

75

Celebrating

Years

A JOURNEY OF
**GROWTH &
TRANSFORMATION**

ANNUAL REPORT 2022

A JOURNEY OF **GROWTH &** **TRANSFORMATION**

With a legacy that extends over seven and a half decades, our journey has been defined by a relentless pursuit of progress and evolution. Driven by our determination and willingness to adapt and change, today we celebrate 75 years and the most transformative period in the history of our Company.



PAKISTAN TOBACCO COMPANY LIMITED TOP EMPLOYER 2023

We take great pride in being acknowledged as a Top Employer among five other markets in Middle East, South Asia, and North Africa. This recognition is a testament to our continuous efforts in developing our people and cultural environment through fostering diversity and promoting an inclusive and flexible work environment in 2022.

As we continue our journey of growth and transformation, we remain committed to introducing policies and initiatives that prioritize employee well-being and development, further cementing our goal of building A Better Tomorrow™.



Top Employer Award 2023

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BAT'S GEOGRAPHICAL SPREAD

Map is accurate as at 31 Dec 2022 and is representative of general geographic regions and does not suggest that the Group operates in each country of every region.

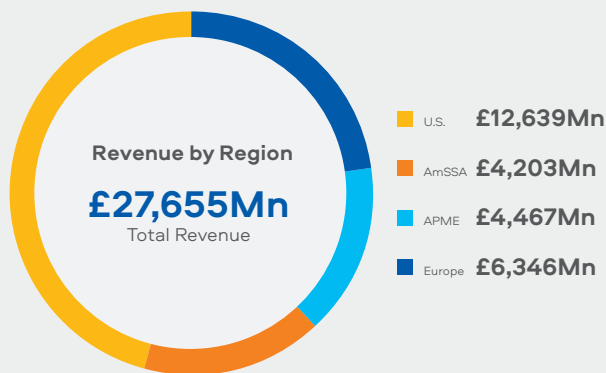


BAT GROUP OVERVIEW

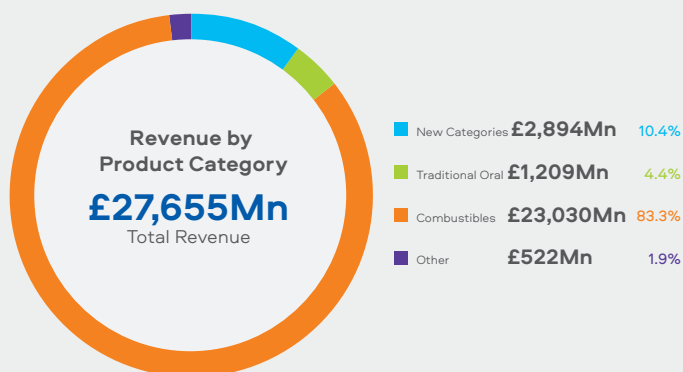
BAT is a leading multi-category consumer goods business dedicated to stimulating the senses of adult consumers worldwide. As a global business, the Group strives to understand its diverse consumers and develop products to satisfy their preferences and ultimately distribute them across 170+ markets.

BAT's portfolio comprises combustible tobacco products, alongside a range of non-combustible reduced risk alternatives* which make up the New Category portfolio and includes Vapour, Tobacco Heating and Modern Oral products. As a global business, the Group aims to deliver sustainable value and ultimately build A Better Tomorrow™.

Revenue by Region



Revenue by Product Category



Effective from 2023, the Group will revise its regional structure and report on three regions, being:

- the United States of America;
- Asia-Pacific, Middle East and Africa (APMEA);
- and Americas and Europe (AME).



4
Regions



170+
Markets



138
Employee Nationalities



50,000+
Employees



5
Major Product Categories



81,000
Farmers Contracted Through
BAT Leaf Operations



22.5Mn
Non-Combustibles
Product Consumer

PAKISTAN TOBACCO COMPANY LIMITED



As a Company, we hold a significant place in the history of Pakistan as the first multinational corporation to be founded in the country after the partition of the Subcontinent in 1947. As a subsidiary of BAT Group, we have grown from a single warehouse near Karachi port, to becoming one of the largest Fast-Moving Consumer Goods (FMCG) companies in the country.

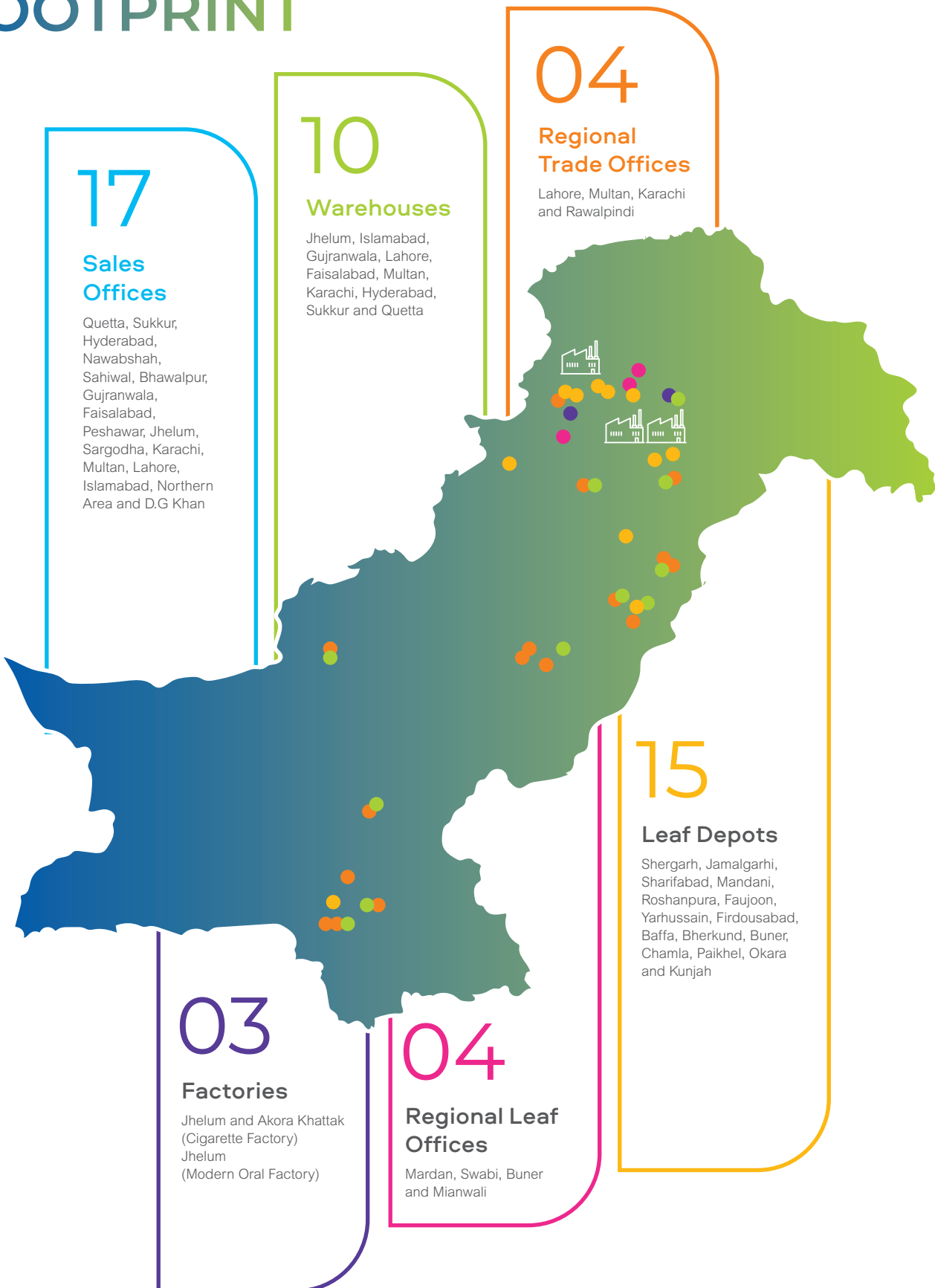
By actively designing and implementing cutting-edge agricultural and industrial processes, we have maintained a strong and resilient supply chain and our relentless drive to modernize has resulted in the introduction of innovative concepts and transformative products.

A rich history that spans over decades, today, we find ourselves in one of the most dynamic periods of change our industry has ever encountered. Rapid product innovation, along with advances in societal attitudes and public health awareness, we have seized the opportunity to make a substantial leap forward in our long-held ambition to positively impact the lives of millions of our consumers by providing them reduced risk products*. Through this strategy, we aim to build A Better Tomorrow™.

In 2022, we celebrated our 75th anniversary, characterized by an unprecedented period of growth and strategic transformation. Under the guidance of a steadfast commitment to excellence, we have achieved new levels of success through our prized product portfolio, strategic partnerships across crop-to-consumer operations, state-of-the-art manufacturing facilities and have also garnered recognition for our highly sought-after talent pool. These strengths are what set us apart and have positioned us as a leader in the FMCG industry in Pakistan.

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

OUR FOOTPRINT



17

Sales Offices

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

10

Warehouses

Jhelum, Islamabad, Gujranwala, Lahore, Faisalabad, Multan, Karachi, Hyderabad, Sukkur and Quetta

04

Regional Trade Offices

Lahore, Multan, Karachi and Rawalpindi

03

Factories

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

04

Regional Leaf Offices

Mardan, Swabi, Buner and Mianwali

15

Leaf Depots

Shergarh, Jamalgarhi, Sharifabad, Mandani, Roshanpura, Faujoon, Yarhussain, Firdousabad, Baffa, Bherkund, Buner, Chamla, Paikhel, Okara and Kunjah

OUR PURPOSE

By stimulating the senses of new adult generations, our purpose is to create A Better Tomorrow™ for all our stakeholders.

We will create A Better Tomorrow™ for:



Consumers

By responsibly offering enjoyable and stimulating choices for every mood and every moment, today and tomorrow



Employees

By creating a dynamic, inspiring and purposeful place to work



Society

By reducing the health impact of our business by offering a range of alternative products, as well as by reducing our environmental and social impacts



Shareholders & Investors

By delivering sustainable and superior returns

OUR 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.



OUR 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.

CORPORATE INFORMATION

Registered Office

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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

Madeeha Arshad Chaudhry
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Factories

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Centre, Main Auto Bahn Road, Hyderabad
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Bunglow No. A-17, Housing Society, (Near
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T: +92 (244) 364463-364458

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

PRODUCT PORTFOLIO

Non-Combustible

VELO

- Polar Mint
- Berry Frost
- Urban Vibe

Launched in 2019, our tobacco free alternatives come in 3 flavours varying in nicotine content i.e. 6mg,10mg,14mg for Polar Mint and Berry Frost and 10mg for Urban Vibe.

Combustible

DUNHILL

- Dunhill Lights
- 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 in 2008.



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.

CAPSTAN

- Capstan Filter
- Capstan by Pall Mall
- Capstan International

Capstan is our global drive brand and currently the leading & most popular brand in the country.



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

Benson and Hedges was launched after Richard Benson & William Hedges started a partnership in London in 1873. The brand was later launched in Pakistan in 2003.



Launched in 2018, John Player is the most contemporary Aspirational Premium brand for the downtrading premium consumer.



- 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.



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

STEP CHANGE IN MODERN ORAL JOURNEY

Leveraging our 75 years of history and expertise, 2022 was the year we successfully transformed ourselves into a sustainable multi-category business, all the while overcoming challenging economic situations, natural calamities and rising political instability to establish a Modern Oral Category in Pakistan.

We successfully embarked on the modern oral journey in 2019 through which we were able to establish the VELO Factory in Jhelum in a record time of **9 months** during the COVID lockdown. Since then we have transformed the business into one which would then be able to produce Modern Oral locally, thus driving speed of delivery as well as improved cost efficiency. Our guiding principles helped us target the right consumer, focus on relevant consumer channels, and create impactful conversations through generating contemporary content. Through these efforts we are able to deliver **Lowest Cost of Goods Sold (COGS)** in the Group.



2Mn

Productivity Savings



88%

Brand Power Score

Championing Tobacco Harm Reduction

Tobacco Harm Reduction (THR) is a public health strategy geared at minimizing the health impact of combustible tobacco. THR entails offering adult consumers who do not wish to quit an alternative source of nicotine through scientifically substantiated reduced risk products*. THR endorses the widely accepted insight that majority of the harm associated with tobacco is caused by the process of combustion, and products that do not involve tobacco combustion are likely to emit far fewer levels of toxicants.

Our business launched a THR campaign for VELO, which aimed to educate our adult nicotine consumers on reduced risks associated with the category compared to combustible cigarettes. The campaign was launched in Q4 of 2021 and remained a primary focus throughout 2022, whereby both online and offline channels were engaged to create brand advocacy. Different phases of the campaign were able to achieve an overall improved “product apprehension” and aided in forwarding the idea of “unafraid to challenge the norms”. The campaign successfully increased consumer consideration and significantly improved Consumer Disposition Funnel (CDF).



6%

Total Increased Consideration

Consumer Centric Strategies

We are marching forward on our journey of growth and transformation like never before. With the introduction of local-based flavors: **Elaichi Blast**, **Paan Rush** and **Exotic Black** (Limited Edition Pack and Product) we have successfully established VELO as the category for the masses, while creating excitement among our adult nicotine consumers. It is a result of these consumer facing campaigns that we have been able to transform ourselves into a major contributor in the Modern Oral category in such a short period of time, with a growth projection helping us to stay on track to becoming the **#1 VELO market** amongst Top 40 markets globally.

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

VELO Digital Footprint

Transitioning from conventional execution to agile and fit for consumer activations, we showed our evolving approach to target consumers in ways never done before in the history of our Company. The emergence of digital as a gateway to the consumer has led to us creating one of the most successful digital brands within BAT, with digital platforms of VELO Pakistan and VELO Sound Station bringing in staggering numbers from our consumers.

VELO Pakistan



3.5Bn+
Impressions



400K+
Followers



44%
of the total global
VELO Followership

VELO Sound Station



1.5Bn+
Impressions



470K+
Followers



459Mn
Views



FMC PERFORMANCE

Economic and political instability across the country in 2022 presented our business with unprecedented challenges, driving us to adapt our ways of working and inculcate agility and boldness to take advantage of any opportunity present in the market.

In 2022, we were forced to take multiple excise driven pricings in the year across our FMC portfolio. This added to the affordability pressure on consumers and thus, the prime importance of our business became the retention of our core franchises through consistent equity injections and tactical interventions while delivering on our value agenda.

Our Market Share 2022



78.4%

Legit market share



49.7%

Total market share

The Year of Pall Mall

Capstan by Pall Mall (CbPMO) is Pakistan's biggest brand with a market share of **32.26%** as of December 2022. Ensuring CbPMO remained the market leader in the years to follow, in 2022 we celebrated "The Year of Pall Mall" by launching Pakistan's biggest FMCG led LEP (Limited Edition Pack) campaign. The objective of the campaign was to reinforce the key messages that make Capstan by Pall Mall the **No.1 brand** of Pakistan.

The campaign was a huge success and significantly improved brand image while assuring the brand remained resilient to the unprecedented pricing and retained its position in the market.



Cementing the Legacy of Gold Flake

Gold Flake by Rothmans of London is Pakistan's **4th biggest brand** with a market share of **6.3%** as of December 2022. The brand dominates the rural smoker base with the mammoth distribution across Pakistan. To celebrate the legacy of the brand and continue with the momentum, a series of progressive LEPs were launched in 2022 tying **130 years** of heritage and trust to unwavering optimism for the future, and a true symbol of quality.



ILLICIT TRADE

Historically, illicit trade has been directly proportional to irrational increase in FED. As the market is highly price sensitive, an increase in excise leads to an increase in the price gap between legitimate and illegitimate cigarettes, forcing the average consumer to shift to lower priced and tax evaded products. The slightest increase in illicit trade deprives the Government of Pakistan of invaluable revenue and hampers its efforts of providing a level playing field to all manufacturers.

In 2022, the Government of Pakistan implemented Track and Trace system in the Tobacco sector. Only 2 manufacturers implemented the system in letter and spirit, whereas, the other manufacturers continued to delay implementation on one pretext or the other, finally getting a restraining order from Islamabad High Court (IHC). The initiative was designed to aid in the identification of authentic tax paid packs in the markets as well as monitor volume of production electronically to control tax evasion.

Additionally, the Government has signed an MoU with the Government of Azad Jammu & Kashmir (AJK) for implementation of the Track and Trace System at AJK based factories, however, execution is still awaited. It was our contention that until the Track & Trace System is implemented across the board and enforced at the retail level in letter and spirit, it will not yield the desired results. Lack of enforcement is allowing illicit manufacturers to continue their operations unhindered.

The Inland Revenue Enforcement Network (IREN) was reorganized and reinvigorated nationwide to carry out raids and seizures against illicit cigarettes and tobacco.

IREN also set up numerous check posts to curtail the flow of illicit cigarettes and tobacco. IREN must identify illicit hotspots and proceed against those involved in the trade of tax evaded cigarettes. Unless certainty of punishment is ensured, illicit trade will continue unabated. It is expected that with a firm resolve, the Government can curb illicit trade of cigarettes by sustained enforcement activities across the cigarette supply chain.

The Government needs to ensure implementation of Track and Trace System across the board to be able to reap the benefits and ensure tax compliance by all cigarette manufacturers. Only once it is implemented at all cigarette factories and enforced strictly at the retail level, will it yield the desired results for the Government. It is likely to provide much needed revenue to the Government and ensure a level playing field for all stakeholders.



ENHANCING OUR OPERATIONAL BRILLIANCE

2022 was a historical year in which our end-to-end operations were challenged in different capacities, including but not limited to: recovering from the pandemic, natural calamities, increased volume demand and capability building of Modern Oral plant. As a result, both Jhelum and Akora Khattak Factories had to shift gears and accelerate their efforts towards achieving new levels of success.

Integrated Work System (IWS) Phase 2 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. Continuing with the IWS Journey and post successful qualification for both AKF and JF sites on Phase 1, IWS remained at the core of our operations. Attaining IWS Phase 2 Certification in May 2022, our operations once again demonstrated their capacity and achieved operational excellence by becoming the **3rd** site in BAT to acquire this accreditation, alongside Korea and Indonesia. This transition has been made possible only as a result of our shop floor employees' massive capability building and significant advancements in loss analysis and subunit-level equipment comprehension. Phase 2 also ensured breaking the **50 Minutes Mean Time Between Failure (MTBF)** barrier which helped with reduced wastages, improved product quality and more importantly, created an avenue for Equipment Owners (EOs) and factories to focus on other losses and value their time in loss driven activities.

Capability Building of Modern Oral Plant

Pakistan's Modern Oral plant located in Jhelum, began to create its impact in the New Categories (NC) quite rapidly and was able to make its mark in the Group through delivering extraordinary results and setting global benchmarks. With operations focus not limited only to the performance end, the team took an immense leap through cost reduction at multiple fronts.

Localization of the product itself helped us to tap into a new market sector and helped to save costs through local manufacturing. Localization of wrapping materials further helped in reducing the overall manufacturing cost for Modern Oral.

Additionally, Pakistan has a potential for significant increase in the upcoming volume through expansion projects while maintaining lowest manufacturing cost in the Group. These efforts will help New Category to grow further and open up export opportunities.

Driving Our ESG Agenda

In 2022, our operations continued their efforts towards sustainable growth by supporting several initiatives on the Environment Social Governance (ESG) front to reduce environmental impact. In order

to lessen the effects of industrial effluents, we are driving **Effluent Treatment Plant (ETP), Reverse Osmosis (RO) and Ultra Filtration (UF) Plant**, which helps in **100% removal** of all industrial effluents, and ensures re-use of that water in our processes.

Digital Enablement of Operations

Keeping up with BAT's vision of a faster and simpler organization, digitization has been at the core of our operations in 2022. Initiatives such as **ENERCON** (Green Energy Conservation and Optimization), **Digitron 2.0** (Online Tobacco Waste Tracking System), **Data Catalyst** (Data Analysis at EO level highlighting capability hotspots), **Primary Manufacturing Department (PMD)'s SCADA 2.0** (Supports Machine Learning and Predictive Analysis) and **Modern Oral's Equata Application** (Capability Enhancement on Product Defects) have helped us reducing significant man-hours and cost, while also allowing us to perform loss analysis in a more efficient manner and improving the overall Way of Working (WoW).

2022 Big Wins



Modern Oral plant powered renewably through I-RECS purchase



Achieving zero waste-to-landfill status across all our manufacturing sites



Earning Alliance for Water Stewardship (AWS) certification for AKF



Total solar footprint increased to 3.4MW across JF and AKF



Waste recycling increased to more than 90%

SUSTAINABILITY FRONT AND CENTRE

We have always shown steadfast determination to drive growth, unlock new opportunities, and set benchmarks for our industry. As our Company celebrated 75 years in business, we achieved new milestones in 2022 that act as a testament to our commitment to excellence in the years past and those to come.

AWS Certification

Akora Khattak Complex became the first site in MESA & NA Area and the first integrated site in BAT to earn the prestigious AWS (Alliance for Water Stewardship) Core Certification, which is a globally applicable framework that helps water users understand their water consumption and impact. Having completed the AWS Audit, Jhelum Factory is expected to receive certification in 2023, making our market the first multi-site to earn AWS Certification in Asia-Pacific and Middle East (APME).

AWS Certification paves the way to work collaboratively and transparently for sustainable water management to create a water-secure world. We aim to reduce freshwater demand by recycling water and improving the efficiency of our water infrastructure, with the effluent treatment plants playing a crucial role in this effort, as the treated water is used to substitute freshwater in utilities and ancillary services. AWS certification not only brings our company closer to our goal of creating A Better Tomorrow™, but also reflects our history of commitment to environmental sustainability.

Drip irrigations units have also been deployed in Akora Khattak's catchment areas through our Farmer Support Program which aids in reduced water usage at the farm level. Both our sites showed their commitment to water stewardship through their high-water recycling rates, with Akora Khattak Factory closing 2022 at **41%** water recycling, Jhelum Factory at **46%** (FMC & MO) and our Company having the overall highest in MESA & NA.



First Ever I-RECS Purchase of Pakistan

Throughout our history, sustainability and carbon neutrality have been the core focus and key requirement for our Company. To accelerate our efforts towards keeping manufacturing operations environmentally sustainable, we purchased the first ever International Renewable Energy Certificates (I-RECS) in 2022. I-RECS represent **1 MWh** of renewable energy produced which is added to the national grid, thus helping to reduce the environmental impact of a company's operations.

Our Jhelum Factory recently made the first ever local I-RECS purchase in Pakistan, setting the standard for carbon neutrality and spearheading the agenda across the country. Despite challenges

such as limited knowledge about I-RECS and the absence of registered suppliers, we were able to drive the registration of the consultants through ardent market research and efficient stakeholder management.

This achievement has paved the way for other businesses in Pakistan to follow suit and reduce their own environmental impact. This helps in contributing to the goal of combating climate change under Sustainable Development Goal 13: Combating Climate, which requires concerted efforts to speed up climate action.

Collaborating with Academia

We signed our first-ever Memorandum of Understanding (MoU) with an academic institution, pioneering a new era of collaboration to create alliances to help our mission of A Better Tomorrow™. The MoU was signed with National University of Science and Technology (NUST), Ranked No.1 in Pakistan and No. 4 by Times Higher Education Impact Ranking Globally (2022) for United Nation's SDG #7: Affordable & Clean Energy. The objective of this MoU was to collaborate on joint R&D projects with focus on areas of Climate Change, Waste Management, and Water Stewardship.

The MoU was a culmination of a series of engagements between staff from NUST's Centre for Advanced Studies in Energy (CASE), who shared the cutting-edge innovations and research being undertaken and how they can support and contribute to our goal of carbon neutrality, while we shared our Company's sustainability journey in recent years and highlighted our key priorities for 2025.

Both parties recognized the importance of building industry-academia linkages to tackle global environmental challenges and explored avenues of mutual collaboration to help resolve these issues.

ACCELERATING OUR ESG AGENDA



Afforestation Drive

Sustainability is at the front and center of our business and excelling in environmental management has always been our top priority. We have the oldest and largest private sector afforestation program in the country, with **6 nurseries** across Pakistan, running since 1981.

Through strategic partnerships, we are committed to increasing the forest covers of Pakistan. We have partnered with the National Rural Support Program (NRSP) and over the past 10 years have carried out afforestation drives in the most impacted areas of forest loss.

We have also worked with multiple Government departments to ensure our value chain sources sustainable wood fuel for tobacco production with 100% traceability.

To-date we have provided upwards of **150Mn** saplings and in 2022 we planted and distributed more than **2.5Mn** saplings of different indigenous species.



Community Development

In 2022, in collaboration with National Rural Support Program (NRSP), we were able to train **7,000** plus families across all leaf growing areas and help them develop awareness regarding child education, farm economics, farm safety and kitchen gardening.

We provided **2500** kitchen gardening packs to families in 2022 and are aiming to train **100%** of our farmers' families in 2023 with the provision of **3000** Kitchen Gardening seeds.



Summer Camps

While targeting to achieve zero child labor in tobacco supply chain, we have further enhanced our Summer Camps Program to mitigate the risk of underage involvement in tobacco production activities and encourage our farmers on the importance of child education.

In 2022, we collaborated with Idara e Taleem o Agahi, a non-profit organization with expertise in poverty alleviation and rights awareness, to conduct **20 summer camps**. **158 ambitious learners** were enrolled in these camps, engaging them in arts, science, and math activities.



Farmer Livelihood

We encourage our farmers to improve their livelihood through profitable combination of crops, enabling our farmers to have income above minimum living wage.

We provide 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 2022, our business provided seed for Mustard to **400** farms and Mushroom Spawns to **300** farms.



Achieving Zero Waste-To-Landfill Status

2022 was a historic year for us as Akora Khattak Factory, Jhelum Factory (FMC & MO) and Green Leaf Threshing (GLT) achieved zero waste-to-landfill status. All waste from the origin to the waste processing unit is handled through an integrated waste management system under Project Terranova, which ensures reduced waste landfill. Reduce, Re-Use and Recycle is ensured by utilizing waste to make several useable items using expertise of waste management specialists.



Affordable Mechanization and Modernization of Tobacco

For the last 75 years, we have successfully transferred skills, new technologies, and best agricultural practices to our farmers. We work to cater for labor availability challenges and cost optimization through introduction of modern cultivation tools and affordable technologies like float seedling technology, mechanical inter-cultivators, fertilizer applicators and mechanical transplanters. We have also introduced stitching machines for tobacco stick tying to address the challenge of potential child labor.



Crop Input Support

In the last 5 years, we have extended farmer support to aid in crop productivity. Our Company also provides subsidy for other loaning items such as pesticides, hybrid seed, barn flue pipes and is currently providing end to end farmer facilitation for yield, quality improvement and mechanization services.



1000KVA Genset Support

We also provided 1000 KVA genset support for the Government's lift irrigation scheme which was out of operation due to extreme power outage. With this genset support **1,000 Ha** of land benefited which included tobacco and other food crops.



Hazardous Waste Reduction

We have a Hazardous Farm Waste Recycling Program through which farmers are incentivized to bring empty CPA containers to depots. The empty containers are collected by a certified vendor and recycled. In 2022, **7 Tons** of hazardous waste was recycled.



Mobile Doctor Units

Since 1985, we have been providing free of cost medication and consultations to the less privileged sector of the society. In 2021, we expanded our MDUs fleet from **7 to 13** and equipped all the vehicles with leading modern basic health care equipment. We also expanded our MDUs routes and included **5** new cities i.e. Muzaffarabad, Sargodha, Bahawalpur, DG Khan and Jhang. A total of **150,000** patients were given free of cost basic health care consultations, treatment, and medication in **12** different districts of KPK & Punjab in 2022.



Turbo Barns

We aim to achieve environmental excellence through fuel efficient barns: Turbo Barns. These Turbo Barns reduce the wood fuel cost of farmers and also reduce the impact on environment through efficient fuel usage. So far, we have converted **41%** of our farmers' barns into Turbo Barns.



Water Filtration Plants

To combat incidence of waterborne diseases, our Company 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. 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 27 water filtration plants.



Farm Safety

We are leading sustainable agriculture in Pakistan where farm safety is embedded in the pulse of our farmers by inculcating safety mindset. For this purpose, free of cost Personal Protective Equipment (PPE) were provided to **100%** of our contracted farmers in 2019, 2021 and 2022.



E-Invoicing Initiative

We managed to cut down on all paper invoices and moved to E-invoicing nationally, effectively saving an estimated **50,000 trees**. While this is just the start, our business is on target to substitute **35Mn** potential paper invoices with the digital E-invoicing solution already executed.

LEAF TRANSFORMATIONAL JOURNEY

Bank to Bank Farmer Payments

With the aim to simplify payments to our farmers and move away from manual voucher issuance and reconciliation, we carried out massive transition to Bank-to-Bank Payments.

In 2022, through extensive engagements with Pakistan Tobacco Board (PTB), approval was taken to execute payment migration for farmers from manual vouchers to online payment.

Through external stakeholder engagement, we also facilitated our farming community in opening more than 2,000 bank accounts within a period of three months.

Benefits of doing this were:

1. Accelerating agriculture sector towards digitization.
2. Paperless transactions aiding reduced carbon footprint.
3. Ease of facilitation for farmers.
4. Mitigating payment compliance risks with guaranteed payment to contracted farmers.

Project AgBot – Drone Technology

Our leaf operations, in line with digitization strategy and our ESG agenda, took the first of its kind initiative of Crop Protective Agents (CPA) application using drone technology.

Proof of Concept on 55 Hectares was carried out in 2021, following which we increased the Scope of drone CPA application and achieved **150 Hectares** coverage in 2022.

This initiative has the potential to save **30%** of CPA during application and **70%** water usage. Additionally, this practice will also ensure safe farm practices.



TRANSITIONING INTO THE FUTURE

In 2022, we embarked upon digitalization, automation, and simplification of different platforms for faster and stronger delivery of processes, supporting our agenda of future transformation to ensure business efficiency.

We were selected as a lead market to conduct User Acceptance Test (UAT) in which Business Impact Analysis (BIA) which previously used to be conducted on complex spreadsheets was upgraded to Power App, providing end user an interactive experience while conducting their BIAs. Additionally, we embarked upon the process through which Business Continuity Plans, which were previously hosted over SharePoint, will now be hosted over the Business Continuity Management App.

To optimize resources, country Security Manager visited our major sites to identify posts that could be secured with electronic devices, which was followed by ensuring implementation. This resulted in cost-effective security services throughout Pakistan.

We also developed a Business Continuity Management (BCM) exercise which acts as a benchmark training deck for Crisis Management Team (CMT) training for all end markets across MESA & NA. Sessions on investigation training were also held with MESA & NA security leadership team, which covered topics such as the Methodology of Investigation, Reporting of Incidents, and Writing Investigation Reports - this was undertaken to create a better understanding of methods and standards for reporting complex investigations.

OUR PEOPLE OUR PRIDE

In the past 75 years, a historic momentum has been laid out to revolutionize our workplace, with an enhanced focus on our people along with Diversity, Equity and Inclusion.



Battle of the Minds 2022

Starting as a humble initiative in 2004 with only 16 graduates across 4 universities, Battle of Minds (BOM) has transformed into a household label for thousands of talented minds across the nation. Fast-forward to 18 years, the platform has now created a legacy of grooming young leaders. Battle of Minds 2022 was the biggest it has ever been in our history, with over **4,500** students who participated. The event saw a revival of in-person campus drives which included engaging activities, marking the first time such events have taken place since the pandemic. This year's Battle of Minds had an innovative approach, tying the global theme to our Company's focus on Sustainability and ESG agenda. Hundreds of groundbreaking pitches surrounding Digitalization, Blockchain, and Sustainability challenge were formulated and shortlisted.

Dynamic and interactive social media campaigns were also launched on various platforms to celebrate BOM throughout the country, reaching a large audience of **4 million** users, making BOM'22 one of the most successful digital campaigns launched by our Company.

We also had the second-highest number of registrations in the region with **100%** expression of interest, and with more than **200** teams who made the final cut.



20

Universities Across Pakistan Reached



05

In-person Drives



06

Virtual Campus Drives



71

Campuses Attracted Nationwide

Transforming Our Workplace

With a steadfast commitment to our employees, we have taken decisive actions throughout our long-standing history to empower our workforce. In response to the heightened need for flexibility in 2022, we pro-actively transformed ourselves to meet the needs of our employees through initiatives which provided flexible work options and comprehensive learning programs that promote

personal development. One such initiative was the implementation of a **Flexible Workplace Model**, which allows employees to better balance their work and personal commitments.

We have also made significant investments in employee learning and development programs, which provide employees with opportunities to build new skills and advance their careers. In-line with this goal, we launched **Eureka**, an in-house capability development program, which ensures the right talent for each role and allows us to strengthen and uplift our talent pool to accelerate transformation.

To support our ongoing transformation efforts, we encourage our employees to partake in a wide range of training programs available on our learning platform, the **GRID**, such as Leadership Skills, Team Management, People Management, Self-Awareness, Tolerance of Ambiguity and more.

With well-being at the heart of what we do, we deployed the first ever online well-being platform, **OLADOC**, enabling employees to access online consultations from a network of nationwide renowned doctors. Our **Happy Basket Initiative**, run by the People & Culture Committee, provides monthly doorstep delivery of menstrual care products to our female employees across Pakistan.

She Returns was a unique program initiated in 2021, through which we aimed to tap into a highly capable, skilled, and motivated workforce comprising of individuals who had taken an extended break from their careers and were eager to return to their chosen profession. 2022 was the year for our **Returners to shine**, all of whom have now successfully integrated themselves into the workforce. With a successful blueprint to draw on, we are looking forward to bigger and better programs in the future, creating a more balanced workforce, and ensuring our Company continues to grow onwards and upwards in the years to come.

In 2022 we launched **Women Inclusion Network (WIN)** and **Mentors Corner**, an exclusive community for women which aimed to Connect, Collaborate, and Empower. This initiative provides opportunities for our female employees to engage in meaningful and insightful discussions with female leaders both within BAT and outside of the Company.

We are also immensely proud of the fact that our **Executive Committee comprises 40% female** and female attrition continues to drop year-on-year.

This year, our commitment to fostering our workforce and developing our workplace has received acknowledgement through prestigious awards which serve as a testament to our Company's efforts in 2022.

We are Global

As Pakistan's oldest and one of the largest multinational companies, we have a proud legacy of providing our employees with opportunities for international exposure. The number of employees who have taken advantage of this has steadily grown, resulting in a diverse and experienced talent pool. Over the years, our International Assignees have been a part of various projects in multiple functions, delivering disruptive changes. Currently, about **35%** of International Assignees are from 2022 talent exports alone.

Together, We Care

Throughout the years, we have remained steadfast in our commitment to talent retention and diversity. This has been a guiding principle for us as we continually adapt to changing times and provide our employees with the space, freedom, and support they need to grow and learn. Through our industry-leading policies we ensure employee well-being and provision of a safe and secure work environment.

Our Childcare Policy encourages the facilitation of employees who are single parents or working mothers, by providing them with child-care facilities, child-care support, and business travel support. The pre-existing policy was extended to include **nanny support** in addition to child-care options to better serve the broad group of working mothers at our Company. We recently inaugurated a **daycare center** in a Leaf Depot in Faujoon, located in the remote area of Yar Hussain region, to provide support to working mothers with infants and ensure their comfort and well-being.

In order to improve service experience and maximize satisfaction, **initiatives to elevate and empower men** have also been introduced. Following the birth of their child, male employees are given more time off work to assist them in playing their role in domestic duties under the revised paternity leave policy, which went into effect in January 2021.

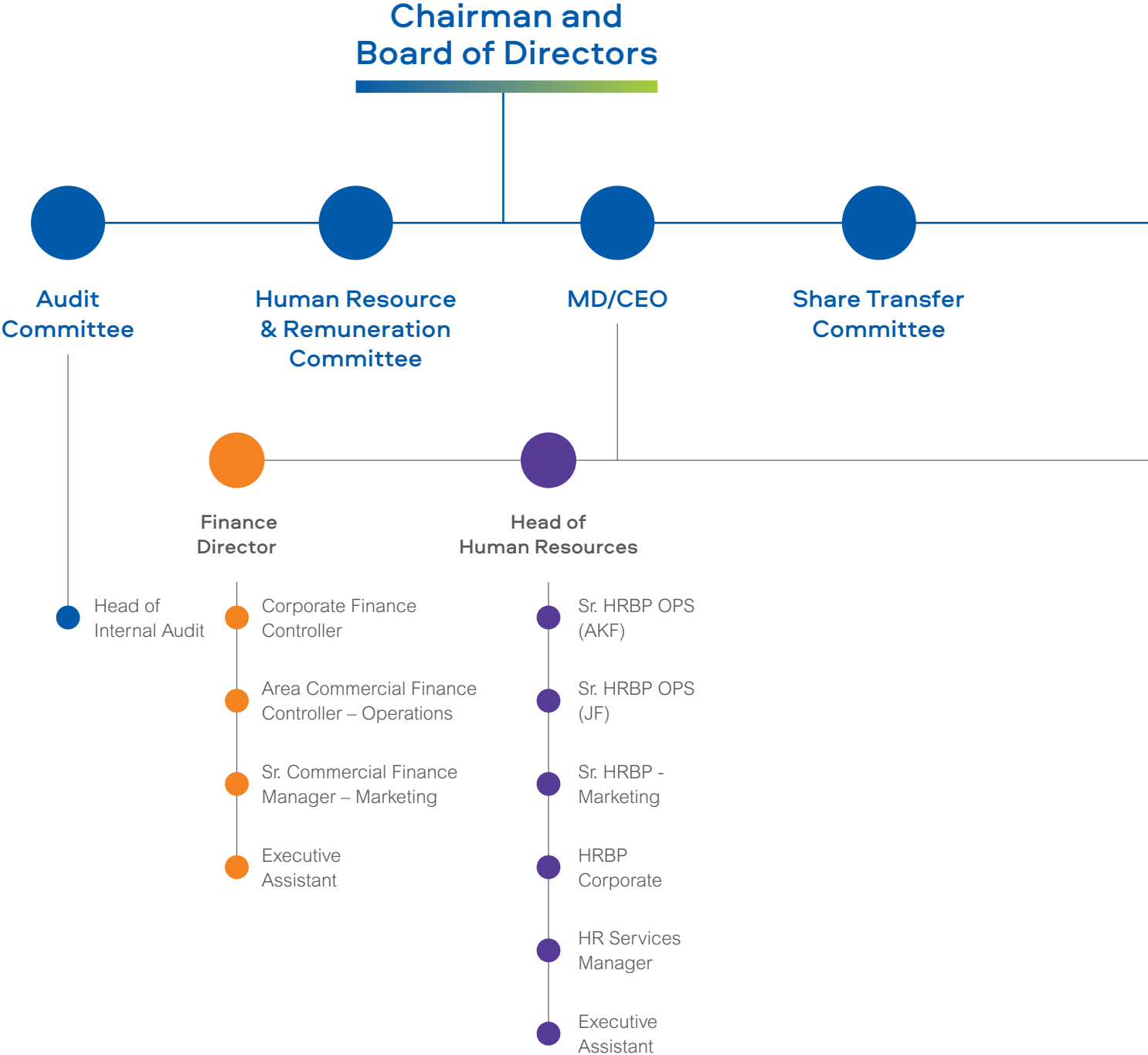
Pregnancy Loss Policy is also in effect through which we offer support to employees who have experienced the loss of a pregnancy, whether it was their own or their spouse's.



