Annual Report 2020

PTC
PAKISTAN TOBACCO
COMPANY

At PTC, we have been delivering shareholder value and creating valued employment for over 70 years. Today, we find ourselves in one of the most dynamic periods of change our industry has ever encountered. Our environmental, social and governance agenda is at the heart of our way forward. Rapid product innovation, along with advances in societal attitudes and public health awareness, have given us 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 will build A Better Tomorrow™ for consumers, society, employees and shareholders.

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

PTC
PAKISTAN TOBACCO COMPANY

CONTINUING OUR WINNING LEGACY

Asia Money Award

Top Employer 2020

GDIB Award

35th MAP Award

TABLE OF CONTENTS

Financial Statements

Consolidated Financial Statements

OUR VISION

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

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

OUR MISSION

Stimulating the senses of new adult generations

Today, BAT sees 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 PURPOSE

To create A Better Tomorrow™ for all our stakeholders

CONSUMERS

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

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.

EMPLOYEES

By creating a dynamic, inspiring and purposeful place to work.

SHAREHOLDERS

By delivering sustainable and superior returns.

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

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

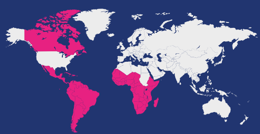
Take action to reduce the health impact of our business.

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.

BRITISH AMERICAN TOBACCO (BAT)

BAT by Region

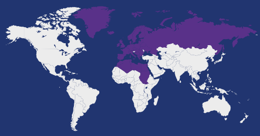


America and Sub-Saharan Africa

Employees	Manufacturing Sites
15,000+	27

Asia Pacific and Middle East

Employees	Manufacturing Sites
10,000+	24



Europe and North Africa

Employees	Manufacturing Sites
22,000+	21

United States of America

Employees	Manufacturing Sites
4,900+	7

For the fourth year running, we received the prestigious Global Top Employer accreditation in January 2021, acknowledging our commitment to creating an inclusive and innovative working environment. We've also been certified as a Top Employer in more than 40 markets

BAT is a leading, multi-category consumer goods business. Founded in 1902, today the Group is a truly global company –it employs more than 55,000 people worldwide, operates in over 180 markets and has factories in more than 40 countries.

The Group's global business is divided into four regions and covers over 150 million consumers and 11 million retail points of sale, with a balanced presence in both high-growth emerging markets and developed markets. BAT's portfolio comprises combustible tobacco products, such as cigarettes, alongside a range of non-combustible products. These include New Categories of reduced risk products* – vapour and tobacco heating products and modern oral products, including tobacco-free nicotine pouches – as well as traditional oral products, such as snus and moist snuff.

The Group's headquarters are in London and the company is listed on the London Stock Exchange. In 2020, the Group generated revenue of £26.7 billion and profit from operations of more than £9 billion.

Today BAT is transitioning from being a business where sustainability has always been important to one where it is front and centre in everything that it does.
The Group has made significant progress on its sustainability journey, as reflected by its presence in the Dow Jones Sustainability Indices for many years and the other notable independent recognitions it has received.

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

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

>180
markets in which we operate

>150m
daily consumer interaction

>11m
points of sale across over 180 markets

Our wide range of capabilities make us exceptionally well-placed for future growth:

- our unique global marketing and distribution reach;
- our track record of R&D strength and innovation;
- our decades' worth of consumer insights, and brand building expertise; and
- our New Categories business aims to generate £5bn in revenue in 2025

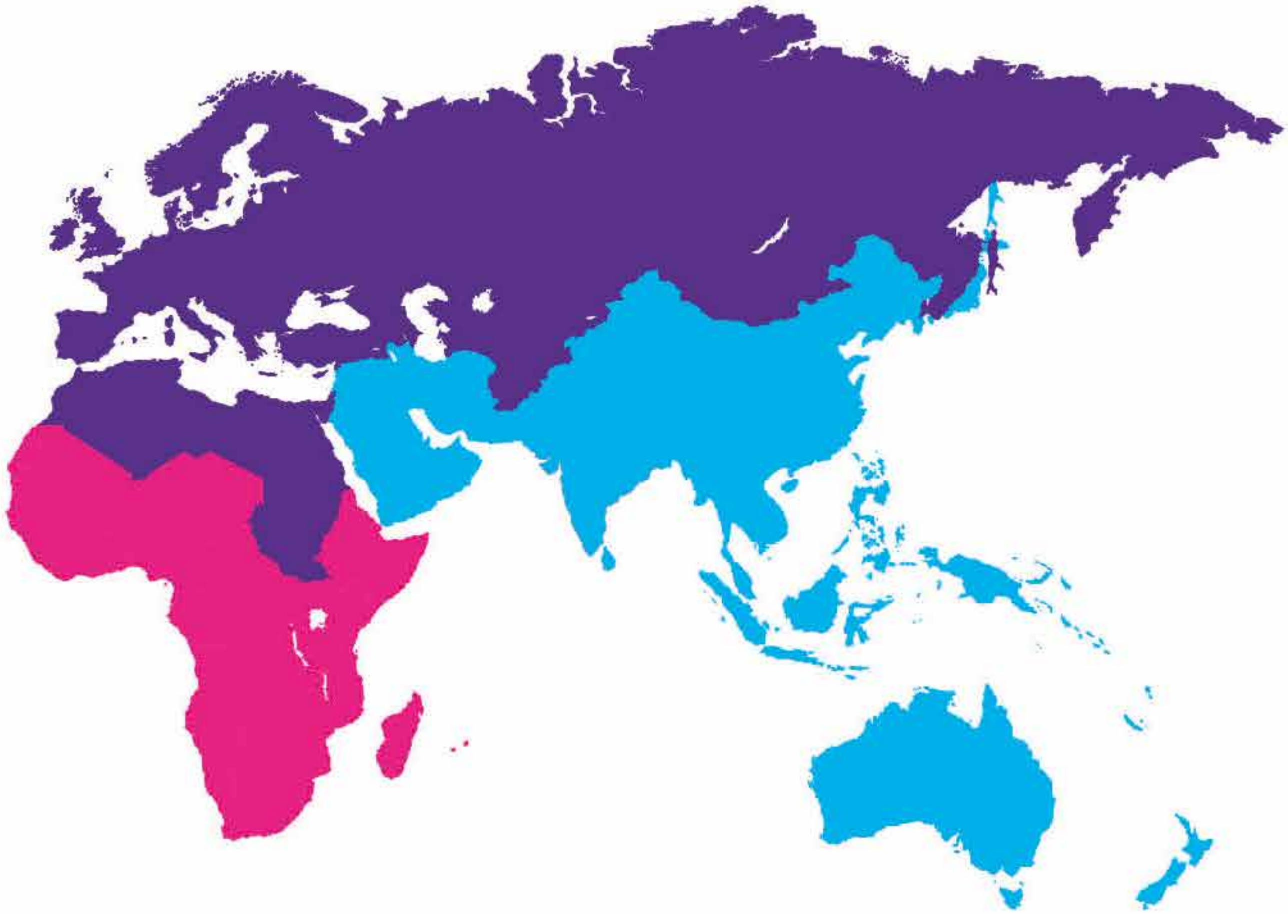
*Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive.

