیں۔

مطلع کیا جاتا ہے کہ پاکستان ٹوبیکو کمپنی لمیٹڈ ("کینیڈا") کا منجھواؤ سالانہ اجلاس عام بروز جمعرات 29 دسمبر 2022 کو صبح 10:00 بجے سیرینا ہوٹل، خیابان سہروردی، اسلام آباد میں منعقد ہوگا۔ جس میں مندرجہ ذیل امور طے ہوں گی۔

عمومی امور:

1- 31 دسمبر 2021 کو ختم ہونے والے سال کیلئے کینیڈا کے آڈٹ شدہ بائیلٹی بنیاد کی وصولی وغیرہ وغیرہ اور تین اور اس کے ساتھ ساتھ اس میں ڈائریکٹرز اور آڈیٹرز کی رپورٹس بھی شامل ہوں گی۔

2- بورڈ کی جانب سے تجویز کردہ 31 دسمبر 2021 کو ختم ہونے والے سال کیلئے حتمی نتائج بحساب 28 روپے پر غور و خوض اور منظوری کرنا۔

3- آڈیٹرز کی تقرری اور اس کے معاوضہ کا فیصلہ۔

4- 21 اپریل 2022 (کاروبار کے اختتام) سے شروع ہونے والی تین سالہ مدت کے لیے بورڈ کی طرف سے مقرر کردہ 12 (بارہ) ڈائریکٹرز کا انتخاب کرنا۔ رجسٹر ہونے والے ڈائریکٹرز کے نام درج ذیل ہیں۔

- مسٹر قمر محمود
- مسٹر سید علی اکبر
- مسٹر محمد ریاض
- مسٹر آصف احمد
- لطیفہ بنت جزل (ر) ایم مسعود اعظم
- مسٹر سید اسد علی شاہ
- مسٹر ویدم ونگل
- مسٹر جلالہ ارون
- مسٹر سید جاوید اقبال
- مسٹر وکیل سامرا
- مسٹر شبنم سلیمانی
- مسٹر اذان اوز بکاس

محمد ہمدانی

M. Sultan

نعمان مسعود
کینیڈا کی نگرانی

اسلام آباد، 29 دسمبر 2022

GLOSSARY AND DEFINITIONS

Acid Test Ratio

The ratio of liquid assets to current liabilities

AGM

Annual General Meeting

AI

Artificial Intelligence

AJK

Azad Jammu and Kashmir

AKF

Akora Khattak Factory

ALT

Area Leadership Team

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

ASOP

Area Sales Operations Planning

ATL

Active Taxpayers List

BA

Bachelors in Arts

BAT

British American Tobacco

BCP

Business Continuity Planning

BOM

Battle of Minds

B2B

Business to Business

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

CPA

Crop Protective Agents

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

ESG

Environment, Social and Governance

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

FIRs

First Information Reports

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

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

JF

Jhelum Factory

JV

Joint Venture

KPIs

Key Performance Indicators

KPK

Khyber Pakhtunkhwa

LEA

Law Enforcement Agency

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

MO

Modern Oral

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

R&D

Research and Development

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

SAA

South Asia Area

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

UNDP

United Nations Development Programme

USA

United States of America

VFM

Value for Money

vs.

Versus

WMS

Wrapping Material

WOW

Way of Working

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./CDC account No. _____

hereby appoint Mr./Ms. _____

Folio No. / CDC Account No.(if member) _____ of _____

or failing him/her, Mr./Ms. _____

Folio No. / CDC Account 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 75th Annual General Meeting of the Company to be held on the 21st day of April 2022 and at any and every adjournment thereof.

Signed by _____

Signed under my/our hand this the _____ day of _____ 2022.

WITNESS – 1

Name: _____

CNIC: _____

Address: _____

WITNESS – 2

Name: _____

CNIC: _____

Address: _____

NOTE:

- The signature should match with the specimen signature registered with the Company or with that on CNIC (in case of a CDC shareholder).
- A Proxy need not be a member of the Company.
- 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.
- The Proxy Form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the Form.
- 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.

میں نام

کے

پاکستان ٹوبیکو کمپنی لمیٹڈ (کمپنی) کا ممبر ہونے کے ناٹے، ہولڈنگ

عام شیئر (ز) کے مطابق رجسٹرڈ فلیوئیر

سی ڈی سی اکاؤنٹ نمبر کے ذریعے مقرر کردہ ممبر

فلیوئیر سی ڈی سی اکاؤنٹ نمبر (اگر ممبر ہے تو)

کا پاس میں نام ممبر

فلیوئیر سی ڈی سی اکاؤنٹ نمبر (اگر ممبر ہے تو)

جیسا کہ میری / ہماری غیر موجودگی میں اور میری / ہماری موجودگی میں اور مجھے / ہمیں دہشتہ دہشتہ اور میری / ہماری طرف سے کمپنی کی 75 ویں سالانہ اجلاس عام میں جس کا انعقاد 21 اپریل 2022 کو ہو گا اور

کسی بھی اور ہر اہل قانونی

دستخط کردہ

یہ میرے / ہمارے ہاتھ کے دستخط شدہ ہے / ہیں دن 2022

گواہ نمبر 2

گواہ نمبر 1

نام:

نام:

مستحق کارڈ نمبر:

مستحق کارڈ نمبر:

پتہ:

پتہ:

نوٹ:

الف دستخط کمپنی کے ساتھ رجسٹرڈ نمونہ کے دستخط یا CNIC پر (کسی CDC شیئر ہولڈر کی صورت میں) اسکے ملنے چاہیں۔


ب کسی نمونہ کو کمپنی کا ممبر بننے کی ضرورت نہیں ہے۔


پ نمونہ کے کا فارم (انجمن کا پی) مناسب طریقے سے سی این آئی سی کی تصدیق شدہ کاپیاں یا نمونہ کے پاسپورٹ کے ساتھ zeeshan.akhtar@famco.com.pk پر بھیجے جائیں گے۔

جائیں گے۔ اجلاس سے پہلے 48 گھنٹے (تجلی کے علاوہ) میں بھیجے جائیں گے۔

ت نمونہ کے کا فارم کا نمونہ دہشتہ دہشتہ افراد کریں گے جن کے نام، پتہ اور CNIC نمبروں پر ڈاک کیا جائے گا۔

ث کسی کارڈ ریٹ ہستی کی صورت میں بورڈ آف ڈائریکٹرز کی ریگولیشن / پاور آف آٹارٹی پر نمونہ کے دستخط کے ساتھ zeeshan.akhtar@famco.com.pk پر بھیجے۔

 Pakistan Tobacco Company Limited, Serena
Business Complex, Khayaban-e-Suhrawardy,
Islamabad, Pakistan

 Tel: +92 (51) 2083200-1

 Fax: +92 (51) 2604516

GO ONLINE



This Annual Report is a testament to our ISO 14001 efforts at
minimizing our carbon footprint. A major part of this
report has been printed on recycled paper.