Overseas Investors Chamber of
Commerce & Industry (OICCI)
Women Empowerment
Award 2022

Global Diversity, Equity &
Inclusion Benchmarks
(GDEIB) Award 2023

ORGANISATIONAL STRUCTURE










Executive Committee (ExCo)



Area Director Ops MESA









Legal & External Affairs Director

-  Head of External Affairs
-  Company Secretary
-  Head of Legal - PK
-  Country Security Manager
-  Executive Assistant



Head of Marketing

-  Head of Trade Marketing & Distribution
-  Head of Activations
-  Planning Manager – PK
-  Sr. Brand Deployment Manager
-  Executive Assistant

- 
-  Supply Chain Manager
 -  Factory Manager – JF
 -  Factory Manager – AKF
 -  Area Quality Manager
 -  Area Sustainability Manager

As at 31st December 2022

BOARD OF DIRECTORS



Zafar Mahmood

(Chairman and Independent Director)

Mr. Mahmood holds a Master's degree in Economics, LL.B. 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 Chairman WAPDA. He joined the PTC Board in 2016. He was re-appointed as Chairman following his re-election to the Board of Directors in April, 2022.



Syed Ali Akbar

(Managing Director and CEO)

Mr. Ali Akbar brings a strong legacy of over two decades of multi-faceted professional experience with various multinational organizations 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, Business Development, Supply Chain and Mergers & Acquisitions. Mr. Akbar has also served as Director for different public and private organizations. He embarked on his career journey as a Management Trainee at Unilever Bestfoods and grew quickly taking up leadership roles in Engro Corporation, British American Tobacco and the Coca-Cola Company. He has led large and diverse teams in multiple countries with unique business challenges and complex business structures. During his career, he has received various local & global accolades for his contribution towards organizational strategy and disruptive marketing initiatives. His focus on Strategic Innovation won him one of the most coveted honors at the Coca-Cola Company in 2018 – the Global Award by the Chairman & the Board of Directors. Mr. Akbar joined PTC as the Marketing Director in 2019 and was appointed to the Board of Directors the same year. He was subsequently appointed Managing Director and CEO on March 1, 2021.



Kelly Louise Burtenshaw

(Finance Director)

Ms. Kelly Burtenshaw is a Certified Chartered Accountant from the Institute of Chartered Accountants, Australia. Prior to joining British American Tobacco (BAT), she has over 12 years of experience with PricewaterhouseCoopers in Sydney and Tokyo. She has over 9 years of experience working with BAT Group having joined the Group in 2013 and has held various senior positions in the Finance function of various BAT companies. In 2017, she was appointed as Financial Controller, BAT in Greater North Asia Area, before taking up the role of Finance Director for Taiwan Cluster in February 2019. In January 2020, she assumed the role of Finance Director, Korea where she led the Finance team and was part of the Leadership Team driving the strategic agenda for Korea. Kelly moved to Pakistan as Finance Director in April 2022 and she has joined the Board of Pakistan Tobacco Company in June 2022.



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 has worked as a private practitioner at one of Auckland's leading firms and has also provided advisory services to various New Zealand and South Pacific Businesses. Belinda has 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 and was re-elected to the Board in April 2022.



Wael Sabra

(Non-Executive Director)

Mr. Wael Sabra holds a Master's degree in Finance from University of Florida and is a Certified Management Account (CMA). He has 20 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 and subsequently to Dubai as Finance Director Middle East, South Asia and North Africa. In his 20 years with BAT, he has been an Executive board member in several BAT operating companies.

Presently, he is serving as Area Director, Middle East, South Asia & North Africa. He was previously appointed to PTC's board in 2016 and served till 2019. He was re-appointed to PTC's board in 2021.



Usman Zahur

(Non-Executive Director)

Mr. Usman Zahur joined Pakistan Tobacco Company Limited (PTC) as a Management Trainee in 1997. During his career in BAT, he has acquired extensive global experience in various Marketing positions in Brands, Trade and SP&I in markets like Kenya, United Kingdom and Bangladesh, amongst others. He returned to Pakistan in 2017 as the Area Marketing Director for South Asia Cluster and in 2019, he was appointed as the Managing Director & Chief Executive Officer of Pakistan Tobacco Company Limited and also joined the Board of Directors as an executive Director. From 1st March 2021, Usman was moved to the role of Area Director, Asia Pacific Area (APA) based out of Hong Kong. He re-joined the Board of Directors in 2022.

BOARD OF DIRECTORS



Syed Asad Ali Shah

(Legal and External Affairs Director)

Mr. Shah holds a master's degree from Cranfield University School of Management. He has more than 21 years of experience in Pakistan Tobacco Company Limited. 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 August 2018, he was appointed as Director, Legal and External Affairs. He joined the PTC Board in 2019 and was re-elected to the Board of Directors in April 2022.



Asif Jooma

(Independent Director)

Mr. Asif Jooma began his career in the corporate sector with Lucky Core Industries Limited (Formerly ICI Pakistan Limited) back in 1983. He has over 35 years of extensive experience in senior commercial and leadership roles. Following his early years with the Company 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 Lucky Core Industries Limited (Formerly ICI Pakistan Limited) as Chief Executive in February 2013.

Mr. Jooma has previously served as the President of the American Business Council, President of the Overseas Investors Chamber of Commerce and Industry (OICCI) and Chairman of the Pharma Bureau. He has also served as a Director on NIB Bank Limited, Engro Fertilisers Limited and Director and Member Executive Committee of the Board of Investment (BOI) – Government of Pakistan and currently serves on the Board of National Bank of Pakistan, Systems Limited, Pakistan Tobacco Company Limited and International Industries Limited. Mr. Jooma is also the Chief Executive of NutriCo Morinaga (Private) Limited.

Additionally, Mr. Jooma is on the Board of Governors of the Lahore University of Management Sciences (LUMS) and a Trustee of the Duke of Edinburgh's Awards Program, whilst previously also serving on the Board of Indus Valley School of Art and Architecture (IVSAA). He himself graduated cum laude from Boston University with a Bachelor of Arts in Development Economics and attended Executive Development program at INSEAD and Harvard Business School thereafter.



Gary Tarrant

(Non-Executive Director)

Mr. Gary Tarrant joined the BAT Group in 2004 in Globe House, United Kingdom and his career at BAT Group includes multiple positions within the Legal & External Affairs department as Head of LEX, Korea & Taiwan Cluster, Head of Commercial Legal UK, Head of Legal West Africa and Legal Counsel for GCC amongst others.

Gary is currently the Head of Legal and External Affairs (LEX), Middle East, South Asia and North Africa, a role that he moved into in 2019, and a member of the Area Leadership Team. In his current functional role, Gary is responsible for leading the Legal and External Affairs team providing support and advice in relation to all aspects of legal and compliance advice and managing the external affairs team for the BAT Group companies in Middle East, South Asia and North Africa. As of 1st April 2023, Gary will be taking on the role of Regional Head of Legal & External Affairs and Regional Legal Counsel, Asia Pacific Middle East Africa. Gary was appointed to PTC's Board of Directors in October 2022.



Oliver Engels

(Non-Executive Director)

Mr. Oliver Engels completed a Master of Business & Economics at the University of Hannover, Germany. He has extensive experience in the consumer goods industry. After 18 years of having worked at Unilever in Local, Regional and Global Marketing, Oliver joined British American Tobacco in 2014. He held several roles as Marketing Director Germany, Global Group Head of Brands Combustibles as well as Area Director for Central Europe North.

His current role encompasses the accountability for Marketing & Sales across the Asia Pacific & Middle East region, and is based in Singapore.

Oliver is a member of the leadership teams of the Asia Pacific & Middle East Region as well as the Global Marketing Executive team of BAT. He was appointed to PTC's Board of Directors in October 2022.



Mohammad Riaz

(Independent Director)

Mr. Mohammad 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 of 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. He was re-elected to PTC's Board of Directors in April, 2022 and is the Chairman of the Audit Committee.



Lt. General Najib Ullah Khan (Retd)

(Independent Director)

Lt. General (Retd) Najib Ullah Khan served in Pakistan Army for 40 years. A graduate from Military College of Engineering, Staff College Camberley (UK) and the National Defense University, he had an illustrious career in Army. During his commendable service to the country, he held various command, Staff and Instructional appointments. He has served as the Quarter Master General, Engineer in Chief, Commanded Pakistan Army's Strike Division besides being Director General, Frontier Works Organization. Post retirement from Pakistan Army, he served as the Managing Director of Army Welfare Trust. Lt General Najib continues to make valuable contributions to Cadet College Hasan Abdal while remaining on its Board for last 7 years. He was appointed to the PTC Board in 2022.

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



Syed Asad Ali Shah
Legal & External Affairs Director



Sayeed Salam
Head of Marketing



Kelly Burtenshaw
Finance Director



Faiza Imtiaz
Head of Human Resources



Patrick Bejjani
South Asia Supply Chain Manager



Madeeha Arshad Chaudhry
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 with 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 of Directors

During the year 2022, 4 meetings held on February 24, April 21, July 28 and October 20. Attendance of members is as follows:

Members	Attendance
Mr. Zafar Mahmood Chairman	4/4
Syed Ali Akbar Managing Director and CEO	3/4
William Francis Pegel Director Finance & IT (resigned w.e.f 14-06-2022)	2/4
Syed Asad Ali Shah Director Legal and External Affairs	4/4
Kelly Burtenshaw Director Finance (joined w.e.f 15-06-2022)	2/4
Belinda Joy Ross Non-Executive Director	3/4
Syed Javed Iqbal Non-Executive Director (Retired)	1/4
Lt. Gen.(R) M. Masood Aslam Independent Director (Retired)	1/4
Mohammad Riaz Independent Director	4/4
Asif Jooma Independent Director	4/4
Wael Sabra Non-Executive Director	4/4
Shannon McInnes Non-Executive Director (resigned w.e.f.4-10-2022)	1/4
Ozsan Ozbas Non-Executive Director (resigned w.e.f.14-10-2022)	0/4
Usman Zahur Non-Executive Director (elected w.e.f. 21-04-2022)	3/4
Lt. Gen (R) Najib Ullah Khan Independent Director	3/4
Gary Tarrant Non-Executive Director (joined w.e.f. 04-10-2022)	1/4
Oliver Engels Non-Executive Director (joined w.e.f. 14-10-2022)	1/4

Audit Committee

In 2022, 4 meetings held on February 24, April 21, July 28 and October 20. Attendance of its members is as follows:

Members	Attendance
Mohammad Riaz Chairman	4/4
Lt. Gen.(R) M. Masood Aslam (Retired)	1/4
Asif Jooma Independent Director	4/4
Lt. Gen (R) Najib Ullah Khan Independent Director	3/4
Belinda Joy Ross Non-Executive Director	3/4
Wael Sabra Non-Executive Director	4/4

Human Resources & Remuneration Committee

In 2022, 2 meetings held on February 22, and October 20. Attendance of its members is as follows:

Members	Attendance
Lt. Gen.(R) M. Masood Aslam (Chairman) (Retired)	1/2
Lt. Gen.(R) Najib Ullah Khan (Chairman)	1/2
Asif Jooma Independent Director	2/2
Mohammad Riaz Independent Director	2/2

Shares Transfer Committee

In 2022, 10 meetings held. Attendance of its members is as follows:

Members	Attendance
Syed Ali Akbar	5/10
William Pegel <small>(resigned w.e.f 14-06-2022)</small>	5/10
Syed Asad Ali Shah	10/10
Kelly Burtenshaw <small>(joined w.e.f 15-06-2022)</small>	4/10

Sub Committees of ExCo.

i) Governance committee

In 2022, 12 meetings held. Attendance of its members is as follows:

Members	Attendance
William Pegel <small>(Left in May 2022)</small>	4/12
Syed Asad Shah	10/12
Waqas Ahmed Khan <small>(Left in Aug 2022)</small>	6/12
Kelly Burtenshaw <small>(Joined in May 2022)</small>	8/12
Syed Ali Akbar <small>(Joined in July 2022)</small>	4/12
Ahsan Irshad <small>(Joined in June 2022 & Left in August 2022)</small>	2/12
Sayeed Salam <small>(Joined in August 2022)</small>	5/12
Faiza Imtiaz <small>(Joined in August 2022)</small>	5/12

ii) Commercial committee

In 2022, 12 meetings held. Attendance of its members is as follows:

Members	Attendance
Syed Ali Akbar	11/12
William Pegel <small>(Left in June 2022)</small>	5/12
Syed Asad Ali Shah	4/12
Ahsan Irshad <small>(Left in Sep 2022)</small>	6/12
Waqas Ahmad Khan <small>(Left in Sep 2022)</small>	3/12
Kelly Burtenshaw <small>(Joined in June 2022)</small>	7/12
Sayeed Salam <small>(Joined in Sep 2022)</small>	4/12
Faiza Imtiaz <small>(Joined in Sep 2022)</small>	4/12

TORs of Board Committees

	Committee	Functions
1	Audit Committee	<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, 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. • 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.
2	Human Resources and Remuneration (HR&R)	<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 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.
3	Share Transfer Committee	<p>The Committee is responsible for dealing with the day to day matters relating to the shares of the Company.</p>
4	Executive Committee of the Board (ExCo)	<p>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.</p>

Sub Committees of ExCo.

	Committee	Functions
i	Governance Committee	<p>The Governance Committee (the Committee) is a sub-committee of the Executive Committee (ExCo).</p> <p>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:</p> <ul style="list-style-type: none"> • 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 <p>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.</p>
ii	Commercial Committee	<p>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.</p> <p>The commercial forum is responsible for the following:</p> <ul style="list-style-type: none"> • Seamlessly drive the commercial agenda for PTC • Monitor progress and facilitate delivery for ongoing projects and workstreams (Star Charts) • Provide organizational support to and approval for ongoing projects • Operational decision making and business cases for key projects and budgetary approvals • Detailed PIRs of completed projects • Necessary Escalations and approvals if required for ASOP and ALT Commercial <p>This is an approving forum for all budgets for business plans as per the SoDA governance.</p>

STANDARDS OF BUSINESS CONDUCT AND ETHICAL PRINCIPLES

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 (SoBC) 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 SoBC. 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.

Whistleblowing

Any employee of the Company who suspects a wrongdoing at work is strongly encouraged to report such wrongdoing through the whistleblowing procedure. The Company’s whistleblowing Policy (Speak Up Policy) gives employees (and third parties) trust and confidence in how their concerns

will be treated. The Speak Up policy allows employees (and third parties) to report their concerns on any breach of the 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 Speak Up Policy ensures the highest level of confidentiality for those who speak up and the investigation process. Additionally, in order to encourage people to speak up, the Speak Up Policy also mandates no reprisal against the individual (who may also report the concern anonymously). All employees of the Company are made aware of the Speak Up Policy and the safeguards it provides to those who speak up.

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 someone has a concern they wish to raise, they may write to any of the Designated Officers or contact them via telephone or fax.

The designated officers are:

Legal and External Affairs Director
Company Secretary
Compliance Manager

Number of incidences reported in 2022

12 whistle blowing incidences were reported in the said year.

Investors' Grievance Policy

The Company provides on its website a direct email address, as well as a postal address, on which investor complaints and/or grievances can be communicated directly to the Company Secretary. As a means of redressal against any complaints/grievances that the Company may not have addressed, the Company website also stipulates that contact can be made with the Securities and Exchange Commission of Pakistan for the same.

Social And Environment

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 it operates. The Company's due diligence procedures enable it to monitor the effectiveness of, and compliance with, its policy commitments and its Supplier Code of Conduct, as well as to identify, prevent and mitigate human rights risks, impacts and abuses.

Health, safety & welfare

The Company places a high value on the health, safety and welfare of its employees, and are committed to providing a safe working environment, to prevent accidents and injury, and to minimise occupational health risks.

Environment

The Company is committed to excellence in environmental management across its business operations and throughout its supply chain and compliance with applicable environmental laws and regulations.

Personal And Business Integrity

Conflicts of interest

A conflict of interest will arise in any situation where an employee's position or responsibilities within the Company presents 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.

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, disclosures 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.

Anti-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 ensures they have in place policies like Supplier Code of Conduct and Third Party Anti Financial Crime 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.

External Stakeholders

Community investment

The Company recognizes the role of business as a corporate citizen and the Company works towards supporting local communities and charitable projects. It thus has in place a comprehensive policy framework for Community Investment.

Corporate Assets & Financial Integrity

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.

Data privacy, confidentiality and information security

The Company is committed to handling personal data responsibly, in compliance with privacy laws and the global minimum standard of governance. 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.

National And International Trade

Competition and anti-trust

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).

Sanctions and export controls

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 the Company by restricting the extent to which they can operate within certain jurisdictions. The Company is committed to upholding all lawful sanctions regimes.

Anti-illicit trade

The Company engages only in lawful trade in its products and maintains controls to prevent and deter illicit trade in its products. Illicit trade, involving smuggled or counterfeit products, harms the business and devalues the Company's brands.

Tax evasion and anti-money laundering

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 tax evasion and money laundering and requires its employees to abide by its anti-money laundering policy.

CHAIRMAN'S REVIEW

I am pleased to share the Annual Report for the year 2022.



2022 Performance

The Company's performance faced multitude of headwinds including high inflation, considerable local currency devaluation, multiple excise increases and shortage of foreign currency in the banking system. PTC navigated through these challenges with a clear aim of continued value delivery to consumers and of enhanced value generation for shareholders. Implementation of Track and Trace system and sporadic enforcements by Law Enforcement Agencies somewhat helped to temporarily reduce price disparity between legitimate industry and duty-not-paid tobacco sector (DNP) resulting in flat year on year volume.

As a result of the Company's clear strategy, PTC was able to deliver EPS growth of 13% for 2022 versus same period last year. Further, the Company was able to deliver a 122% volume growth for its non-tobacco nicotine product (VELO) versus same period last year. Furthermore, the Company's contribution to National Exchequer increased by 14.2% to Rs. 154.0 billion during 2022 versus same period last year.

Environment, Social and Governance (ESG) Agenda

As a responsible corporate citizen, PTC believes in giving back to the society and the very environment it operates in. During 2022, the Company undertook various initiatives towards sustainability and to combat climate crisis.

The Company invested heavily in energy conservation in Jhelum Factory and Akora Khattak Factory making them the highest and third-highest on-site power generation sites across BAT Group respectively. The CO₂ emissions reduction of 5000 tons over two years is a testament to the Company's commitment towards environmentally sustainable operations. The Company also continued to focus on water recycling initiatives while being the second largest water-recycling operation across BAT Group.

Among other initiatives, PTC continued to provide free medical advice and medicines under its Mobile Doctor Unit program. In 2022, more than 150,000 patients were given free of cost medical consultations and medication under this program. To ensure local community is protected from waterborne diseases, the Company provided clean drinking water to the less privileged segments of the society through 27 water filtration plants, each providing up to 20,000 liters of clean drinking water per day.

PTC runs one of the largest private sector afforestation programs. Under this flagship program running since 1981, the Company has successfully distributed and planted more than 150 million saplings free of cost with 2.5 million saplings distributed during 2022.

Corporate Governance

The Company 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 the Sarbanes-Oxley regulations (SOx), the Company's control

framework and governance environment has further strengthened. The Company's compliance with SOx controls and other policies & procedures is monitored by the Group's internal controls team and also tested by external auditors (KPMG) from time to time.

The Company also mandates its employees to operate and deliver with integrity and strongly discourages malpractice. This message is reinforced through face-to-face and online trainings conducted throughout the year as part of Standards of Business Conduct (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

In line with BAT Group's harm reduction agenda under vision of A Better Tomorrow™, PTC continues to invest behind its tobacco-free nicotine products. As a result, Pakistan has become 3rd largest VELO market across BAT Group within 3 years of the product's launch. Amidst severe foreign currency shortage, the Company continued to pursue its ambition to enhance exports with 2022 turnover of \$27.6 million. PTC made considerable investment in Track and Trace System which is expected to protect the interests of legitimate tobacco sector and ensure rightful tax contribution to National Exchequer by tobacco Industry. The Company also continued investing in operations including Integrated Work System and ESG initiatives to enhance productivity and achieve operational efficiencies.

In the absence of full-scale implementation of Track and Trace system and sporadic enforcements by Law Enforcement Agencies, multiple excise-increases during 2022 have created a considerable price disparity between legitimate industry and local DNP sector. This is an area of grave concern since it continues to put pressure on legitimate industry's sustainability and has caused leakage of estimated Rs. 87 billion of Government tax revenue. Thus, it is imperative that stringent action is taken by the relevant law enforcing authorities to curb DNP sector in the best interest of all stakeholders. Also, shortage of foreign currency in banking system poses a serious threat to business continuity across manufacturing sector. Timely intervention by relevant Government authorities is pertinent for sustainability of manufacturing sector and associated job creation that ensues.

PTC has a strong belief in its people and their capabilities. The senior management and I have full confidence that our people possess right capabilities and attitude to navigate the Company through these testing times. Looking ahead, we remain focused on delivering value offers to our consumers and driving long-term sustainable growth for our shareholders while creating a positive impact around us.

Zafar Mahmood Chairman

MD/CEO'S MESSAGE

I am pleased to present the performance of the Company for the year 2022.



Business Performance

The Company navigated through volatile macro-economic conditions during the year with focus on delivering value to existing consumers, while onboarding new consumers for its tobacco-free nicotine product (VELO).

The Company's strategy helped deliver gross revenue growth of 16.6% versus same period last year. Despite multiple excise-increases during the year, imposition of Super Tax by Government, rampant inflation and sizeable currency devaluation, the Company delivered an EPS growth of 13% by maintaining the right balance between consumer affordability and driving a cost-conscious culture. The Company was able to deliver 122% growth in VELO volume while tripling its net turnover versus same period last year.

Our 2022 business results are testament to the commitment of our people and their passion to consistently deliver excellence.

Our Brands

The Company remains committed to differentiating its portfolio by investing across all market segments and strengthening brand equity. Dunhill remains our ace international offer while John Player Gold Leaf continues to lead Premium segment in the market. Capstan by Pall Mall strengthened its position as biggest brand in the industry, enabling the Company to increase its share of legitimate industry to 78.4%, up by 0.4% versus same period last year.

As part of BAT Group's agenda for A Better Tomorrow™, to reduce health impact of its business, the Company continued to invest in VELO. During 2022, the Company sold over 420 million nicotine pouches within third year of its launch in Pakistan and has thus been awarded with "A Better Tomorrow™" award by BAT Group for demonstrating excellent business results. The aforementioned business delivery by PTC also makes Pakistan 3rd largest VELO market by volume across BAT Group.

Our People

The Company believes in building a dynamic talent pool, capable of fully delivering on business objectives. Attracting best-in-class talent and investing in future-fit teams remains one of the key strategic pillars of the Company. Consequently, the Company's talent pool is preferred across BAT Group as a resource of choice, with many Pakistanis taking up key leadership roles internationally across the Group.

On account of the Company's focus on creating a diverse and inclusive work environment, PTC has been awarded with "Global Diversity, Equity & Inclusion Benchmarks Award" by Global Diversity, Equity and Inclusion Benchmarks, "Top Employer Award" by Top Employers Institute and "Women Empowerment Award" for Gender Inclusion Policies by Overseas Investors Chamber of Commerce and Industry.

Our Processes

Simplification and automation of processes has been a key strategic pillar of the Company during 2022. PTC invested heavily in the implementation of Track and Trace System which enables law enforcement agencies to effectively separate duty-paid cigarettes from duty-not-paid (DNP) brands and helps curtail spread of DNP brands while protecting Government revenues. PTC achieved another major milestone during 2022 and has been accredited Integrated Work System (IWS) Phase 2 across all manufacturing sites.

This efficiency drive has resulted in increased business productivity and has generated cost savings across the value chain. As a result, value proposition of the Company's portfolio was enhanced for consumers while generating additional savings for the shareholders.

Our Future

PTC believes in delivering value to its consumers and shareholders and reducing the health impact of its business underpinned by simpler and faster organization made up of best-in-class talent.

Economic and Industry specific challenges are expected to continue through 2023. The delay in industry-wide implementation of Track and Trace system and lack of enforcements against DNP segment by Law Enforcement Agencies create space for DNP sector to grow. This is not only detrimental to interests of duty-paid sector but also compromises Government's ability to generate rightful tax revenues. Shortage of foreign currency in banking system has also put pressure on manufacturing sector to sustain operations smoothly. It is therefore imperative for the Government to introduce structural reforms and ensure that manufacturing sector is facilitated in playing its role in economic uplift of the country as well as masses at large.

The Company will continue to invest behind potentially reduced risk product portfolio in line with its agenda of A Better Tomorrow™ and reduce the health impact of its business. I strongly believe that the Company is well-equipped to manage aforementioned challenges and will continue to deliver on shareholder expectations during 2023 and beyond.

Ali Akbar MD/CEO

DIRECTORS' 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, 2022.

Macroeconomic Environment

As global economy continued to slow down during 2022, Pakistan had its fair share of economic challenges during the period under review. Locally, political uncertainty and natural disasters added further pressure on the domestic economy resulting in double digit inflation, currency devaluation, and dwindling foreign exchange reserves. To manage the current account deficit, State Bank of Pakistan increased import restrictions which negatively impacted manufacturing activity and led to multiple price increases during the year, all of which added pressure to consumers' disposable income.

Industry Overview

Fiscal environment

During 2022, Government of Pakistan imposed multiple Federal Excise Duty (excise) increases on factory manufactured cigarettes (cumulative Rs. 26 per pack for tier 1 and Rs. 8 per pack for Tier 2). The excise increases further incentivized Duty-Not-Paid (DNP) segment as the price gap with the legitimate industry widened to an all-time high. Consequently, prices of DNP brands were not just lower than the Government mandated minimum price of Rs. 70.13 per pack, but even lower than the minimum excise and sales tax payable on a pack of 20 cigarettes i.e. Rs. 51.19 per pack.

Increase in duties and taxes, and need for rigorous enforcement

Frequent and high increases in excise and duties by the Government carries inherent risk of furthering price gap between legitimate industry and DNP sector. This disparity further incentivizes DNP sector towards duty-evasion which not only impacts the sustainability of the tax-paying legitimate industry but also results in loss of Government revenue estimated at Rs. 87 billion per annum.

Consequently, there should be enhanced focus on enforcements by Government, which should also amend the law to declare selling of duty-evaded cigarettes a cognizable offense with exemplary punishment. immediate implementation of Track and Trace System remains a key pillar to protect interests of the legitimate industry whilst also protecting Government revenues.

Regulatory environment

In 2022, the Government promulgated Track & Trace System across the tobacco industry followed up by active enforcement. PTC ensured compliance of its operations with the Track & Trace System by Q3 2022. The Government is also legislating Track & Trace System for other product categories related to tobacco/nicotine and has also issued a Statutory Regulatory Order (SRO) pertaining to the same.

Company Performance

Sales volume declined by 1% during the year versus 2021. This is primarily attributable to the multiple price increases on account of excise increases, inflation and rupee devaluation. The Company continued to maintain its market share leadership in the legitimate segment growing market share by 0.4% in 2022 to 78.4%. In 2022, PTC contributed Rs. 154.0 billion to the National Exchequer in the form of excise and various regulatory duties.

The Company's cost base remained under pressure throughout 2022 in the wake of the currency devaluation and inflation. Despite these challenges, PTC 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.

BAT Group is driving the agenda for A Better Tomorrow™ by reducing health impact of its business. The Group invests over \$430 million per year in research and development of New Category Products. In line with the Group's agenda for tobacco harm reduction, PTC continued to build its venture into New Categories of tobacco-free nicotine products (VELO). During 2022, PTC tripled the net turnover of its New Category business, lowered the cost base and sold 420 million nicotine pouches within third year of its launch in Pakistan, and has thus been awarded with "A Better Tomorrow™" award by BAT Group for demonstrating excellent business results. The aforementioned business delivery by PTC also makes Pakistan the third largest VELO market in terms of volume across BAT Group.

PTC's export initiative "Made in Pakistan", in its third year of full-scale operation, has resulted in exports of \$27.6 million during the year. PTC's 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, PTC 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, Equity & Inclusion Benchmarks Award" by Global Diversity, Equity and Inclusion Benchmarks, "Top Employer Award" by Top Employers Institute and "Women Empowerment Award" for Gender Inclusion Policies by Overseas Investors Chamber of Commerce and Industry.

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 has successfully planted and distributed more than 150 million saplings free of cost (2.5 million saplings distributed during 2022).

Under the MDU program, the Company dispensed medical advice and medicines free of cost to more than 150,000 patients. To ensure that the local community is protected from waterborne 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.

Financial Review

	Rs. (million)	
	FY 2022	FY 2021
Gross Turnover	232,600	199,469
FED & Sales Tax	137,738	124,481
Net Turnover	94,862	74,988
Cost of Sales	49,706	39,092
Gross Profit	45,156	35,896
Operating Profit	32,787	25,500
Profit Before Tax – PBT	34,734	26,207
Profit After Tax – PAT	21,321	18,862
Earnings Per Share – EPS (Rs)	83.45	73.83

Profit & loss analysis

The Company contributed 66% of gross turnover (Rs. 154.0bn vs Rs. 134.8bn for 2021) 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 21% and 5% of gross turnover respectively.

Domestic gross turnover increased by 18% vs SPLY despite a 1% volume reduction on account of sustained consumer base through multiple price increases. Exports Turnover decreased by 18% vs SPLY driven by loss of certain export markets. The Company is taking measures to ensure healthy exports pipeline going forward and expects to deliver robust export growth. The Company exported 1.4 billion cigarette sticks, 2.5 million Kgs of cut-rag tobacco, and 1.9 million Kgs of unmanufactured tobacco in 2022 with a turnover amounting to \$27.6 million. PTC also exported human resource services worth \$1.5 million during 2022.

Cost of Sales increased primarily due to devaluation of local currency, global inflation on imported materials and local inflationary pressure. These headwinds were mitigated through multiple productivity saving initiatives and focused cost management to reduce the overall cost base. Administrative expenses had a 3% increase due

to higher information technology costs, in line with BAT's strategy of simplification through automation.

Net Finance Income increased by 175% in 2022, attributable to surplus funds available for Treasury Bill investments on account of better cash position and higher interest rates.

Statement of financial position analysis

Property, plant and equipment increase in 2022 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 is attributable to impact of currency devaluation and inflation.

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 2022 due to more import orders in Q4 2022.

Short term investments in Government treasury bills recorded an increase vs SPLY due to higher availability of surplus funds.

Current Liabilities increased due to higher outstanding payables to internal and external suppliers on account of lesser access to foreign currency.

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 15.4 billion. During the year, final dividend of Rs. 28 per share related to year ended 2021 was approved by shareholders and was subsequently paid. In 2022, the Company earned a net profit of Rs 21.3 billion and declared two interim dividends of Rs. 10 per share in Q2 2022 and Rs. 10 per share in Q3 2022. The net reserves position of the Company at year end stands at Rs 24.1 billion. Details of appropriation are also elaborated in the table below:

	Rs. (million)	Rs. Per Share
Opening Reserves	15,418	
Final Dividend 2021	(7,154)	28.00
Net Profit 2022	21,321	83.45
Other Comprehensive Income	(406)	
Available for appropriation	29,179	
Interim Dividends 2022	(5,110)	20.00
Closing Reserves	24,069	

Final dividend

The Board of Directors of PTC in its meeting being held on February 23, 2023 recommended a final cash dividend of Rs. 0/- per share for the year ended December 31, 2022 (2021: 28 per share), for the shareholders' approval. This recommendation is subject to approval of the shareholders in the Annual General Meeting, scheduled on May 2, 2023.

Consolidated financial statements and segmental review

Consolidated financial statements, 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 sharp focus on effective cost management, lean operations, and continuous modernization of the machinery infrastructure. In line with this overarching objective, PTC became the first “Integrated Work System” (IWS) Phase-2 certified multi-site and multi-category operation in BAT Group.

As part of the tobacco harm reduction agenda, PTC runs 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 for BAT Group. 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.

In compliance with local regulations, PTC has invested significantly for implementation of Track and Trace System which enables law enforcement agencies to effectively separate duty-paid cigarettes from DNP brands and helps curtail spread of DNP brands while protecting Government revenues.

EH&S – Environment, Health & Safety

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 2022 which led Jhelum Factory and Akora Khattak Factory to

be the highest and third-highest on-site power generation sites across BAT Group respectively.

Additionally, the Company continues to focus on water recycling initiatives while being the second largest water-recycling operation across BAT Group. The CO₂ emissions reduction of 5000 tons over two years is a testament to our commitment towards environmentally sustainable operations. PTC’s operation has been recognized by BAT Group for its efforts and outstanding delivery on the subject.

Marketing Review

Consumer affordability remained under stress in 2022 due to the ongoing macro-economic challenges. Despite inflationary headwinds, focused investments were made for a future-fit brands portfolio.

As part of BAT Group’s harm reduction agenda, PTC laid special focus on developing a New Category of tobacco-free nicotine products in Pakistan under the VELO brand providing consumers with broader spectrum of choices for nicotine consumption. The focus on driving VELO market penetration resulted in 122% increase in VELO volume vs 2021.

Capstan by Pall Mall retained its standing as the best performing brand in the value-for-money segment. To reinforce the place of this brand as the flagship value-for-money product, one of the largest ever limited-edition-pack campaigns was launched in 2022 which culminated in sales of 10 billion+ cigarette sticks.

Additionally, value-for-money segment witnessed reinforcement campaigns during the year to further enhance Gold Flake’s equity. This was a strategic intervention which helped the brand significantly capture lost volume and market share to become the fourth largest brand in the market (by volume).

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 internal control environment. The Company’s risk management and

internal controls framework is aimed at safeguarding the shareholders' investment and the Company's assets, while minimizing impact of the risks that may impede 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 weaknesses are reported along with action plans to address them. Additionally, all employees are required to sign off an annual Statement of Compliance to the Company's Standards of Business Conduct. Further, the Company is fully compliant to all the requirements of Sarbanes Oxley Act (SOx) which has further strengthened the internal controls environment of the Company.

Forward Looking Approach

Looking ahead, 2023 is expected to remain a highly challenging year for the Company as it will need to counter the challenges presented not only by a tough macro-economic environment but also by the unique dynamics of the tobacco industry coupled with highly regressive excise environment. In 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. The Company will focus on increasing its volume base and market share enabled by the implementation of the Track and Trace System and associated enforcement by the Law Enforcement Agencies. Further, marketing investment will be aimed at strengthening the brand equity of the Company's portfolio among 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 and maintaining 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.

Maintain adequate access to foreign currency

On account of increasing current account deficit in Pakistan, and ensuing scarcity of foreign currency in the banking system, one of the key priorities of the Company is to sustain its operations independently by timely settlement of its foreign currency obligations and disbursement of dividends to its foreign shareholders.

While the Government is expected to intervene and protect interests of manufacturing sector which employs significant portion of Pakistan's workforce, the Company in parallel will be accelerating its export agenda to self-fund raw material imports as much as possible.

Drive effective resource allocation and cost management

Rising inflation continues to put pressure on the Company's cost base; the Management intends to take effective measures to mitigate its adverse impacts.

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 purchasing power of consumers, forcing them to reprioritize their share of wallet, hence impacting 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

The Company is geared to continue investing in enhancement of 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)

The Company will continue to support initiatives aimed at the betterment and uplifting of communities in which PTC 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:

- a) The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- b) Proper books of accounts of the Company have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and the accounting estimates are based on reasonable and prudent judgement.
- d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departures therefrom have been adequately disclosed and explained.
- e) The system of internal controls is sound in design and has been effectively implemented & monitored.
- f) There are no significant doubts about the Company's ability to continue as a going concern.
- g) There has been no material departure from the best practices of corporate governance, as detailed in the Code of Corporate Governance and listing regulations.
- h) All major Government levies in the normal course of business, payable as at December 31, 2022 have been disclosed in the notes to the financial statements.
- i) Key operating and financial data for last six years in summarized form is provided separately in the Company's Annual Report.
- j) Value of investments in employee's retirement funds for the year ended December 31, 2022 are as follows. Further details are provided in Note 33 to the financial statements.

Fund name	(Rs. million)
Staff Pension Fund	6,430
Employees Gratuity Fund	1,424
Management Provident Fund	1,019
Employees Provident Fund	519
Defined Contribution Pension Fund	1,006

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	10
• Female Director	2
a. Independent Directors	4
(i) Mr. Zafar Mahmood (Chairman)	
(ii) Lt. Gen. (R) Najib Ullah Khan	
(iii) Mr. Mohammad Riaz	
(iv) Mr. Asif Jooma	
b. Non- Executive Directors	5
(i) Mr. Wael Sabra	
(ii) Ms. Belinda Joy Ross	
(iii) Mr. Usman Zahur	
(iv) Mr. Gary Tarrant	
(v) Mr. Oliver Engels	
c. Executive Directors	3
(i) Mr. Syed Ali Akbar	
(ii) Ms. Kelly Burtenshaw	
(iii) 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. The members have sufficient financial acumen and knowledge through combination of their professional and academic skills, and local and international experience. 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

The following changes took place in the Board:

- i. Mr. William Francis Pegel (resigned w.e.f. 14-06-2022) was replaced by Ms. Kelly Louise Burtenshaw;
- ii. Mr. Syed Javed Iqbal (retired) was replaced by Mr. Usman Zahur (w.e.f. 21-4-2022);
- iii. Lt. Gen. (R) M. Masood Aslam (retired) was replaced by Lt. Gen. (R) Najib Ullah Khan (w.e.f. 21-4-2022);
- iv. Mr. Shannon McInnes (resigned w.e.f. 04-10-2022) was replaced by Mr. Gary Tarrant;
- v. Mr. Ozsan Ozbas (resigned w.e.f. 14-10-2022) was replaced by Mr. Oliver Engels.

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 2022, four Board meetings were convened as per applicable regulations, out of which the 1st meeting was held on 24th February 2022.