BAT'S GEOGRAPHICAL SPREAD

United States
of America

Americas and Sub-
Saharan Africa

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



Europe and North Africa

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

Asia-Pacific and Middle East

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

OUR EVOLVED BUSINESS MODEL

Our global business understands our diverse consumers, develops products to satisfy their preferences and ultimately distributes them across over 180 markets.

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

IP / Technology

£300mn+
R&D expenditure

7
R&D / Product centre sites

Environmental

370,000tn
of leaf

2,568 GWh
energy consumed

4.03m
cubic metres of water withdrawn

Manufacturing

79
BAT-owned manufacturing facilities

45
cigarette factories

Social

84,000+
contracted farmers

c30,000
Suppliers

180+ Markets

Financial

£600mn+
annual capital expenditure

£426mn
additional investment in New Categories

BBB+/Baa2 credit rating*

Human

55,000+
employees globally

1,500+
R&D specialists

*A credit rating is not a recommendation to buy, sell or hold securities. A credit rating may be subject to withdrawal or revision at any time. Each rating should be evaluated separately of any other rating.

A Better Tomorrow™ for...

As measured by...

Society

Environmental

- 37.4% reduction in Scope 1 and 2 CO_2e emissions (since 2017)
- Over 99% of wood fuel used for curing from sustainable sources
- 76% of tobacco hectares with best practice soil and water management plans
- 22.5% reduction in water withdrawn (since 2017)
- 21.4% reduction in waste to landfill (since 2017)

Social

- £41bn tax paid to governments
- 38,000+ human rights farmer training sessions, with over 390,000 attendances in 2020

Shareholders

Financial

- 7% dividend growth (CAGR since 2010)
- 5.5% growth in adjusted diluted EPS at constant currency in 2020
- @103% operating cash conversion in 2020@
- 3.3% increase in revenue (at constant currency)

Social

- Among world's top 10% ESG performers in Dow Jones Sustainability Index (DJSI)

Consumers

Financial

- +15% revenue from New Categories (vs 2019)
- +20 bps in Cigs + THP value share with +30 bps in Cigs + THP volume share (vs 2019)

Social

- 11m number of outlets
- 13.5m Non-Combustible consumers
- 100% adherence to Youth Access Prevention Guidelines

Employees

Human

- 30% reduction in lost workday cases (vs 2019)
- Proportion of women in management roles grew to 38%
- Accredited as Global Top Employer by the Top Employers Institute
- Employee engagement index 7% higher than FMCG comparator group in latest 'Your Voice' survey

OUR EVOLVED ESG AGENDA

At BAT, we are transitioning from being a business where sustainability has always been important to one where it is front and centre in all that we do.

Consequently, we refreshed our Sustainability Agenda (as an integral part of our evolved Group Strategy) to place a greater emphasis on the importance of addressing climate change and environmental management. This is underpinned in excellence in all other environmental, social and governance (ESG) measures.