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>	4/4
Syed Ali Akbar <i>Managing Director and CEO</i>	3/4
William Francis Pegel <i>Director Finance & IT (resigned w.e.f 14-06-2022)</i>	2/4
Syed Asad Ali Shah <i>Director Legal and External Affairs</i>	4/4
Kelly Burtenshaw <i>Director Finance (joined w.e.f 15-06-2022)</i>	2/4
Belinda Joy Ross <i>Non-Executive Director</i>	3/4
Syed Javed Iqbal <i>Non-Executive Director (Retired)</i>	1/4
Lt. Gen.(R) M. Masood Aslam <i>Independent Director (Retired)</i>	1/4
Mohammad Riaz <i>Independent Director</i>	4/4
Asif Jooma <i>Independent Director</i>	4/4
Wael Sabra <i>Non-Executive Director</i>	4/4
Shannon McInnes <i>Non-Executive Director (resigned w.e.f. 4-10-2022)</i>	1/4
Ozsan Ozbas <i>Non-Executive Director (resigned w.e.f.14.10-2022)</i>	0/4
Usman Zahur <i>Non-Executive Director (elected w.e.f. 21-04-2022)</i>	3/4
Lt. Gen (R) Najib Ullah Khan <i>Independent Director</i>	3/4
Gary Tarrant <i>Non-Executive Director (joined w.e.f. 04-10-2022)</i>	1/4
Oliver Engels <i>Non-Executive Director (joined w.e.f. 14-10-2022)</i>	1/4

Meetings Held Outside Pakistan

In 2022, PTC conducted all its Board meetings in Pakistan.

Committees of the Board

The Board has four committees namely the Executive Committee, Audit Committee, Human Resources & Remuneration Committee and Share Transfer Committee, 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 Company's 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 2022 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 75th AGM (Annual General Meeting) was held on April 21, 2022. 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, 2022 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, 2023 on the recommendation of the Audit Committee. This shall be subject to the approval of the shareholders in their meeting scheduled for May 02, 2023.

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 remaining shareholding is spread across associated company, institutions and general public. The pattern of shareholding as at December 31, 2022 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 BCM

PTC recognizes the importance of Business Continuity Management (BCM) as the means to ensure that the business continues 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 2022 2021 2020 2019 2018 2017

Statement of Profit or Loss

	Rs. million	2022	2021	2020	2019	2018	2017
Gross turnover*	Rs. million	232,600	199,469	166,258	149,025	137,116	111,485
Excise duties/Sales Tax	Rs. million	(137,738)	(124,481)	(105,368)	(97,050)	(84,004)	(68,206)
Net turnover	Rs. million	94,862	74,988	60,891	51,975	53,112	44,318
Cost of Sales	Rs. million	(49,706)	(39,092)	(29,329)	(25,765)	(29,829)	(23,075)
Profit for the Year	Rs. million	21,321	18,862	16,492	12,889	10,338	9,574
Earning per share	Rs./share	83.45	73.83	64.55	50.45	40.46	37.47

*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

	Rs. million	2022	2021	2020	2019	2018	2017
Property Plant & Equipment/Advances for Capital Expenditure	Rs. million	17,334	16,929	15,819	12,499	10,090	8,631
Working Capital (Current Assets-Current Liabilities)	Rs. million	11,067	3,462	6,124	7,744	8,512	9,611
Share Capital & Reserves	Rs. million	26,624	17,973	19,513	18,291	17,766	16,911
Non - Current Liabilities	Rs. million	1,805	2,451	2,462	1,988	874	1,368

Statement of Cash Flows

	Rs. million	2022	2021	2020	2019	2018	2017
Cash flow from Operating Activities	Rs. million	24,917	18,973	22,215	8,564	12,810	12,280
Cash flow from Investing Activities	Rs. million	742	(1,020)	(3,192)	(835)	(1,359)	(740)
Cash flow from Financing Activities	Rs. million	(12,906)	(14,548)	(15,317)	(13,110)	(9,688)	(5,418)
Net Change in Cash and Cash Equivalents	Rs. million	12,753	3,404	3,707	(5,380)	1,763	6,122
Beginning Cash and Cash Equivalents	Rs. million	10,648	7,244	3,537	8,917	7,154	1,032
Ending Cash and Cash Equivalents	Rs. million	23,401	10,648	7,244	3,537	8,917	7,154

Total Cash and Cash Equivalents comprise

	Rs. million	2022	2021	2020	2019	2018	2017
Cash and Bank Balances/Short Term Investments	Rs. million	23,401	10,648	7,244	3,537	8,993	7,154
Short Term Borrowings	Rs. million	-	-	-	-	(76)	-
	Rs. million	23,401	10,648	7,244	3,537	8,917	7,154

Free cash flows

	Rs. million	2022	2021	2020	2019	2018	2017
Profit before tax	Rs. million	34,734	26,207	22,388	18,285	15,280	13,011
Adjustment non-cash items	Rs. million	1,372	1,520	1,819	1,369	600	1,300
Changes in working capital	Rs. million	1,106	(1,006)	3,717	(5,293)	2,954	2,666
Cash flows from operating activities	Rs. million	37,212	26,721	27,924	14,361	18,833	16,977
Capital expenditure	Rs. million	(1,939)	(2,421)	(4,201)	(1,947)	(2,275)	(1,163)
Free Cash flows	Rs. million	35,274	24,300	23,723	12,414	16,558	15,814

CASH FLOW ANALYSIS

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

1. Net Cash Generated from Operating Activities

Cash flows from operating activities has shown a healthy trend over the years. The increase of 31% from Rs 19.0 Bn in 2021 to Rs 24.9 Bn in 2022 was primarily driven by increase in turnover, improved profitability and effective cash management strategy.

2. Net Cash Generated from Investing Activities

During the year 2022, the Company generated net cash from investing activities due to increased investments in Treasury bills generating finance income of Rs 2.3 Bn (2021: Rs 1.0 Bn). When coupled with proceeds generated from sales of property, plant and equipment, net cash from investing activities remained positive despite increased investment in Property, plant and equipment during the year (Rs 2.5 Bn in 2022 vs Rs 2.0 Bn in 2021).

3. Net Cash Used in Financing Activities

Cash outflows on financing activities have decreased from 14.5 Bn in 2021 to Rs 12.9 Bn in 2022. During the year the company paid out dividend of Rs 11.5 Bn (Rs 48/share) compared to Rs 15.8 Bn in 2021 (Rs 80/share).

PERFORMANCE INDICATORS RATIOS FOR 6 YEARS

			2022	2021	2020	2019	2018	2017
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Profitability Ratios

1	*Gross Profit ratio	%	47.6	47.9	51.8	50.4	43.8	46.7
2	*Net Profit to Sales	%	22.5	25.2	27.1	24.8	19.5	22.1
3	*EBITDA Margin to Sales	%	36.9	36.3	38.3	36.6	29.2	32.2
4	Operating leverage ratio	Times	1.7	0.8	2.0	2.5	0.6	1.0
5	Return on Equity	%	95.6	100.6	87.3	71.5	59.6	64.1
6	Return on Capital employed	%	115.3	124.8	99.4	87.2	78.2	70.2

*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	1.3	1.1	1.3	1.4	1.4	1.7
2	Quick / Acid Test Ratio	Times	0.7	0.4	0.4	0.3	0.5	0.6
3	**Cash and cash equivalents to Current Liabilities	Times	54.9	33.3	31.5	17.5	41.2	51.6
4	Cash flow from operations to Sales	Times	26.3	25.3	36.5	16.5	24.1	28.4

**This includes short term investments as well

Activity/Turnover Ratios

1	Inventory turnover ratio	Times	2.0	1.8	1.5	1.2	1.6	1.6
2	No. of Days in Inventory	Days	182.9	205.8	242.5	303.5	226.2	228.7
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	1.7	2.3	2.4	2.4	2.0	2.4
6	No. of Days in Payables	Days	209.0	160.9	152.7	150.9	179.6	149.5
7	Total Assets turnover ratio	Times	1.3	1.4	1.4	1.3	1.3	1.3
8	Fixed Assets turnover ratio	Times	5.5	4.4	3.8	4.2	5.3	5.0
9	Operating cycle	Days	(26)	45	90	153	47	79

Investment/Market Ratios

1	Earnings per share After Tax (EPS) and diluted EPS	Rs	83.4	73.8	64.6	50.4	40.5	37.5
2	Price-Earning Ratio	Times	11.5	16.2	24.9	48.4	71.7	57.3
3	Dividend Yield ratio	%	5.0	6.7	3.6	2.0	1.3	1.4
4	Dividend Payout ratio	%	57.5	108.4	89.9	95.1	96.4	80.1
5	Dividend Cover ratio	Times	1.7	0.9	1.1	1.1	1.0	1.2
6	Dividend Per Share	Rs	48.0	80.0	58.0	48.0	39.0	30.0
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	963	1,198	1,610	2,441	2,900	2,148
9	Highest Market value per share during the year	Rs	1,185	1,700	2,320	2,999	3,000	2,148
10	Lowest Market value per share during the year	Rs	750	971	1,450	2,186	1,692	1,081
11	Break-up value per share	Rs	104.2	70.3	76.4	71.6	69.5	66.2
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	104.2	70.3	76.4	71.6	69.5	66.2
13	Price to Book Ratio	Times	9.2	17.0	21.1	34.1	41.7	32.5

Capital Structure Ratios

1	Financial leverage ratio	Times	2.8	2.6	2.3	2.2	2.1	1.9
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	0.1	0.0	0.0	0.0	0.0
4	Interest Cover/Time interest earned ratio	Times	107.0	96.5	94.0	91.3	452.7	232.0

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

ANALYSIS OF PERFORMANCE INDICATORS

Profitability Ratios

The Company has been able to maintain its profitability ratios during the year 2022, despite multiple excise-increases, imposition of Super Tax by Government, increasing inflation and substantial currency devaluation in the country. Gross turnover recorded an increase of 17% in 2022 and net turnover increased by 27%. This demonstrates Company's ability to generate value in face of adversity showing consumer's belief in the Company's brands.

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 enabled it to meet its liquidity requirements including capital expenditures.

Further, slow down in foreign currency payments towards end of 2022 also contributed towards overall improvement in current and quick ratio by 14% and 66% respectively versus 2021.

Activity Ratios

The activity ratios have improved on account of effective working capital approach followed by the Company over the years resulting in consistent decline in inventory days. Increase in creditor days by 30% versus 2021 is mainly on account of slow-down in foreign currency payment towards end of 2022.

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 which depicts promising returns for our shareholders. The Company's share price witnessed a decline of 20% versus 2021 while P/E ratio declined by 29% owing to deteriorating macroeconomic conditions in the Country.

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 Rs. 2.3 billion. The finance leverage ratio and interest coverage ratio has improved by 10% and 11% respectively mainly due to profits generated during the year 2022.

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventy Sixth (76th) Annual General Meeting (the Meeting) of Pakistan Tobacco Company Limited (“the Company”) will be held physically at the Serena Hotel, Khayaban-e- Suhrawardy, Islamabad as well as electronically on Tuesday, the 2nd May 2023 at 10.00 am to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Audited Accounts for the year ended 31st December 2022, and the Report of the Directors and Auditors thereon.
2. To consider and approve the Final Dividend @ Rs. 0/- as recommended by the Board of Directors for the year ended on 31st December, 2022.
3. To appoint Auditors and to fix their remuneration.

By order of the Board



Madeeha Arshad Chaudhry
Company Secretary

Islamabad: April 11, 2023

NOTES:

1. Annual Report

A soft copy of the Annual Report for the year ended on December 31, 2022 is being sent through email to the shareholders who have given their email address 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 26th April to 2nd May 2023, 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., Shahrah-e-Faisal, Karachi by the close of business on Tuesday, the 25th April 2023, will be in time to be entitled to vote and for the entitlement of dividend.

3. Participation in the Annual General Meeting through Online Platform/ Facility

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 2nd May 2023 at 10.00 a.m). Proxy form(s) received after the said 48 hours i.e. after 10:00 am on 27th April, 2023 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.

For any shareholders who want to attend the Annual General Meeting via online connectivity, it is requested to please send an email to PTC_AGM@bat.com, by 10:00 am, April 27th 2023, so a connection link may be communicated to such shareholder.

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 Tax Payers 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 25th April, 2023.

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 20th April 2023. 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 Shares 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. Change of Address

Members are requested to notify any change in their addresses immediately.

- A. Members holding shares in physical form are requested to notify the Company's Share Registrar promptly of changes in their address.
- B. Members holding shares in electronic form with CDC must notify change of address to their participants or CDC Investor Account Services with whom the account is maintained.

12. 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.

13. 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.

14. Contact Details

Company Contact:

Company Secretary, Pakistan Tobacco Company Limited, Serena Business Complex, Khayaban-e-. Suhrwardy, Islamabad

Phone: (051) 2083200.

Email address: ptc_company_secretary@bat.com

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 Listed Companies (Code of Corporate Governance) Regulations, 2019

Name of Company: **Pakistan Tobacco Company Limited**
 Year ended: **December 31, 2022**

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

- Total number of Directors are twelve as per the following:



- The Board's composition is as follows:

Independent Directors

Zafar Mahmood (Chairman)
Lt. Gen. (R) Najib Ullah Khan
Mohammad Riaz
Asif Jooma

Non- Executive Directors

Wael Sabra
Belinda Joy Ross
Usman Zahur
Gary Tarrant
Oliver Engels

Executive Directors

Syed Ali Akbar (Managing Director and CEO)
Kelly Burtenshaw
Syed Asad Ali Shah

Female Directors

Belinda Joy Ross
Kelly Burtenshaw

- The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company.
- 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.
- 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.
- 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.
- 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.
- The Board has a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and these Regulations.
- Seven out of twelve have already attended the Directors' Training Program.
- 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.
- 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. (R) Najib Ullah Khan	Member
Belinda Joy Ross	Member
Wael Sabra	Member
Asif Jooma	Member

b) HR and Remuneration Committee

Lt. Gen. (R) Najib Ullah Khan	Member & Chairman
Mohammad Riaz	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 2022.

b) HR and Remuneration Committee: Two (2) meetings were held during the year ended 31 December 2022.

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 2022 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 2022.

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.

Chartered Accountants

Islamabad

11 April 2023

UDIN: CR2022102407sWVDrXjA



PAKISTAN TOBACCO COMPANY LIMITED

FINANCIAL
STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

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 31 December 2022, and the statement of profit or loss, and the 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 purpose 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, 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 forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2022 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 Auditor's 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 matters were 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/velo of Rs 94,862 million for the year ended December 31, 2022.</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 in respect of 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 2022, stock-in-trade is stated at Rs. 24,905 million. Stock-in-trade is measured at the lower of cost and net realizable value.</p> <p>We identified valuation of stock-in-trade as a key audit matter due to its size, representing 35% of total assets of the Company as at December 31, 2022, and the judgment involved in valuation.</p>	<p>Our audit procedures in respect of 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 Auditor's Report Thereon

Management is responsible for the other information. Other information comprises the information included in the annual report for the year ended December 31, 2022 but does not include the financial statements and our auditors' report thereon.

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 auditor's 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 auditor's 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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Ubaid Ullah.

KPMG Taseer Hadi

KPMG Taseer Hadi & Co.
Chartered Accountants

Islamabad
Date: 11 April 2023
UDIN: AR202210240dLf6IqNI

STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2022

	Note	2022 Rs. '000	2021 Rs. '000
Gross turnover	8	232,600,278	199,469,017
Excise duties		(103,232,916)	(95,177,089)
Sales tax		(34,505,124)	(29,304,177)
Net turnover		94,862,238	74,987,751
Cost of sales	9	(49,705,748)	(39,091,727)
Gross profit		45,156,490	35,896,024
Selling and distribution costs	10	(5,708,254)	(5,002,183)
Administrative expenses	11	(4,026,820)	(3,988,963)
Other operating expenses	12	(3,298,042)	(2,129,084)
Other income	13	663,879	724,132
		(12,369,237)	(10,396,098)
Operating profit		32,787,253	25,499,926
Finance income - interest income on T-bills	25	2,274,037	981,404
Finance cost	14	(327,683)	(274,282)
Net finance income		1,946,354	707,122
Profit before income tax		34,733,607	26,207,048
Income tax expense	15	(13,412,676)	(7,344,961)
Profit for the year		21,320,931	18,862,087
Earnings per share (basic and diluted) - (Rupees)	16	83.45	73.83

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



Syed Ali Akbar
Chief Executive Officer



Kelly Burtenshaw
Chief Financial Officer / Director

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2022

	Note	2022 Rs. '000	2021 Rs. '000
Profit for the year		21,320,931	18,862,087
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
- Remeasurement loss/gain on defined benefit pension and gratuity plans	33	(638,453)	53,341
- Tax credit/charge related to remeasurement loss on defined benefit pension and gratuity plans	15.2	232,239	(15,469)
		(406,214)	37,872
Total comprehensive income for the year		20,914,717	18,899,959

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



Syed Ali Akbar
Chief Executive Officer



Kelly Burtenshaw
Chief Financial Officer / Director

STATEMENT OF FINANCIAL POSITION

As at December 31, 2022

	Note	2022 Rs. '000	2021 Rs. '000
Non current assets			
Property, plant and equipment	17	16,801,940	15,813,540
Advance for capital expenditure		532,106	1,115,233
Long term investment in subsidiary company	18	5,000	5,000
Long term deposits and prepayments	19	23,604	28,661
		17,362,650	16,962,434
Current assets			
Stock-in-trade	20	24,905,320	22,044,653
Stores and spares	21	561,046	646,230
Trade debts	22	2,876	2,142
Loans and advances	23	832,795	88,916
Short term prepayments		139,961	33,346
Other receivables	24	3,852,686	1,933,242
Short term investments	25	21,522,111	9,402,598
Cash and bank balances	26	1,878,796	1,245,068
		53,695,591	35,396,195
Current liabilities			
Trade and other payables	27	27,197,561	20,586,440
Other liabilities	28	4,092,981	2,496,927
Short term running finance/export refinance	29	2,354,312	2,313,141
Lease liability	30	802,531	577,272
Unpaid dividend	31	5,391,129	4,663,641
Unclaimed dividend		106,330	77,006
Current income tax liabilities		2,683,837	1,219,431
		(42,628,681)	(31,933,858)
Net current assets		11,066,910	3,462,337
Non current liabilities			
Lease liability	30	(935,335)	(1,421,913)
Deferred income tax liabilities	32	(869,898)	(1,029,546)
		(1,805,233)	(2,451,459)
Net assets		26,624,327	17,973,312
Share capital and reserves			
Share capital	34	2,554,938	2,554,938
Revenue reserve - Unappropriated profit		24,069,389	15,418,374
		26,624,327	17,973,312
Contingencies and commitments	35		

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



Syed Ali Akbar
Chief Executive Officer



Kelly Burtenshaw
Chief Financial Officer / Director

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2022

	Share capital Rs. '000	Revenue Reserve - unappropriated profit Rs. '000	Total Rs. '000
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 - income	–	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
Balance at January 1, 2022	2,554,938	15,418,374	17,973,312
Total Comprehensive income for the year:			
Profit for the year	–	21,320,931	21,320,931
Other comprehensive income for the year - loss	–	(406,214)	(406,214)
Total comprehensive income for the year	–	20,914,717	20,914,717
Transactions with owners of the Company:			
Final dividend of Rs. 28.00 per share relating to the year ended December 31, 2021	–	(7,153,826)	(7,153,826)
Interim dividend of Rs. 10.00 per share relating to the year ended December 31, 2022	–	(2,554,938)	(2,554,938)
Interim dividend of Rs. 10.00 per share relating to the year ended December 31, 2022	–	(2,554,938)	(2,554,938)
Total transactions with owners of the Company	–	(12,263,702)	(12,263,702)
Balance at December 31, 2022	2,554,938	24,069,389	26,624,327

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



Syed Ali Akbar
Chief Executive Officer



Kelly Burtenshaw
Chief Financial Officer / Director

STATEMENT OF CASH FLOWS

For the year ended December 31, 2022

	Note	2022 Rs. '000	2021 Rs. '000
Cash flows from operating activities			
Cash generated from operations	39	37,212,147	26,720,933
Finance cost paid		(62,082)	(261,724)
Income tax paid		(11,875,679)	(6,912,195)
Contribution to retirement benefit funds		(357,542)	(574,464)
Net cash generated from operating activities		24,916,844	18,972,550
Cash flows from investing activities			
Purchases of property, plant and equipment		(2,521,652)	(2,022,139)
Advance for capital expenditure		583,127	(398,369)
Proceeds from sale of property, plant and equipment		406,736	419,059
Interest received		2,274,037	981,404
Net cash generated from / (used) in investing activities		742,248	(1,020,045)
Cash flows from financing activities			
Dividends paid		(11,506,890)	(15,861,094)
Lease payments		(1,398,961)	(987,256)
Proceeds from export refinance facility		–	2,300,000
Net cash used in financing activities		(12,905,851)	(14,548,350)
Net increase in cash and cash equivalents		12,753,241	3,404,155
Cash and cash equivalents at beginning of year		10,647,666	7,243,511
Cash and cash equivalents at end of year		23,400,907	10,647,666
Cash and cash equivalents comprise:			
Cash and bank balances	26	1,878,796	1,245,068
Short term investments	25	21,522,111	9,402,598
		23,400,907	10,647,666

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



Syed Ali Akbar
Chief Executive Officer



Kelly Burtenshaw
Chief Financial Officer / Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

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 principal activity of the Company is to manufacture and sell cigarettes, tobacco and velo.

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 in which investment in subsidiary is carried at cost. Consolidated financial statements are prepared separately.

Capacity and production

Against an estimated manufacturing capacity of 51,800 million cigarettes (2021: 47,728 million cigarettes) actual production was 41,976 million cigarettes (2021: 46,080 million cigarettes). For modern oral manufacturing capacity was 650 million pouches (2021: 330 million) and actual production was 451 million pouches (2021: 172 million). The split from each industrial unit is given below.

FMC Site	Manufacturing Capacity	
	2022 (Units in Millions)	2021 (Units in Millions)
Akora Khattak Factory	24,500	22,710
Jhelum Factory	27,300	25,018
Total	51,800	47,728
Modern Oral Site Jhelum Factory	650	330

FMC Site	Actual Production	
	2022 (Units in Millions)	2021 (Units in Millions)
Akora Khattak Factory	20,382	22,690
Jhelum Factory	21,594	23,390
Total	41,976	46,080
Modern Oral Site Jhelum Factory	451	172

Actual production is less than the installed capacity due to market demand. Increase in production capacity is primarily due to upgrades in technology that allow more production per hour, ceteris paribus.

Number of employees

Total number of employees as at December 31, 2022 were 1,050 (2021: 1,066). Out of the total number of employees, the number of factory employees as at December 31, 2022 were 394 (2021: 390). Average number of employees during the year were 1,051 (2021: 1,043), whereas average factory employees during the year were 391 (2021: 377)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

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:

Significant estimates

- Note 7.9 & 17 – useful lives, residual values and depreciation method of property, plant and equipment
- Note 33 – Retirement benefits

Other estimates

- 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 36 – Financial instruments – fair values
- Note 35 – Contingencies
- Note 30 - Leases

Measurement of fair values

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

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 2023:

- Classification of liabilities as current or non-current (Amendments to IAS 1 in January 2020) apply retrospectively for the annual periods beginning on or after 1 January 2024 (as deferred vide amendments to IAS 1 in October 2022) with earlier application permitted. These amendments in the standards have been added to further clarify when a liability is classified as current. Convertible debt may need to be reclassified 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's expectation and discretion at the reporting date to refinance or to reschedule payments on a long-term basis are no longer relevant for the classification of a liability as current or non-current. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- Non-current Liabilities with Covenants (amendment to IAS 1 in October 2022) aims to improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with conditions. The amendment is also intended to address concerns about classifying such a liability as current or non-current. Only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability's classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. The amendments apply retrospectively for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. These amendments also specify the transition requirements for companies that may have early-adopted the previously issued but not yet effective 2020 amendments to IAS 1 (as referred above).
- 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

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) 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 an entity 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, with earlier application permitted, 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) 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.
- Lease Liability in a Sale and Leaseback (amendment to IFRS 16 in September 2022) adds subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements to be accounted for as a sale. The amendment confirms that on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction. After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right of use it retains. A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 with earlier application permitted. Under IAS 8, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of IFRS 16 and will need to identify and re-examine sale-and-leaseback transactions entered into since implementation of IFRS 16 in 2019, and potentially restate those that included variable lease payments. If an entity (a seller-lessee) applies the amendments arising from Lease Liability in a Sale and Leaseback for an earlier period, the entity shall disclose that fact.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) amend 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 mentioned amendments are not likely to have an impact on the Company's Financial Statements.

7 Summary of significant accounting policies

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

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:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

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 or 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 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

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 is 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

(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.

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%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

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 or loss of the subsidiary company is carried in the financial statements of the subsidiary company and is not dealt with for the purpose of the separate financial statements of the Company except to the extent of dividend declared (if any) by the subsidiary company.

7.12 Stock in trade

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

7.13 Stores and spares

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

7.14 Financial Instruments

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

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.

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.

(b) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

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 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 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.

7.20 Operating segment

The Board of Directors of the Company, which is chief operating decision-maker, is responsible for allocating resources and assessing Company's performance and operations has identified one reportable segment. Accordingly, these financial statements have been prepared on the basis of single reportable segment. Revenue from external customers along with local and export sales is disclosed in note 8. Revenue from transaction with a single customer did not exceed 10% of Company's total revenue. All the assets of the Company are based in Pakistan.

	2022 Rs. '000	2021 Rs. '000
8 Gross turnover		
- Domestic	227,459,685	193,211,473
- Export	5,140,593	6,257,544
	232,600,278	199,469,017

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. 246,718 thousand (2021: Rs. 12,034 thousand).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

	2022 Rs. '000	2021 Rs. '000
9 Cost of sales		
Raw material consumed		
Opening stock of raw materials and work in process	18,261,871	16,977,657
Raw material purchases and expenses - note 9.2	38,300,912	31,952,909
Closing stock of raw materials and work in process	(21,904,030)	(18,261,871)
	34,658,753	30,668,695
Government taxes and levies		
Customs duty and surcharges	2,328,775	2,534,866
Provincial and municipal taxes and other duties	396,399	369,137
Excise duty on royalty	85,035	59,917
	2,810,209	2,963,920
	37,468,962	33,632,615
Royalty - note 9.3	850,354	598,658
Provision for severance benefits	1,411,660	136,772
Production overheads		
Salaries, wages and benefits	3,272,129	2,310,885
Stores, spares and machine repairs	1,876,288	1,024,182
Fuel and power	1,530,364	851,283
Insurance	91,642	43,396
Repairs and maintenance	1,135,903	742,371
Postage, telephone and stationery	15,726	14,974
Information technology	37,699	32,726
Depreciation / Impairment - note 9.1 & 17.3	1,026,868	873,665
Provision for damaged stocks / stock written off	91,428	98,476
Provision for slow moving items / stores written off	660	8,896
Sundries	62,909	53,705
	9,141,616	6,054,559
Cost of goods manufactured	48,872,592	40,422,604
Cost of finished goods		
Opening stock	3,963,744	2,632,867
Closing stock	(3,130,588)	(3,963,744)
	833,156	(1,330,877)
Cost of sales	49,705,748	39,091,727

9.1 This includes impairment on property, plant & equipment amounting to Rs. 893 thousand (2021: Rs. 4,237 thousand).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

	2022 Rs. '000	2021 Rs. '000
9.2 Raw material purchases and expenses:		
Materials	35,049,848	28,151,668
Salaries, wages and benefits	1,025,723	1,326,310
Stores, spares and machine repairs	485,303	539,583
Fuel and power	381,298	875,804
Property rentals	16,492	80,685
Insurance	14,708	29,412
Repairs and maintenance	143,081	86,818
Postage, telephone and stationery	21,083	17,879
Depreciation / impairment - note 9.2.1 & 17.3	511,337	255,483
Sundries	652,039	589,267
	38,300,912	31,952,909

9.2.1 This includes impairment on property, plant & equipment amounting to Rs. 217,069 thousand (2021: nil).

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

	2022 Rs. '000	2021 Rs. '000
10 Selling and distribution costs		
Salaries, wages and benefits	1,269,467	1,074,591
Selling expenses	3,721,683	3,066,565
Freight	198,202	157,392
Repairs and maintenance	52,530	73,209
Postage, telephone and stationery	19,003	13,663
Travelling	99,072	89,906
Property rentals	12,508	10,988
Insurance	31,849	31,634
Provision for damaged stocks / stock written off	67,239	118,903
Finished goods / wrapping material stock written off	10,720	143,587
Depreciation / impairment - note 10.1 & 17.3	225,981	221,745
	5,708,254	5,002,183

10.1 This includes impairment on property, plant & equipment amounting to Rs. nil (2021: Rs. 2,160 thousand).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

	2022 Rs. '000	2021 Rs. '000
11 Administrative expenses		
Salaries, wages and benefits	1,093,837	875,897
Fuel and power	11,512	9,697
Insurance	7,831	2,343
Repairs and maintenance	55,167	48,811
Postage, telephone and stationery	12,243	19,298
Legal and professional charges	97,028	82,927
Donations - note 11.1	12,300	300
Information technology	2,307,046	2,509,088
Travelling	22,630	44,363
Depreciation / impairment - note 17.3	383,943	355,962
Auditor's remuneration and expenses - note 11.2	15,829	13,825
Sundries	7,454	26,452
	4,026,820	3,988,963
11.1 Details of donations exceeding Rs 1,000 thousand are as follows:		
Name of Donee		
Gottfried Thoma Benevolent Trust	12,000	-
	12,000	-

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

	2022 Rs. '000	2021 Rs. '000
11.2 Auditor's remuneration and expenses include:		
- Statutory audit fee	2,926	2,675
- 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	12,093	10,600
- Out-of-pocket expenses	810	550
	15,829	13,825

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

	2022 Rs. '000	2021 Rs. '000
12 Other operating expenses		
Workers' Profit Participation Fund - 27.7	1,865,392	1,407,468
Workers' Welfare Fund - note 27.6	658,709	485,656
Bank charges and fees	52,717	45,801
Interest to Workers' Profit Participation Fund	1,082	36,700
Foreign exchange loss	720,142	153,459
	3,298,042	2,129,084
13 Other income		
Income from services rendered to associated companies:		
- BAT Middle East DMCC - UAE	551,559	581,565
Recharges / other payable to associated companies written back:		
-BAT ASPAC Service Center Sdn Bhd - Malaysia	-	53,048
-BAT (Holdings) Limited - UK	-	4,098
Gain on disposal of property, plant and equipment	108,401	81,741
Miscellaneous	3,919	3,680
	663,879	724,132
14 Finance cost		
Interest expense on:		
Bank borrowings	103,253	45,261
Lease liability	224,430	229,021
	327,683	274,282
15 Income tax expense		
Current:		
For the year	11,089,731	6,868,461
For prior years	2,420,747	297,351
	13,510,478	7,165,812
Deferred	(97,802)	179,149
	13,412,676	7,344,961

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

15.1 Effective tax rate reconciliation:

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

	2022 %	2021 %
Applicable tax rate	29.00	29.00
Tax effect of:		
Super tax - current year	3.87	-
Prior year charge	7.33	1.14
Income taxed at different rate	(1.85)	(2.08)
Others	0.27	(0.03)
Average effective tax rate	38.62	28.03

	2022 Rs. '000	2021 Rs. '000
15.2 Tax on items directly credited to statement of other comprehensive income		
Current tax (credit)/charge on defined benefit plans	(170,393)	53,578
Deferred tax charge/(credit) on defined benefit plans	(61,846)	(38,109)
	(232,239)	15,469

	2022 Rs. '000	2021 Rs. '000
16 Earnings per share		
Profit after tax (Rs. '000)	21,320,931	18,862,087
Number of fully paid weighted average ordinary shares ('000)	255,494	255,494
Earnings per share - Basic (Rs.)	83.45	73.83

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

	2022 Rs. '000	2021 Rs. '000
17 Property, plant and equipment		
Operating assets - note 17.1	15,756,223	14,879,640
Capital work in progress - note 17.2	1,045,717	933,900
	16,801,940	15,813,540

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

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, 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 / impairment	-	(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	-	58,696	622,332	206,321	80,446	-	315,591	-	418,228	733,819	1,701,614
Transfer from CWIP	-	526,275	1,841,199	110,338	66,248	-	-	-	-	-	2,544,060
Disposals	-	(2,652)	(193,667)	(126)	(17)	(1,018)	(22,182)	-	(117,656)	(139,838)	(337,318)
Depreciation charge / impairment	-	(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 / impairment	-	(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
At January 1, 2022											
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 / impairment	-	(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 January 1, 2022	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
Year ended December 31, 2022											
Net book amount at January 1, 2022	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
Additions	-	61,523	932,181	74,241	10,864	313	322,031	24,492	566,689	913,212	1,992,334
Transfer from CWIP	-	3,784	1,059,412	130,634	136,883	-	-	-	-	-	1,330,713
Disposals	-	(365)	(13,082)	(34,947)	(626)	(138)	(106,207)	-	(142,970)	(249,177)	(298,335)
Depreciation charge / impairment	-	(263,098)	(778,360)	(284,547)	(58,415)	(3,162)	(447,626)	(68,927)	(243,994)	(760,547)	(2,148,129)
Net book amount at December 31, 2022	30,570	1,066,879	11,409,607	642,023	408,567	9,423	743,584	175,214	1,270,356	2,189,154	15,756,223
At December 31, 2022											
Cost	30,570	1,686,158	22,130,632	2,669,093	841,811	68,177	2,144,667	391,656	1,913,363	4,449,686	31,876,127
Accumulated depreciation / impairment	-	(619,279)	(10,721,025)	(2,027,070)	(433,244)	(58,754)	(1,401,083)	(216,442)	(643,007)	(2,260,532)	(16,119,904)
Net book amount at December 31, 2022	30,570	1,066,879	11,409,607	642,023	408,567	9,423	743,584	175,214	1,270,356	2,189,154	15,756,223

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

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.

	2022 Rs. '000	2021 Rs. '000
17.2 Capital work in progress		
Carrying value at the beginning of the year	933,900	2,423,616
Additions during the year	1,442,530	1,054,344
	2,376,430	3,477,960
Transferred to operating fixed assets	(1,330,713)	(2,544,060)
Carrying value at the end of the year - note 17.2.1	1,045,717	933,900

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

	2022 Rs. '000	2021 Rs. '000
17.3 Depreciation / impairment charge has been allocated as follows:		
Cost of sales	1,026,868	873,665
Raw material purchases and expenses	511,337	255,483
Selling and distribution expenses	225,981	221,745
Administrative expenses	383,943	355,962
	2,148,129	1,706,855

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

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	9,714	9,552	9,552	-	BAT SAA Service.(Pvt) Ltd	Associated company
	16,884	6,124	6,421	297	Scrap Buyers	Contractor
Vehicles						
- as per Company's policy	2,399	642	601	(41)	Amna Farouk	Executive
	2,414	582	480	(102)	Noor Aftab	Executive
	2,514	972	969	(3)	Rabia Abro	Ex-Executive
	2,584	517	515	(2)	Waqas Ali khan	Executive
	2,654	1,132	1,093	(39)	Javeria Aftab	Executive
	2,846	1,328	1,401	73	Sarah Khan	Executive
	3,483	2,183	2,507	324	Haris Ahmed	Executive
	3,483	2,136	1,984	(152)	Syed Anas Shah	EX-Executive
	3,483	2,090	2,048	(42)	Kamran Qureshi	Ex-Executive
	3,483	1,950	1,953	3	Marium Waqar	Executive
	3,547	2,128	1,939	(189)	Furqan Anis	Ex-Executive
	3,547	1,750	1,135	(615)	Muhammad Usman	Ex-Executive
	3,613	3,179	3,068	(111)	Ahmer Rais Khan	Ex-Executive
	3,658	2,829	2,553	(276)	Shahroze Wasif	Ex-Executive
	3,658	2,926	2,553	(373)	Shahroze Ali	Executive
	3,663	2,833	2,814	(19)	Madeeha Chaudhry	Executive
	3,663	2,637	2,306	(331)	Ali Zeeshan Mirza	Executive
	3,733	3,036	3,191	155	Sughra Sadaf	Ex-Executive
	3,733	2,887	2,642	(245)	Aftab Ahmed Khan	Executive
	3,907	2,448	2,218	(230)	Sarmad Abbasi	Ex-Executive
	3,913	3,704	3,365	(339)	Arslan Chawla	Ex-Executive
	3,913	3,861	3,334	(527)	Saad Abid	Ex-Executive
	3,937	2,310	2,208	(102)	M.Ismail Ahmed	Executive
	4,219	4,163	3,536	(627)	Zain Mughal	Ex-Executive
	5,283	1,057	987	(70)	Syed Hammad Ali Naqvi	Ex-Executive
	5,283	1,057	1,055	(2)	M.Idries Ahmed	Ex-Executive
	6,483	2,766	2,738	(28)	Syed Ali	Ex-Executive
	8,689	4,982	4,869	(113)	Khurram Rajput	Ex-Executive
	8,689	5,213	4,937	(276)	Uzair Qazi	Ex-Executive
	9,189	8,086	8,400	314	Imran Sharif	Ex-Executive
	10,500	8,120	8,199	79	Sami Zaman	Ex-Executive
	21,500	12,040	11,284	(756)	Waqas Ahmed Khan	Ex-Executive
- by auction	3,444	689	4,060	3,371	Through bidding in auction	Auction agent
	3,663	3,028	3,950	922	Through bidding in auction	Auction agent
	3,733	2,887	4,810	1,923	Through bidding in auction	Auction agent
	3,733	2,837	4,910	2,073	Through bidding in auction	Auction agent
	3,879	776	3,910	3,134	Through bidding in auction	Auction agent
	4,137	2,979	5,655	2,676	Through bidding in auction	Auction agent
	4,566	913	5,250	4,337	Through bidding in auction	Auction agent
	4,566	913	5,335	4,422	Through bidding in auction	Auction agent
- by insurance claim	3,668	2,983	3,663	680	EFU General Insurance Ltd.	Insurance agent
	3,733	2,986	3,613	627	EFU General Insurance Ltd.	Insurance agent
	13,970	4,843	13,970	9,127	EFU General Insurance Ltd.	Insurance agent

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

18 Long term investment in subsidiary company

This represents 500,001 (2021: 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 (2021: Rs. 10 per share) based on financial statements for the year ended December 31, 2022.

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).

	2022 Rs. '000	2021 Rs. '000
19 Long term deposits and prepayments		
Security deposits	23,604	28,661
	23,604	28,661
20 Stock-in-trade		
Raw materials	20,758,494	16,762,002
Raw materials in transit	1,044,440	1,411,372
Work in process	101,096	88,497
Finished goods	3,130,588	3,963,744
	25,034,618	22,225,615
Provision for damaged / obsolete stocks - note 20.1	(129,298)	(180,962)
	24,905,320	22,044,653
20.1 Movement in provision for damaged stocks is as follows:		
Balance as at January 1	180,962	127,848
Provision for the year	169,387	243,684
Written off during the year	(221,051)	(190,570)
Balance as at December 31	129,298	180,962
21 Stores and spares		
Stores and spares	641,009	725,533
Provision for slow moving items - note 21.1	(79,963)	(79,303)
	561,046	646,230
21.1 Movement in provision for slowing moving items is as follows:		
Balance as at January 1	79,303	70,407
Provision/(Reversal) during the year- note 9	660	8,896
Balance as at December 31	79,963	79,303

22 Trade debts

These are unsecured, considered good.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

	2022 Rs. '000	2021 Rs. '000
23 Loans and advances		
Related parties:		
Advances to key management personnel for house rent and expenses - note 23.1	1,300	3,774
Others:		
Advances to executives for house rent and expenses	32,539	32,383
Advances to other parties	798,956	52,759
	832,795	88,916
23.1 The following advances were outstanding as at December 31:		
Mir Faraz	900	-
Bushra Rehman	400	-
Haroon Saleem	-	3,139
Uzair Qazi	-	635
	1,300	3,774

The maximum aggregate amount of advances to key management personnel outstanding at the end of any month during the year was Rs. 2,397 thousand (2021: Rs. 3,902 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.

	2022 Rs. '000	2021 Rs. '000
24 Other receivables		
Related parties - unsecured:		
Due from holding company / associated companies - note 24.1	555,280	514,075
Due from subsidiary company - note 24.1	20,021	20,021
Workers' profit participation fund - note 27.7	154,608	-
Staff pension fund - note 33	-	501,307
Staff pension fund - defined contribution	1,682	-
Management provident fund	106,373	39,663
Employees' provident fund	57,468	35,682
Others:		
Claims against suppliers	6,576	6,576
Cash margin with banks - imports	2,848,389	771,605
Others	102,289	44,313
	3,852,686	1,933,242

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

24.1 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	2022 Rs. '000	2021 Rs. '000
Holding company:					
British American Tobacco p.l.c. - UK	-	-	-	-	11,533
Associated companies:					
BAT SAA Service (Private) Ltd. - Pakistan	113,889	264	139,454	253,607	199,812
BAT (GLP) Limited - UK	75,049	8,682	-	83,731	3,356
BAT Nigeria Ltd-Nigeria	-	7,003	65,190	72,193	50,828
BAT M.E DMCC - UAE	24,271	47,087	-	71,358	49,832
BAT (Investments) Ltd-UK	20,108	3,590	-	23,698	35,969
BAT M.E SPC - Bahrain	11,725	-	679	12,404	530
BAT Asia Pacific Ltd, Hongkong	12,254	-	-	12,254	-
Nicoventures Trading Limited - UK	10,991	-	-	10,991	26,530
RAI Services Company-U.S	-	8,204	-	8,204	-
Ceylon Tobacco Co. Ltd - SriLanka	-	4,363	-	4,363	2,951
BAT Aspac Service Centre Sdn Bhd-Malaysia	1,549	-	-	1,549	5,182
BAT Bangladesh Co. Limited-Bangladesh	-	928	-	928	-
BASS Europe SRL - Romania	-	-	-	-	53,138
BAT Exports Limited - UK	-	-	-	-	36,655
BAT Marketing (S) Pte Ltd - Singapore	-	-	-	-	12,222
BAT Korea Limited - Korea	-	-	-	-	11,608
BAT (Singapore) Pte Ltd-Singapore	-	-	-	-	10,492
BAT PNG Ltd - Papua New Guinea	-	-	-	-	2,538
Central Manufacturing Co. Ltd-Fiji Islands	-	-	-	-	899
	269,836	80,121	205,323	555,280	514,075
Subsidiary company:					
Phoenix (Pvt) Limited	-	-	20,021	20,021	20,021
Total	269,836	80,121	225,344	575,301	534,096

24.1.1 The maximum aggregate amount of receivable from related parties at the end of any month during the year was Rs. 575,301 thousand (2021: Rs. 825,967 thousand).

	2022 Rs. '000	2021 Rs. '000
25 Short term investments		
At fair value through profit or loss (FVTPL):		
- Market treasury bills	21,522,111	9,402,598

This represents short term investment in treasury bills issued by the Government of Pakistan and carries effective interest rate of 15.75% (2021 : 10.10%) 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, 2022

	2022 Rs. '000	2021 Rs. '000
26 Cash and bank balances		
Deposit account - note 26.1	7,513	17,687
Current accounts:		
Local currency - note 26.2	427,250	442,149
Foreign currency	1,444,033	785,232
Total	1,878,796	1,245,068

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

26.2 This includes balance amounting to Rs 0.47 million (2021: Rs 3.74 million) held with National Bank of Pakistan (an associated company).

	2022 Rs. '000	2021 Rs. '000
27 Trade and other payables		
Related parties - unsecured:		
Due to holding company / associated companies - note 27.1	4,859,598	816,919
Others:		
Creditors	11,886,109	7,914,318
Federal excise duty - note 27.2	6,291,182	8,655,007
Sales tax	1,892,655	1,820,898
Workers' welfare fund - note 27.6	708,849	534,838
Workers' profit participation fund - note 27.7	-	10,968
Other accrued liabilities	182,385	97,837
Employee incentive schemes - note 27.4	112,668	124,332
Employees' gratuity fund - note 33	272,269	219,441
Staff pension fund - note 33	122,112	-
Staff pension fund - defined contribution	-	13,395
Tobacco excise duty / Tobacco development cess - note 27.3	146,337	114,834
Security deposits - note 27.5	7,513	16,935
Contract liability	715,884	246,718
	27,197,561	20,586,440

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

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

	2022 Rs. '000	2021 Rs. '000
Holding company:		
British American Tobacco p.l.c. - UK	796,862	180,013
Associated companies:		
BAT GLP Ltd - UK - note 27.1.1	1,817,169	125,773
BASS GSD Ltd. - UK	1,256,749	11,655
BAT M.E DMCC - UAE - note 27.1.1	368,833	202,881
BAT Saudia for Trading, Saudi Arabia - note 27.1.1	137,862	66,784
BAT Exports Limited - UK	127,529	81,327
BAT Nicoventures Trading Ltd-UK	101,677	3,007
BAT South Africa SA. - South Africa	78,974	-
BAT Asia Pacific Ltd - HongKong	47,715	21,269
BAT M.E SPC - Bahrain - note 27.1.1	37,240	24,915
BAT Souza Cruz Ltd - Brazil	19,964	17,527
BAT Australia Ltd-Australia	19,242	2,023
PT Bentoel Prima - Indonesia	15,175	23,484
BAT Jordan Ltd - Jordan - note 27.1.1	12,745	-
BAT Singapore (Pte) Ltd - Singapore	12,210	9,516
BAT GSD (KL) SDN BHD - Malaysia	3,542	3,066
Fielder & Lundgren AB. - Sweden	3,028	-
BAT Korea Manufacturing - South Korea	2,611	2,408
BAT Romania Investments Ltd - Romania	471	584
BAT Mexico Ltd - Mexico	-	31,669
BAT Myanmar Ltd - Myanmar - note 27.1.1	-	4,981
BAT Chile Tobacco - Chile	-	2,882
BAT Tutun Mamulleri - Turkey	-	435
BAT Vranje - Serbia	-	285
BAT Nigeria Ltd - Nigeria	-	283
Ceylon Tobacco Company Plc - Sri Lanka	-	152
	4,859,598	816,919

27.1.1 Rs. 742,497 thousand (2021: Rs. 299,561 thousand) relates to unsecured export advance.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

	2022 Rs. '000	2021 Rs. '000
27.2 Federal excise duty		
Balance as at January 1	8,655,007	7,314,335
Charged during the year	103,232,916	95,177,089
Payment to the Government during the year	(105,596,741)	(93,836,417)
Balance as at December 31	6,291,182	8,655,007
27.3 Tobacco excise duty / tobacco development cess:		
Balance as at January 1	114,834	118,134
Charge for the year	253,040	222,869
Payment to the Government during the year	(221,537)	(226,169)
Balance as at December 31	146,337	114,834

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.

	2022 Rs. '000	2021 Rs. '000
Long Term Incentive Plan (LTIP) - note 27.4.1		
Balance as at January 1	40,678	31,707
Charge for the year	18,501	27,141
Share options exercised	(26,660)	(18,170)
Balance as at December 31	32,519	40,678
Deferred Share Bonus Scheme (DSBS) - note 27.4.2		
Balance as at January 1	83,654	74,893
Charge for the year	48,180	57,166
Share options exercised	(51,685)	(48,405)
Balance as at December 31	80,149	83,654
	112,668	124,332

27.4.1 Long Term Incentive Plan (LTIP)

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

	2022 Number of options	2021 Number of options
Outstanding as at January 1	11,794	15,399
Granted during the year	892	1,885
Exercised during the year	(7,994)	(5,490)
Outstanding as at December 31	4,692	11,794

There are no exercisable options as at 31st December, 2022.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

27.4.2 Deferred Share Bonus Scheme (DSBS)

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

	2022	2021
	Number of options	
Outstanding as at January 1	22,192	22,617
Granted during the year	5,342	7,515
Exercised during the year	(11,647)	(7,940)
Outstanding as at December 31	15,887	22,192

There are no exercisable options as at 31st December, 2022.

- 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.

	2022	2021
	Rs. '000	
27.6 Movement in Workers' Welfare Fund is as follows:		
Balance as at January 1	534,838	456,896
Charged during the year	658,709	485,656
Payment to government /reversal during the year	(484,698)	(407,714)
Balance as at December 31	708,849	534,838
27.7 Movement in Workers' Profit Participation Fund is as follows:		
Balance as at January 1	10,968	855,357
Allocation for the year	1,865,392	1,407,468
Payments during the year	(2,030,968)	(2,251,857)
Balance as at December 31	(154,608)	10,968

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 utilized amounts aggregating Rs. 728 million (2021: Rs. 502 million) and recorded further obligations of Rs. 2,324 million (2021: Rs. 925 million).

29 Short term running finance/export refinance - 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 (2021: Rs. 6,500 million), out of which the amount unavailed at the year end was Rs. 6,500 million (2021: Rs. 6,500 million). These facilities are secured by hypothecation of stock in trade and plant and machinery amounting to Rs. 7,222 million (2021: Rs. 7,222 million). The mark-up ranges between 10.39% and 16.81% (2021: 7.49% and 9.71%) per annum and is payable quarterly. The facilities are renewable on annual basis.

Effective September 2022, the Company has rolled over/obtained new loan of Rs. 2,300 million (Dec 31, 2021: Rs. 2,300 million) from different banks under export refinance scheme. The interest rate is 9.20% (Dec 31, 2021: 2.20%).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

(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 (2021: Rs. 2,500 million) and Rs. 1,200 million (2021: Rs. 1,200 million) is available for letter of credit and letter of guarantee respectively, out of which the facility availed at the year end is Rs. 1,512 million (2021: Rs. 295 million) and Rs. 770 million (2021: Rs. 542 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 (2021: Rs. 1,333 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. 1,737,866 thousand - short term Rs. 802,531 thousand and long term Rs. 935,335 thousand (December 31, 2021: Rs. 1,999,185 thousand - short term Rs. 577,272 thousand and long term Rs. 1,421,913 thousand) and are payable in equal monthly instalments latest by December 2027. Taxes, repairs, replacement and insurance costs are to be borne by the Company. Financing rates of 9% to 17% (December 31, 2021: 9% to 13%) 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 year, the Company discounted lease payments using an estimated incremental borrowing rate and recorded lease obligation of Rs. 322,031 thousand (2021: Rs. 373,573 thousand) during the year.

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:

	2022 Rs. '000	2021 Rs. '000
Present value of minimum lease payments	1,737,866	1,999,185
Current maturity shown under current liabilities	(802,531)	(577,272)
	935,335	1,421,913
Future minimum lease payments		
Not later than one year	961,612	742,882
Later than one year	1,178,197	1,725,627
Interest	2,139,809 (401,943)	2,468,509 (469,324)
Present value of minimum lease payments	1,737,866	1,999,185
Present value of minimum lease payments		
Not later than one year	802,531	577,272
Later than one year	935,335	1,421,913
	1,737,866	1,999,185

31 Unpaid dividend

Unpaid dividend includes amount of Rs. 5,286,154 thousand (2021: Rs. 4,507,434 thousand), payable to British American Tobacco (Investments) Limited, parent company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

	2022 Rs. '000	2021 Rs. '000
32 Deferred income tax liability		
Deferred tax liability is in respect of:		
Accelerated tax depreciation	1,771,478	1,412,009
Leased assets	182,135	142,931
	1,953,613	1,554,940
Deferred tax asset is in respect of:		
Remeasurement loss arising on employees' retirement benefit	(218,076)	(156,231)
Provision for severance benefits	(839,251)	(346,163)
Provision for stock and stores	(26,388)	(23,000)
	869,898	1,029,546
The gross movement on deferred income tax account is as follows:		
At January 1	1,029,546	888,506
(Credit)/charge for the year - statement of profit or loss	(97,802)	179,149
(Credit) for the year - statement of comprehensive income	(61,846)	(38,109)
At December 31	869,898	1,029,546

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.

	2022 Rs. '000	2021 Rs. '000
Staff pension fund - liability / (asset) - note 27 & 24	122,112	(501,307)
Employees' gratuity fund - liability - note 27	272,269	219,441

The latest actuarial valuation of the defined benefit plans was conducted at December 31, 2022 using the projected unit credit method. Details of the defined benefit plans are:

	Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
(a) The amounts recognised in the statement of financial position:				
Present value of defined benefit obligations	6,106,054	5,707,806	1,638,103	1,691,179
Fair value of plan assets	(5,983,942)	(6,209,113)	(1,365,834)	(1,471,738)
Net liability / (assets)	122,112	(501,307)	272,269	219,441

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

	Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
(b) Movement in the liability / (asset) recognized in the statement of financial position is as follows:				
Balance as at January 1	(501,307)	(316,026)	219,441	275,517
Charge for the year - profit or loss	(13,677)	26,821	104,562	113,429
Employer's contribution during the year	(24,182)	(27,352)	(28,909)	(300,914)
Benefits paid by the Company	-	-	-	-
Remeasurement (gain)/loss recognized in Other Comprehensive Income (OCI) during the year	661,278	(184,750)	(22,825)	131,409
Balance as at December 31	122,112	(501,307)	272,269	219,441
(c) The amounts recognised in the statement of profit or loss:				
Current service cost	85,464	94,898	105,235	102,462
Interest cost	699,448	593,042	208,475	162,596
Expected return on plan assets	(768,255)	(627,581)	(182,613)	(134,845)
Net interest	(68,807)	(34,539)	25,862	27,751
Members' own contribution	(22,146)	(23,735)	-	-
Secondees' own contribution	(4,063)	(4,330)	-	-
Contribution by employer in respect of secondees	(4,125)	(5,473)	(26,535)	(16,784)
	(13,677)	26,821	104,562	113,429
(d) Re-measurements recognised in Other Comprehensive Income (OCI) during the year:				
Actuarial loss/ (gain) on obligation	82,121	(598,185)	25,301	9,748
Net return on plan assets over interest income	579,157	413,435	(48,126)	121,661
Total remeasurements loss / (gain) recognised in OCI	661,278	(184,750)	(22,825)	131,409
(e) Movement in the present value of defined benefit obligation:				
Present value of defined benefit obligation at January 1	5,707,806	5,882,010	1,691,179	1,598,482
Current service cost	85,464	94,898	105,235	102,462
Interest cost	699,448	593,042	208,475	162,596
Actual benefits paid during the year	(468,785)	(263,959)	(392,087)	(182,109)
Remeasurements: Actuarial loss /(gain) on obligation	82,121	(598,185)	25,301	9,748
Present value of defined benefit obligation at December 31	6,106,054	5,707,806	1,638,103	1,691,179

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

	Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
(f) Movement in the fair value of plan assets:				
Fair value of plan assets at January 1	6,209,113	6,198,036	1,471,738	1,322,964
Interest income	768,255	627,581	182,613	134,845
Contribution by employer in respect of members	24,182	27,352	28,909	300,915
Members' own contribution	22,146	23,735	–	–
Secondees' own contribution	4,063	4,330	–	–
Contribution by employer in respect of secondees	4,125	5,473	26,535	16,784
Actual benefits paid during the year	(468,785)	(263,959)	(392,087)	(182,109)
Return on plan assets, excluding amounts included in interest income	(579,157)	(413,435)	48,126	(121,661)
Fair value of plan assets at December 31	5,983,942	6,209,113	1,365,834	1,471,738
Actual return on plan assets	170,902	399,897	76,227	13,685

The Company expects to charge Rs 43 million for pension plan and charge Rs 135 million for gratuity plan for the year ending December 31, 2023.

	Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
(g) The major categories of plan assets:				
Investment in listed equities	1,294,470	1,542,807	373,556	374,414
Investment in bonds	4,683,913	1,493,619	784,643	322,894
Cash and other assets	5,559	3,172,687	207,635	774,430
	5,983,942	6,209,113	1,365,834	1,471,738
(h) Significant actuarial assumptions at the statement of financial position date:				
Discount rate	14.25%	12.50%	14.25%	10.25%
Pension increase rate	8.75%	7.00%	–	–
Expected rate of increase in salary				
First year	12.25%	10.50%	12.25%	10.50%
Second year onwards	12.25%	10.50%	12.25%	10.50%

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

The discount rate is determined by considering underlying yield currently available on Pakistan Investment Bonds and high quality term finance certificates and expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the 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, 2022

(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	(647,795)	789,945	(131,467)	150,724
Salary increase	116,730	(106,939)	156,125	(138,134)
Increase in post retirement pension	687,139	(573,746)	-	-

If life expectancy increases by 1 year, the obligation of the Pension Fund increases by Rs 344,856 thousand (2021: 343,537 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	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Weighted average duration of the PBO (Years)	10.61	10.93	8.03	8.00

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.

Mortality Risk

The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service/age distribution and the benefit.

Investment Risk

The risk of the investments underperforming and not being sufficient to meet the liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

Historical Information

	Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
	Present value of defined benefit obligation	Net liability (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
2022	6,106,054	122,112	1,638,103	272,269
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

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

	2022 Rs. '000	2021 Rs. '000
Defined Contribution Provident Fund	107,379	109,512
Defined Benefit Pension Fund	(13,677)	26,821
Defined Contribution Pension Fund	138,839	136,686
Defined Benefit Gratuity Fund	104,562	113,429
	337,103	386,448

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	1,672,531	1,722,422
Cost of investments made	1,569,237	1,615,318
Percentage of investments made	94%	94%
Fair value of investments made	1,465,127	1,615,012

	2022		2021	
	Rs. '000	% age	Rs. '000	% age
(b) Breakup of investments at cost				
Treasury bills	20,000	1%	—	—
Pakistan Investment Bonds	266,471	16%	188,615	11%
Investment plus deposit certificates	579,750	35%	579,750	34%
Investment in savings account with bank	46,170	3%	194,029	11%
Investment in securities	281,809	17%	281,809	16%
Accrued interest	375,037	22%	371,115	22%
	1,569,237	94%	1,615,318	94%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

34 Share capital

34.1 Authorized share capital

	2022	2021		2022	2021
	Number of shares			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

	2022	2021		2022	2021
	Number of shares			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 (2021: 241,045,141) ordinary shares at the year-end and 10,274 (2021:10,274) and 798,282 (2021:798,282) 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.

	2022	2021
	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	3,024	75,706
(ii) Guarantees issued by banks on behalf of the Company	769,944	541,991

35.1.1 Litigation

- a) 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. Said appeal was dismissed in January 2022, following which PTC challenged the demand from EOBI before the Islamabad High Court which issued a stay order in favour of PTC against coercive recovery by EOBI. This stay order is still intact.

The Company expects favorable outcome in this case and accordingly, no provision is recognised in the financial statements.

35.2 Commitments

- (a) Letters of credit outstanding at December 31, 2022 were Rs. 1,511,561 thousand (2021: Rs. 295,277 thousand).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

36 FINANCIAL INSTRUMENTS - Fair values and risk management

36.1 Accounting classification and fair value

The following tables 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, 2022			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	21,522,111	–	21,522,111	–	21,522,111	–
Financial assets not measured at fair value							
Deposits	19	–	23,604	23,604	–	–	–
Trade debts	22	–	2,876	2,876	–	–	–
Other receivables	24	–	3,532,555	3,532,555	–	–	–
Cash and bank balances	26	–	1,878,796	1,878,796	–	–	–
		21,522,111	5,437,831	26,959,942	–	–	–
Financial liabilities measured at fair value							
		–	–	–	–	–	–
Financial liabilities not measured at fair value							
Trade and other payables	27	–	(18,158,538)	(18,158,538)	–	–	–
Other liabilities	28	–	(4,092,981)	(4,092,981)	–	–	–
Short term running finance/export refinance	29	–	(2,354,312)	(2,354,312)	–	–	–
Lease liability	30	–	(1,737,866)	(1,737,866)	–	–	–
Unpaid dividend	31	–	(5,391,129)	(5,391,129)	–	–	–
Unclaimed dividend		–	(106,330)	(106,330)	–	–	–
		–	(31,841,156)	(31,841,156)	–	–	–

	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)	–	–	–
Other liabilities	28	–	(2,496,927)	(2,496,927)	–	–	–
Short term running finance/export refinance	29	–	(2,313,141)	(2,313,141)	–	–	–
Lease liability	30	–	(1,999,185)	(1,999,185)	–	–	–
Unpaid dividend	31	–	(4,663,641)	(4,663,641)	–	–	–
Unclaimed dividend		–	(77,006)	(77,006)	–	–	–
		–	(21,039,614)	(21,039,614)	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

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 26,960 million (2021: Rs 12,035 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	2022 Rs. '000	2021 Rs. '000
	Short term	Long term			
Cash at bank:					
Standard Chartered Bank	A-1+	AAA	PACRA	1,240,955	622,267
MCB Bank Ltd	A-1+	AAA	PACRA	257,353	172,338
Deutsche Bank AG	A-2	A-	S&P	232,230	175,397
MCB Islamic Bank	A-1	A	PACRA	78,676	50,252
Habib Bank Ltd	A-1+	AAA	VIS	66,215	195,329
Citibank N.A.	P-1	Aa3	Moody's	2,894	25,747
National Bank of Pakistan	A-1+	AAA	PACRA	473	3,738
				1,878,796	1,245,068
Short term investments:					
Government of Pakistan		Caa1-	Moody's	21,522,111	9,402,598
				23,400,907	10,647,666

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

As at December 31, 2022, maximum exposure to credit risk for financial assets by geography was as follows:

	Carrying amount	
	2022 Rs. '000	2021 Rs. '000
Pakistan	26,658,269	11,720,796
United Kingdom	118,420	114,043
Asia & other	183,253	200,220
	26,959,942	12,035,059

As at 31 December 2022, the ageing of financial assets was as follows:

	Carrying amount	
	2022 Rs. '000	2021 Rs. '000
Not due	26,647,901	11,494,387
1-30 days	80,121	234,002
31-90 days	205,323	279,543
90 days	26,597	27,127
	26,959,942	12,035,059

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 2022				
Financial liabilities				
Trade and other payables	18,158,538	(18,158,538)	(18,158,538)	–
Other liabilities	4,092,981	(4,092,981)	(4,092,981)	–
Short term running finance/export refinance	2,354,312	(2,354,312)	(2,354,312)	–
Lease liability	1,737,866	(1,737,866)	(1,737,866)	–
Unpaid dividend	5,391,129	(5,391,129)	(5,391,129)	–
Unclaimed dividend	106,330	(106,330)	(106,330)	–
	31,841,156	(31,841,156)	(31,841,156)	–
31 December 2021				
Financial liabilities				
Trade and other payables	9,489,714	(9,489,714)	(9,489,714)	–
Other liabilities	2,496,927	(2,496,927)	(2,496,927)	–
Short term running finance/export refinance	2,313,141	(2,313,141)	(2,313,141)	–
Lease liability	1,999,185	(1,999,185)	(1,999,185)	–
Unpaid dividend	4,663,641	(4,663,641)	(4,663,641)	–
Unclaimed dividend	77,006	(77,006)	(77,006)	–
	21,039,614	(21,039,614)	(21,039,614)	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

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

36.2.4 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates will affect the Company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. This exists due to the Company's exposure resulting from outstanding payments on account of import of goods and services. The currencies in which these transactions are primarily denominated are euro, sterling and US dollars.

The summarised quantitative data about the Company's exposure to currency risk is as follows:

	December 31, 2022			December 31, 2021		
	Euro	Sterling	US dollars	Euro	Sterling	US dollars
Other receivables	–	44,263	521,595	184,087	67,857	313,019
Cash and bank balances	–	–	6,378,942	–	–	4,448,907
Trade and other payables	–	(4,737,376)	(8,250,675)	(1,729,952)	(325,143)	(3,581,725)
Net exposure	–	(4,693,113)	(1,350,138)	(1,545,865)	(257,286)	1,180,201

The following significant exchange rates have been applied:

	Average rate		Year-end spot rate	
	2022	2021	2022	2021
Euro 1	214.59	192.47	241.60	200.72
Sterling 1	251.49	223.97	272.31	239.06
US dollar 1	204.56	162.91	226.38	176.50

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 2022				
Euro	–	–	–	–
Sterling	127,798	(127,798)	91,976	(91,976)
US dollar	30,564	(30,564)	21,997	(21,997)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

	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

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. 1,737,866 thousand (2021: Rs. 1,999,185 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. 17.379 million (2021: Rs. 19.992 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			
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Managerial remuneration	117,576	93,838	136,599	127,572	292,653	162,603	977,624	839,688	1,524,452	1,223,701
Corporate bonus	29,703	34,239	47,950	48,432	130,677	126,463	258,277	261,515	466,607	470,649
Leave fare assistance	1,296	2,590	7,056	7,306	4,655	1,477	-	25	13,007	11,398
Housing and utilities	19,070	14,110	14,430	16,458	55,046	59,212	369,650	343,055	458,196	432,835
Medical expenses	644	136	1,634	1,989	11,255	8,762	83,709	73,064	97,242	83,951
Post employment benefits	1,440	1,202	13,356	12,114	23,964	26,442	205,872	204,284	244,632	244,042
	169,729	146,115	221,025	213,871	518,250	384,959	1,895,132	1,721,631	2,804,136	2,466,576
Number of persons	1	1	2	2	13	13	328	311	344	327

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 (2021: nine) non-executive directors of the Company amounted to Rs. 10,352 thousand (2021: Rs. 6,515 thousand).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

38 Transactions with related parties

British American Tobacco (Investments) Limited (BAT-IL) holds 94.34% (2021: 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.

	2022 Rs. '000	2021 Rs. '000
Procurement of goods and services from:		
Holding company	2,287,151	2,253,371
Associated companies	5,460,330	5,273,360
Sale of goods and services to:		
Holding company	–	11,335
Associated companies	5,636,914	7,290,767
Dividend declared		
Holding company	11,608,964	19,348,274
Royalty charged by:		
Holding /associate company	850,354	598,658
Expenses reimbursed to:		
Holding company	–	590
Associated companies	14,893	372
Expenses reimbursed by:		
Holding company	3,266	53,228
Associated companies	492,215	456,184
Payment under employee incentive schemes:		
Key management personnel	90,702	57,709
Other income:		
Associated company:		
Export of services	551,559	581,565
Recharges written back	–	57,146

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, 2022

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%
Kelly Burtenshaw	Director	0.000978%
Syed Asad Ali Shah	Director	0.000196%
Usman Zahur	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.) Najib Ullah Khan	Director	0.000196%
Gary Tarrant	Director	0.000196%
Oliver Engels	Director	0.000196%
Sayeed Salam	Key management personnel	Nil
Faiza Imtiaz	Key management personnel	Nil
M. Ammar Yasir	Key management personnel	Nil
Mohammad W.Naser	Key management personnel	Nil
Patrick Bejjani	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
Haroon Saleem	Key management personnel	Nil
Junaid Khatana	Key management personnel	Nil
Bushra Rahman	Key management personnel	Nil
Mir Faraz	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
BAT Switzerland SA	Fellow Subsidiary	0.00%	Switzerland
British American Tobacco Chile Operaciones SA	Fellow Subsidiary	0.00%	Chile

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

Associated company	Basis of relationship	Aggregate % of Shareholding	Country of Incorporation
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 Pecci 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
British American Tobacco Jordan	Fellow Subsidiary	0.00%	Jordan
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
BAT SAA Services Pvt Ltd	Fellow Subsidiary	0.00%	Pakistan
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
RAI Services Company	Fellow Subsidiary	0.00%	United States
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, 2022

	2022 Rs. '000	2021 Rs. '000
39 Cash generated from operations		
Profit before taxation	34,733,607	26,207,048
Adjustment for non-cash items:		
- Depreciation / impairment	2,148,129	1,706,855
- Gain on disposal of property, plant and equipment	(108,401)	(81,741)
- Finance cost	327,683	274,282
- Finance income	(2,274,037)	(981,404)
- Foreign exchange loss	720,142	153,459
- Provision / (Reversal of provision) for slow moving stores and spares	660	8,896
- Provision / (reversal of provision) for stock-in-trade	221,051	53,114
- Provision for staff retirement benefit plans	337,103	386,448
	1,372,330	1,519,909
Changes in working capital:		
- Stock-in-trade	(3,081,718)	(2,615,091)
- Stores and spares	84,524	23,774
- Trade debts	(734)	(750)
- Loans and advances	(743,879)	246,289
- Short term prepayments	(106,615)	43,069
- Other receivables	(2,419,069)	(411,625)
- Trade and other payables	5,772,590	1,286,190
- Other liabilities	1,596,054	423,061
	1,101,153	(1,005,083)
Changes in long term deposits and prepayments	5,057	(941)
	37,212,147	26,720,933

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, 2022	4,740,647	1,999,185	2,300,000	9,039,832
Changes from financing cash flows:				
Finance Lease payments	-	(1,149,784)	-	(1,149,784)
Additions during the year	-	-	-	-
Dividend paid	(11,506,890)	-	-	(11,506,890)
Total changes from financing cash flows	(11,506,890)	(1,149,784)	-	(12,656,674)
Other changes:				
New leases	-	913,212	-	913,212
Retirements	-	(249,177)	-	(249,177)
Interest charge	-	224,430	-	224,430
Dividend declared	12,263,702	-	-	12,263,702
Total equity-related other changes	-	-	20,914,717	20,914,717
Balance at December 31, 2022	5,497,459	1,737,866	23,214,717	30,450,042

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

	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 paid	(15,861,094)	–	–	(15,861,094)
Total changes from financing cash flows	(15,861,094)	(987,256)	2,300,000	(14,548,350)
Other changes:				
New leases	–	644,636	–	644,636
Retirements	–	(139,838)	–	(139,838)
Interest charge	–	229,021	–	229,021
Dividend declared	20,439,504	–	–	20,439,504
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, 2022 final dividend of Rs Nil (2021: Rs 28.00) per share amounting to a total dividend of Rs. Nil thousand (2021: Rs. 7,153,826 thousand) has been proposed at the Board of Directors meeting held on February 23, 2023. 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 23, 2023.



Syed Ali Akbar
Chief Executive Officer



Kelly Burtenshaw
Chief Financial Officer / Director



PAKISTAN TOBACCO COMPANY LIMITED

CONSOLIDATED
FINANCIAL
STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

CHAIRMAN'S REVIEW

(Consolidated Accounts)

I am pleased to share the Annual Report for the year 2022.

2022 Performance

The Company's performance faced multitude of headwinds including high inflation, considerable local currency devaluation, multiple excise increases and shortage of foreign currency in the banking system. PTC navigated through these challenges with a clear aim of continued value delivery to consumers and of enhanced value generation for shareholders. Implementation of Track and Trace system and sporadic enforcements by Law Enforcement Agencies somewhat helped to temporarily reduce price disparity between legitimate industry and duty-not-paid tobacco sector (DNP) resulting in flat year on year volume.

As a result of the Company's clear strategy, PTC was able to deliver EPS growth of 13% for 2022 versus same period last year. Further, the Company was able to deliver a 122% volume growth for its non-tobacco nicotine product (VELO) versus same period last year. Furthermore, the Company's contribution to National Exchequer increased by 14.2% to Rs. 154.0 billion during 2022 versus same period last year.

Environment, Social and Governance (ESG) Agenda

As a responsible corporate citizen, PTC believes in giving back to the society and the very environment it operates in. During 2022, the Company undertook various initiatives towards sustainability and to combat climate crisis.

The Company invested heavily in energy conservation in Jhelum Factory and Akora Khattak Factory making them the highest and third-highest on-site power generation sites across BAT Group respectively. The CO₂ emissions reduction of 5000 tons over two years is a testament to the Company's commitment towards environmentally sustainable operations. The Company also continued to focus on water recycling initiatives while being the second largest water-recycling operation across BAT Group.

Among other initiatives, PTC continued to provide free medical advice and medicines under its Mobile Doctor Unit program. In 2022, more than 150,000 patients were given free of cost medical consultations and medication under this program. To ensure local community is protected from waterborne diseases, the Company provided clean drinking water to the less privileged segments of the society through 27 water filtration plants, each providing up to 20,000 liters of clean drinking water per day.

PTC runs one of the largest private sector afforestation programs. Under this flagship program running since 1981, the Company has successfully distributed and planted more than 150 million saplings free of cost with 2.5 million saplings distributed during 2022.

Corporate Governance

The Company 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 the Sarbanes-

Oxley regulations (SOx), the Company's control framework and governance environment has further strengthened. The Company's compliance with SOx controls and other policies & procedures is monitored by the Group's internal controls team and also tested by external auditors (KPMG) from time to time.

The Company also mandates its employees to operate and deliver with integrity and strongly discourages malpractice. This message is reinforced through face-to-face and online trainings conducted throughout the year as part of Standards of Business Conduct (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

In line with BAT Group's harm reduction agenda under vision of A Better Tomorrow™, PTC continues to invest behind its tobacco-free nicotine products. As a result, Pakistan has become 3rd largest VELO market across BAT Group within 3 years of the product's launch. Amidst severe foreign currency shortage, the Company continued to pursue its ambition to enhance exports with 2022 turnover of \$27.6 million. PTC made considerable investment in Track and Trace System which is expected to protect the interests of legitimate tobacco sector and ensure rightful tax contribution to National Exchequer by tobacco Industry. The Company also continued investing in operations including Integrated Work System and ESG initiatives to enhance productivity and achieve operational efficiencies.

In the absence of full-scale implementation of Track and Trace system and sporadic enforcements by Law Enforcement Agencies, multiple excise-increases during 2022 have created a considerable price disparity between legitimate industry and local DNP sector. This is an area of grave concern since it continues to put pressure on legitimate industry's sustainability and has caused leakage of estimated Rs. 87 billion of Government tax revenue. Thus, it is imperative that stringent action is taken by the relevant law enforcing authorities to curb DNP sector in the best interest of all stakeholders. Also, shortage of foreign currency in banking system poses a serious threat to business continuity across manufacturing sector. Timely intervention by relevant Government authorities is pertinent for sustainability of manufacturing sector and associated job creation that ensues.

PTC has a strong belief in its people and their capabilities. The senior management and I have full confidence that our people possess right capabilities and attitude to navigate the Company through these testing times. Looking ahead, we remain focused on delivering value offers to our consumers and driving long-term sustainable growth for our shareholders while creating a positive impact around us.



Zafar Mahmood Chairman

DIRECTORS' REPORT

(Consolidated Accounts)

The Directors present the Annual Report of Pakistan Tobacco Company Limited (PTC) along with the audited financial statements of the Company for the year ended December 31, 2022.

Macroeconomic Environment

As global economy continued to slow down during 2022, Pakistan had its fair share of economic challenges during the period under review. Locally, political uncertainty and natural disasters added further pressure on the domestic economy resulting in double digit inflation, currency devaluation, and dwindling foreign exchange reserves. To manage the current account deficit, State Bank of Pakistan increased import restrictions which negatively impacted manufacturing activity and led to multiple price increases during the year, all of which added pressure to consumers' disposable income.

Industry Overview

Fiscal environment

During 2022, Government of Pakistan imposed multiple Federal Excise Duty (excise) increases on factory manufactured cigarettes (cumulative Rs. 26 per pack for tier 1 and Rs. 8 per pack for Tier 2). The excise increases further incentivized Duty-Not-Paid (DNP) segment as the price gap with the legitimate industry widened to an all-time high. Consequently, prices of DNP brands were not just lower than the Government mandated minimum price of Rs. 70.13 per pack, but even lower than the minimum excise and sales tax payable on a pack of 20 cigarettes i.e. Rs. 51.19 per pack.

Increase in duties and taxes, and need for rigorous enforcement

Frequent and high increases in excise and duties by the Government carries inherent risk of furthering price gap between legitimate industry and DNP sector. This disparity further incentivizes DNP sector towards duty-evasion which not only impacts the sustainability of the tax-paying legitimate industry but also results in loss of Government revenue estimated at Rs. 87 billion per annum.

Consequently, there should be enhanced focus on enforcements by Government, which should also amend the law to declare selling of duty-evaded cigarettes

a cognizable offense with exemplary punishment. immediate implementation of Track and Trace System remains a key pillar to protect interests of the legitimate industry whilst also protecting Government revenues.

Regulatory environment

In 2022, the Government promulgated Track & Trace System across the tobacco industry followed up by active enforcement. PTC ensured compliance of its operations with the Track & Trace System by Q3 2022. The Government is also legislating Track & Trace System for other product categories related to tobacco/nicotine and has also issued a Statutory Regulatory Order (SRO) pertaining to the same.

Company Performance

Sales volume declined by 1% during the year versus 2021. This is primarily attributable to the multiple price increases on account of excise increases, inflation and rupee devaluation. The Company continued to maintain its market share leadership in the legitimate segment growing market share by 0.4% in 2022 to 78.4%. In 2022, PTC contributed Rs. 154.0 billion to the National Exchequer in the form of excise and various regulatory duties.

The Company's cost base remained under pressure throughout 2022 in the wake of the currency devaluation and inflation. Despite these challenges, PTC 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.

BAT Group is driving the agenda for A Better Tomorrow™ by reducing health impact of its business. The Group invests over \$430 million per year in research and development of New Category Products. In line with the Group's agenda for tobacco harm reduction, PTC continued to build its venture into New Categories of tobacco-free nicotine products (VELO). During 2022, PTC

tripled the net turnover of its New Category business, lowered the cost base and sold 420 million nicotine pouches within third year of its launch in Pakistan, and has thus been awarded with “A Better Tomorrow™” award by BAT Group for demonstrating excellent business results. The aforementioned business delivery by PTC also makes Pakistan the third largest VELO market in terms of volume across BAT Group.

PTC’s export initiative “Made in Pakistan”, in its third year of full-scale operation, has resulted in exports of \$27.6 million during the year. PTC’s 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, PTC 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, Equity & Inclusion Benchmarks Award” by Global Diversity, Equity and Inclusion Benchmarks, “Top Employer Award” by Top Employers Institute and “Women Empowerment Award” for Gender Inclusion Policies by Overseas Investors Chamber of Commerce and Industry.

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 has successfully planted and distributed more than 150 million saplings free of cost (2.5 million saplings distributed during 2022).

Under the MDU program, the Company dispensed medical advice and medicines free of cost to more than 150,000 patients. To ensure that the local community is protected from waterborne 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.