Our Sustainable Agenda

S

Reducing the HEALTH impact of our Business

Consumer Choice | **World-Class Science** | **Standards and regulation**

E

Excellence in
ENVIRONMENTAL
management

- Climate change
- Water and waste
- Sustainable agriculture
- Circular economy

S

Delivering a positive
SOCIAL impact

- Human rights
- Farmer livelihoods
- Health and safety
- People and culture

G

Robust corporate
GOVERNANCE

- Business ethics
- Responsible marketing
- Regulation
- Policy engagement

Creating shared value for

CONSUMERS | SOCIETY | EMPLOYEES | SHAREHOLDERS

PAKISTAN TOBACCO COMPANY LIMITED

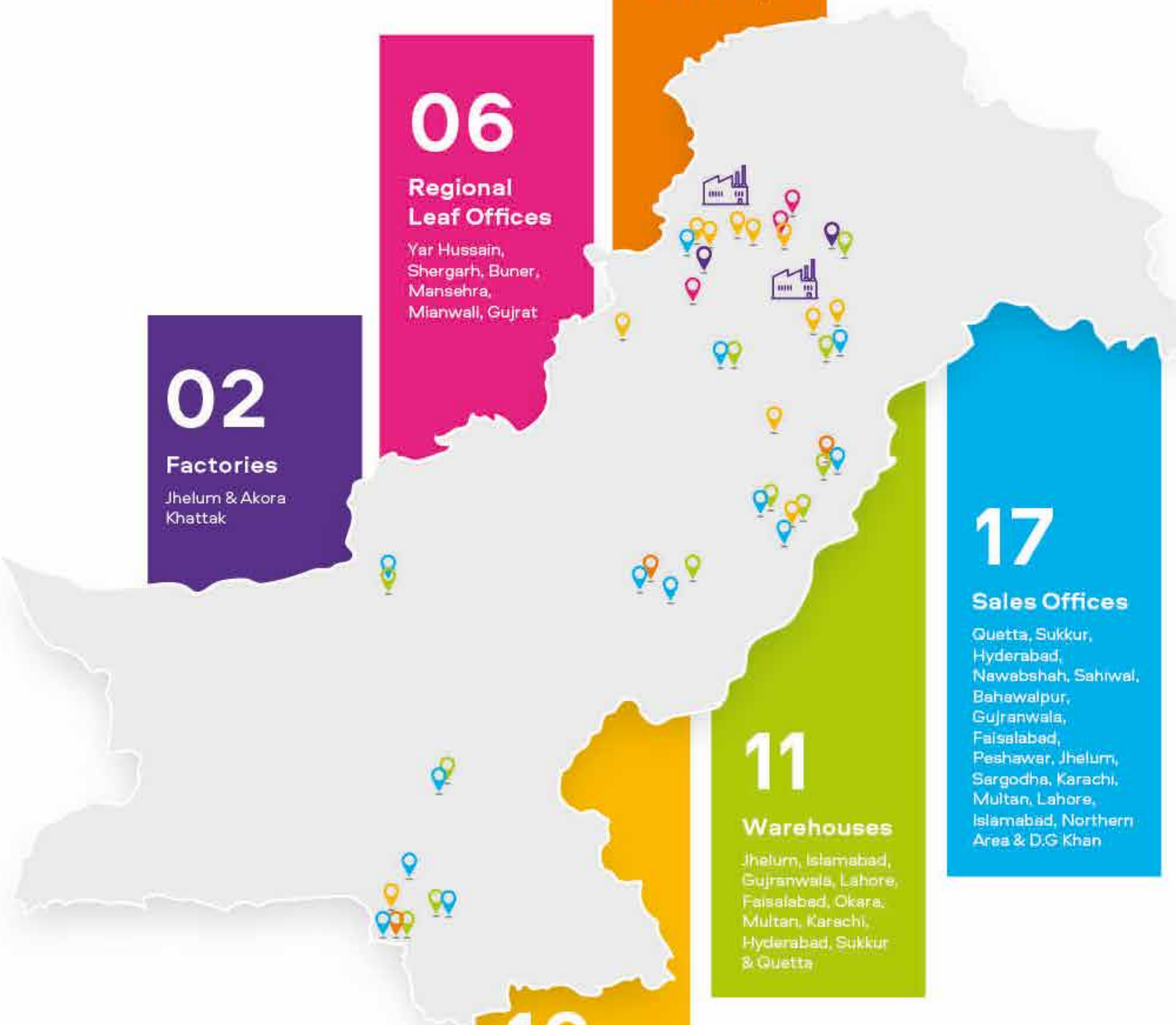
Pakistan Tobacco Company Limited (PTC) was the first multinational to be incorporated in Pakistan, right after the partition of the Subcontinent in 1947. We are a subsidiary of the British American Tobacco Group (BAT) and we take pride in the fact that we started off with a single warehouse near Karachi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

We are making a step-change in the development of standards to protect and support our New Categories ambition. We have created new benchmarks and set new records across the value chain - establishing Pakistan as an export hub for VELO in the APME region - thus building A Better Tomorrow™ for BAT, our consumers and all our stakeholders. Furthermore, this year is poised to be the year of Sustainability. Exciting new initiatives such as expanding our plant nurseries footprint, increasing our water-filtration plants network and many new projects are underway. A year like no other, we are proud to not only have weathered the storm but come out of this stronger.

Aligned with the Government's ambition of reducing the balance of payments deficit, we exported Raw Tobacco and Finished goods to GCC and other Middle Eastern countries with an approximate worth of around $31 million. Overall, we exported over 2.3+ Billion Cigarettes and 4+ Million Kilograms of Raw Tobacco. These numbers have the potential to grow manifold in the years to come.

We are extremely positive about the strategic interventions that our team undertook during 2020. Our globally sought-after talent, prized product portfolio, our partnerships throughout our crop to consumer operations and world class manufacturing facilities is what sets us apart locally and globally.