Financial Review

	Rs. (million)	
	FY 2022	FY 2021
Gross Turnover	232,600	199,469
FED & Sales Tax	137,738	124,481
Net Turnover	94,862	74,988
Cost of Sales	49,706	39,092
Gross Profit	45,156	35,896
Operating Profit	32,787	25,500
Profit Before Tax – PBT	34,734	26,207
Profit After Tax – PAT	21,321	18,862
Earnings Per Share – EPS (Rs)	83.45	73.83

Profit & loss analysis

The Company contributed 66% of gross turnover (Rs. 154.0bn vs Rs. 134.8bn for 2021) 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 21% and 5% of gross turnover respectively.

Domestic gross turnover increased by 18% vs SPLY despite a 1% volume reduction on account of sustained consumer base through multiple price increases. Exports Turnover decreased by 18% vs SPLY driven by loss of certain export markets. The Company is taking measures to ensure healthy exports pipeline going forward and expects to deliver robust export growth. The Company exported 1.4 billion cigarette sticks, 2.5 million Kgs of cut-rag tobacco, and 1.9 million Kgs of unmanufactured tobacco in 2022 with a turnover amounting to \$27.6 million. PTC also exported human resource services worth \$1.5 million during 2022.

Cost of Sales increased primarily due to devaluation of local currency, global inflation on imported materials and local inflationary pressure. These headwinds were mitigated through multiple productivity saving initiatives and focused cost management to reduce the overall cost base. Administrative expenses had a 3% increase due to higher information technology costs, in line with BAT’s strategy of simplification through automation.

Net Finance Income increased by 175% in 2022, attributable to surplus funds available for Treasury Bill investments on account of better cash position and higher interest rates.

Statement of financial position analysis

Property, plant and equipment increase in 2022 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 is attributable to impact of currency devaluation and inflation.

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 2022 due to more import orders in Q4 2022.

Short term investments in Government treasury bills recorded an increase vs SPLY due to higher availability of surplus funds.

Current Liabilities increased due to higher outstanding payables to internal and external suppliers on account of lesser access to foreign currency.

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 15.4 billion. During the year, final dividend of Rs. 28 per share related to year ended 2021 was approved by shareholders and was subsequently paid. In 2022, the Company earned a net profit of Rs 21.3 billion and declared two interim dividends of Rs. 10 per share in Q2 2022 and Rs. 10 per share in Q3 2022. The net reserves position of the Company at year end stands at Rs 24.1 billion. Details of appropriation are also elaborated in the table below:

	Rs. (million)	Rs. Per Share
Opening Reserves	15,418	
Final Dividend 2021	(7,154)	28.00
Net Profit 2022	21,321	83.45
Other Comprehensive Income	(406)	
Available for appropriation	29,179	
Interim Dividends 2022	(5,110)	20.00
Closing Reserves	24,069	

Final dividend

The Board of Directors of PTC in its meeting being held on February 23, 2023 recommended a final cash dividend of Rs. 0/- per share for the year ended December 31, 2022 (2021: 28 per share), for the shareholders' approval. This recommendation is subject to approval of the shareholders in the Annual General Meeting, scheduled on May 2, 2023.

Consolidated financial statements and segmental review

Consolidated financial statements, 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 sharp focus on effective cost management, lean operations, and continuous modernization of the machinery infrastructure. In line with this overarching objective, PTC became the first "Integrated Work System" (IWS) Phase-2 certified multi-site and multi-category operation in BAT Group.

As part of the tobacco harm reduction agenda, PTC runs 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 for BAT Group. 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.

In compliance with local regulations, PTC has invested significantly for implementation of Track and Trace System which enables law enforcement agencies to effectively separate duty-paid cigarettes from DNP brands and helps curtail spread of DNP brands while protecting Government revenues.

EH&S – Environment, Health & Safety

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 2022 which led Jhelum Factory and Akora Khattak Factory to be the highest and third-highest on-site power generation sites across BAT Group respectively.

Additionally, the Company continues to focus on water recycling initiatives while being the second largest water-recycling operation across BAT Group. The CO₂ emissions reduction of 5000 tons over two years is a testament to our commitment towards environmentally sustainable operations. PTC's operation has been recognized by BAT Group for its efforts and outstanding delivery on the subject.

Marketing Review

Consumer affordability remained under stress in 2022 due to the ongoing macro-economic challenges. Despite inflationary headwinds, focused investments were made for a future-fit brands portfolio.

As part of BAT Group's harm reduction agenda, PTC laid special focus on developing a New Category of tobacco-free nicotine products in Pakistan under the VELO brand providing consumers with broader spectrum of choices for nicotine consumption. The focus on driving VELO market penetration resulted in 122% increase in VELO volume vs 2021.

Capstan by Pall Mall retained its standing as the best performing brand in the value-for-money segment. To reinforce the place of this brand as the flagship value-for-money product, one of the largest ever limited-edition-pack campaigns was launched in 2022 which culminated in sales of 10 billion+ cigarette sticks.

Additionally, value-for-money segment witnessed reinforcement campaigns during the year to further enhance Gold Flake's equity. This was a strategic intervention which helped the brand significantly capture lost volume and market share to become the fourth largest brand in the market (by volume).

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 internal control environment. The Company's risk management and internal controls framework is aimed at safeguarding the shareholders' investment and the Company's assets, while minimizing impact of the risks that may impede 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 weaknesses are reported along with action plans to address them. Additionally, all employees are required to sign off an annual Statement of Compliance to the Company's Standards of Business Conduct. Further, the Company is fully compliant to all the requirements of Sarbanes Oxley Act (SOx) which has further strengthened the internal controls environment of the Company.

Forward Looking Approach

Looking ahead, 2023 is expected to remain a highly challenging year for the Company as it will need to counter the challenges presented not only by a tough macro-economic environment but also by the unique dynamics of the tobacco industry coupled with highly regressive excise environment. In 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. The Company will focus on increasing its volume base and market share enabled by the implementation of the Track and Trace System and associated enforcement by the Law Enforcement Agencies. Further, marketing investment will be aimed at strengthening the brand equity of the Company's portfolio among 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 and maintaining 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.

Maintain adequate access to foreign currency

On account of increasing current account deficit in Pakistan, and ensuing scarcity of foreign currency in the banking system, one of the key priorities of the Company is to sustain its operations independently by timely settlement of its foreign currency obligations and disbursement of dividends to its foreign shareholders.

While the Government is expected to intervene and protect interests of manufacturing sector which employs significant portion of Pakistan's workforce, the Company in parallel will be accelerating its export agenda to self-fund raw material imports as much as possible.

Drive effective resource allocation and cost management

Rising inflation continues to put pressure on the Company's cost base; the Management intends to take effective measures to mitigate its adverse impacts.

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 purchasing power of consumers, forcing them to reprioritize their share of wallet, hence impacting 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

The Company is geared to continue investing in enhancement of 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)

The Company will continue to support initiatives aimed at the betterment and uplifting of communities in which PTC 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:

- a) The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- b) Proper books of accounts of the Company have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and the accounting estimates are based on reasonable and prudent judgement.
- d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departures therefrom have been adequately disclosed and explained.
- e) The system of internal controls is sound in design and has been effectively implemented & monitored.
- f) There are no significant doubts about the Company's ability to continue as a going concern.
- g) There has been no material departure from the best practices of corporate governance, as detailed in the Code of Corporate Governance and listing regulations.
- h) All major Government levies in the normal course of business, payable as at December 31, 2022 have been disclosed in the notes to the financial statements.
- i) Key operating and financial data for last six years in summarized form is provided separately in the Company's Annual Report.
- j) Value of investments in employee's retirement funds for the year ended December 31, 2022 are as follows. Further details are provided in Note 33 to the financial statements.

Fund name	(Rs. million)
Staff Pension Fund	6,430
Employees Gratuity Fund	1,424
Management Provident Fund	1,019
Employees Provident Fund	519
Defined Contribution Pension Fund	1,006

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	10
• Female Director	2
a. Independent Directors	4
(i) Mr. Zafar Mahmood (Chairman)	
(ii) Lt. Gen. (R) Najib Ullah Khan	
(iii) Mr. Mohammad Riaz	
(iv) Mr. Asif Jooma	
b. Non- Executive Directors	5
(i) Mr. Wael Sabra	
(ii) Ms. Belinda Joy Ross	
(iii) Mr. Usman Zahur	
(iv) Mr. Gary Tarrant	
(v) Mr. Oliver Engels	
c. Executive Directors	3
(i) Mr. Syed Ali Akbar	
(ii) Ms. Kelly Burtenshaw	
(iii) 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. The members have sufficient financial acumen and knowledge through combination of their professional and

academic skills, and local and international experience. 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

The following changes took place in the Board:

- i. Mr. William Francis Pegel (resigned w.e.f. 14-06-2022) was replaced by Ms. Kelly Louise Burtenshaw;
- ii. Mr. Syed Javed Iqbal (retired) was replaced by Mr. Usman Zahur (w.e.f. 21-4-2022);
- iii. Lt. Gen. (R) M. Masood Aslam (retired) was replaced by Lt. Gen. (R) Najib Ullah Khan (w.e.f. 21-4-2022);
- iv. Mr. Shannon McInnes (resigned w.e.f. 04-10-2022) was replaced by Mr. Gary Tarrant;
- v. Mr. Ozsan Ozbas (resigned w.e.f. 14-10-2022) was replaced by Mr. Oliver Engels.

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 2022, four Board meetings were convened as per applicable regulations, out of which the 1st meeting was held on 24th February 2022.

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>	4/4
Syed Ali Akbar <i>Managing Director and CEO</i>	3/4
William Francis Pegel <i>Director Finance & IT (resigned w.e.f 14-06-2022)</i>	2/4
Syed Asad Ali Shah <i>Director Legal and External Affairs</i>	4/4
Kelly Burtenshaw <i>Director Finance (joined w.e.f 15-06-2022)</i>	2/4
Belinda Joy Ross <i>Non-Executive Director</i>	3/4
Syed Javed Iqbal <i>Non-Executive Director (Retired)</i>	1/4
Lt. Gen.(R) M. Masood Aslam <i>Independent Director (Retired)</i>	1/4
Mohammad Riaz <i>Independent Director</i>	4/4
Asif Jooma <i>Independent Director</i>	4/4
Wael Sabra <i>Non-Executive Director</i>	4/4
Shannon McInnes <i>Non-Executive Director (resigned w.e.f. 4-10-2022)</i>	1/4
Ozsan Ozbas <i>Non-Executive Director (resigned w.e.f.14.10-2022)</i>	0/4
Usman Zahur <i>Non-Executive Director (elected w.e.f. 21-04-2022)</i>	3/4
Lt. Gen (R) Najib Ullah Khan <i>Independent Director</i>	3/4
Gary Tarrant <i>Non-Executive Director (joined w.e.f. 04-10-2022)</i>	1/4
Oliver Engels <i>Non-Executive Director (joined w.e.f. 14-10-2022)</i>	1/4

Meetings Held Outside Pakistan

In 2022, PTC conducted all its Board meetings in Pakistan.

Committees of the Board

The Board has four committees namely the Executive Committee, Audit Committee, Human Resources & Remuneration Committee and Share Transfer Committee, 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 Company's 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 2022 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 75th AGM (Annual General Meeting) was held on April 21, 2022. 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, 2022 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, 2023 on the recommendation of the Audit Committee. This shall be subject to the approval of the shareholders in their meeting scheduled for May 02, 2023.

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 remaining shareholding is spread across associated company, institutions and general public. The pattern of shareholding as at December 31, 2022 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 BCM

PTC recognizes the importance of Business Continuity Management (BCM) as the means to ensure that the business continues 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 2022, 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 2022, 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 Auditor's 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 matters were addressed in our audit
1	<p>Revenue recognition</p> <p>Refer notes 7.2 and 8 to the consolidated financial statements.</p> <p>The Group is engaged in the production and sale of tobacco products and velo. The Group recognized net revenue from the sales of cigarettes/tobacco/velo of Rs. 94,862 million for the year ended December 31, 2022.</p> <p>We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicators 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 in respect of 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 consolidated 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 2022, stock-in-trade is stated at Rs. 24,905 million. Stock-in-trade is measured at the lower of cost and net realizable value.</p> <p>Management's judgement is required to assess the appropriate level of provisioning required for the stock-in-trade, including the assessment of available facts and circumstances, it's physical conditions, the market selling prices and estimated selling costs of the stock in trade. Due to the significance of stock-in-trade balance and related estimations involved, this is considered as a key audit matter.</p>	<p>Our audit procedures in respect of 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 Auditor's Report Thereon

Management is responsible for the other information. Other information comprises the information included in the annual report for the year ended 31 December 2022, 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 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 the accounting and reporting standards as applicable in Pakistan and the requirements of 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.

Auditor's 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 auditor's 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 judgment 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 auditor's 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 auditor's 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 auditor's 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 auditor's report is Muhammad Ubbaid Ullah.

KPMG Taseer Hadi

KPMG Taseer Hadi & Co.
Chartered Accountants

Islamabad

Date: 11 April 2023

UDIN: AR202210240S86fnAMKb

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2022

	Note	2022 Rs. '000	2021 Rs. '000
Gross turnover	8	232,600,278	199,469,017
Excise duties		(103,232,916)	(95,177,089)
Sales tax		(34,505,124)	(29,304,177)
Net turnover		94,862,238	74,987,751
Cost of sales	9	(49,705,748)	(39,091,727)
Gross profit		45,156,490	35,896,024
Selling and distribution costs	10	(5,708,254)	(5,002,183)
Administrative expenses	11	(4,026,820)	(3,988,963)
Other operating expenses	12	(3,298,042)	(2,129,084)
Other income	13	663,879	724,132
		(12,369,237)	(10,396,098)
Operating profit		32,787,253	25,499,926
Finance income - interest income on T-bills	23	2,274,037	981,404
Finance cost	14	(327,683)	(274,282)
Net finance income		1,946,354	707,122
Profit before income tax		34,733,607	26,207,048
Income tax expense	15	(13,412,676)	(7,344,961)
Profit for the year		21,320,931	18,862,087
Earnings per share (basic and diluted) - (Rupees)	16	83.45	73.83

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



Syed Ali Akbar
Chief Executive Officer



Kelly Burtenshaw
Chief Financial Officer / Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2022

	Note	2022 Rs. '000	2021 Rs. '000
Profit for the year		21,320,931	18,862,087
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
- Remeasurement loss/gain on defined benefit pension and gratuity plans	31	(638,453)	53,341
- Tax credit/charge related to remeasurement loss on defined benefit pension and gratuity plans	15.2	232,239	(15,469)
		(406,214)	37,872
Total comprehensive income for the year		20,914,717	18,899,959

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



Syed Ali Akbar
Chief Executive Officer



Kelly Burtenshaw
Chief Financial Officer / Director

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2022

	Note	2022 Rs. '000	2021 Rs. '000
Non current assets			
Property, plant and equipment	16	16,826,988	15,838,588
Advance for capital expenditure		532,106	1,115,233
Long term deposits and prepayments	17	23,604	28,661
		17,382,698	16,982,482
Current assets			
Stock-in-trade	18	24,905,320	22,044,653
Stores and spares	19	561,046	646,230
Trade debts	20	2,876	2,142
Loans and advances	21	832,795	88,916
Short term prepayments		139,961	33,346
Other receivables	22	3,832,665	1,913,221
Short term investments	23	21,522,111	9,402,598
Cash and bank balances	24	1,878,796	1,245,068
		53,675,570	35,376,174
Current liabilities			
Trade and other payables	25	27,197,588	20,586,467
Other liabilities	26	4,092,981	2,496,927
Short term running finance/export refinance	27	2,354,312	2,313,141
Lease liability	28	802,531	577,272
Unpaid dividend	29	5,391,129	4,663,641
Unclaimed dividend		106,330	77,006
Current income tax liabilities		2,683,837	1,219,431
		(42,628,708)	(31,933,885)
Net current assets		11,046,862	3,442,289
Non current liabilities			
Lease liability	28	(935,335)	(1,421,913)
Deferred income tax liabilities	30	(869,898)	(1,029,546)
		(1,805,233)	(2,451,459)
Net assets		26,624,327	17,973,312
Share capital and reserves			
Share capital	32	2,554,938	2,554,938
Revenue reserve - Unappropriated profit		24,069,389	15,418,374
		26,624,327	17,973,312
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



Kelly Burtenshaw
Chief Financial Officer / Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2022

	Share capital Rs. '000	Revenue Reserve - unappropriated profit Rs. '000	Total Rs. '000
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 - income	–	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
Balance at January 1, 2022	2,554,938	15,418,374	17,973,312
Total Comprehensive income for the year:			
Profit for the year	–	21,320,931	21,320,931
Other comprehensive income for the year - loss	–	(406,214)	(406,214)
Total comprehensive income for the year	–	20,914,717	20,914,717
Transactions with owners of the Company:			
Final dividend of Rs. 28.00 per share relating to the year ended December 31, 2021	–	(7,153,826)	(7,153,826)
Interim dividend of Rs. 10.00 per share relating to the year ended December 31, 2022	–	(2,554,938)	(2,554,938)
Interim dividend of Rs. 10.00 per share relating to the year ended December 31, 2022	–	(2,554,938)	(2,554,938)
Total transactions with owners of the Company	–	(12,263,702)	(12,263,702)
Balance at December 31, 2022	2,554,938	24,069,389	26,624,327

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



Syed Ali Akbar
Chief Executive Officer



Kelly Burtenshaw
Chief Financial Officer / Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2022

	Note	2022 Rs. '000	2021 Rs. '000
Cash flows from operating activities			
Cash generated from operations	37	37,212,147	26,720,933
Finance cost paid		(62,082)	(261,724)
Income tax paid		(11,875,679)	(6,912,195)
Contribution to retirement benefit funds		(357,542)	(574,464)
Net cash generated from operating activities		24,916,844	18,972,550
Cash flows from investing activities			
Purchases of property, plant and equipment		(2,521,652)	(2,022,139)
Advance for capital expenditure		583,127	(398,369)
Proceeds from sale of property, plant and equipment		406,736	419,059
Interest received		2,274,037	981,404
Net cash generated from / (used) in investing activities		742,248	(1,020,045)
Cash flows from financing activities			
Dividends paid		(11,506,890)	(15,861,094)
Lease payments		(1,398,961)	(987,256)
Proceeds from export refinance facility		–	2,300,000
Net cash used in financing activities		(12,905,851)	(14,548,350)
Net increase in cash and cash equivalents		12,753,241	3,404,155
Cash and cash equivalents at beginning of year		10,647,666	7,243,511
Cash and cash equivalents at end of year		23,400,907	10,647,666
Cash and cash equivalents comprise:			
Cash and bank balances	24	1,878,796	1,245,068
Short term investments	23	21,522,111	9,402,598
		23,400,907	10,647,666

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



Syed Ali Akbar
Chief Executive Officer



Kelly Burtenshaw
Chief Financial Officer / Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

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 principal activity of the Company is to manufacture and sell cigarettes, tobacco and velo.

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

Phoenix (Private) Limited (PPL) is a private limited company incorporated on March 9, 1992 in Azad Jammu and Kashmir under the Companies Ordinance, 1984 (now the Companies Act, 2017). The registered office of PPL is situated at Bin Khurma, Chichian Road, Mirpur, Azad Jammu and Kashmir. The object for which the PPL has been incorporated is to operate and manage an industrial undertaking in Azad Jammu and Kashmir to deal in tobacco products. PPL is dormant and has not commenced its commercial operations.

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

Capacity and production

Against an estimated manufacturing capacity of 51,800 million cigarettes (2021: 47,728 million cigarettes) actual production was 41,976 million cigarettes (2021: 46,080 million cigarettes). For modern oral manufacturing capacity was 650 million pouches (2021: 330 million) and actual production was 451 million pouches (2021: 172 million). The split from each industrial unit is given below.

FMC Site	Manufacturing Capacity	
	2022 (Units in Millions)	2021 (Units in Millions)
Akora Khattak Factory	24,500	22,710
Jhelum Factory	27,300	25,018
Total	51,800	47,728
Modern Oral Site		
Jhelum Factory	650	330

FMC Site	Actual Production	
	2022 (Units in Millions)	2021 (Units in Millions)
Akora Khattak Factory	20,382	22,690
Jhelum Factory	21,594	23,390
Total	41,976	46,080
Modern Oral Site		
Jhelum Factory	451	172

Actual production is less than the installed capacity due to market demand. Increase in production capacity is primarily due to upgrades in technology that allow more production per hour, ceteris paribus.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

Number of employees

Total number of employees as at December 31, 2022 were 1,050 (2021: 1,066). Out of the total number of employees, the number of factory employees as at December 31, 2022 were 394 (2021: 390). Average number of employees during the year were 1,051 (2021: 1,043), whereas average factory employees during the year were 391 (2021: 377)

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 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:

Significant estimates

- Note 7.9 & 16 – useful lives, residual values and depreciation method of property, plant and equipment
- Note 31 – Retirement benefits

Other estimates

- 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 34 – Financial instruments – fair values
- Note 33 – Contingencies
- Note 28 - Leases

Measurement of fair values

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

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then management assesses the evidence obtained from the third parties to support its conclusion that these

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

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 2023:

- Classification of liabilities as current or non-current (Amendments to IAS 1 in January 2020) apply retrospectively for the annual periods beginning on or after 1 January 2024 (as deferred vide amendments to IAS 1 in October 2022) with earlier application permitted. These amendments in the standards have been added to further clarify when a liability is classified as current. Convertible debt may need to be reclassified 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's expectation and discretion at the reporting date to refinance or to reschedule payments on a long-term basis are no longer relevant for the classification of a liability as current or non-current. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- Non-current Liabilities with Covenants (amendment to IAS 1 in October 2022) aims to improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with conditions. The amendment is also intended to address concerns about classifying such a liability as current or non-current. Only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability's classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. The amendments apply retrospectively for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. These amendments also specify the transition requirements for companies that may have early-adopted the previously issued but not yet effective 2020 amendments to IAS 1 (as referred above).
- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

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) 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 an entity 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, with earlier application permitted, 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) 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.
- Lease Liability in a Sale and Leaseback (amendment to IFRS 16 in September 2022) adds subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements to be accounted for as a sale. The amendment confirms that on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction. After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right of use it retains. A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 with earlier application permitted. Under IAS 8, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of IFRS 16 and will need to identify and re-examine sale-and-leaseback transactions entered into since implementation of IFRS 16 in 2019, and potentially restate those that included variable lease payments. If an entity (a seller-lessee) applies the amendments arising from Lease Liability in a Sale and Leaseback for an earlier period, the entity shall disclose that fact.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) amend 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 mentioned amendments are not likely to have an impact on the Company's Financial Statements.

7 Summary of significant accounting policies

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

Significant accounting policies of the Company 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

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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 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.

7.3 Income tax

Income tax expense for the year comprises current and deferred income tax, and is recognized in the statement of profit or 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.

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Deferred

Deferred income tax is recognized, using the balance sheet 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 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.

7.5 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.

7.6 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.

7.7 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.

7.8 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.

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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 is 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.

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(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.

7.9 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.

7.10 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.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

• 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.

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.

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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.

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.

(b) 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.

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.

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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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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 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 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.

7.20 Operating segment

The Board of Directors of the Company, which is chief operating decision-maker, is responsible for allocating resources and assessing Company's performance and operations has identified one reportable segment. Accordingly, these financial statements have been prepared on the basis of single reportable segment. Revenue from external customers along with local and export sales is disclosed in note 8. Revenue from transaction with a single customer did not exceed 10% of Company's total revenue. All the assets of the Company are based in Pakistan.

	2022 Rs. '000	2021 Rs. '000
8 Gross turnover		
- Domestic	227,459,685	193,211,473
- Export	5,140,593	6,257,544
	232,600,278	199,469,017

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. 246,718 thousand (2021: Rs. 12,034 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

	2022 Rs. '000	2021 Rs. '000
9 Cost of sales		
Raw material consumed		
Opening stock of raw materials and work in process	18,261,871	16,977,657
Raw material purchases and expenses - note 9.2	38,300,912	31,952,909
Closing stock of raw materials and work in process	(21,904,030)	(18,261,871)
	34,658,753	30,668,695
Government taxes and levies		
Customs duty and surcharges	2,328,775	2,534,866
Provincial and municipal taxes and other duties	396,399	369,137
Excise duty on royalty	85,035	59,917
	2,810,209	2,963,920
	37,468,962	33,632,615
Royalty - note 9.3	850,354	598,658
Provision for severance benefits	1,411,660	136,772
Production overheads		
Salaries, wages and benefits	3,272,129	2,310,885
Stores, spares and machine repairs	1,876,288	1,024,182
Fuel and power	1,530,364	851,283
Insurance	91,642	43,396
Repairs and maintenance	1,135,903	742,371
Postage, telephone and stationery	15,726	14,974
Information technology	37,699	32,726
Depreciation / Impairment - note 9.1 & 17.3	1,026,868	873,665
Provision for damaged stocks / stock written off	91,428	98,476
Provision for slow moving items / stores written off	660	8,896
Sundries	62,909	53,705
	9,141,616	6,054,559
Cost of goods manufactured	48,872,592	40,422,604
Cost of finished goods		
Opening stock	3,963,744	2,632,867
Closing stock	(3,130,588)	(3,963,744)
	833,156	(1,330,877)
Cost of sales	49,705,748	39,091,727

9.1 This includes impairment on property, plant & equipment amounting to Rs. 893 thousand (2021: Rs. 4,237 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

	2022 Rs. '000	2021 Rs. '000
9.2 Raw material purchases and expenses:		
Materials	35,049,848	28,151,668
Salaries, wages and benefits	1,025,723	1,326,310
Stores, spares and machine repairs	485,303	539,583
Fuel and power	381,298	875,804
Property rentals	16,492	80,685
Insurance	14,708	29,412
Repairs and maintenance	143,081	86,818
Postage, telephone and stationery	21,083	17,879
Depreciation / impairment - note 9.2.1 & 17.3	511,337	255,483
Sundries	652,039	589,267
	38,300,912	31,952,909

9.2.1 This includes impairment on property, plant & equipment amounting to Rs. 217,069 thousand (2021: nil).

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

	2022 Rs. '000	2021 Rs. '000
10 Selling and distribution costs		
Salaries, wages and benefits	1,269,467	1,074,591
Selling expenses	3,721,683	3,066,565
Freight	198,202	157,392
Repairs and maintenance	52,530	73,209
Postage, telephone and stationery	19,003	13,663
Travelling	99,072	89,906
Property rentals	12,508	10,988
Insurance	31,849	31,634
Provision for damaged stocks / stock written off	67,239	118,903
Finished goods / wrapping material stock written off	10,720	143,587
Depreciation / impairment - note 10.1 & 17.3	225,981	221,745
	5,708,254	5,002,183

10.1 This includes impairment on property, plant & equipment amounting to Rs. nil (2021: Rs. 2,160 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	2022 Rs. '000	2021 Rs. '000
11 Administrative expenses		
Salaries, wages and benefits	1,093,837	875,897
Fuel and power	11,512	9,697
Insurance	7,831	2,343
Repairs and maintenance	55,167	48,811
Postage, telephone and stationery	12,243	19,298
Legal and professional charges	97,028	82,927
Donations - note 11.1	12,300	300
Information technology	2,307,046	2,509,088
Travelling	22,630	44,363
Depreciation / impairment - note 17.3	383,943	355,962
Auditor's remuneration and expenses - note 11.2	15,829	13,825
Sundries	7,454	26,452
	4,026,820	3,988,963
11.1 Details of donations exceeding Rs 1,000 thousand are as follows:		
Name of Donee		
Gottfried Thoma Benevolent Trust	12,000	-
	12,000	-

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

	2022 Rs. '000	2021 Rs. '000
11.2 Auditor's remuneration and expenses include:		
- Statutory audit fee	2,926	2,675
- 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	12,093	10,600
- Out-of-pocket expenses	810	550
	15,829	13,825

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	2022 Rs. '000	2021 Rs. '000
12 Other operating expenses		
Workers' Profit Participation Fund - 25.7	1,865,392	1,407,468
Workers' Welfare Fund - note 25.6	658,709	485,656
Bank charges and fees	52,717	45,801
Interest to Workers' Profit Participation Fund	1,082	36,700
Foreign exchange loss	720,142	153,459
	3,298,042	2,129,084
13 Other income		
Income from services rendered to associated companies:		
- BAT Middle East DMCC - UAE	551,559	581,565
Recharges / other payable to associated companies written back:		
-BAT ASPAC Service Center Sdn Bhd - Malaysia	-	53,048
-BAT (Holdings) Limited - UK	-	4,098
Gain on disposal of property, plant and equipment	108,401	81,741
Miscellaneous	3,919	3,680
	663,879	724,132
14 Finance cost		
Interest expense on:		
Bank borrowings	103,253	45,261
Lease liability	224,430	229,021
	327,683	274,282
15 Income tax expense		
Current:		
For the year	11,089,731	6,868,461
For prior years	2,420,747	297,351
	13,510,478	7,165,812
Deferred	(97,802)	179,149
	13,412,676	7,344,961

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

15.1 Effective tax rate reconciliation:

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

	2022 %	2021 %
Applicable tax rate	29.00	29.00
Tax effect of:		
Super tax - current year	3.87	–
Prior year charge	7.33	1.14
Income taxed at different rate	(1.85)	(2.08)
Others	0.27	(0.03)
Average effective tax rate	38.62	28.03

	2022 Rs. '000	2021 Rs. '000
15.2 Tax on items directly credited to statement of other comprehensive income		
Current tax (credit)/charge on defined benefit plans	(170,393)	53,578
Deferred tax charge/(credit) on defined benefit plans	(61,846)	(38,109)
	(232,239)	15,469

	2022 Rs. '000	2021 Rs. '000
16 Property, plant and equipment		
Operating assets - note 16.1	15,759,587	14,883,004
Capital work in progress - note 16.2	1,067,401	955,584
	16,826,988	15,838,588

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

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, 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 / impairment	-	(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	-	58,696	622,332	206,321	80,446	-	315,591	-	418,228	733,819	1,701,614
Transfer from CWIP	-	526,275	1,841,199	110,338	66,248	-	-	-	-	-	2,544,060
Disposals	-	(2,652)	(193,667)	(126)	(17)	(1,018)	(22,182)	-	(117,656)	(139,838)	(337,318)
Depreciation charge / impairment	-	(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 / impairment	-	(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
At January 1, 2022											
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 / impairment	-	(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 January 1, 2022	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
Year ended December 31, 2022											
Net book amount at January 1, 2022	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
Additions	-	61,523	932,181	74,241	10,864	313	322,031	24,492	566,689	913,212	1,992,334
Transfer from CWIP	-	3,784	1,059,412	130,634	136,883	-	-	-	-	-	1,330,713
Disposals	-	(365)	(13,082)	(34,947)	(626)	(138)	(106,207)	-	(142,970)	(249,177)	(298,335)
Depreciation charge / impairment	-	(263,098)	(778,360)	(284,547)	(58,415)	(3,162)	(447,626)	(68,927)	(243,994)	(760,547)	(2,148,129)
Net book amount at December 31, 2022	33,934	1,066,879	11,409,607	642,023	408,567	9,423	743,584	175,214	1,270,356	2,189,154	15,759,587
At December 31, 2022											
Cost	33,934	1,686,158	22,130,632	2,669,093	841,811	68,177	2,144,667	391,656	1,913,363	4,449,686	31,879,491
Accumulated depreciation / impairment	-	(619,279)	(10,721,025)	(2,027,070)	(433,244)	(58,754)	(1,401,083)	(216,442)	(643,007)	(2,260,532)	(16,119,904)
Net book amount at December 31, 2022	33,934	1,066,879	11,409,607	642,023	408,567	9,423	743,584	175,214	1,270,356	2,189,154	15,759,587

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

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.

	2022 Rs. '000	2021 Rs. '000
16.2 Capital work in progress		
Carrying value at the beginning of the year	955,584	2,445,300
Additions during the year	1,442,530	1,054,344
	2,398,114	3,499,644
Transferred to operating fixed assets	(1,330,713)	(2,544,060)
Carrying value at the end of the year - note 17.2.1	1,067,401	955,584

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

	2022 Rs. '000	2021 Rs. '000
16.3 Depreciation / impairment charge has been allocated as follows:		
Cost of sales	1,026,868	873,665
Raw material purchases and expenses	511,337	255,483
Selling and distribution expenses	225,981	221,745
Administrative expenses	383,943	355,962
	2,148,129	1,706,855

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

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	9,714	9,552	9,552	-	BAT SAA Service.(Pvt) Ltd	Associated company
	16,884	6,124	6,421	297	Scrap Buyers	Contractor
Vehicles						
- as per Company's policy	2,399	642	601	(41)	Amna Farouk	Executive
	2,414	582	480	(102)	Noor Aftab	Executive
	2,514	972	969	(3)	Rabia Abro	Ex-Executive
	2,584	517	515	(2)	Waqas Ali khan	Executive
	2,654	1,132	1,093	(39)	Javeria Aftab	Executive
	2,846	1,328	1,401	73	Sarah Khan	Executive
	3,483	2,183	2,507	324	Haris Ahmed	Executive
	3,483	2,136	1,984	(152)	Syed Anas Shah	EX-Executive
	3,483	2,090	2,048	(42)	Kamran Qureshi	Ex-Executive
	3,483	1,950	1,953	3	Marium Waqar	Executive
	3,547	2,128	1,939	(189)	Furqan Anis	Ex-Executive
	3,547	1,750	1,135	(615)	Muhammad Usman	Ex-Executive
	3,613	3,179	3,068	(111)	Ahmer Rais Khan	Ex-Executive
	3,658	2,829	2,553	(276)	Shahroze Wasif	Ex-Executive
	3,658	2,926	2,553	(373)	Shahroze Ali	Executive
	3,663	2,833	2,814	(19)	Madeeha Chaudhry	Executive
	3,663	2,637	2,306	(331)	Ali Zeeshan Mirza	Executive
	3,733	3,036	3,191	155	Sughra Sadaf	Ex-Executive
	3,733	2,887	2,642	(245)	Aftab Ahmed Khan	Executive
	3,907	2,448	2,218	(230)	Sarmad Abbasi	Ex-Executive
	3,913	3,704	3,365	(339)	Arslan Chawla	Ex-Executive
	3,913	3,861	3,334	(527)	Saad Abid	Ex-Executive
	3,937	2,310	2,208	(102)	M.Ismail Ahmed	Executive
	4,219	4,163	3,536	(627)	Zain Mughal	Ex-Executive
	5,283	1,057	987	(70)	Syed Hammad Ali Naqvi	Ex-Executive
	5,283	1,057	1,055	(2)	M.Idries Ahmed	Ex-Executive
	6,483	2,766	2,738	(28)	Syed Ali	Ex-Executive
	8,689	4,982	4,869	(113)	Khurram Rajput	Ex-Executive
	8,689	5,213	4,937	(276)	Uzair Qazi	Ex-Executive
	9,189	8,086	8,400	314	Imran Sharif	Ex-Executive
	10,500	8,120	8,199	79	Sami Zaman	Ex-Executive
	21,500	12,040	11,284	(756)	Waqas Ahmed Khan	Ex-Executive
- by auction	3,444	689	4,060	3,371	Through bidding in auction	Auction agent
	3,663	3,028	3,950	922	Through bidding in auction	Auction agent
	3,733	2,887	4,810	1,923	Through bidding in auction	Auction agent
	3,733	2,837	4,910	2,073	Through bidding in auction	Auction agent
	3,879	776	3,910	3,134	Through bidding in auction	Auction agent
	4,137	2,979	5,655	2,676	Through bidding in auction	Auction agent
	4,566	913	5,250	4,337	Through bidding in auction	Auction agent
	4,566	913	5,335	4,422	Through bidding in auction	Auction agent
- by insurance claim	3,668	2,983	3,663	680	EFU General Insurance Ltd.	Insurance agent
	3,733	2,986	3,613	627	EFU General Insurance Ltd.	Insurance agent
	13,970	4,843	13,970	9,127	EFU General Insurance Ltd.	Insurance agent

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

	2022 Rs. '000	2021 Rs. '000
17 Long term deposits and prepayments		
Security deposits	23,604	28,661
	23,604	28,661
18 Stock-in-trade		
Raw materials	20,758,494	16,762,002
Raw materials in transit	1,044,440	1,411,372
Work in process	101,096	88,497
Finished goods	3,130,588	3,963,744
	25,034,618	22,225,615
Provision for damaged / obsolete stocks - note 18.1	(129,298)	(180,962)
	24,905,320	22,044,653
18.1 Movement in provision for damaged stocks is as follows:		
Balance as at January 1	180,962	127,848
Provision for the year	169,387	243,684
Written off during the year	(221,051)	(190,570)
Balance as at December 31	129,298	180,962
19 Stores and spares		
Stores and spares	641,009	725,533
Provision for slow moving items - note 19.1	(79,963)	(79,303)
	561,046	646,230
19.1 Movement in provision for slowing moving items is as follows:		
Balance as at January 1	79,303	70,407
Provision/(Reversal) during the year- note 9	660	8,896
Balance as at December 31	79,963	79,303

20 Trade debts

These are unsecured, considered good.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

	2022 Rs. '000	2021 Rs. '000
21 Loans and advances		
Related parties:		
Advances to key management personnel for house rent and expenses - note 21.1	1,300	3,774
Others:		
Advances to executives for house rent and expenses	32,539	32,383
Advances to other parties	798,956	52,759
	832,795	88,916
21.1 The following advances were outstanding as at December 31:		
Mir Faraz	900	-
Bushra Rehman	400	-
Haroon Saleem	-	3,139
Uzair Qazi	-	635
	1,300	3,774

The maximum aggregate amount of advances to key management personnel outstanding at the end of any month during the year was Rs. 2,397 thousand (2021: Rs. 3,902 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.