OUR FOOTPRINT



04

Regional Trade Offices

Lahore, Multan, Karachi & Rawalpindi

06

Regional Leaf Offices

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

02

Factories

Jhelum & Akora Khattak

17

Sales Offices

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

11

Warehouses

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

16

Leaf Depots

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

CORPORATE INFORMATION

Registered Office

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

Factories

Akora Khattak Factory

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

Jhelum Factory

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

Company Secretary

Sami Zaman
T: +92 (51) 2083200

Bankers

Conventional Banks

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

Islamic Banks

MCB Islamic Bank Limited

Auditors

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

Share Registrar

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

Regional and Area Offices

Central Punjab

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

11 KM Jaranwala Road,
Near Shafi Oil Mills, Faisalabad
T: +92 (41) 8740892-94

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

Southern Punjab

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

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

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

North

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

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

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

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

Sindh & Balochistan

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

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

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

Bungalow No. A/31 Akhuwat Nagar,
Shikarpur Road, Sukkur
T: +92 (71) 5807225 - 5807224

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

OUR LOGO EVOLUTION

The logo, along with a new brand identity, reflects changes in the world around us and our business. For decades, our previous leaf logo has served us well as a strong symbol of a world-leading tobacco company. Today, however, our purpose has evolved as we aim to reduce the health impact of our business through offering a greater choice of enjoyable and reduced risk products* for our consumers. Our dynamic new logo reflects our company today and our journey ahead. Our heritage – and the foundation of our success – is in cigarettes, however, we recognize the world is changing. We have a clear purpose to build A Better Tomorrow™ by reducing the health impact of our business.

New BAT Identity

BAT
A BETTER TOMORROW

Our Colours

The blues represent the water and air that sustain us, yellow/orange are the sun that nurtures us, greens are the land on which we depend and pink/purple represents our innovation and diversity.

PTC
PAKISTAN TOBACCO COMPANY

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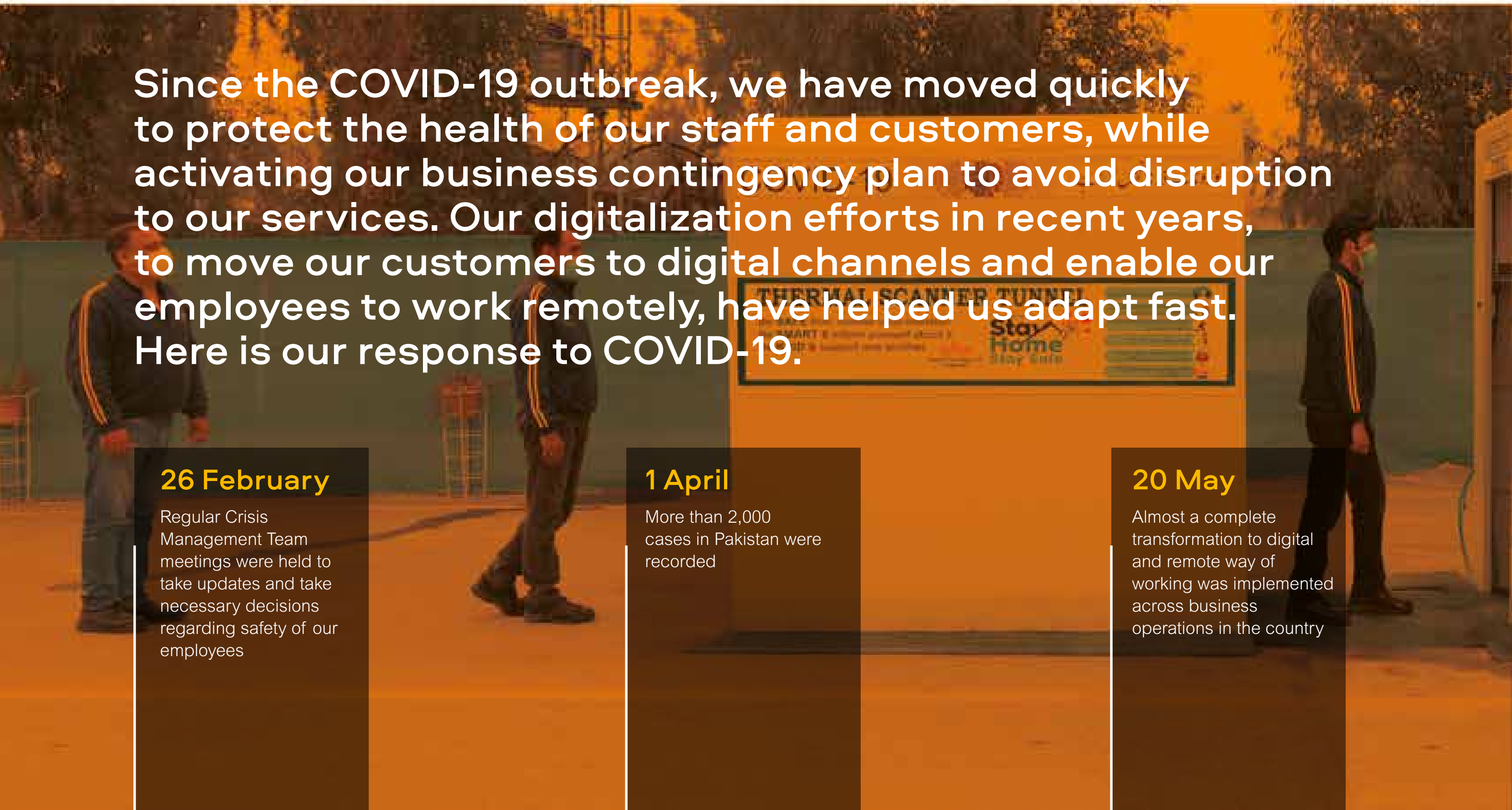
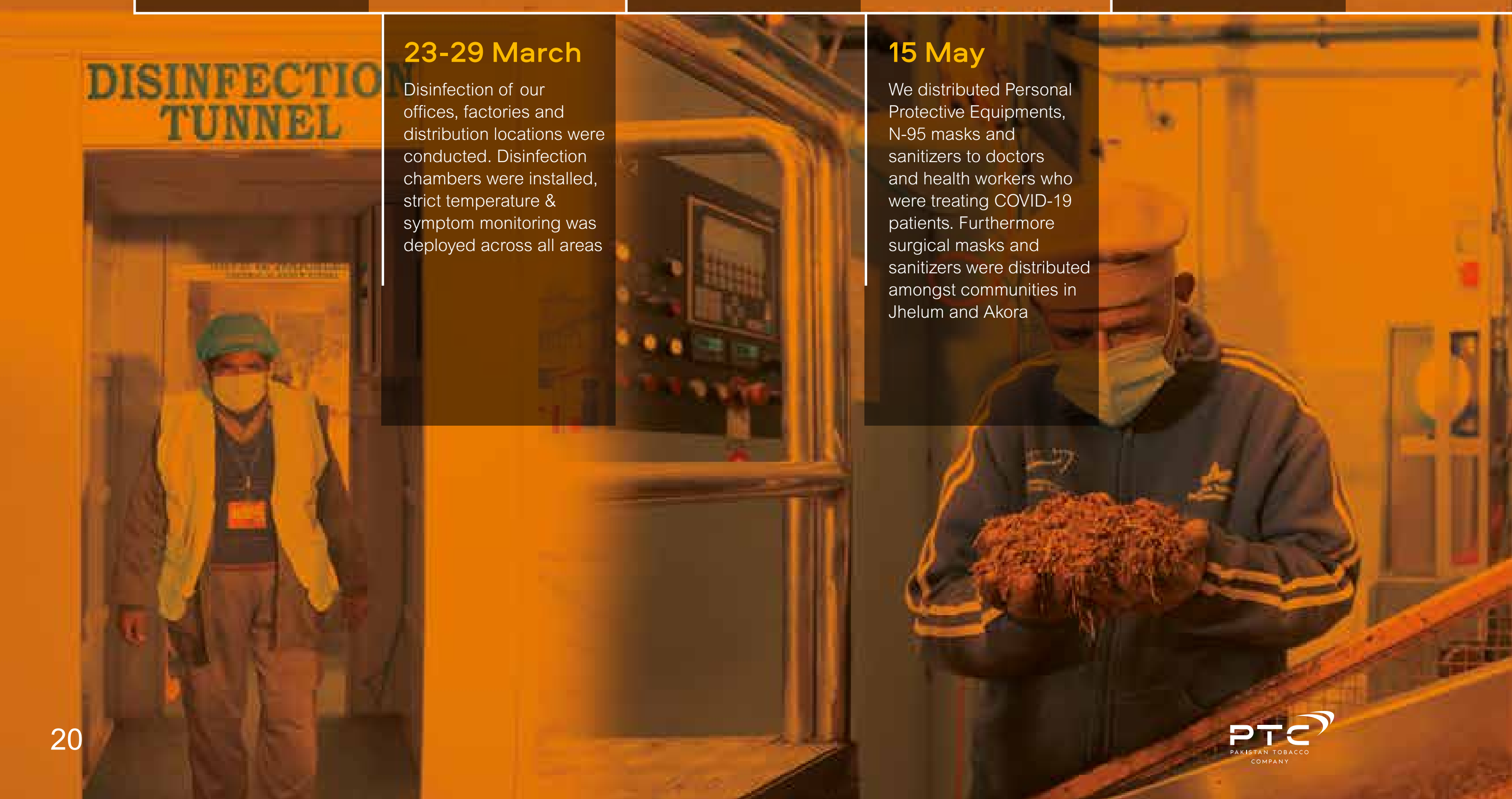
OUR RESPONSE TO COVID-19



Since the COVID-19 outbreak, we have moved quickly to protect the health of our staff and customers, while activating our business contingency plan to avoid disruption to our services. Our digitalization efforts in recent years, to move our customers to digital channels and enable our employees to work remotely, have helped us adapt fast. Here is our response to COVID-19.

26 February

Regular Crisis Management Team meetings were held to take updates and take necessary decisions regarding safety of our employees



23-29 March

Disinfection of our offices, factories and distribution locations were conducted. Disinfection chambers were installed, strict temperature & symptom monitoring was deployed across all areas

1 April

More than 2,000 cases in Pakistan were recorded

15 May

We distributed Personal Protective Equipments, N-95 masks and sanitizers to doctors and health workers who were treating COVID-19 patients. Furthermore surgical masks and sanitizers were distributed amongst communities in Jhelum and Akora

20 May

Almost a complete transformation to digital and remote way of working was implemented across business operations in the country

28 June

HO and A&TMD offices started to reopen with limited capacity adhering to Covid protocols. Zero-Tolerance Policy for any non-compliances to the SOPs were put in place. We pioneered in implementing Covid protocol and helped to cascade best practices to other end markets

1 August

Decline of first wave was witnessed in the government data. Business flourished along with new normal. Akora Khattak Factory and Jhelum Factory continued to push industry leading numbers across the BAT Group

1 November

Pakistan experienced a second surge in the pandemic. Zero tolerance policy for any non compliance to SOPs continued to stay in effect

10 December

Covid awareness campaigns launched to reaffirm the severity of the pandemic. We continued to operate with our Work from Home protocol ensuring the continued safety of its employees

31 December

We continued to distribute Personal Protective Equipment's amongst front line health workers and the communities in Jhelum and Akora

AWARDS AND ACCOLADES

GDIB Award

Global Diversity and Inclusion Benchmark (GDIB) Awards are conducted by Diversity Hub Pakistan on an annual basis. GDIB awards is a mechanism to recognize and encourage progressive organizations who use GDIB standards to align D&I with organizational policies and process for sustainable financial and social performance.