	2022 Rs. '000	2021 Rs. '000
22 Other receivables		
Related parties - unsecured:		
Due from holding company / associated companies - note 22.1	555,280	514,075
Workers' profit participation fund - note 25.7	154,608	-
Staff pension fund - note 31	-	501,307
Staff pension fund - defined contribution	1,682	-
Management provident fund	106,373	39,663
Employees' provident fund	57,468	35,682
Others:		
Claims against suppliers	6,576	6,576
Cash margin with banks - imports	2,848,389	771,605
Others	102,289	44,313
	3,832,665	1,913,221

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

22.1 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	2022 Rs. '000	2021 Rs. '000
Holding company:					
British American Tobacco p.l.c. - UK	-	-	-	-	11,533
Associated companies:					
BAT SAA Service (Private) Ltd. - Pakistan	113,889	264	139,454	253,607	199,812
BAT (GLP) Limited - UK	75,049	8,682	-	83,731	3,356
BAT Nigeria Ltd-Nigeria	-	7,003	65,190	72,193	50,828
BAT M.E DMCC - UAE	24,271	47,087	-	71,358	49,832
BAT (Investments) Ltd-UK	20,108	3,590	-	23,698	35,969
BAT M.E SPC - Bahrain	11,725	-	679	12,404	530
BAT Asia Pacific Ltd, Hongkong	12,254	-	-	12,254	-
Nicoventures Trading Limited - UK	10,991	-	-	10,991	26,530
RAI Services Company-U.S	-	8,204	-	8,204	-
Ceylon Tobacco Co. Ltd - SriLanka	-	4,363	-	4,363	2,951
BAT Aspac Service Centre Sdn Bhd-Malaysia	1,549	-	-	1,549	5,182
BAT Bangladesh Co. Limited-Bangladesh	-	928	-	928	-
BASS Europe SRL - Romania	-	-	-	-	53,138
BAT Exports Limited - UK	-	-	-	-	36,655
BAT Marketing (S) Pte Ltd - Singapore	-	-	-	-	12,222
BAT Korea Limited - Korea	-	-	-	-	11,608
BAT (Singapore) Pte Ltd-Singapore	-	-	-	-	10,492
BAT PNG Ltd - Papua New Guinea	-	-	-	-	2,538
Central Manufacturing Co. Ltd-Fiji Islands	-	-	-	-	899
Total	269,836	80,121	205,323	555,280	514,075

22.1.1 The maximum aggregate amount of receivable from related parties at the end of any month during the year was Rs. 555,280 thousand (2021: Rs. 825,967 thousand).

	2022 Rs. '000	2021 Rs. '000
23 Short term investments		
At fair value through profit or loss (FVTPL):		
- Market treasury bills	21,522,111	9,402,598

This represents short term investment in treasury bills issued by the Government of Pakistan and carries effective interest rate of 15.75% (2021 : 10.10%) 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, 2022

	2022 Rs. '000	2021 Rs. '000
24 Cash and bank balances		
Deposit account - note 24.1	7,513	17,687
Current accounts:		
Local currency - note 24.2	427,250	442,149
Foreign currency	1,444,033	785,232
Total	1,878,796	1,245,068

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

24.2 This includes balance amounting to Rs 0.47 million (2021: Rs 3.74 million) held with National Bank of Pakistan (an associated company).

	2022 Rs. '000	2021 Rs. '000
25 Trade and other payables		
Related parties - unsecured:		
Due to holding company / associated companies - note 25.1	4,859,598	816,919
Others:		
Creditors	11,886,136	7,914,345
Federal excise duty - note 25.2	6,291,182	8,655,007
Sales tax	1,892,655	1,820,898
Workers' welfare fund - note 25.6	708,849	534,838
Workers' profit participation fund - note 25.7	-	10,968
Other accrued liabilities	182,385	97,837
Employee incentive schemes - note 25.4	112,668	124,332
Employees' gratuity fund - note 31	272,269	219,441
Staff pension fund - note 31	122,112	-
Staff pension fund - defined contribution	-	13,395
Tobacco excise duty / Tobacco development cess - note 25.3	146,337	114,834
Security deposits - note 25.5	7,513	16,935
Contract liability	715,884	246,718
	27,197,588	20,586,467

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

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

	2022 Rs. '000	2021 Rs. '000
Holding company:		
British American Tobacco p.l.c. - UK	796,862	180,013
Associated companies:		
BAT GLP Ltd - UK - note 25.1.1	1,817,169	125,773
BASS GSD Ltd. - UK	1,256,749	11,655
BAT M.E DMCC - UAE - note 25.1.1	368,833	202,881
BAT Saudia for Trading, Saudi Arabia - note 25.1.1	137,862	66,784
BAT Exports Limited - UK	127,529	81,327
BAT Nicoventures Trading Ltd-UK	101,677	3,007
BAT South Africa SA. - South Africa	78,974	-
BAT Asia Pacific Ltd - HongKong	47,715	21,269
BAT M.E SPC - Bahrain - note 25.1.1	37,240	24,915
BAT Souza Cruz Ltd - Brazil	19,964	17,527
BAT Australia Ltd-Australia	19,242	2,023
PT Bentoel Prima - Indonesia	15,175	23,484
BAT Jordan Ltd - Jordan - note 25.1.1	12,745	-
BAT Singapore (Pte) Ltd - Singapore	12,210	9,516
BAT GSD (KL) SDN BHD - Malaysia	3,542	3,066
Fielder & Lundgren AB. - Sweden	3,028	-
BAT Korea Manufacturing - South Korea	2,611	2,408
BAT Romania Investments Ltd - Romania	471	584
BAT Mexico Ltd - Mexico	-	31,669
BAT Myanmar Ltd - Myanmar - note 25.1.1	-	4,981
BAT Chile Tobacco - Chile	-	2,882
BAT Tutun Mamulleri - Turkey	-	435
BAT Vranje - Serbia	-	285
BAT Nigeria Ltd - Nigeria	-	283
Ceylon Tobacco Company Plc - Sri Lanka	-	152
	4,859,598	816,919

25.1.1 Rs. 742,497 thousand (2021: Rs. 299,561 thousand) relates to unsecured export advance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

	2022 Rs. '000	2021 Rs. '000
25.2 Federal excise duty		
Balance as at January 1	8,655,007	7,314,335
Charged during the year	103,232,916	95,177,089
Payment to the Government during the year	(105,596,741)	(93,836,417)
Balance as at December 31	6,291,182	8,655,007
25.3 Tobacco excise duty / tobacco development cess:		
Balance as at January 1	114,834	118,134
Charge for the year	253,040	222,869
Payment to the Government during the year	(221,537)	(226,169)
Balance as at December 31	146,337	114,834

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.

	2022 Rs. '000	2021 Rs. '000
Long Term Incentive Plan (LTIP) - note 25.4.1		
Balance as at January 1	40,678	31,707
Charge for the year	18,501	27,141
Share options exercised	(26,660)	(18,170)
Balance as at December 31	32,519	40,678
Deferred Share Bonus Scheme (DSBS) - note 25.4.2		
Balance as at January 1	83,654	74,893
Charge for the year	48,180	57,166
Share options exercised	(51,685)	(48,405)
Balance as at December 31	80,149	83,654
	112,668	124,332

25.4.1 Long Term Incentive Plan (LTIP)

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

	2022 Number of options	2021 Number of options
Outstanding as at January 1	11,794	15,399
Granted during the year	892	1,885
Exercised during the year	(7,994)	(5,490)
Outstanding as at December 31	4,692	11,794

There are no exercisable options as at 31st December, 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

25.4.2 Deferred Share Bonus Scheme (DSBS)

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

	2022	2021
	Number of options	
Outstanding as at January 1	22,192	22,617
Granted during the year	5,342	7,515
Exercised during the year	(11,647)	(7,940)
Outstanding as at December 31	15,887	22,192

There are no exercisable options as at 31st December, 2022.

- 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.

	2022	2021
	Rs. '000	
25.6 Movement in Workers' Welfare Fund is as follows:		
Balance as at January 1	534,838	456,896
Charged during the year	658,709	485,656
Payment to government /reversal during the year	(484,698)	(407,714)
Balance as at December 31	708,849	534,838
25.7 Movement in Workers' Profit Participation Fund is as follows:		
Balance as at January 1	10,968	855,357
Allocation for the year	1,865,392	1,407,468
Payments during the year	(2,030,968)	(2,251,857)
Balance as at December 31	(154,608)	10,968

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 utilized amounts aggregating Rs. 728 million (2021: Rs. 502 million) and recorded further obligations of Rs. 2,324 million (2021: Rs. 925 million).

27 Short term running finance/export refinance - 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 (2021: Rs. 6,500 million), out of which the amount unavailed at the year end was Rs. 6,500 million (2021: Rs. 6,500 million). These facilities are secured by hypothecation of stock in trade and plant and machinery amounting to Rs. 7,222 million (2021: Rs. 7,222 million). The mark-up ranges between 10.39% and 16.81% (2021: 7.49% and 9.71%) per annum and is payable quarterly. The facilities are renewable on annual basis.

Effective September 2022, the Company has rolled over/obtained new loan of Rs. 2,300 million (Dec 31, 2021: Rs. 2,300 million) from different banks under export refinance scheme. The interest rate is 9.20% (Dec 31, 2021: 2.20%).

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(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 (2021: Rs. 2,500 million) and Rs. 1,200 million (2021: Rs. 1,200 million) is available for letter of credit and letter of guarantee respectively, out of which the facility availed at the year end is Rs. 1,512 million (2021: Rs. 295 million) and Rs. 770 million (2021: Rs. 542 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 (2021: Rs. 1,333 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. 1,737,866 thousand - short term Rs. 802,531 thousand and long term Rs. 935,335 thousand (December 31, 2021: Rs. 1,999,185 thousand - short term Rs. 577,272 thousand and long term Rs. 1,421,913 thousand) and are payable in equal monthly instalments latest by December 2027. Taxes, repairs, replacement and insurance costs are to be borne by the Company. Financing rates of 9% to 17% (December 31, 2021: 9% to 13%) 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 year, the Company discounted lease payments using an estimated incremental borrowing rate and recorded lease obligation of Rs. 322,031 thousand (2021: Rs. 373,573 thousand) during the year.

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:

	2022 Rs. '000	2021 Rs. '000
Present value of minimum lease payments	1,737,866	1,999,185
Current maturity shown under current liabilities	(802,531)	(577,272)
	935,335	1,421,913
Future minimum lease payments		
Not later than one year	961,612	742,882
Later than one year	1,178,197	1,725,627
Interest	2,139,809 (401,943)	2,468,509 (469,324)
Present value of minimum lease payments	1,737,866	1,999,185
Present value of minimum lease payments		
Not later than one year	802,531	577,272
Later than one year	935,335	1,421,913
	1,737,866	1,999,185

29 Unpaid dividend

Unpaid dividend includes amount of Rs. 5,286,154 thousand (2021: Rs. 4,507,434 thousand), payable to British American Tobacco (Investments) Limited, parent company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	2022 Rs. '000	2021 Rs. '000
30 Deferred income tax liability		
Deferred tax liability is in respect of:		
Accelerated tax depreciation	1,771,478	1,412,009
Leased assets	182,135	142,931
	1,953,613	1,554,940
Deferred tax asset is in respect of:		
Remeasurement loss arising on employees' retirement benefit	(218,076)	(156,231)
Provision for severance benefits	(839,251)	(346,163)
Provision for stock and stores	(26,388)	(23,000)
	869,898	1,029,546
The gross movement on deferred income tax account is as follows:		
At January 1	1,029,546	888,506
(Credit)/charge for the year - statement of profit or loss	(97,802)	179,149
(Credit) for the year - statement of comprehensive income	(61,846)	(38,109)
At December 31	869,898	1,029,546

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.

	2022 Rs. '000	2021 Rs. '000
Staff pension fund - liability / (asset) - note 25 & 22	122,112	(501,307)
Employees' gratuity fund - liability - note 25	272,269	219,441

The latest actuarial valuation of the defined benefit plans was conducted at December 31, 2022 using the projected unit credit method. Details of the defined benefit plans are:

	Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
(a) The amounts recognised in the statement of financial position:				
Present value of defined benefit obligations	6,106,054	5,707,806	1,638,103	1,691,179
Fair value of plan assets	(5,983,942)	(6,209,113)	(1,365,834)	(1,471,738)
Net liability / (assets)	122,112	(501,307)	272,269	219,441

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	Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
(b) Movement in the liability / (asset) recognized in the statement of financial position is as follows:				
Balance as at January 1	(501,307)	(316,026)	219,441	275,517
Charge for the year - profit or loss	(13,677)	26,821	104,562	113,429
Employer's contribution during the year	(24,182)	(27,352)	(28,909)	(300,914)
Benefits paid by the Company	-	-	-	-
Remeasurement (gain)/loss recognized in Other Comprehensive Income (OCI) during the year	661,278	(184,750)	(22,825)	131,409
Balance as at December 31	122,112	(501,307)	272,269	219,441
(c) The amounts recognised in the statement of profit or loss:				
Current service cost	85,464	94,898	105,235	102,462
Interest cost	699,448	593,042	208,475	162,596
Expected return on plan assets	(768,255)	(627,581)	(182,613)	(134,845)
Net interest	(68,807)	(34,539)	25,862	27,751
Members' own contribution	(22,146)	(23,735)	-	-
Seconded's own contribution	(4,063)	(4,330)	-	-
Contribution by employer in respect of seconded's	(4,125)	(5,473)	(26,535)	(16,784)
	(13,677)	26,821	104,562	113,429
(d) Re-measurements recognised in Other Comprehensive Income (OCI) during the year:				
Actuarial loss/ (gain) on obligation	82,121	(598,185)	25,301	9,748
Net return on plan assets over interest income	579,157	413,435	(48,126)	121,661
Total remeasurements loss / (gain) recognised in OCI	661,278	(184,750)	(22,825)	131,409
(e) Movement in the present value of defined benefit obligation:				
Present value of defined benefit obligation at January 1	5,707,806	5,882,010	1,691,179	1,598,482
Current service cost	85,464	94,898	105,235	102,462
Interest cost	699,448	593,042	208,475	162,596
Actual benefits paid during the year	(468,785)	(263,959)	(392,087)	(182,109)
Remeasurements: Actuarial loss /(gain) on obligation	82,121	(598,185)	25,301	9,748
Present value of defined benefit obligation at December 31	6,106,054	5,707,806	1,638,103	1,691,179

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	Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
(f) Movement in the fair value of plan assets:				
Fair value of plan assets at January 1	6,209,113	6,198,036	1,471,738	1,322,964
Interest income	768,255	627,581	182,613	134,845
Contribution by employer in respect of members	24,182	27,352	28,909	300,915
Members' own contribution	22,146	23,735	–	–
Secondees' own contribution	4,063	4,330	–	–
Contribution by employer in respect of secondees	4,125	5,473	26,535	16,784
Actual benefits paid during the year	(468,785)	(263,959)	(392,087)	(182,109)
Return on plan assets, excluding amounts included in interest income	(579,157)	(413,435)	48,126	(121,661)
Fair value of plan assets at December 31	5,983,942	6,209,113	1,365,834	1,471,738
Actual return on plan assets	170,902	399,897	76,227	13,685

The Company expects to charge Rs 43 million for pension plan and charge Rs 135 million for gratuity plan for the year ending December 31, 2023.

	Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
(g) The major categories of plan assets:				
Investment in listed equities	1,294,470	1,542,807	373,556	374,414
Investment in bonds	4,683,913	1,493,619	784,643	322,894
Cash and other assets	5,559	3,172,687	207,635	774,430
	5,983,942	6,209,113	1,365,834	1,471,738
(h) Significant actuarial assumptions at the statement of financial position date:				
Discount rate	14.25%	12.50%	14.25%	10.25%
Pension increase rate	8.75%	7.00%	–	–
Expected rate of increase in salary				
First year	12.25%	10.50%	12.25%	10.50%
Second year onwards	12.25%	10.50%	12.25%	10.50%

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(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	(647,795)	789,945	(131,467)	150,724
Salary increase	116,730	(106,939)	156,125	(138,134)
Increase in post retirement pension	687,139	(573,746)	–	–

If life expectancy increases by 1 year, the obligation of the Pension Fund increases by Rs 344,856 thousand (2021: 343,537 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	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Weighted average duration of the PBO (Years)	10.61	10.93	8.03	8.00

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.

Mortality Risk

The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service/age distribution and the benefit.

Investment Risk

The risk of the investments underperforming and not being sufficient to meet the liabilities.

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Historical Information

	Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
	Present value of defined benefit obligation	Net liability (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
2022	6,106,054	122,112	1,638,103	272,269
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

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

	2022 Rs. '000	2021 Rs. '000
Defined Contribution Provident Fund	107,379	109,512
Defined Benefit Pension Fund	(13,677)	26,821
Defined Contribution Pension Fund	138,839	136,686
Defined Benefit Gratuity Fund	104,562	113,429
	337,103	386,448

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	1,672,531	1,722,422
Cost of investments made	1,569,237	1,615,318
Percentage of investments made	94%	94%
Fair value of investments made	1,465,127	1,615,012

	2022		2021	
	Rs. '000	% age	Rs. '000	% age
(b) Breakup of investments at cost				
Treasury bills	20,000	1%	—	—
Pakistan Investment Bonds	266,471	16%	188,615	11%
Investment plus deposit certificates	579,750	35%	579,750	34%
Investment in savings account with bank	46,170	3%	194,029	11%
Investment in securities	281,809	17%	281,809	16%
Accrued interest	375,037	22%	371,115	22%
	1,569,237	94%	1,615,318	94%

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32 Share capital

32.1 Authorized share capital

	2022	2021		2022	2021
	Number of shares			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

	2022	2021		2022	2021
	Number of shares			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 (2021: 241,045,141) ordinary shares at the year-end and 10,274 (2021:10,274) and 798,282 (2021:798,282) 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.

	2022	2021
	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	3,024	75,706
(ii) Guarantees issued by banks on behalf of the Company	769,944	541,991

33.1.1 Litigation

- a) 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. Said appeal was dismissed in January 2022, following which PTC challenged the demand from EOBI before the Islamabad High Court which issued a stay order in favour of PTC against coercive recovery by EOBI. This stay order is still intact.

The Company expects favorable outcome in this case and accordingly, no provision is recognised in the financial statements.

33.2 Commitments

- (a) Letters of credit outstanding at December 31, 2022 were Rs. 1,511,561 thousand (2021: Rs. 295,277 thousand).

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34 FINANCIAL INSTRUMENTS - Fair values and risk management

34.1 Accounting classification and fair value

The following tables 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, 2022			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	21,522,111	–	21,522,111	–	21,522,111	–
Financial assets not measured at fair value							
Deposits	17	–	23,604	23,604	–	–	–
Trade debts	20	–	2,876	2,876	–	–	–
Other receivables	22	–	3,512,534	3,512,534	–	–	–
Cash and bank balances	24	–	1,878,796	1,878,796	–	–	–
		21,522,111	5,417,810	26,939,921	–	–	–
Financial liabilities measured at fair value							
		–	–	–	–	–	–
Financial liabilities not measured at fair value							
Trade and other payables	25	–	(18,158,565)	(18,158,565)	–	–	–
Other liabilities	26	–	(4,092,981)	(4,092,981)	–	–	–
Short term running finance/export refinance	27	–	(2,354,312)	(2,354,312)	–	–	–
Lease liability	28	–	(1,737,866)	(1,737,866)	–	–	–
Unpaid dividend	29	–	(5,391,129)	(5,391,129)	–	–	–
Unclaimed dividend		–	(106,330)	(106,330)	–	–	–
		–	(31,841,183)	(31,841,183)	–	–	–

	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)	–	–	–
Other liabilities	26	–	(2,496,927)	(2,496,927)	–	–	–
Short term running finance/export refinance	27	–	(2,313,141)	(2,313,141)	–	–	–
Lease liability	28	–	(1,999,185)	(1,999,185)	–	–	–
Unpaid dividend	29	–	(4,663,641)	(4,663,641)	–	–	–
Unclaimed dividend		–	(77,006)	(77,006)	–	–	–
		–	(21,039,641)	(21,039,641)	–	–	–

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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 26,940 million (2021: Rs 12,015 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	2022 Rs. '000	2021 Rs. '000
	Short term	Long term			
Cash at bank:					
Standard Chartered Bank	A-1+	AAA	PACRA	1,240,955	622,267
MCB Bank Ltd	A-1+	AAA	PACRA	257,353	172,338
Deutsche Bank AG	A-2	A-	S&P	232,230	175,397
MCB Islamic Bank	A-1	A	PACRA	78,676	50,252
Habib Bank Ltd	A-1+	AAA	VIS	66,215	195,329
Citibank N.A.	P-1	Aa3	Moody's	2,894	25,747
National Bank of Pakistan	A-1+	AAA	PACRA	473	3,738
				1,878,796	1,245,068
Short term investments:					
Government of Pakistan		Caa1-	Moody's	21,522,111	9,402,598
				23,400,907	10,647,666

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As at December 31, 2022, maximum exposure to credit risk for financial assets by geography was as follows:

	Carrying amount	
	2022 Rs. '000	2021 Rs. '000
Pakistan	26,638,248	11,700,775
United Kingdom	118,420	114,043
Asia & other	183,253	200,220
	26,939,921	12,015,038

As at 31 December 2022, the ageing of financial assets was as follows:

	Carrying amount	
	2022 Rs. '000	2021 Rs. '000
Not due	26,647,901	11,494,387
1-30 days	80,121	234,002
31-90 days	205,323	279,543
90 days	6,576	7,106
	26,939,921	12,015,038

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 2022				
Financial liabilities				
Trade and other payables	18,158,565	(18,158,565)	(18,158,565)	–
Other liabilities	4,092,981	(4,092,981)	(4,092,981)	–
Short term running finance/export refinance	2,354,312	(2,354,312)	(2,354,312)	–
Lease liability	1,737,866	(1,737,866)	(1,737,866)	–
Unpaid dividend	5,391,129	(5,391,129)	(5,391,129)	–
Unclaimed dividend	106,330	(106,330)	(106,330)	–
	31,841,183	(31,841,183)	(31,841,183)	–
31 December 2021				
Financial liabilities				
Trade and other payables	9,489,741	(9,489,741)	(9,489,741)	–
Other liabilities	2,496,927	(2,496,927)	(2,496,927)	–
Short term running finance/export refinance	2,313,141	(2,313,141)	(2,313,141)	–
Lease liability	1,999,185	(1,999,185)	(1,999,185)	–
Unpaid dividend	4,663,641	(4,663,641)	(4,663,641)	–
Unclaimed dividend	77,006	(77,006)	(77,006)	–
	21,039,641	(21,039,641)	(21,039,641)	–

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

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 summarised quantitative data about the Company's exposure to currency risk is as follows:

	December 31, 2022			December 31, 2021		
	Euro	Sterling	US dollars	Euro	Sterling	US dollars
Other receivables	-	44,263	521,595	184,087	67,857	313,019
Cash and bank balances	-	-	6,378,942	-	-	4,448,907
Trade and other payables	-	(4,737,376)	(8,250,675)	(1,729,952)	(325,143)	(3,581,725)
Net exposure	-	(4,693,113)	(1,350,138)	(1,545,865)	(257,286)	1,180,201

The following significant exchange rates have been applied:

	Average rate		Year-end spot rate	
	2022	2021	2022	2021
Euro 1	214.59	192.47	241.60	200.72
Sterling 1	251.49	223.97	272.31	239.06
US dollar 1	204.56	162.91	226.38	176.50

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 2022				
Euro	-	-	-	-
Sterling	127,798	(127,798)	91,976	(91,976)
US dollar	30,564	(30,564)	21,997	(21,997)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

	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

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. 1,737,866 thousand (2021: Rs. 1,999,185 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. 17.379 million (2021: Rs. 19.992 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			
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Managerial remuneration	117,576	93,838	136,599	127,572	292,653	162,603	977,624	839,688	1,524,452	1,223,701
Corporate bonus	29,703	34,239	47,950	48,432	130,677	126,463	258,277	261,515	466,607	470,649
Leave fare assistance	1,296	2,590	7,056	7,306	4,655	1,477	-	25	13,007	11,398
Housing and utilities	19,070	14,110	14,430	16,458	55,046	59,212	369,650	343,055	458,196	432,835
Medical expenses	644	136	1,634	1,989	11,255	8,762	83,709	73,064	97,242	83,951
Post employment benefits	1,440	1,202	13,356	12,114	23,964	26,442	205,872	204,284	244,632	244,042
	169,729	146,115	221,025	213,871	518,250	384,959	1,895,132	1,721,631	2,804,136	2,466,576
Number of persons	1	1	2	2	13	13	328	311	344	327

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 (2021: nine) non-executive directors of the Company amounted to Rs. 10,352 thousand (2021: Rs. 6,515 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

36 Transactions with related parties

British American Tobacco (Investments) Limited (BAT-IL) holds 94.34% (2021: 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.

	2022 Rs. '000	2021 Rs. '000
Procurement of goods and services from:		
Holding company	2,287,151	2,253,371
Associated companies	5,460,330	5,273,360
Sale of goods and services to:		
Holding company	–	11,335
Associated companies	5,636,914	7,290,767
Dividend declared		
Holding company	11,608,964	19,348,274
Royalty charged by:		
Holding /associate company	850,354	598,658
Expenses reimbursed to:		
Holding company	–	590
Associated companies	14,893	372
Expenses reimbursed by:		
Holding company	3,266	53,228
Associated companies	492,215	456,184
Payment under employee incentive schemes:		
Key management personnel	90,702	57,709
Other income:		
Associated company:		
Export of services	551,559	581,565
Recharges written back	–	57,146

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, 2022

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%
Kelly Burtenshaw	Director	0.000978%
Syed Asad Ali Shah	Director	0.000196%
Usman Zahur	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.) Najib Ullah Khan	Director	0.000196%
Gary Tarrant	Director	0.000196%
Oliver Engels	Director	0.000196%
Sayeed Salam	Key management personnel	Nil
Faiza Imtiaz	Key management personnel	Nil
M. Ammar Yasir	Key management personnel	Nil
Mohammad W.Naser	Key management personnel	Nil
Patrick Bejjani	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
Haroon Saleem	Key management personnel	Nil
Junaid Khatana	Key management personnel	Nil
Bushra Rahman	Key management personnel	Nil
Mir Faraz	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
BAT Switzerland SA	Fellow Subsidiary	0.00%	Switzerland
British American Tobacco Chile Operaciones SA	Fellow Subsidiary	0.00%	Chile

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

Associated company	Basis of relationship	Aggregate % of Shareholding	Country of Incorporation
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 Pecci 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
British American Tobacco Jordan	Fellow Subsidiary	0.00%	Jordan
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
BAT SAA Services Pvt Ltd	Fellow Subsidiary	0.00%	Pakistan
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
RAI Services Company	Fellow Subsidiary	0.00%	United States
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, 2022

	2022 Rs. '000	2021 Rs. '000
37 Cash generated from operations		
Profit before taxation	34,733,607	26,207,048
Adjustment for non-cash items:		
- Depreciation / impairment	2,148,129	1,706,855
- Gain on disposal of property, plant and equipment	(108,401)	(81,741)
- Finance cost	327,683	274,282
- Finance income	(2,274,037)	(981,404)
- Foreign exchange loss	720,142	153,459
- Provision / (Reversal of provision) for slow moving stores and spares	660	8,896
- Provision / (reversal of provision) for stock-in-trade	221,051	53,114
- Provision for staff retirement benefit plans	337,103	386,448
	1,372,330	1,519,909
Changes in working capital:		
- Stock-in-trade	(3,081,718)	(2,615,091)
- Stores and spares	84,524	23,774
- Trade debts	(734)	(750)
- Loans and advances	(743,879)	246,289
- Short term prepayments	(106,615)	43,069
- Other receivables	(2,419,069)	(411,625)
- Trade and other payables	5,772,590	1,286,190
- Other liabilities	1,596,054	423,061
	1,101,153	(1,005,083)
Changes in long term deposits and prepayments	5,057	(941)
	37,212,147	26,720,933

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, 2022	4,740,647	1,999,185	2,300,000	9,039,832
Changes from financing cash flows:				
Finance Lease payments	-	(1,149,784)	-	(1,149,784)
Additions during the year	-	-	-	-
Dividend paid	(11,506,890)	-	-	(11,506,890)
Total changes from financing cash flows	(11,506,890)	(1,149,784)	-	(12,656,674)
Other changes:				
New leases	-	913,212	-	913,212
Retirements	-	(249,177)	-	(249,177)
Interest charge	-	224,430	-	224,430
Dividend declared	12,263,702	-	-	12,263,702
Total equity-related other changes	-	-	20,914,717	20,914,717
Balance at December 31, 2022	5,497,459	1,737,866	23,214,717	30,450,042

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

	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 paid	(15,861,094)	–	–	(15,861,094)
Total changes from financing cash flows	(15,861,094)	(987,256)	2,300,000	(14,548,350)
Other changes:				
New leases	–	644,636	–	644,636
Retirements	–	(139,838)	–	(139,838)
Interest charge	–	229,021	–	229,021
Dividend declared	20,439,504	–	–	20,439,504
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, 2022 final dividend of Rs Nil (2021: Rs 28.00) per share amounting to a total dividend of Rs. Nil thousand (2021: Rs. 7,153,826 thousand) has been proposed at the Board of Directors meeting held on February 23, 2023. 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 23, 2023.



Syed Ali Akbar
Chief Executive Officer



Kelly Burtenshaw
Chief Financial Officer / Director

PATTERN OF SHAREHOLDING

As at December 31, 2022

No. of Shareholders	Categories				Total Shares
1,539	From	1	To	100	48,841
1,126	From	101	To	500	314,634
344	From	501	To	1,000	240,202
232	From	1,001	To	5,000	486,355
32	From	5,001	To	10,000	226,480
6	From	10,001	To	15,000	75,024
2	From	15,001	To	20,000	34,223
6	From	20,001	To	25,000	138,775
1	From	25,001	To	30,000	27,000
1	From	30,001	To	35,000	31,978
1	From	35,001	To	40,000	37,000
1	From	40,001	To	45,000	44,402
1	From	45,001	To	50,000	48,879
3	From	55,001	To	60,000	171,961
1	From	60,001	To	65,000	60,961
1	From	65,001	To	70,000	66,000
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	8,575,001	To	8,580,000	8,575,555
1	From	241,045,001	To	241,050,000	241,045,141
3,306					255,493,792

PATTERN OF SHAREHOLDING

As at December 31, 2022

	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	2,234,878
Individuals	2,361,100
Others	9,043,602
	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	7	1,836,312	0.7
Insurance Companies	5	385,990	0.2
Banks, Development and other Financial Institutions	8	12,576	0.0
Individuals	3,216	2,361,100	0.9
Others	48	9,043,602	3.5
Total	3,306	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
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Directors, CEO and their spouse and minor children (name wise details)

Zafar Mahmood	500
Syed Ali Akbar	2,500
Kelly Burtenshaw	2,500
Syed Asad Ali Shah	500
Usman Zahur	500
Wael Sabra	500
Asif Jooma	500
Mohammad Riaz	500
Najib Ullah Khan	500
Belinda Ross	500
Gary Tarrant	500
Oliver Engels	500

Executives

Waqas Ahmed Khan	150
Nauman Masood Butt	65
Amir Aziz	17
Tariq Aziz	15
Syed Aamir Iqbal	10
Shahid Yamin	9
Hamid Usman Malik	8

Shareholders holding 10% or more voting interest

British American Tobacco (Investments) Limited	241,045,141
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کاروباری تسلسل کے انتظام کا جائزہ

پاکستان ٹوبیکو کمپنی کاروباری تسلسل کے عمل کی اہمیت کا مکمل ادراک رکھتی ہے اور یہ چاہتی ہے کہ کاروبار کسی بھی قسم کے بحران اور مشکل حالات میں بھی ایسے چلتا رہے، جیسا کہ عام دنوں میں چلتا ہے۔ اس مقصد کی خاطر کمپنی نے عالمی معیار کے عین مطابق ایک مکمل لائحہ عمل ترتیب دیا ہے جس سے یقینی بنایا جاتا ہے کہ:

- کسی قسم کے واقع کی صورت میں پہلے سے منصوبہ بندی اور تیاری کی گئی ہو
- کوئی بھی واقع رونما ہونے کی صورت میں اس کا سامنا کرنے کی سمجھ ہو
- حالات پر قابو پانے کی سوجھ بوجھ اور
- کاروبار پر منفی اثرات کم کرنے کے لئے کم سے کم وقت میں کاروبار کو عام دنوں کی حالت پر لایا جاسکے۔
- کمپنی کے افراد کے اثاثے اور معلومات محفوظ ہیں۔ ملازمین کو کسی بھی قسم کے انتشار کی صورت میں مکمل آگاہی اور مدد دینی ہے۔
- دیگر اداروں، متعلقہ ریگولیٹری اداروں، سرکاری محکموں، مقامی حکام اور ہنگامی خدمات فراہم کرنے والے اداروں کے ساتھ تعلقات مناسب طریقے سے استوار ہیں، سٹیک ہولڈرز کی ضروریات کو سمجھا جاتا ہے اور انہیں سہولیات فراہم کی جاتی ہیں۔
- کمپنی کو یہ صلاحیت حاصل ہے کہ اپنی تمام قانونی اور انتظامی ذمہ داریوں کو مد نظر رکھتے ہوئے اپنی سادگی کی حفاظت بہتر طریقے سے کر سکتی ہے۔

بورڈ سالانہ بنیادوں پر تسلسل پلان کا جائزہ لیتا ہے۔ کاروباری تسلسل پلان کے عمل کو معیار کے ساتھ پایہ تکمیل تک پہنچانے اور اس پر عملدرآمد کروانے کی ذمہ داری اور احتساب ٹیچنگ ڈائریکٹر کے سپرد ہے۔ کاروباری تسلسل پلان کی آپریشنل پیچیدگیوں سے نمٹنے کے لیے سیکورٹی کے سربراہ کے پاس ہے جو کہ کمپنی کے اندر کاروباری تسلسل پلان کی قیادت کرتا ہے۔ تمام شعبہ جات کے سربراہان اپنے اپنے شعبہ کے متعلق خطرات سے آگاہی اور کاروباری تسلسل پلان کو مؤثر بنانے اور اسے برقرار رکھنے کے ذمہ دار ہیں۔



علی اکبر

ایم ڈی ای سی ای او



ظفر محمود

چیئر مین

چیمبر مین اور چیف ایگزیکٹو آفیسر کے عہدے

بہتر گورنس اور شفافیت کو فروغ دینے کیلئے بورڈ آف ڈائریکٹرز کے چیئر مین اور چیف ایگزیکٹو آفیسر کے عہدے الگ الگ افراد کے پاس ہوتے ہیں جن کی ذمہ داریاں علیحدہ علیحدہ ہوتی ہیں۔

چیمبر مین اور چیف ایگزیکٹو آفیسر کا مختصر کردار اور ذمہ داریاں

بورڈ نے چیئر مین اور چیف ایگزیکٹو آفیسر کا کردار اور ذمہ داریاں واضح اور علیحدہ علیحدہ متعین کی ہیں۔

چیئر مین بنیادی طور پر بورڈ کے رہنما اور ٹالسٹ کا کردار ادا کرتا ہے جو بورڈ آف ڈائریکٹرز کے اجلاس کی موثر طریقے سے سربراہی کرتے ہیں اور کم سے کم وقت میں آزادانہ تبادلہ خیال کرنے کے بعد فوری فیصلے موثر انداز میں لیتا ہے۔ چیئر مین بورڈ کی ذمہ داریاں کو سرانجام دینے کا ذمہ دار ہوتا ہے۔

چیف ایگزیکٹو آفیسر کمپنی کا ایگزیکٹو سربراہ ہوتا ہے جو کمپنی کے تمام شعبوں کی ان کے سربراہوں کے ہمراہ کمپنی کے روز مرہ کاموں کی تکمیل کا ذمہ دار ہے۔ یہ کمپنی کے سالانہ مقاصد کے حصول کے لیے رہنمائی فراہم کرتا ہے۔ یہ کمپنی کی قلیل مدتی اور طویل مدتی حکمت عملی بنانے اور اس کو عملی جامہ پہنانے کے لئے پوری ٹیم کی رہنمائی کرتا ہے تاکہ شیئر ہولڈرز کے لئے منافع کو زیادہ سے زیادہ بڑھایا جاسکے۔ مینجمنٹ کی جانب سے بورڈ آف ڈائریکٹرز سے رابطہ رکھتا ہے۔

بورڈ کی طرف سے چیف ایگزیکٹو آفیسر کی کارکردگی کا تعین

قانون کے مطابق بورڈ چیف ایگزیکٹو آفیسر کو تین سال کے لئے تعینات کرتا ہے۔ اس کی کارکردگی کو کمپنی کے سالانہ پلان کے ساتھ جانچا جاتا ہے۔ اس کے علاوہ قانون کے تحت ذمہ داریاں نبھاتا ہے۔

کارپوریٹ پلان کے حصول اور قابل اطلاق ریگولیٹری ضروریات کے مطابق سال 2022 کارکردگی کا جائزہ لیا گیا ہے۔

انڈکشن کے وقت ضابطہ واقفیت

نئے بورڈ ممبران کو تعیناتی کے وقت ایک انڈکشن پلان سے گزارا جاتا ہے جس میں ان کو کمپنی کا ڈون، مشن، تنظیمی ڈھانچے، تجربہ کار افسران کے کردار اور ذمہ داریاں، اہم زیر التوا مقدمات اور تنازعات، منافع سے متعلقہ پالیسیوں، وٹل بلونگ، کمپنی کے اہم اثاثہ جات، واجبات اور قابل ذکر معاہدوں کے بارے میں آگاہی دی جاتی ہے۔

انڈکشن پلان کے لئے تجربہ کار افسران ان ڈائریکٹرز کو اپنے شعبہ جات کی کارکردگی کے متعلق تفصیلات سے آگاہ کرتے ہیں۔

ڈائریکٹرز کا تربیتی پروگرام

پاکستان ٹوبیکو کمپنی نے ڈائریکٹرز کی تربیت سے متعلق قابل اطلاق ریگولیٹری ضروریات کو یقینی بنایا ہے۔ آدھے سے زیادہ ڈائریکٹرز نے سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے تصدیق شدہ ڈائریکٹرز تربیتی پروگرام کے تحت سرٹیفیکیشن حاصل کئے ہوئے ہیں۔

گزشتہ سالانہ اجلاس عام

کمپنی 754 واں سالانہ اجلاس عام 21 اپریل 2022 کو منعقد ہوا۔ تمام شیئر ہولڈرز بشمول اقلیتی شیئر ہولڈرز کو دعوت نامے ارسال کئے گئے تاکہ انہیں اجلاس کے وقت اور مقام کے بارے میں پیشگی آگاہ کیا جاسکے۔ کمپنی کے شیئر ہولڈرز کو بہولت فراہم کرنے کے لئے سالانہ اجلاس عام میں اعلیٰ معیار، آرام دہ اور پرسکون انتظامات کو یقینی بنایا گیا تھا۔

اجلاس کے دوران شیئر ہولڈرز اور سرمایہ کاروں نے کمپنی کے شائع مالیاتی گوشواروں اور غیر قانونی ٹوبیکو انڈسٹری کے حوالے سے کچھ عمومی سوالات کئے۔ اجلاس میں کوئی اور مسئلہ پیش نہیں کیا گیا۔