GDIB has awarded Pakistan Tobacco Company Limited (PTC) 6 awards in the following categories:

- Vision
- Leadership
- Structure
- Recruitment & Development
- Learning and Education
- Communication

We ranked 5th place out of 30 companies by the GDIB panel

Top Employer 2020

Established more than 25 years ago, Top Employer Institute is a global certification Company recognizing excellence in people practices. Top Employers Institute has certified over 1500 organisations in 118 countries/regions. Pakistan Tobacco Company Limited (PTC) has been awarded the Top Employer certification 2020 by the Top Employers Institute. We have achieved this award two years in a row.

Asia-Money Award

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

Pakistan Tobacco Company Limited (PTC) was awarded as the “Most Outstanding Company in Pakistan” in Tobacco Sector by the Euro-Money – Asia-Money Asia’s Outstanding Companies Poll 2020.

Management Association of Pakistan

Founded in 1964, MAP is a professional and non-political association with a not-for-profit agenda, and it pursues the vision to lead change processes towards best Management Practices. Management Association of Pakistan is committed to excellence in management through human capital development, creating awareness and recognizing best management practices to enhancing competitiveness. In 2020, Pakistan Tobacco Company Limited (PTC) was awarded the 35th corporate excellence award in the Tobacco Sector category.

RISK & OPPORTUNITY REPORT

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

Statement from Board of Directors

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

As part of the risk governance and overall good corporate governance stipulated in the Code of Corporate Governance 2019, several Directors of the Company have been appropriately certified under the Directors' Training Program from SECP approved institutions in accordance with the time frame set out in the Code. The following 9 Directors have obtained the requisite certification. Three are pending - their training is scheduled during the current year to ensure certification of the entire Board.

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

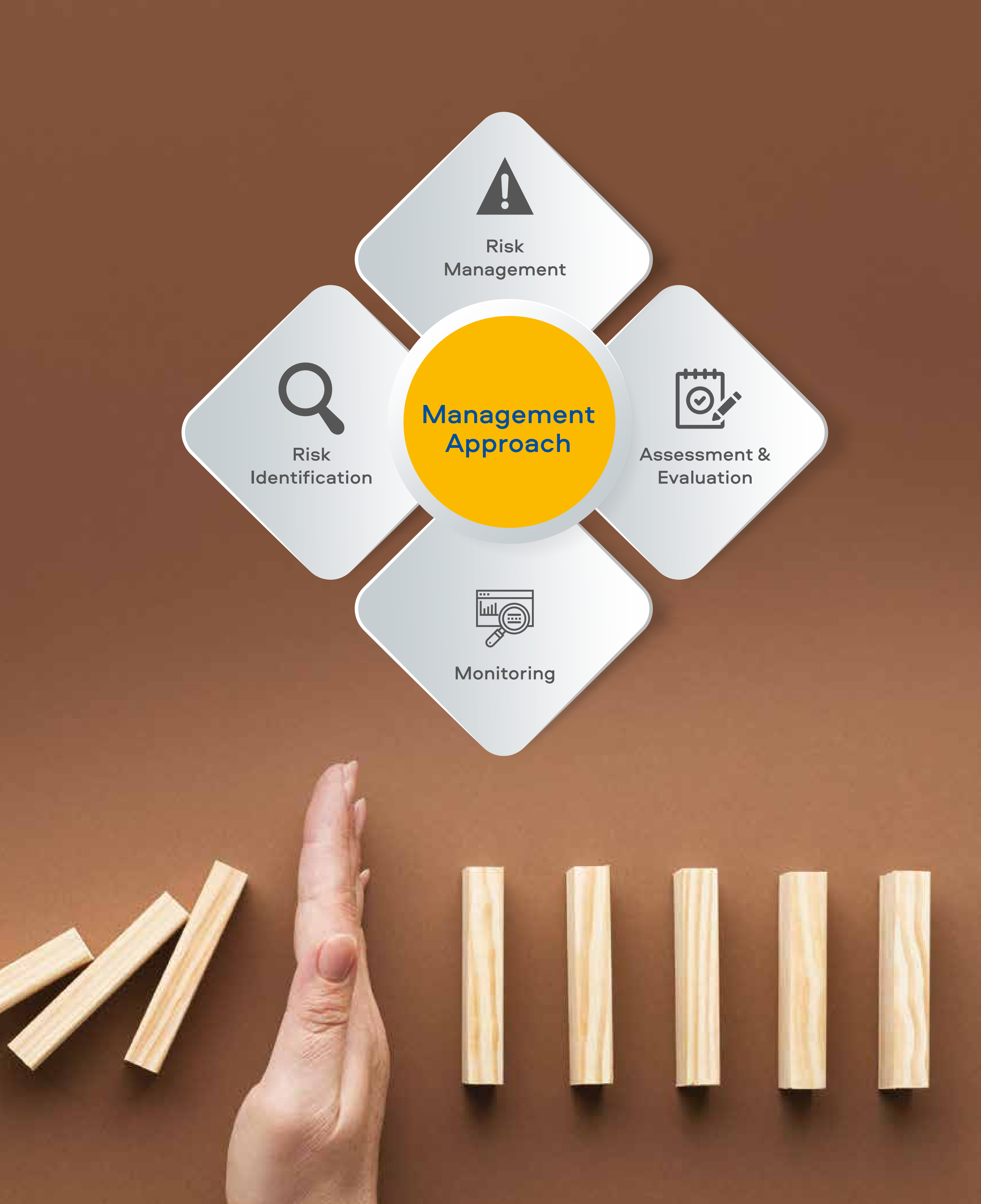
1. Syed Javed Iqbal
2. Asif Jooma
3. Tajamal Hussain Shah
4. Zafar Mahmood
5. Lt. Gen. M. Masood Aslam (R)
6. Usman Zahur
7. Syed Asad Ali Shah
8. Syed Ali Akbar
9. Mohammad Riaz

Risk Governance

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

Risk Identification

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


Risk
Management
Management
Approach
Risk
Identification
Assessment &
Evaluation
Monitoring

Assessment and Evaluation

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

Risk Management

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

Monitoring

Risks are monitored at multiple levels in the organization including at functional level, by GC, Executive Committee, Board Audit Committee and Board level. Identified risks, the risk registers, mitigation plans, and performance of each risk mitigation plan are evaluated at these levels throughout the year. Furthermore, the Company is also fully compliant to all the requirements of Sarbanes Oxley Act (SOx) which has further strengthened the internal controls of the Company.

Materiality Approach Adopted by the Management

Materiality levels, other than those provided under regulations, are judgemental and may vary substantially from company to company. For us, matters are considered to be material if, individually or in aggregate, they are expected to significantly affect the performance, profitability, brands or assets of the Company.

Powers of the Board of Directors and the management have been defined with special reference to, and in compliance with the applicable regulatory framework. Authorizations for transactions have been clearly defined and documented in the Statement of Delegated Authorities (SoDA). These authorities have been defined keeping in view materiality levels appropriate to a certain position or level of an employee. These are reviewed and approved by BoD each year.

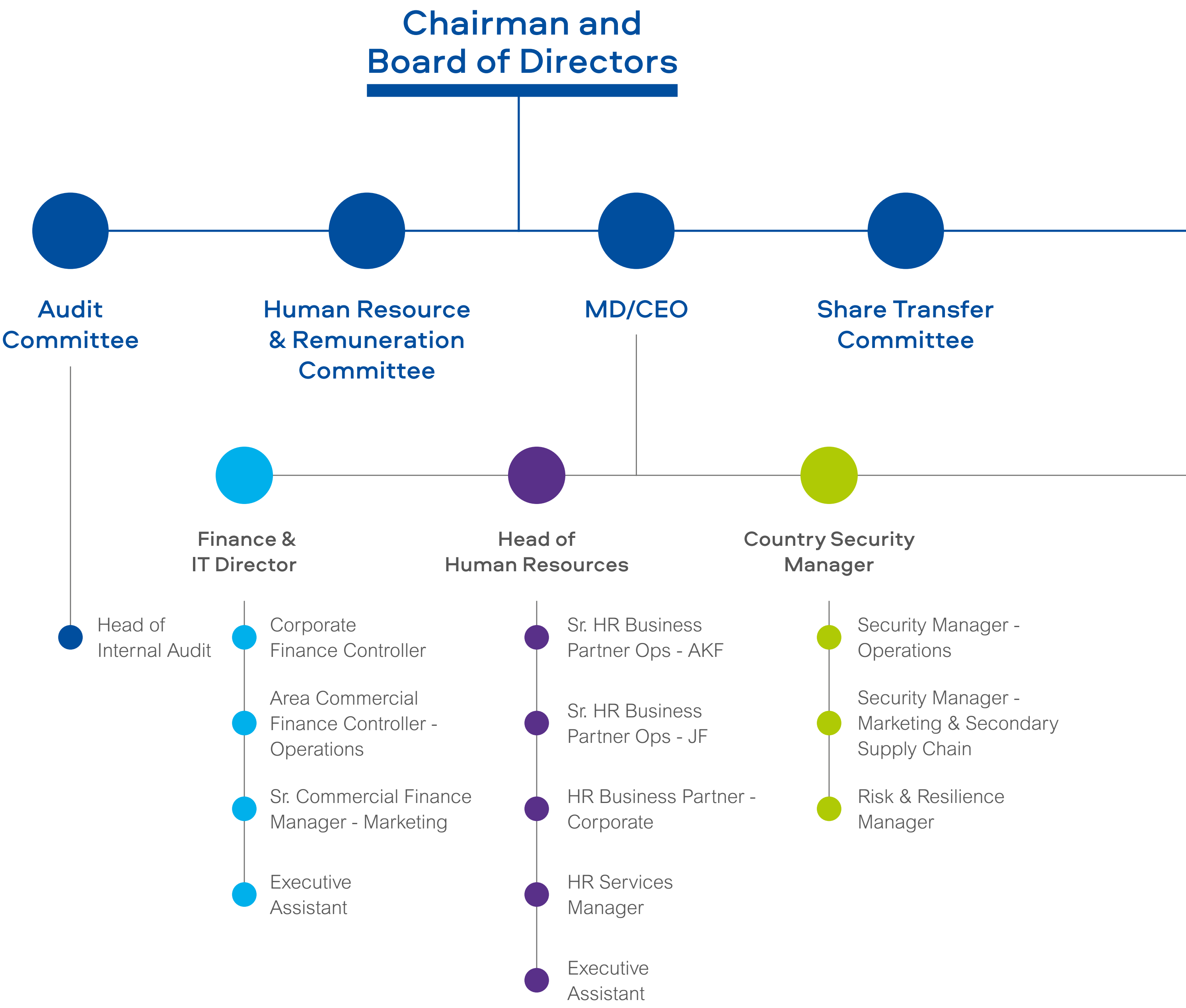
Key Sources of Uncertainty and Risks & Mitigating Strategies