آڈیٹرز

31 دسمبر 2022 کو ختم ہونے والے مالی سال کے لئے کمپنی کا آڈٹ مکمل کر لیا گیا ہے اور آڈیٹرز نے کمپنی کے مالیاتی گوشوارے، جامع مالیاتی گوشوارے اور کارپوریٹ گورنس کے ضابطہ اخلاق کے بیانات کی اپنی آڈٹ رپورٹ جاری کر دی ہیں۔ کمپنی کے آڈیٹرز میسرز KPMG ٹاٹیر ہادی اینڈ کوسالانہ اجلاس عام کے بعد ریٹائرڈ ہو جائے گی تاہم کمپنی ہڈانے پاکستان ٹوبیکو کمپنی کے لیے بطور آڈیٹرز خدمات جاری رکھنے پر آمادگی ظاہر کی ہے۔ انہوں نے انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان (ICAP) سے تسلی بخش ریٹنگ حاصل ہونے اور ICAP کے قبول کردہ انٹرنیشنل فیڈریشن آف اکاؤنٹنٹس (IFAC) کے رہنما اصول برائے ضابطہ اخلاق سے تعمیل کی تصدیق بھی کی ہے۔ بورڈ آڈٹ کمپنی کی سفارش پر 31 دسمبر 2023 کو ختم ہونے والے مالی سال کے لئے مذکورہ بالا کمپنی کی بطور آڈیٹرز کی تقرری کی تجویز دیتا ہے۔ تاہم اس کی حتمی منظوری 2 مئی 2023 کو منعقد ہونے والے شیئر ہولڈرز کے سالانہ اجلاس عام میں دی جائے گی۔

شیئر ہولڈنگ کا پٹرن

ہماری ہولڈنگ کمپنی برٹش امریکن ٹوبیکو (انسٹیشن) لمیٹڈ (BAT-IL)، جو کہ برطانیہ میں رجسٹرڈ ہے، اس سال کے اختتام پر اس کمپنی کے حصص میں 94.34 فیصد کی مالک ہے۔ بقیہ شیئر ہولڈنگ منسلک کمپنی، اداروں اور عوام الناس میں منقسم ہے۔ 31 دسمبر 2022 کو شیئر ہولڈنگ کے پٹرن ضابطہ برائے کارپوریٹ گورنس کی شرائط کے مطابق اس سالانہ رپورٹ میں علیحدہ سے دیا گیا ہے۔

ڈائریکٹرز اور ایگزیکٹو کے ذریعے حصص میں خرید و فروخت

کمپنی کے ڈائریکٹرز، چیف ایگزیکٹو آفیسر، چیف فنانشل آفیسر، کمپنی سیکریٹری اور ان کے اہلیان اور بچوں نے کمپنی کے حصص میں کوئی خرید و فروخت نہیں کی ہے۔

بورڈ اجلاس جو پاکستان سے باہر منعقد ہوئے

2022 میں پاکستان ٹیلیکامپنی نے اپنے بورڈ اجلاس پاکستان میں منعقد کئے۔

بورڈ کی کمیٹیاں

بورڈ کی چار کمیٹیاں جن کے نام ایگزیکٹو کمیٹی، آڈٹ کمیٹی، ہیومن ریسورس اینڈ ریویو نیوٹیشن کمیٹی اور شیئر ٹرانسفر کمیٹی ہیں، جو بورڈ کو اپنے فرائض ادا کرنے میں معاونت کرتی ہیں۔ تمام بورڈ کمیٹیوں کی تفصیلات بشمول حاضری اور ان کے فرائض سالانہ رپورٹ میں الگ سے فراہم کی گئی ہیں۔

ڈائریکٹرز کا معاوضہ

کارپوریٹ گورننس کی ضروریات کے مطابق آزاد ڈائریکٹرز کے معاوضہ کے لئے باقاعدہ اور شفاف طریقہ کار موجود ہے۔ کوئی ڈائریکٹر اپنے معاوضے کے حوالے سے فیصلے میں شامل نہیں ہوتا۔

معاوضے کے پیکج ریگولیری فریم ورک اور کمیٹی کے مجوزہ قوانین کے مطابق منظور کئے جاتے ہیں۔ جب کہ یقینی بناتے ہوئے وہ اس سطح سے نہیں ہیں جن پر غیر ایگزیکٹو ڈائریکٹرز کی آزادی متاثر نہ ہو۔

ایگزیکٹو ڈائریکٹرز، چیف ایگزیکٹو آفیسر، مینجمنٹ کے اہلکاروں سمیت دیگر ایگزیکٹوز کا معاوضہ مالیاتی تفصیل نوٹ 37 میں دیا گیا ہے۔

بورڈ کی کارکردگی کی جانچ

کمیٹی نے بورڈ کی کارکردگی جانچنے کے لئے "جانچ کا طریقہ کار" ترتیب دیا ہے:

- یہ اخذ کیا جاسکے کہ کون سے کام اچھے چل رہے ہیں۔
- کن شعبوں میں بہتری کی گنجائش ہے۔
- ایک قلیل مدتی یا طویل مدتی لائحہ عمل بنا کر غور و فکر کے بعد منظوری سے توجیحات کا تعین کیا جاتا ہے۔
- کارروائی کی منصوبہ بندی پر متفق ہیں۔

اس طریقہ کار کو ایک سوالنامہ کی شکل دی گئی ہے جو کہ تمام ڈائریکٹرز کو بھیجا جاتا ہے جس پر وہ اپنی اور بورڈ کی کارکردگی کا تعین کرتے ہیں۔ شفافیت اور آزادی تشفی کو مد نظر رکھتے ہوئے، یہ کام کمیٹی سیکرٹری کے حوالے کیا گیا ہے جو کہ سوالنامہ تمام ڈائریکٹرز کو تقسیم کرتا ہے۔ تمام بورڈ ممبران یہ سوالنامے کمیٹی سیکرٹری کو واپس بھیجتے ہیں جو کہ نتائج کے خلاصہ سمیت بورڈ کو اپنی سفارشات پر ایک رپورٹ مرتب کرتا ہے۔ یہ رپورٹ اگلی میٹنگ میں بورڈ کے سامنے پیش کی جاتی ہے، اس پر بحث کی جاتی ہے، بورڈ کے خدشات کو سنا جاتا ہے اور بورڈ کی کارکردگی بہتر بنانے کی کوشش کی جاتی ہے۔

کمیٹی سیکرٹری، بورڈ میں سیکرٹری کی حیثیت سے کام کرتا ہے۔ بورڈ کے اجلاسوں کے دوران کئے جانے والے تمام فیصلوں کو کمیٹی سیکرٹری کی جانب سے منٹس آف میٹنگ کی صورت میں ریکارڈ کیا گیا ہے اور اس کی توثیق کے لئے تمام ڈائریکٹرز کو بھیجا گیا تھا اور اگلے بورڈ کے اجلاس میں اسے منظور کیا گیا۔

ممبر	حاضری
جناب ظفر محمود چیئر مین	4/4
جناب سید علی اکبر ہیڈنگ ڈائریکٹر اور سی ای او	3/4
جناب ولیم فرانس جیگل ڈائریکٹر فنانس اینڈ آئی ٹی (مورچہ 14 جون 2022 کو مستعفی ہوئے)	2/4
جناب سید اسد علی شاہ ڈائریکٹر لیگل اینڈ ایکسٹرنل افیئرز	4/4
محترمہ کیلی برٹشا ڈائریکٹر فنانس (مورچہ 15 جون 2022 کو شامل ہوئی)	2/4
محترمہ ہیلنڈ اجوائے راس غیر ایگزیکٹو ڈائریکٹر	3/4
جناب سید جاوید اقبال غیر ایگزیکٹو ڈائریکٹر (ریٹائرڈ)	1/4
جناب لیٹینڈ جزل (ر) ایم مسعود اسلم آزاد ڈائریکٹر (ریٹائرڈ)	1/4
جناب محمد ریاض آزاد ڈائریکٹر	4/4
جناب آصف جمعہ آزاد ڈائریکٹر	4/4
جناب وائل ساہرا غیر ایگزیکٹو ڈائریکٹر	4/4
جناب شین لیوک میک اینس غیر ایگزیکٹو ڈائریکٹر (مورچہ 14 اکتوبر 2022 کو مستعفی ہوئے)	1/4
اوزان اوزباس غیر ایگزیکٹو ڈائریکٹر (مورچہ 14 اکتوبر 2022 کو مستعفی ہوئے)	0/4
جناب عثمان ظہور غیر ایگزیکٹو ڈائریکٹر (مورچہ 21 اپریل 2022 کو منتخب ہوئے)	3/4
لیٹینڈ جزل (ریٹائرڈ) نجیب اللہ خان آزاد ڈائریکٹر	3/4
جناب گیری ٹیرنٹ غیر ایگزیکٹو ڈائریکٹر (مورچہ 10 اکتوبر 2022 کو شامل ہوئے)	1/4
جناب اولیورا ہنڈل غیر ایگزیکٹو ڈائریکٹر (مورچہ 14 اکتوبر 2022 کو شامل ہوئے)	1/4

	(v) جناب اولیورا بنجیز
3	(ج) ایگزیکٹو ڈائریکٹرز
	(i) جناب سید علی اکبر
	(ii) محترمہ کیلی برنشا
	(iii) جناب سید اسد علی شاہ

ریگولیشنری ضروریات کی تعمیل میں بورڈ میں خواتین کی نمائندگی موجود ہے۔

بورڈ کی مجموعی تاثیر کو اپنے ممبران کے نقطہ نظر میں تنوع اور وسعت کے ساتھ بڑھایا جاتا ہے، جو پیشہ ورانہ اور تعلیمی مہارتوں اور تجربے پر مشتمل ہوتا ہے اور مقامی اور بین الاقوامی، اور اجتماعی طور پر بورڈ کے پاس کافی مالی مہارت اور علم ہے۔ پئی ٹی سی بورڈ آف ڈائریکٹرز کی تشکیل اور اہلیت ریگولیشنری تقاضوں کے عین مطابق ہے۔

ڈائریکٹرز کے تفصیلی پروفائلز بشمول ان کے نام، حیثیت (آزاد، ایگزیکٹو، غیر ایگزیکٹو)، صنعت کے تجربے اور دیگر کمپنیوں کی ڈائریکٹرشپ کے علاوہ، سالانہ رپورٹ میں الگ سے فراہم کیے گئے ہیں۔ ڈائریکٹرشپ کی حیثیت (آزاد، ایگزیکٹو، غیر ایگزیکٹو) کو ڈائریکٹرز بورڈ آف کارپوریٹ گورننس کی تعمیل کے بیان میں بتایا گیا ہے۔

بورڈ میں تبدیلیاں

بورڈ میں درج ذیل تبدیلیاں ہوئیں:

- جناب ولیم فرانس بیگل (جو مورخہ 14 جون 2022 کو مستعفی ہوئے) کی جگہ محترمہ کیلی لوئیس برنشا نے لی۔
- جناب سید جاوید اقبال (ریٹائرڈ) کی جگہ جناب عثمان ظہور نے لی (جو مورخہ 21 اپریل 2022 کو منتخب ہوئے)۔
- لیفٹیننٹ جنرل (ر) ایم مسعود اسلم (ریٹائرڈ) کی جگہ لیفٹیننٹ جنرل (ر) نجیب اللہ خان نے لی (جو مورخہ 21 اپریل 2022 کو منتخب ہوئے)۔
- جناب شہین میک انیس (جو مورخہ 14 اکتوبر 2022 کو مستعفی ہوئے) کی جگہ جناب گیری ٹیٹ نے لی۔
- جناب اوزان اوزباس (جو مورخہ 14 اکتوبر 2022 کو مستعفی ہوئے) کی جگہ جناب اولیورا بنجیز نے لی۔

بورڈ کے اجلاس

قابل اطلاق ریگولیشنری فریم ورک کے تحت، بورڈ کو کمپنی کی کارکردگی کی شفافیت، احتساب اور گرائی کو یقینی بنانے کے لئے قانونی طور پر ہر سہ ماہی میں کم از کم ایک بار میٹنگ کرنا لازم ہوتا ہے۔ سال کے دوران اہم امور پر غور و خوض کے لئے ضرورت کے تحت خصوصی اجلاس بھی منعقد کئے جاتے ہیں۔ 2022 میں بورڈ کے 14 اجلاس منعقد کئے گئے، جس میں سے 24 فروری 2022 کو پہلا اجلاس منعقد ہوا۔

اجلاسوں کے نوٹس/ایجنڈا کو قابل اطلاق قوانین کے تحت بروقت اور اجلاس سے پہلے تقسیم کیا گیا تھا۔ قانون کے تحت سال کے دوران منعقد ہونے والے تمام اجلاسوں میں حاضری کی کم سے کم ضروریات کو پورا کیا گیا ہے۔

(ز) کارپوریٹ گورننس کے بہترین طریقہ کار سے کسی قسم کا انحراف نہیں جیسا کہ کوڈ آف کارپوریٹ گورننس اور فہرست سازی کے ضوابط میں تفصیل سے ہے۔

(ح) معمول کاروبار میں عائد تمام ہرکاری محصول جو 31 دسمبر 2022 تک قابل ادا ہیں ان کو مالیاتی گوشواروں میں بیان کیا گیا ہے۔

(ط) اس سالانہ رپورٹ میں خلاصہ شکل میں گزشتہ چھ سالوں سے اہم آپریٹنگ اور مالی اعداد و شمار کو الگ سے فراہم کیا گیا ہے۔

(ی) ملازمین کی ریٹائرمنٹ فنڈز میں 31 دسمبر 2022 کو ختم ہونے والے سال کیلئے سرمایہ کاری کی قیمتیں درج ہیں۔ مزید تفصیلات نوٹ 33 میں علیحدہ مالی گوشواروں کیلئے فراہم کی گئی ہے۔

فونڈ کا نام	(روپے بلین میں)
اسٹاف پنشن فنڈ	6430
ملازمین گریجویٹ فنڈ	1424
میجسٹریٹ پروویڈنٹ فنڈ	1019
ملازمین پروویڈنٹ فنڈ	519
ڈیفنسٹریٹریٹ پنشن فنڈ	1006

بورڈ کی تشکیل

بورڈ میں کل 12 ڈائریکٹرز شامل ہیں: 4 آزاد ڈائریکٹرز، 5 غیر ایگزیکٹو ڈائریکٹرز اور 13 ایگزیکٹو ڈائریکٹرز۔

بورڈ کی موجودہ تشکیل درج ذیل ہے۔

ڈائریکٹر کے نام	ڈائریکٹرز کی تعداد
• مرد ڈائریکٹرز	10
• خاتون ڈائریکٹر	2
(الف) آزاد ڈائریکٹرز	4
(i) جناب ظفر محمود (چیئر مین)	
(ii) لیفٹیننٹ جنرل (ریٹائرڈ) نجیب اللہ خان	
(iii) جناب محمد ریاض	
(iv) جناب آصف جمعد	
(ب) غیر ایگزیکٹو ڈائریکٹرز	5
(i) جناب وائل ساہرا	
(ii) محترمہ بیلیڈا جوائے راس	
(iii) جناب عثمان ظہور	
(iv) جناب گیری ٹیٹ	

لہذا کمپنی کو مستقبل میں کرنسی کی قدر میں کمی کے اثرات کو کم کرنے کیلئے مؤثر اقدامات کرنے کی ضرورت ہوگی۔

آپریٹنگ اور مینوفیکچرنگ کی استعداد کار

کمپنی اپنی آپریٹنگ اور مینوفیکچرنگ کی استعداد کار کو بڑھانے کے لیے سرمایہ کاری جاری رکھے گی۔ یہ جدید اور اپ گریڈ شدہ آلات اور مشینری میں سرمایہ کاری کے ذریعے حاصل کیا جائے گا جو نہ صرف بہتر کارکردگی اور معیار فراہم کرتے ہیں بلکہ مستقبل کی مصنوعات میں اختراعی اقدامات کی حمایت کرتے ہیں، جو مارکیٹ میں مسابقتی فوائد برقرار رکھنے کے لیے ضروری ہے۔

کمپنی پہلے سے ہی مارکیٹ کی طلب میں کمی بھی اضافے کو پورا کرنے کے لیے تیار ہے۔ اس کے ساتھ ہی کمپنی مستقبل میں کسی بھی ریگولیریٹی تقاضوں کی تعمیل کو یقینی بنانے کے لیے اپنی مشینری میں سرمایہ کاری کرنے کے لیے پرعزم ہے۔ مزید برآں آپریٹنگ انفراسٹرکچر کو بہترین EH&S آلات، سسٹمز اور عوامل کے ساتھ مسلسل اپ گریڈ کیا جا رہا ہے تاکہ تمام ملازمین کیلئے کام کرنے کیلئے محفوظ ماحول کو یقینی بنایا جاسکے۔

ماحول، معاشرتی اور گورننس (ESG)

مستقبل میں کمپنی ان اقدامات کی حمایت جاری رکھے گی جن کا مقصد ان کیونٹری کی بہتری اور ترقی ہے جن میں پی ٹی سی کام کرتی ہے۔ مزید برآں، کمپنی کے ای ایس جی ایچ ڈی کو آگے بڑھانے کے لیے دیگر اقدامات کو بھی فروغ دیا جائے گی۔

انسانی وسائل میں سرمایہ کاری

اپنے مسابقتی فوائد کو برقرار رکھنے کیلئے کمپنی ایک متنوع اور انتہائی مسابقتی ٹیلنٹ پول تیار کرنے کے لیے اپنے افراد میں سرمایہ کاری جاری رکھے گی، جو مستقبل میں کاروباری چیلنجز کو سنبھالنے کی پوری صلاحیت رکھتی ہے۔ بہترین ٹیلنٹ کو اپنی طرف متوجہ کرنا ترقی دینا اور برقرار رکھنے کا رجحان ادارے میں مضبوطی چکرتا رہے گا۔

کارپوریٹ گورننس

بہترین کارپوریٹ گورننس

ڈائریکٹرز ذیل کے لیے سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان لسٹڈ کمپنیز ریگولیشنز 2019 ("کوڈ آف کارپوریٹ گورننس") کے کارپوریٹ اور مالی رپورٹنگ کے فریم ورک کی تعمیل کی تصدیق کرتے ہیں۔

(الف) کمپنی کی میٹمنٹ کی جانب سے تیار کردہ مالیاتی گوشوارے، کمپنی کے امور، کیش فلوا اور ایکویٹی میں بدلاؤ اور اس کے کام سے حاصل ہونے والے نتیجے کو پیش کرتی ہے۔

(ب) کمپنی کے اکاؤنٹ کو درست طریقہ سے قائم رکھا ہے۔

(ج) مالی گوشواروں کی تیاری کے لئے مناسب اکاؤنٹنگ پالیسیاں مستقل طور پر لاگو ہوتی ہیں اور حسابہ کا تخمینہ معقول اور متوازن فیصلے پر مبنی ہوتا ہے۔

(د) بین الاقوامی مالیاتی رپورٹنگ کے معیارات جو پاکستان میں قابل اطلاق ہیں مالی گوشواروں کی تیاری میں ان پر عمل درآمد کیا گیا ہے اور اس سے انحراف کی صورت میں وضاحت لی جائے گی۔

(ه) اندرونی کنٹرول کا نظام ڈیزائن میں مستحکم ہے اور اس کی مؤثر انداز میں نافذ اور نگرانی کی جارہی ہے۔

(و) کمپنی کی آگے بڑھنے کی صلاحیت کی اہمیت کے بارے میں کوئی خاص شبہات نہیں ہیں

مستقبل کا نقطہ نظر

مستقبل میں، سال 2023 کمپنی کے لیے ایک انتہائی کٹھن سال رہنے کی توقع ہے کیونکہ اسے نہ صرف ایک سخت معاشی ماحول بلکہ ترقیاتی صنعت کے منفرد محرکات کے ساتھ ساتھ انتہائی سخت ایکسٹرنل فیکٹرز کی وجہ سے پیش کردہ چیلنجز کا مقابلہ کرنا ہوگا۔ مستقبل میں کمپنی کا مقصد درج ذیل مقاصد کی فراہمی پر توجہ مرکوز کر کے اور متعلقہ چیلنجز کا مقابلہ کر کے کاروباری نشوونما کو یقینی بنانا ہے۔

گروتھ ایجنڈا کی مہم

کمپنی کا اسٹریٹیجک مقصد اپنے شیئرز ہولڈرز کیلئے پائیدار ترقی کا حصول ہے۔ ٹریک اینڈ ٹریل سسٹم کے نفاذ اور قانون نافذ کرنے والے اداروں کی طرف سے اس کے نفاذ کی مدد سے اپنے حجم کی بنیاد اور مارکیٹ شیئر کو بڑھانا کمپنی کی توجہ کا محور مرکز ہوگا۔

یہ اس کے برانڈ پورٹ فولیو کو مضبوط بنانے کے ذریعے سرانجام دیا جائے گا۔ مستقبل میں مارکیٹنگ پر سرمایہ کاری کا مقصد تمام سیکٹرز کے صارفین کے مابین کمپنی کے برانڈ پورٹ فولیو کی برانڈ ایکویٹی کو بڑھانا ہوگا۔ یہ صارفین کی بڑھتی ہوئی ترجیحات کو حل کرنے اور برانڈ کے بارے میں زیادہ سے زیادہ آگاہی اجاگر کرنے کے لیے مصنوعات میں جدید اختراعات متعارف کرنے اور متعلقہ اور مؤثر صارفین کے رابطوں پر چلائی جانے والی اختراعی مہمات کے ذریعے حاصل کیا جائے گا۔ اس سے کمپنی کو ایک مضبوط برانڈ پورٹ فولیو برقرار رکھنے میں مدد ملے گی، جس سے وہ مسلسل مسابقت سے آگے بڑھے گی اور مارکیٹ میں برتری حاصل کر سکے گی۔ اس پلان پر عمل کرنے سے کمپنی میں اضافے اور مارکیٹ شیئر حاصل کرنے کیلئے اچھی پوزیشن میں ہوگی۔ اس طرح کمپنی مستقبل میں صنعت میں اپنے مارکیٹ شیئر کا مقام برقرار رکھنے کیلئے پراعتماد ہے۔

غیر ملکی کرنسی تک مناسب رسائی

پاکستان میں بڑھتے ہوئے کرنٹ اکاؤنٹ خسارے اور بینکنگ سسٹم میں غیر ملکی کرنسی کی قلت کے باعث، کمپنی کی اہم ترجیحات میں سے ایک یہ ہے کہ وہ اپنی غیر ملکی کرنسی کے واجبات کو بروقت ادا کر کے اور اپنے غیر ملکیوں شیئرز ہولڈرز کو منافع کی تقسیم کر کے اپنے آپریٹنگ کو آزادانہ طور پر برقرار رکھے۔

حکومت سے توقع کی جاتی ہے کہ وہ مینوفیکچرنگ سیکٹر کے مفادات کا تحفظ کرے گی جو پاکستان میں افرادی قوت کے ایک بڑے حصے کو ملازمت دیتا ہے، اس کے ساتھ ساتھ کمپنی اپنے برآمدی ایجنڈے کو سیلف فنڈڈ خام مال کی درآمدات کے لیے ممکنہ حد تک تیز کرے گی۔

مؤثر وسائل کی تقسیم اور لاگت کا انتظام

بڑھتی ہوئی مہنگائی کی وجہ سے کمپنی کی لاگت بنیاد پر دباؤ کی صورت میں مشکلات درپیش ہیں اور کمپنی اس پر پڑنے والے منفی اثرات کو کم کرنے کیلئے مؤثر اقدامات کرنے کی خواہاں ہے۔

توقع ہے کہ مقامی کرنسی کم تر قدر میں اضافے کے ساتھ کمزور رہے گی۔ یہ بالآخر لاگت بنیاد میں اضافے کا باعث ہوگی اور آپریٹنگ مارجن سکڑنے کا سبب بنے گی۔

تیزی سے قدر میں کمی مہنگائی کے دباؤ میں بھی اضافہ کرتی ہے اور صارفین کی قوت خرید کو کمزور کرتی ہے، جس سے وہ سگریٹ سمیت غیر ضروری اشیاء پر کم خرچ کرنے پر مجبور ہوتے ہیں اور جس سے صنعت کی مجموعی فروخت متاثر ہوتی ہے۔

حتمی منافع

مزید برآں، کمپنی BAT گروپ میں پانی کی ری سائیکلنگ کا دوسرا سب سے بڑا آپریشن ہونے کے ساتھ ساتھ پانی کی ری سائیکلنگ کے اقدامات پر توجہ مرکوز کر رہی ہے۔ دو سالوں میں کاربن ڈائی آکسائیڈ کے اخراج میں 5000 ٹن کی کمی ہمارے ماحول دوست آپریشنز کے عزم کا عملی ثبوت ہے۔ بہترین کارکردگی کیلئے گنی کوششوں اور شاندار نتائج کیلئے پی ٹی سی کی بیٹھ چکرنگ کو بی اے ٹی گروپ کے مابین عالمی سطح پر تسلیم کیا گیا ہے۔

مارکیٹنگ کا جائزہ

بڑی سطح پر معاشی مشکلات کی وجہ سے 2022 میں صارفین کی استطاعت مسلسل دباؤ کا شکار رہی۔ افراط زر کی رکاوٹوں کے باوجود مستقبل کے لیے موزوں برانڈز کے پورٹ فولیو کے لیے مرکز ماریہ کاری کی گئی۔

BAT گروپ کے نقصان میں کمی کے ایجنڈے کے طور پر PTC نے VELO برانڈ کے تحت پاکستان میں تمباکو سے پاک نیوٹین مصنوعات کی ایک نئی قسم تیار کرنے پر خصوصی توجہ مرکوز کی جو صارفین کو نیوٹین کے استعمال کے لیے وسیع تر انتخاب فراہم کرتی ہے۔ VELO مارکیٹ تک اپنی رسائی حاصل کر رہی ہے جس کے نتیجے میں VELO کے حجم میں 2021 کے مقابلے میں 122 فیصد اضافہ ہوا۔

Capstan by Mall Pall نے ویلیو فارمی بیگنٹ میں بہترین کارکردگی کا مظاہرہ کرنے والے برانڈ کے طور پر اپنا مقام برقرار رکھا۔ فلگ شپ ویلیو فارمی پروڈکٹ کے طور پر اس برانڈ کے مقام کی مضبوطی کیلئے 2022 میں اب تک کی سب سے بڑی لمیٹڈ ایڈیشن بیک مہم شروع کی گئی جس کا اختتام 10 ارب سے زائد سگریٹ اسکس کی فروخت پر ہوا۔

مزید برآں، ویلیو فارمی بیگنٹ نے گولڈ فلک کی ایکوینی کو مزید بڑھانے کے لیے سال کے دوران ری انفرسٹمنٹ مہم دیکھی۔ یہ ایک اسٹریٹجک اقدام تھا جس سے برانڈ کے کھوئے ہوئے حجم اور مارکیٹ شیئر کو نمایاں طور پر حاصل کرنے میں مدد ملی۔

رسک مینجمنٹ اور داخلی کنٹرول

بورڈ ایک مستحکم کنٹرول کے حامل ماحول کو برقرار رکھتے ہوئے کمپنی کو اپنے کام کے دوران درپیش خطرات اور چیلنجز سے نمٹنے کیلئے انتظامات کرنے کا ذمہ دار ہے۔ کمپنی کے رسک مینجمنٹ اور داخلی کنٹرول کے فریم ورک کا مقصد شیئر ہولڈرز کی سرمایہ کاری اور کمپنی کے اثاثہ جات کی حفاظت کرنا اور ایسے خطرات کے اثرات کا خاتمہ کرنا ہے جو کمپنی کے مقاصد کے حصول کی راہ میں رکاوٹ بن سکتے ہیں۔

جامع پالیسیوں اور طریقہ کار، منظم گورننس میکنزم اور سازگار تنظیمی کلچر نے پوری کمپنی میں ایک مضبوط کمپلائنس اور کنٹرول کے حامل ماحول کی تشکیل میں آسانی مہیا کی ہے۔ شعبے کے تمام سربراہان کو عالمی سطح پر متعین کلیدی کنٹرولنگ ایک جامع جائزہ لینا اور کارہوتا ہے جن کی جگہ پر ہونے اور موثر طریقے سے کام کرنے کی توقع ہے۔ کسی بھی عدم تعمیل اور مادی کمزوری کی اطلاع ان کے صل کیلئے عملی منصوبے کے ساتھ دی جاتی ہے۔ مزید برآں، تمام ملازمین کو کمپنی کے کاروباری طریقے کے معیارات کی تعمیل کے سالانہ بیان پر دستخط کرنا ہوتے ہیں۔ علاوہ ازیں کمپنی Sarbanes Oxley Act (SOX) کے تمام لازمی تقاضوں کی بھی ہر طرح سے تعمیل کرتی ہے جس کی بدولت کمپنی کے داخلی کنٹرول کا ماحول مزید مستحکم ہوا ہے۔

پاکستان ٹوبیکو کمپنی کے بورڈ آف ڈائریکٹرز نے 23 فروری 2023 کو منعقدہ اپنے اجلاس میں 31 دسمبر 2022 کو ختم ہونے والے سال کیلئے 0 روپے فی شیئر (2021: 28 فی شیئر) کے حتمی نقد منافع کی سفارش کرتے ہوئے شیئر ہولڈرز کی منظوری کے لیے تجویز پیش کی۔ یہ سفارش 2 مئی 2023 کو ہونے والے سالانہ اجلاس عام میں شیئر ہولڈرز کی منظوری سے مشروط ہے۔

جامع مالیاتی گوشوارے اور قطععات کا جائزہ

جامع مالیاتی گوشوارے پاکستان ٹوبیکو کمپنی لمیٹڈ اور اس کی مکمل ملکیتی ذیلی کمپنی فینکس (پرائیویٹ) لمیٹڈ کی کارکردگی کو یکجا کرتا ہے۔ ذیلی کمپنی غیر فعال ہے اور اس نے اپنے کاروبار کا آغاز نہیں کیا ہے۔

بعد از سال کے واقعات کا جائزہ

انتظامیہ نے رپورٹ کی تاریخ تک کمپنی کے مالی سال کے اختتام کے بعد ہونے والے واقعات کا جائزہ لیا اور اس بات کی تصدیق کی ہے کہ اس مدت کے دوران کمپنی کی مالی حیثیت کو کوئی مادی تبدیلیاں یا عہد و پیمانے متاثر نہیں کرتے۔

آپریشنز کا جائزہ

پی ٹی سی کے کاروبار میں تمباکو اگانے سے لے کر سگریٹ بنانے تک تمام مراحل شامل ہیں۔ دو ٹیکنالوجیاں اور BAT گروپ کے سب سے بڑے لیف آپریشنز میں سے ایک ہے۔ پوری ویلیو چین میں پیداواری صلاحیت کو بڑھانے کے لیے کمپنی موثر لاگت کے انتظام، بہتر آپریشنز اور مشینری کے بنیادی ڈھانچے کی مسلسل جدت پر پورے توجہ مرکوز رکھتی ہے۔ اس اہم مقصد کے تحت، پی ٹی سی BAT گروپ میں پہلا "انٹیگر ایٹڈ ورک سسٹمز" (IWS) فیئر-2 سرٹیفائیڈ ملٹی سائٹ اور ملٹی کنٹری آپریشن بن گیا۔

تمباکو کے نقصانات کو کم کرنے کے ایجنڈے پر عمل کرتے ہوئے، پی ٹی سی تمباکو سے پاک نیوٹین پاؤچ تیار کرنے کے لیے جہلم سائٹ پر ایک خود مختار ٹیکنالوجی چلا رہی ہے۔ یہ ٹیکنالوجی BAT گروپ کیلئے ایشیا پیسیفک اور مشرق وسطیٰ کے علاقے میں اپنی نوعیت کی پہلی ٹیکنالوجی ہے۔ یہ مینی فیکٹ اور برآمدوں کے لیے نیوٹین پاؤچ تیار کر رہی ہے، اس طرح پی ٹی سی تمباکو کے نقصانات کو کم کرنے کے لیے اپنے ایجنڈے کو آگے بڑھانے اور BAT گروپ کے لیے ایک آمدنی مرکز کے طور پر اپنی پوزیشن کو مستحکم بنا رہا ہے۔ کمپنی کا مقصد اگلے 5 سالوں میں پی ٹی سی کے نئے کنٹری پورٹ فولیو کی تیاری میں خاطر خواہ سرمایہ کاری کرنا ہے۔

مقامی ضابطوں کی تعمیل میں پی ٹی سی نے ٹریڈ اینڈ ٹریڈ سسٹم کے نفاذ کے لیے نمایاں سرمایہ کاری کی ہے جو قائم و دائم بنانا ہے اور حکومتی محصولات کی حفاظت کرتے ہوئے ڈی این پی برانڈز کے پھیلاؤ کو کم کرنے میں معاون ہے۔

ماحول، صحت اور تحفظ

پوری کمپنی میں ماحولیات، صحت اور تحفظ کے پراسس اور طریقے کار سے متعلق اہم بیداری اور بنیادی ڈھانچے کی بہتری کی گئی۔ پاکستان میں توانائی کے بحران کو مد نظر رکھتے ہوئے، 2022 میں توانائی کے تحفظ کے متعدد اقدامات کیے گئے جس کی وجہ سے جہلم ٹیکنالوجی اور کوڑھ خنک ٹیکنالوجی BAT گروپ میں بالترتیب سب سے زیادہ اور تیسرے نمبر پر آن سائٹ پاور جنریشن سائٹس بن گئیں۔

مالیاتی جائزہ

تجارتی شاک میں اضافہ کرنسی کی قدر میں کمی اور افراط زر سے منسوب تھا۔

دیگر وصولیوں میں بنیادی طور پر اسٹیٹ بینک کے درآمدی ضابطے کی تعمیل کرنے کیلئے بینکوں کی طرف سے روکے گئے کیش مارجن سے متعلقہ بیننس شامل ہیں تاکہ خام مال کی درآمد کے انتظامات/ معاہدوں کے عوض 100 فیصد کیش مارجن جمع کیا جاسکے۔ سال 2022 کی چوتھی سہ ماہی میں مزید درآمدی آرڈرز کی وجہ سے 2022 میں اس مد میں بیننس میں اضافہ ہوا۔

اضافی فنڈز کی زیادہ دستیابی کی وجہ سے SPLY کے مقابلے میں سرکاری خزانے کے بلوں میں قلیل مدتی سرمایہ کاری میں اضافہ ریکارڈ کیا گیا۔

فارن ایکسچینج تک رسائی کی وجہ سے اندرونی اور بیرونی سپلائرز کو قابل ادائیگی زیادہ وجہات کی بدولت کرنٹ وجہات میں اضافہ دیکھنے میں آیا۔

کیویڈیٹی مینجمنٹ

پی ٹی سی کا ٹریڈری کا شعبہ کمپنی کی ضروریات کے مطابق مالیات بڑھانے، اس کے نقد وسائل کا انتظام کرنے اور اس کے کاروباری امور کے دوران پیدا ہونے والے مالیاتی خطرات کو کم کرنے کا ذمہ دار ہے۔ اتھارٹی کی سطح سمیت مالیات کی نوعیت اور استعمال کیلئے واضح پیرامیٹرز قائم کیے گئے ہیں۔ خزانے سے متعلق تمام سرگرمیاں طے شدہ پالیسیوں، طریقہ کار اور حدود کے مطابق سرانجام دی جاتی ہیں۔ ان کا جائزہ اور منظوری بورڈ یا فنانس ڈائریکٹر/ٹریڈری کمپنی کی متعین اتھارٹی کی طرف سے دی جاتی ہے۔

منافع کی تقسیم اور ذخائر کا جائزہ

کمپنی نے سال کا آغاز 15.4 ارب روپے کے ذخائر کے ساتھ کیا۔ سال کے دوران، 2021 کو ختم ہونے والے سال سے متعلقہ 28 روپے فی حصص کا حتمی ڈیویڈنڈ، شیئر ہولڈرز کی طرف سے منظور کیا گیا اور بعد ازاں ادا کیا گیا۔ 2022 میں، کمپنی نے 21.3 ارب روپے کا خالص منافع کمایا اور سال 2022 کی دوسری سہ ماہی مدت میں 10 روپے فی شیئر اور سال 2022 کی تیسری سہ ماہی مدت میں 10 روپے فی شیئر کے دو عبوری منافع کا اعلان کیا گیا۔ سال کے آخر میں کمپنی کے خالص ذخائر کی پوزیشن 24.1 ارب روپے رہی۔ منافع کی تقسیم کی تفصیلات بھی درج ذیل جدول میں بیان کی گئی ہیں۔

روپے فی حصص	روپے (ملین)	
	15,418	ابتدائی ذخائر
28.00	(7,154)	حتمی ڈیویڈنڈ 2021
83.45	21,321	خالص منافع 2022
	(406)	دیگر مجموعی آمدنی
	29,179	منافع کی تقسیم کیلئے دستیاب
20.00	(5,110)	عبوری ڈیویڈنڈ 2022
	24,069	اختتامی ذخائر

روپے (ملین)	روپے (ملین)	
مالی سال 2021	مالی سال 2022	
199,469	232,600	کل وصولیات
124,481	137,738	ایف ای ڈی اور بلز ٹیکس
74,988	94,862	خالص وصولیات
39,092	49,706	لاگت برائے فروخت
35,896	45,156	مجموعی منافع
25,500	32,787	کاروباری منافع
26,207	34,734	قبل از ٹیکس منافع
18,862	21,321	بعد از ٹیکس منافع
73.83	83.45	آمدنی فی حصص (روپے)

نفع نقصان کا تجزیہ

کمپنی نے مجموعی وصولیات کا 66 فیصد (154.0 ارب بمقابلہ 2021 کیلئے 134.8 ارب روپے) حکومت کو بطور محصولات حصہ ڈالا جبکہ شیئر ہولڈرز کے مابین تقسیم اور کاروبار میں دوبارہ سرمایہ کاری کے لیے 9 فیصد محصولات کو برقرار رکھا۔ لاگت برائے فروخت اور آپریٹنگ اخراجات مجموعی آمدنی کا بالترتیب 21 فیصد اور 5 فیصد رہے۔

ڈومیسٹک مجموعی وصولیات میں SPLY کے مقابلے میں 18 فیصد اضافہ ہوا باوجود اس کے کہ قیمتوں میں متعدد اضافے کے ذریعے مستحکم کنزیومر میں کمی کی وجہ سے حجم میں 1 فیصد کمی واقع ہوئی۔ برآمدی منڈیوں کے نقصان کی وجہ سے برآمدی وصولیات میں SPLY کے مقابلے میں 18 فیصد کمی ہوئی۔ کمپنی برآمدات کے سلسلے کو یقینی بنانے کے لیے اقدامات کر رہی ہے اور توقع کھتی ہے کہ برآمدات میں مستحکم اضافہ ہوگا۔ کمپنی نے 2022 میں 1.4 ارب سگریٹ کی سٹاکس، 2.5 ملین کلوگرام کٹ ریگ تمباکو، اور 1.9 ملین کلوگرام غیر تیار شدہ تمباکو برآمد کیے جس کی بدولت 27.6 ملین ڈالر کی وصولیاں ہوئیں۔ پی ٹی سی نے 2022 کے دوران 1.5 ملین ڈالر کی بیومن ریورس سرورسز بھی برآمد کیں۔

لاگت برائے فروخت میں مقامی کرنسی کی قدر میں کمی، درآمدی مال پر عالمی مہنگائی اور افراط زر کے مقامی دباؤ کی وجہ سے اضافہ ہوا۔ مجموعی لاگت کی بنیاد کو کم کرنے کے لیے متعدد پیداواری بچت کے اقدامات اور موثر لاگت کے انتظام کے ذریعے ان مشکلات میں کمی لائی گئی۔ BAT کی آڈیشن کے ذریعے آسانی کی حکمت عملی کے مطابق، انفارمیشن ٹیکنالوجی کے زیادہ اخراجات کی وجہ سے انتظامی اخراجات میں 3 فیصد اضافہ ہوا۔

2022 میں خالص مالیاتی آمدنی میں 175 فیصد اضافہ دیکھنے میں آیا، جو کہ بہتر پوزیشن کی وجہ سے ٹریڈری بل سرمایہ کاری کیلئے دستیاب اضافی فنڈز اور زیادہ شرح سود کی بدولت ہے۔

مالیاتی پوزیشن کا تجزیہ

2022 میں پراپرٹی، پلائنٹ اور آلات میں اضافہ بہتر پروڈکٹ کے معیار، جدت، اعلیٰ انتظامی افادیت اور ریگولیٹری ضروریات کو سپورٹ کرنے کیلئے بنیادی طور پر موجودہ مینوفیکچرنگ کی استعداد اور انفراسٹرکچر کو اپ گریڈ کرنے کی بدولت دیکھنے میں آیا۔

ڈائریکٹرز رپورٹ

پاکستان ٹیلیکومنیکیٹیشن کمپنی (پٹی سی) کے ڈائریکٹرز کی جانب سے 31 دسمبر 2022 کو اختتام پر پزیر ہونے والے سال کیلئے کمپنی کی سالانہ رپورٹ اور آڈٹ شدہ مالیاتی گوشوارے پیش خدمت ہیں۔

اقتصادی ماحول

میں اضافے، افراط زر اور روپے کی قدر میں کمی اور قیمتوں میں بار بار اضافے کی وجہ سے ہوا۔ کمپنی نے 2022 میں مارکیٹ شیئر میں 0.4 فیصد اضافہ کے ساتھ قانونی شعبے میں مارکیٹ شیئر میں اپنے مقام کو برقرار رکھنے ہوئے 78.4 فیصد تک پہنچایا۔ سال 2022 میں پٹی سی نے ایکسٹرنل ڈیولپمنٹ ریگولیٹری ڈیویژن کی مدد میں قومی خزانے میں 154 ارب روپے کا حصہ ڈالا۔

کرنسی کی قدر میں کمی اور افراط زر کی بدولت کمپنی کی لاگت کی بنیاد 2022 کے دوران دباؤ میں رہی۔ ان مشکلات کے باوجود کمپنی نے لاگت کے مؤثر انتظام پر اپنی توجہ مرکوز رکھی اور کارکردگی میں بہتری کے متعدد منصوبے پیش کیے، جس کی بدولت اسے اخراجات کو قابو میں رکھنے میں مدد ملی۔ علاوہ ازیں کمپنی نے مؤثر لاگت کے انتظام، موثر آپریشنز، اور مشینری کے بنیادی ڈھانچے کی جدت کو یقینی بنا کر اپنی ویلیو چین کی پیداواری صلاحیت کو بڑھانے پر اپنی توجہ مرکوز رکھی۔

صنعتی جائزہ

مالیاتی ماحول

BAT گروپ اپنے بالغ صارفین کو مکمل طور پر کم خطرے والی مصنوعات پیش کر کے اپنے کاروبار کی صحت پر اثرات میں کمی لاکر "ایک بہتر کل" کے ایجنڈے کو فروغ دیتا ہے۔ گروپ نے تقریباً 430 ملین ڈالر سالانہ کی نئی کیننگ بزنس کے لیے تحقیق اور ترقی میں سرمایہ کاری کی ہے۔ گروپ کا ایجنڈا تمباکو کے نقصانات کو کم کرنا ہے جس کے تحت پٹی سی نے تمباکو سے پاک نیکیوٹین مصنوعات (VELO) کی نئی کیننگ بزنس کی تیاری کے منصوبے کو جاری رکھا۔ 2022 کے دوران ان پٹی سی نے اپنی نئی کاروباری کیلنگ بزنس کے خالص کاروبار میں تین گنا اضافہ کیا، لاگت کو کم کیا اور پاکستان میں اپنے آغاز کے تیسرے سال کے اندر 420 ملین نیکیوٹین پاؤچ فروخت کیے، اور اس طرح بہترین کاروباری نتائج کا مظاہرہ کرنے پر اسے BAT گروپ کی جانب سے "A Better Tomorrow™" ایوارڈ سے نوازا گیا ہے۔ پٹی سی کی طرف سے مذکورہ بالا کاروباری ڈیویژن کو BAT گروپ میں VELO کی تیسری بڑی مارکیٹ بناتی ہے۔

پٹی سی کے برآمدی اقدام "میڈ ان پاکستان" کے بڑے پیمانے پر آپریشن کے تیسرے سال کے نتیجے میں زیر جائزہ مدت کے دوران 27.6 ملین ڈالر کی برآمدات ہوئیں۔ پٹی سی کے برآمدی اقدامات میں آئندہ سالوں میں ملک کیلئے اضافی قیمتی غیر ملکی کرنسی لانے کے قابل ذکر امکانات موجود ہیں۔

خدمات کی فراہمی میں اپنے افراد کو بنیادی عنصر کی حیثیت دیتے ہوئے، کمپنی ملک میں بہترین ٹیلنٹ کو اپنی طرف متوجہ اور برقرار رکھنے کے ساتھ اپنی افرادی قوت پر خاص توجہ دیتی ہے۔ کمپنی کو گلوبل ڈائیورسٹی اینڈ انکلوژن ٹینچ مارکس کی طرف سے "گلوبل ڈائیورسٹی، ایکویٹی اور انکلوژن ٹینچ مارکس ایوارڈ"، ٹاپ ایمپلائرز انسٹیٹیوٹ کی طرف سے "ٹاپ ایمپلائرز ایوارڈ" اور صنفی شمولیت کی حکمت عملیوں کے لیے اور سیز انویسٹرز چیئر آف کامرس اینڈ انڈسٹری کی طرف سے "امپاورمنٹ ایوارڈ" سے نوازا گیا۔

پٹی سی پرائیویٹ سیکٹرز کی طرف سے جنگلات کے بڑے پروگراموں میں سے ایک ہے اور موہائل ڈاکٹر ہونٹ (MDU) پروگرام بھی چلاتا ہے۔ 1981 سے جاری اپنے بڑے شجرکاری پروگرام کے تحت کمپنی نے اب تک 50 ملین سے زائد پودے لگائے اور مفت تقسیم بھی کیے (2022 میں 2.5 ملین پودے تقسیم کئے)۔

ایم ڈی یو پروگرام کے تحت کمپنی نے 150,000 سے زائد مریضوں کا مفت طبی معائنہ اور ادویات فراہم کیں۔ مقامی کمیونٹی کو پانی سے پیدا ہونے والی بیماریوں سے محفوظ رکھنے کیلئے کمپنی معاشرے کے پسماندہ طبقات کو 27 واٹر فلٹریشن پلانٹس کے ذریعے پانی پلانٹ روزانہ 20,000 لیٹر پینے کا صاف پانی فراہم کر رہی ہے۔

سال 2022 میں عالمی معیشت سست روی کا شکار رہی، ایسے ہی پاکستان کو بھی اس مدت کے دوران معاشی چیلنجز کا سامنا کرنا پڑا۔ مقامی سطح پر سیاسی غیر یقینی صورتحال اور قدرتی آفات نے ملکی معیشت پر مزید دباؤ ڈالا جس کے نتیجے میں افراط زر میں اضافہ، کرنسی کی قدر میں کمی اور زرمبادلہ کے ذخائر میں کمی واقع ہوئی۔ کرنٹ اکاؤنٹ خسارے کو کنٹرول کرنے کیلئے سٹیٹ بینک آف پاکستان نے درآمدی پابندیوں میں اضافہ کیا جس نے مینوفیکچرنگ کو منفی طور پر متاثر کیا اور سال کے دوران متعدد اشیاء کی قیمتوں میں اضافہ کا باعث بنا، ان سب محرکات نے صارفین کی دستیاب آمدنی پر دباؤ ڈالا۔

سال 2022 میں حکومت پاکستان نے فیئری سے تیار شدہ سگریٹ پر متعدد فیڈرل ایکسائز ڈیوٹی (ایکسائز) میں اضافہ عائد کیا (ٹی بی 1 کے لیے مجموعی طور پر 26 روپے فی پیک اور ٹی بی 2 کے لیے 8 روپے فی پیک)۔ ایکسائز میں اضافہ ڈیوٹی ٹیکس (ڈی این بی) شعبے کی مزید حوصلہ افزائی کرتا ہے کیونکہ قانونی صنعت کے مقابلے میں قیمت کا فرق اب تک کی بلند ترین سطح تک بڑھا گیا ہے۔ نتیجتاً، ڈی این بی برانڈز کی قیمتیں نہ صرف حکومت کی جانب سے مقرر کردہ کم از کم قیمت روپے 70.13 فی پیک سے کم تھیں بلکہ 20 سگریٹ کے پیک پر قابل ادائیگی کم از کم ایکسائز اور سیلز ٹیکس یعنی 51.19 روپے فی پیک سے بھی کم تھیں۔

ڈیویژن اور ٹیکسز میں اضافہ اور سخت نفاذ کی کوششوں کی ضرورت

حکومت کی طرف سے ایکسائز اور ڈیویژن میں متواتر اور زائد اضافہ قانونی صنعت اور ڈی این بی سیکٹرز کے مابین قیمتوں کے فرق کو بڑھانے کے خطرات کا حامل ہے۔ نتیجتاً، ڈی این بی سیکٹرز کو ڈیویٹی کی چوری کیلئے مزید حوصلہ افزائی کرتی ہے جو نہ صرف ٹیکس ادا کرنے والی قانونی صنعت کی پائیداری کو متاثر کرتا ہے بلکہ اس کے نتیجے میں حکومتی آمدنی کو سالانہ تقریباً 87 ارب روپے کا نقصان ہوتا ہے۔

نتیجتاً حکومت کی طرف سے اسکے نفاذ پر توجہ مرکوز کرنی چاہیے اور ڈیویٹی غیر ادا شدہ سگریٹوں کی فروخت کو قابل دست اندازی جرم جس کی فراہمی سزا ہو کے لیے قانون میں ترمیم بھی کرنی چاہیے۔ مزید برآں، ٹریک اینڈ ٹریس سسٹم کا فوری نفاذ، قانونی صنعت کے مفادات کے تحفظ کے لیے انتہائی اہم حیثیت رکھتا ہے جبکہ حکومتی محصولات کو بھی تحفظ فراہم کرتا ہے۔

ریگولیٹری ماحول

سال 2022 میں حکومت نے تمباکو کی صنعت میں ٹریک اینڈ ٹریس سسٹم متعارف کرایا اور بعد ازاں فعال نفاذ پر عمل ہوا۔ پٹی سی نے سال 2022 کی نو ماہی مدت تک ٹریک اینڈ ٹریس سسٹم کے ساتھ اپنے آپریشنز کی تعمیل کو یقینی بنایا۔ حکومت تمباکو کو کمیشن سے متعلق دیگر مصنوعات کی کیننگ بزنس کیلئے بھی ٹریک اینڈ ٹریس سسٹم کی قانون سازی کر رہی ہے اور اس سے متعلق قانونی ریگولیٹری آرڈر (SRO) بھی جاری کیا ہے۔

کمپنی کی کارکردگی

سال 2021 کے مقابلے میں زیر جائزہ سال کے دوران سیلز کے حجم میں 1 فیصد کمی ہوئی۔ یہ بنیادی طور پر ایکسائز

7- غیر رہائشی انفرادی شیئرز ہولڈرز کیلئے اطلاع:

غیر رہائشی انفرادی شیئرز ہولڈرز کو انکم ٹیکس آرڈیننس 2001 کے سیکشن 82 میں واضح کردہ تفریح کے تحت اپنے پاسپورٹ کی موثر کاپی کے ہمراہ ڈیکلریشن یا اقرار نامہ مورخہ 20 اپریل 2023 سے پہلے شیئرز رجسٹر اریڈریشنز فیمکو ایسوسی ایٹس (پرائیویٹ) لمیٹڈ کے دفتر واقع F-8، نزد ہوٹل فاران، نرسری، بلاک-6، P E C H S، شاہراہ فیصل، کراچی میں جمع کرانا ہو گا یا info.shares@famco.com.pk پر ای میل کرنا ہو گا تاکہ ڈیویڈنڈ پریگنس کنوٹی کے مقاصد کے لیے ان کی رہائشی حیثیت کا تعین کیا جاسکے۔ ڈیکلریشن فارم کی کاپی شیئرز رجسٹر اریڈریشنز کے ساتھ <https://famco.com.pk/share-registration-services/> سے ڈاؤن لوڈ کی جاسکتی ہے:

8- زکوٰۃ کی کنوٹی:

زکوٰۃ کی لازمی کنوٹی سے استثنیٰ کے دعوے کے لئے، حصص داروں سے درخواست ہے کہ وہ اپنے زکوٰۃ ڈیکلریشن فارم "CZ-50" کی ایک نوٹرائزڈ کاپی 50 روپے کے احاطہ پر شیئرز رجسٹر اریڈریشنز کو جمع کروائیں۔

9- ای-ووٹنگ:

ممبران کمپنیز ایکٹ 2017 کی دفعہ 143-145 اور کمپنیوں (پوسٹل بیلٹ) ریگولیشنز 2018 کی لاگو شدہ قواعد کے تحت رائے شماری کے مطالبے سے متعلق اپنے حق کا استعمال کر سکتے ہیں۔

10- ویڈیولنک کی سہولت:

کمپنیز ایکٹ 2017 کے سیکشن (b)(1) 134 اور سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے سرکلر نمبر 10 آف 2014 تا تاریخ 21 مئی 2014 کے مطابق اگر کمپنی کو مجموعی طور پر 10 فیصد یا اس سے زائد شیئرز کے حامل ایسے شیئرز ہولڈرز کی رضامندی کی درخواست سالانہ اجلاس عام سے کم از کم 10 دن پہلے موصول ہوتی ہے جو کہ ایک علاقہ میں رہائش پزیر ہوں اور بذریعہ ویڈیو کانفرنس اجلاس میں شمولیت کے خواہشمند ہوں تو کمپنی اس شہر میں ویڈیو کانفرنس کی سہولت مہیا کرے گی، تاہم اس میں سہولت کی فراہمی اس شہر میں ایسی سہولت کی دستیابی سے مشروط ہے۔ براہ مہربانی اس سہولت سے فائدہ اٹھانے کیلئے شیئرز رجسٹر اریڈریشنز ذیل معلومات فراہم کریں۔

میں/ہم _____ پاکستان ٹیلی کمیونیکیشن کمپنی لمیٹڈ کے ممبر ہونے کے ناطے _____ عمومی شیئرز رجسٹر اریڈریشنز ذیل معلومات فراہم کریں۔
 _____ کے حامل ہیں اور اس لیے
 _____ (شہر کا نام) میں ویڈیو کانفرنس کی سہولت کا

انتخاب کرتے ہیں۔

11- ایڈریس کی تبدیلی:

ممبران سے التماس ہے کہ وہ اپنے ایڈریس میں کسی بھی تبدیلی کے حوالے سے فوری طور پر مطلع کریں۔

الف: فزیکل فارم میں شیئرز رکھنے والے ممبران سے درخواست ہے کہ وہ کمپنی کے شیئرز رجسٹر اریڈریشنز کے ایڈریس میں ہونے والی تبدیلیوں کے بارے میں فوری طور پر مطلع کریں۔

ب: الیکٹرانک شکل میں سی ڈی سی کے ساتھ حصص رکھنے والے ممبران کو اپنے شرکاء یا سی ڈی سی انویسٹر کا ڈیٹا سروسز کے ایڈریس کی تبدیلی کو مطلع کرنا ہو گا جس کے ساتھ ان کے حصص رکھے گئے ہیں۔

12- کمپنیز ایکٹ، 2017 کی سیکشن 244 کے تحت غیر دعویٰ شدہ ڈیویڈنڈ / شیئرز:

کمپنی کے غیر دعویٰ شدہ ڈیویڈنڈ / شیئرز کی تازہ ترین فہرست کمپنی کی ویب سائٹ <https://www.ptc.com.pk/> پر دستیاب ہے۔ یہ غیر دعویٰ شدہ ڈیویڈنڈ / شیئرز ان کی قابل ادائیگی کی تاریخ سے تین سال کی مدت کے لئے غیر دعویٰ یا بغیر ادائیگی کے رہے ہیں۔

حصص یافتگان دعویٰ فارم کے ذریعہ یہ دعویٰ کر سکتے ہیں جیسا کہ کمپنی کی ویب سائٹ پر دستیاب ہے۔ ڈیویڈنڈ شیئرز کی وصولی کے لئے دعوے کے فارم کمپنی کے شیئرز رجسٹر اریڈریشنز کو جمع کروائے جائیں۔

13- شیئرز کی فزیکل فارم سے بک انٹری فارم میں تبدیلی:

سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) نے 26 مارچ 2021 کو ایک لیٹر نمبر CSD/ED/Misc./2016-639-640 جاری کیا ہے جس میں کمپنیز ایکٹ 2017 کے سیکشن 72 کی دفعات کی طرف توجہ مبذول کراتے ہوئے تمام لسٹڈ کمپنیوں کو مخاطب کیا گیا ہے جس کے تحت تمام کمپنیوں سے یہ مطالبہ کیا گیا ہے کہ وہ اپنے جاری کردہ شیئرز کو ایکٹ کے نفاذ کی تاریخ سے چار سال کی مدت کے اندر فزیکل صورت میں جاری کردہ شیئرز بک انٹری فارم میں جاری کیے جائیں۔ مذکورہ سیکشن 72 کی دفعات کی مکمل تعمیل کو یقینی بنانے اور بک انٹری فارم میں شیئرز رکھنے کی سہولت سے مستفید ہونے کے لیے، ان شیئرز ہولڈرز سے درخواست کی جاتی ہے جو ابھی بھی فزیکل صورت میں شیئرز رکھتے ہیں وہ اپنے شیئرز کو بک انٹری فارم میں تبدیل کر دیں۔

14- رابطہ کی تفصیلات:

کمپنی سے رابطہ:

کمپنی سیکریٹری

پاکستان ٹیلی کمیونیکیشن کمپنی لمیٹڈ

سرینارنس کمپلیکس، خیابان سہروردی، اسلام آباد

فون: 2083200 (051)

ای میل: ptc_company_secretary@bat.com

شیئرز رجسٹر اریڈریشنز سے رابطہ:

فیمکو ایسوسی ایٹس (پرائیویٹ) لمیٹڈ

8- ایف، نزد ہوٹل فاران، نرسری، بلاک-6،

پی ای سی ایچ ایس، شاہراہ فیصل، کراچی

فون: 5-34380101 (021)

ای میل: info.shares@famco.com.pk

4- NTN/CNIC تفصیلات کی فراہمی (لازمی):

فیڈرل بورڈ آف ریونیو (ایف بی آر) کی جانب سے وقتاً فوقتاً جاری کردہ ایکٹو ٹیکس پیپرز لسٹ (ATL) کے مطابق CNIC/نمبر/NTN تفصیلات کی فراہمی لازمی ہے جو کہ ٹیکس سٹیٹس کو چیک کرنے کے لیے ضروری ہیں۔

اس لیے تمام جوائنٹ ہولڈرز بشمول فزیکل سرٹیفیکٹس کے حامل افراد سے التماس کی جاتی ہے کہ وہ اپنے مؤثر شناختی کارڈ کی ایک نقل کاپی یا اس کے رجسٹر ارجو جمع کرائیں اگر پہلے سے فراہم نہیں کی تو۔ حصص یافتگان کو شناختی کارڈ ارسال کرتے وقت اپنے متعلقہ فوئیو نمبرز کا حوالہ دینا ہوگا۔

کسی مؤثر شناختی کارڈ کی کاپی موصول نہ ہونے کی صورت میں، کمپنی کو اس طرح کے حصص یافتگان میں ڈیویڈنڈ کی تقسیم روکنے کے لئے کمپنیز ایکٹ، 2017 کے سیکشن 243(3) کے تحت پابندی کیا جائے گا۔

5- ڈیویڈنڈ کیلئے الیکٹرانک کریڈٹ مینڈیٹ (لازمی):

کمپنیز ایکٹ، 2017 کے سیکشن 242 کی دفعات کے تحت ایک لسٹڈ کمپنی کے لیے لازمی ہے کہ وہ اپنے حصص یافتگان کو صرف الیکٹرانک موڈ کے ذریعے کیش ڈیویڈنڈ ادا کرے تاکہ استحقاق کے حامل حصص یافتگان کی طرف سے نامزد کردہ اپنا متعلقہ بینک اکاؤنٹ میں براہ راست رقم منتقل ہو سکے۔ لہذا براہ راست اپنے بینک اکاؤنٹ میں ڈیویڈنڈ حاصل کرنے کے لیے، فزیکل شکل میں حصص کے حامل شیئرز ہولڈرز سے التماس کی جاتی ہے کہ وہ کمپنی کی ویب سائٹ www.ptc.com.pk پر دستیاب "الیکٹرانک کریڈٹ مینڈیٹ فارم" کو پُر کریں اور مکمل شدہ فارم شناختی کارڈ کی مؤثر کاپی یا درج ذیل معلومات کے ہمراہ کمپنی کے رجسٹرار میسرز فیکو ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، 8-ایف، نزد ہوٹل فاران، نرسری، بلاک-6، پی ای سی ایچ ایس، شاہراہ فیصل، کراچی کو مورخہ 25 اپریل 2023 تک ارسال کریں۔

فویو نمبر

شیئرز ہولڈر کا نام

بینک اکاؤنٹ کا عنوان

انٹرنیشنل بینک اکاؤنٹ (IBAN) (24 ہندسے)

بینک کا نام

بینک برانچ کا نام اور پتہ

شیئرز ہولڈر کا موبائل نمبر

شیئرز ہولڈر کا لینڈ لائن نمبر

ای میل ایڈریس

NTN / CNIC نمبر، کارپوریٹ شیئرز ہولڈر کی صورت میں (کاپی منسلک کریں)

ممبر کے دستخط

6- ڈیویڈنڈ سے اگم ٹیکس کی کٹوتی اگم ٹیکس آرڈیننس 2001 کے سیکشن 150 کے تحت

(لازمی):

(i) اگم ٹیکس آرڈیننس کے تحت ڈیویڈنڈ کی ادا کیے گئے سے اگم ٹیکس کی کٹوتی کے ریش درج ذیل ہیں:

1- اگم ٹیکس پیپرز لسٹ (ATL) میں شامل شیئرز ہولڈرز کیلئے ٹیکس کٹوتی کا ریش 15 فیصد

2- اگم ٹیکس پیپرز لسٹ (ATL) میں شامل نہ ہونے والے شیئرز ہولڈرز کیلئے ٹیکس کٹوتی کا ریش

30 فیصد

کمپنی کو 30% کی بجائے 15% کیش ڈیویڈنڈ کی رقم پر ٹیکس کٹوتی کرنے کے قابل بنانے کے لیے، ایسے حصص یافتگان جن کے نام ایف بی آر کی ویب سائٹ پر فراہم کردہ ایکٹو ٹیکس پیپرز لسٹ (ATL) میں درج نہیں ہیں، اس حقیقت کے باوجود کہ وہ فائلرز ہیں، انہیں مشورہ دیا جاتا ہے کہ وہ فوری طور پر اس بات کو یقینی بنائیں کہ ان کے نام ATL میں درج ہیں، بصورت دیگر ان کے کیش ڈیویڈنڈ پر 15% کی بجائے 30% ٹیکس کا ناجائز ہوگا۔

(ii) ڈیویڈنڈ کی آمدنی سے وہ ہولڈنگ ٹیکس میں چھوٹ صرف کارپوریٹ حصص یافتگان کو ہی ہوگی۔ شیئرز ٹرانسفر ٹیکس کی بندش کے پہلے دن تک کمپنی کے شیئرز رجسٹرار، فیکو ایسوسی ایٹس (پرائیویٹ) لمیٹڈ کو درست ٹیکس آئٹمی سرٹیفکیٹ کی ایک کاپی مل جائے۔

(iii) مزید یہ کہ ایف بی آر سے موصول وضاحت کے مطابق، مشترکہ کھاتوں کے معاملے میں، وہ ہولڈنگ ٹیکس پر نپل حصص یافتگان کے ساتھ ساتھ مشترکہ ہولڈرز (حصص یافتگان کی تناسب کی بنیاد پر) فائلرز نان فائلرز کی حیثیت پر الگ سے طے کیا جائے گا۔

اس سلسلے میں، کمپنی کے تمام ممبران/حصص یافتگان جن کے یا تو فزیکل شکل میں یا سی ڈی سی میں حصص ہیں، جو مشترکہ طور پر حصص رکھتے ہیں، ان سے درخواست کی جاتی ہے کہ وہ اپنے حصص کے سلسلے میں پرنسپل شیئرز ہولڈرز اور جوائنٹ ہولڈرز کے شیئرز ہولڈنگ تناسب فراہم کریں۔ اگر شیئرز رجسٹرار کو پہلے ہی فراہم نہیں کیا گیا ہو تو، تحریری طور پر اور درج ذیل طریقے سے:

جوائنٹ شیئرز ہولڈرز		پرنسپل شیئرز ہولڈرز		کمپنی کا نام	
نام اور شناختی	حصص یافتگی کا	نام اور شناختی	حصص یافتگی کا	فویو ای سی سی	اکاؤنٹ #
تناسب (حصص کی تعداد)	کارڈ نمبر	تناسب (حصص کی تعداد)	کارڈ نمبر		

اس اطلاع کے دس (10) دن کے اندر مطلوبہ معلومات کمپنی کے شیئرز رجسٹرار تک پہنچانا ضروری ہے۔ بصورت دیگر یہ سمجھا جائے گا کہ حصص یکساں طور پر پرنسپل شیئرز ہولڈرز اور جوائنٹ ہولڈرز کے پاس ہیں۔

(iv) سی ڈی سی اکاؤنٹس والی کمپنی کے کارپوریٹ شیئرز ہولڈرز کو لازم ہے کہ وہ اپنے قومی ٹیکس نمبر (این ٹی این) کو اپنے متعلقہ شریکاء کے ساتھ اپ ڈیٹ کریں جبکہ کارپوریٹ فزیکل شیئرز ہولڈرز کو اپنے این ٹی این سرٹیفکیٹ کی ایک کاپی کمپنی یا فیکو ایسوسی ایٹس (پرائیویٹ) لمیٹڈ کو ارسال کرنی ہوگی۔ NTN یا NTN سرٹیفکیٹ بھیجتے ہوئے حصص یافتگان کو لازم ہے کہ کمپنی کا نام اور ان کے متعلقہ فوئیو نمبرات کا حوالہ دیں۔

سالانہ اجلاس عام کانوٹس

مطلع کیا جاتا ہے کہ پاکستان ٹوبیکو کمپنی لمیٹڈ ("کمپنی") کا چھترواں سالانہ اجلاس عام بروز منگل، مورخہ 2 مئی 2023 کو صبح 10:00 بجے سیرینا ہوٹل، خیابان سہروردی، اسلام آباد میں اور اس کے ساتھ ساتھ الیکٹرانک ذرائع سے منعقد ہوگا۔ جس میں مندرجہ ذیل امور طے ہوں گے۔

عمومی امور:

- 31 دسمبر 2022 کو ختم ہونے والے سال کیلئے کمپنی کے آڈٹ شدہ مالیاتی گوشواروں کی وصولی، غور و خوض اور توثیق اور اس کے ساتھ ساتھ ڈائریکٹرز اور آڈیٹرز کی رپورٹس بھی شامل ہوں گی۔
- بورڈ کی جانب سے تجویز کردہ 31 دسمبر 2022 کو ختم ہونے والے سال کیلئے حتمی منافع بحساب -01 روپے پر غور و خوض اور منظوری کرنا۔
- آڈیٹرز کی تقرری اور ان کے معاوضہ کا تعین۔

3- سالانہ اجلاس عام میں شرکت بذریعہ آن لائن پلیٹ فارم / سہولت

سالانہ اجلاس عام میں شرکت کرنے اور ووٹ دینے کا حقدار کمپنی کا ممبر اپنا ایک نمائندہ (پراکسی) مقرر کر سکتا ہے جسے اس ممبر کی جگہ شرکت کرنے، بولنے اور ووٹ دینے کا حق حاصل ہوگا۔

نمائندہ (پراکسی) کے فارم اجلاس کے وقت (یعنی 2 مئی 2023 کو صبح 10:00 بجے) سے کم از کم 48 گھنٹے (تعطیلات کے علاوہ) قبل کمپنی کے شیئر رجسٹرار کے دفتر میں جمع کرائے جائیں۔ مذکورہ 48 گھنٹوں یعنی 27 اپریل 2023 کو صبح 10:00 بجے کے بعد موصول ہونے والے پراکسی فارم مستند تصور نہیں ہوں گے۔

سینٹرل ڈپازٹری کمپنی آف پاکستان لمیٹڈ میں اپنے حصص جمع کرانے والے ممبران کی حاضری درج ذیل لازمی شرائط کے مطابق ہوگی۔

الف) شخصی طور پر

- انفرادی ممبران کو اجلاس میں شرکت کے وقت اپنے شرکت کنندہ کا شناختی نمبر اور اکاؤنٹ/ذیلی اکاؤنٹ نمبر اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا اصل پاسپورٹ ہمراہ لانا ہوگا۔
- کارپوریٹ ادارے کی صورت میں اجلاس کے وقت بورڈ آف ڈائریکٹرز کی قرارداد/پاور آف اٹارنی کی ایک مصدقہ نقل نامزد شخص کے دستخطوں کے ساتھ پیش کرنی چاہئے۔

ب) بذریعہ نمائندہ (پراکسی):

- انفرادی صورت میں مذکورہ بالا نوٹ 3 میں بیان کردہ شرط کے تحت پراکسی فارم جمع کروائیں۔
- نمائندہ (پراکسی) کیلئے دو افراد بطور گواہ فراہم کئے جائیں جن کا نام، پتہ اور قومی شناختی کارڈ نمبر فارم پر درج کئے جائیں۔
- بئنیفشل مالکان یا نمائندہ (پراکسی) کے قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقل پراکسی فارم کے ہمراہ فراہم کی جائیں۔
- کارپوریٹ ادارے کی صورت میں، کمپنی کے شیئر رجسٹرار کو بورڈ آف ڈائریکٹرز کی قرارداد/پاور آف اٹارنی کے دستخطوں کے نمونے کے ہمراہ پراکسی فارم جمع کرایا جائے گا۔
- نمائندہ (پراکسی) کو اجلاس کے وقت اپنا اصل شناختی کارڈ یا اصل پاسپورٹ پیش کرنا ہوگا۔
- پراکسی فارم نوٹس کے ساتھ منسلک ہے اور کمپنی کی ویب سائٹ پر بھی دستیاب ہے۔

جو شیئر ہولڈرز آن لائن رابطے کے ذریعے سالانہ اجلاس عام میں شرکت کرنا چاہتے ہیں، ان سے التماس ہے کہ وہ PTC_AGM@bat.com پر 27 اپریل صبح 10:00 بجے تک ای میل ارسال کریں تاکہ ان شیئر ہولڈرز کو کنکشن کا لنک بھیجا جاسکے۔

تجلیم بورڈ
Madalla
مدیر ارشد چوہدری
کمپنی سیکریٹری

اسلام آباد: 11 اپریل 2023

نوٹس:

1- سالانہ رپورٹ

31 دسمبر 2022 کو ختم ہونے والے سال کی سالانہ رپورٹ کی سافٹ کاپی شیئر ہولڈرز کو ان کے دینے گئے ای میل ایڈریس پر اور اس کی سی ڈی 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 کر دی جائے گی۔

2- شیئر ٹرانسفر بکس کی بندش

کمپنی کی شیئر ٹرانسفر بکس مورخہ 26 اپریل 2023 سے 2 مئی 2023 (بشمول دونوں ایام) تک بند رہیں گی۔ کمپنی کے شیئر رجسٹرار، فیکو ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، 8-ایف، نزد ہوٹل فاران، نسرہ، بلاک-6، پی ای سی ایچ ایس، شاہراہ فیصل، کراچی-75400 کے دفتر میں مورخہ 25 اپریل 2023 بروز منگل کو کاروبار کے اختتام تک بروقت وصول ہونے والے ٹرانسفر ووٹ ڈالنے اور ڈیپوٹنڈ ادائیگی کے حقدار ہوں گے۔

GLOSSARY AND DEFINITIONS

AGM

Annual General Meeting

AJK

Azad Jammu & 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 and Sub-Saharan Africa

APME

Asia-Pacific and Middle East

APMEA

Asia-Pacific, Middle East and Africa

ASOP

Area Sales Operation Planning

ATL

Active Tax Payers List

AWS

Alliance for Water Stewardship

B2B

Business to Business

BA

Bachelors in Art

BAT

British American Tobacco

BAU

Business As Usual

BCM

Business Continuity Management

BIA

Business Impact Analysis

BOM

Battle of Minds

CASE

Centre for Advanced Studies in Energy

CbPMO

Capstan by Pall Mall

CDC

Central Depository Company

CEO

Chief Executive Officer

CFO

Chief Financial Officer

CGS

Chief of General Staff

CMA

Certified Management Accountant

CMT

Crisis Management Team

CNIC

Computerized National Identity Card

COGS

Cost of Goods Sold

COO

Chief Operating Officer

CPA

Crop Protection Agents

Current Ratio

The current ratio indicates a company's ability to meet short-term debt obligation

D2C

Direct to Consumer

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

DNP

Duty-Not-Paid

DTP

Directors' Training Program

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

EOs

Equipment Owners

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

FMC

Factory Manufactured Cigarettes

FMCG

Fast-Moving Consumer Goods

FTSE

Financial Times Stock Exchange

FX

Foreign Exchange

GBS

Global Business Services

Gearing Ratio

Compares some form of owner's equity (or capital) to borrow funds

GJ

Gigajoule

GLT

Green Leaf Threshing

GoP

Government of Pakistan

HR

Human Resource

HR&RC

Human Resources and Remuneration Committee

HRBP

Human Resource Business Partner

ICAP

Institute of Chartered Accountants of Pakistan

ICP

Investment Corporation of Pakistan

IFAC

International Federation of Accountants

IHC

Islamabad High Court

IMP

International Marketing Principles

I-RECS

International Renewable Energy Certificates

IREN

Inland Revenue Enforcement Network

IT

Information Technology

IWS

Integrated Work System

JF

Jhelum Factory

KPIs

Key Performance Indicators

LEP

Limited Edition Pack

LLB

Bachelor of Laws

M.A

Masters in Arts

MBA

Masters in Business Administration

MCB

Muslim Commercial Bank

MD

Managing Director

MESA

Middle East and South Africa

GLOSSARY AND DEFINITIONS

MO

Modern Oral

MoU

Memorandum of Understanding

MTBF

Mean Time Between Failure

MW

Megawatt

NC

New Category

Net Working Capital

Current assets minus current liabilities

NIT

National Investment Trust

NRSP

National Rural Support Program

NTN

National Tax Number

NTO

Net Turn Over

NUST

National University of Sciences and Technology

Operating Cycle

The average time between purchasing or acquiring inventory and receiving cash proceeds from its sale

ORA

Overall Risk Assessment

PPE

Personal Protective Equipment

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)

PTB

Pakistan Tobacco Board

PTC

Pakistan Tobacco Company or "The Company"

R&D

Research and Development

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

SoBC

Standards of Business Conduct

Sox

Sarbanes-Oxley

SPLY

Same Period Last Year

SRO

Statutory Regulatory Order

U.S.

United States of America

UAT

User Acceptance Test

UK

United Kingdom

VFM

Value for Money

Vs.

Versus

w.e.f.

with effect from

WIN

Women Inclusion Network

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 76th Annual General Meeting of the Company to be held on the 2nd day of May 2023 and at any and every adjournment thereof.

Signed by _____

Signed under my/our hand this the _____ day of _____ 2023.

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/ہم _____ از _____
 پاکستان ٹوبیکو کمپنی لمیٹڈ (کمپنی) کا ممبر ہونے کے ناطے، _____ عام شیئر (ز) برطابق رجسٹرڈ فوئیو نمبر/سی ڈی سی
 اکاؤنٹ نمبر _____ کے حامل ہیں مسٹر/مسز _____ فوئیو نمبر/سی ڈی سی اکاؤنٹ نمبر (اگر ممبر ہے تو) _____
 یا ان کے نہ ہونے کی صورت میں مسٹر/مسز _____ فوئیو نمبر/سی ڈی سی اکاؤنٹ نمبر (اگر ممبر ہے تو) _____
 کو 2023 مئی 2023 کو منعقد ہونے والے کینی کے 76 ویں اجلاس عام اور اس کے کسی بھی التواء پر ہونے والے اجلاس میں اپنی غیر حاضری پر اپنے نائب کے طور پر شرکت کرنے اور اپنی جگہ ووٹ دینے کے لئے
 مقرر کرتا کرتے ہوں/ہیں۔

دستخط کردہ _____

یہ میرے/ہمارے ہاتھ کے دستخط شدہ ہے/ہیں _____ دن _____ 2023

گواہ نمبر 2

گواہ نمبر 1

نام: _____
 شناختی کارڈ نمبر: _____
 پتہ: _____

نام: _____
 شناختی کارڈ نمبر: _____
 پتہ: _____

نوٹ:

الف دستخط، کینی کے ساتھ رجسٹرڈ نمونہ کے دستخط یا CNIC پر دستخط (کسی CDC شیئر ہولڈر کی صورت میں) کے ساتھ ملنے چاہیں۔

ب کسی نمائندہ کو کینی کا ممبر ہونے کی ضرورت نہیں ہے۔

پ نمائندے کا فارم (اسکین کاپی) مناسب طریقے سے CNIC کی تصدیق شدہ کاپیاں یا نمائندہ کے پاسپورٹ کے ساتھ zeeshan.akhtar@famco.com.pk پر اجلاس سے
 48 گھنٹے پہلے (جھٹی کے علاوہ) بھیجے جائیں گے۔

ت نمائندے کے فارم پر دو افراد کی گواہی موجود ہو اور دونوں گواہوں کے نام پتے اور قومی شناختی کارڈ نمبر درج ہوں۔

ث کسی کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی ریزولوشن/پاور آف آٹارنی مع نمونہ دستخط نمائندے کے فارم کے ساتھ zeeshan.akhtar@famco.com.pk پر بھیجے
 جائیں۔



📍 | Pakistan Tobacco Company Limited, Serena Business Complex, Khayaban-e-Suhrwady, Islamabad, Pakistan

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📠 | Fax: +92 (51) 2604516

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