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

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

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

ORGANISATIONAL STRUCTURE



Executive Committee (ExCo)

Area Director Ops MESA

- Factory Manager - JF
- Factory Manager - AKF
- Supply Chain Manager SAA
- Area Quality Manager
- Area EHS Manager

Legal & External Affairs Director

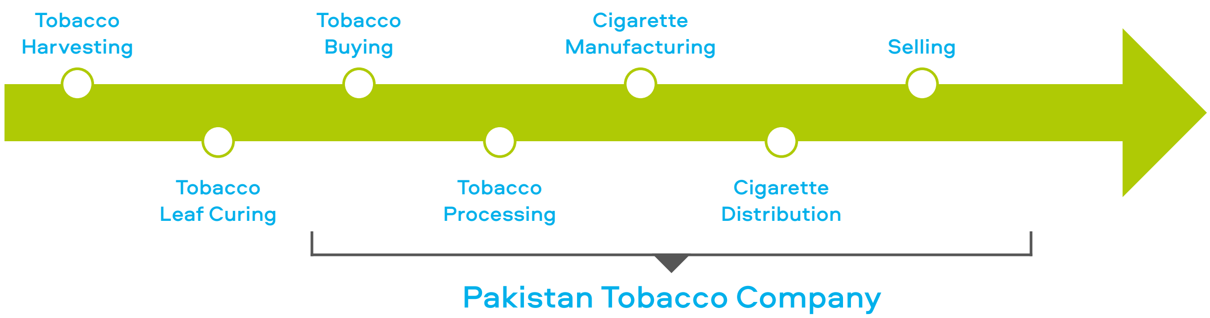
- Head of External Affairs & Company Secretary
- Commercial Counsel
- Executive Assistant

Head of Marketing

- Head of Activation and Trade Marketing Distribution
- Business Development Manager GTR & Afghanistan
- Planning Manager - PK
- Group Brand Manager JPGL
- Executive Assistant

As at 31st December 2020

POSITION OF REPORTING ORGANISATION WITHIN VALUE CHAIN



Sourcing

1. Tobacco Buying

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

2. Other Raw materials

The Company procures other raw materials used in the manufacturing and packaging of cigarettes from local as well as international suppliers. In turn, the local industries supplying raw materials to the Company are able to generate income and employment by transacting commercially with the Company. Venturing into new categories, the Company currently imports finished goods but will soon produce it locally.

Manufacturing

1. Tobacco Processing

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

2. Cigarette Production

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

Warehousing and Distribution

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

Selling and Marketing

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

Following is the Graphical Representation of PTC's Operations and New Categories Product Distribution:

BOARD OF DIRECTORS

Zafar Mahmood

(Chairman and Non- Executive Director)

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

Usman Zahur

(Managing Director/CEO)

Mr. Usman Zahur joined PTC 23 years ago and since then, he has held various senior Marketing positions in Brands, Trade and SP&I across different geographies. In 2012, he was assigned as the Head of Marketing – Bangladesh, where he led the marketing team in achieving unprecedented growth in a very complex and competitive environment. He returned to Pakistan in 2017 as Area Marketing Director for South Asia Cluster including Sri Lanka and Myanmar. He was appointed as the Managing Director / CEO of the Company in November 2019.

William Pegel

(Finance & IT Director)

Mr. William Pegel joined PTC as Area Head of Finance for South Asia Cluster in 2019. He has over 24 years of experience in various BAT companies and successfully performed the role of Finance Director in various end markets including New Zealand, Papua New Guinea, Ghana and Bangladesh. He has also held various senior finance roles at BAT Australia and BAT South Africa since 1996. Prior to joining PTC, he was an integral member of the BAT Bangladesh Leadership Team, displaying strong leadership and business acumen. He is a Certified Chartered Accountant from the South African Institute of Chartered Accountancy. He joined the Board in September 2019.

Syed Asad Ali Shah

(Legal & External Affairs Director)

Syed Asad Ali Shah has more than 18 years of experience with the Company. He has worked in several managerial roles in Marketing, Supply Chain and Corporate & Regulatory Affairs Functions in Pakistan, United Kingdom and North America. He has previously served as the Head of Government Affairs and in August 2018, he was appointed as the Area Head of Legal and External Affairs for South Asia Cluster. He holds a master's degree from Cranfield University School of Management, UK. He joined the Board in April 2019.

Syed Ali Akbar

(Marketing Director)

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

Syed Javed Iqbal

(Non-Executive Director)

Syed Javed Iqbal has been with the BAT Group for the last 23 years. He joined as a Management Trainee and has held various key positions in the Finance function within PTC as well as with British American Tobacco Group. He has served in BAT South Korea as the Finance Controller and later in Global Headquarters in London as the Finance Manager for Global Marketing. In 2011, he was appointed as the Finance Director for Swiss Business Unit. He returned to Pakistan in 2014 as Director Finance & IT. In July 2016, he became the Managing Director /CEO of PTC and Area Director of South Asia Cluster. He is currently the Area Director for Middle East & South Asia business in BAT with effect from November 2019.

BOARD OF DIRECTORS

Tajamal Hussain Shah

(Non-Executive Director)

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

Belinda Joy Ross

(Non-Executive Director)

Ms. Belinda Joy Ross completed her LL.B. and B. Com at the University of Otago, New Zealand and is registered as a Barrister and Solicitor of the High Court of New Zealand. Before joining BAT, she has worked as a private practitioner at one of Auckland's leading firms and has also provided advisory services to various New Zealand and South Pacific Businesses. Belinda has over 21 years of experience within British American Tobacco (BAT) and her current role encompasses Legal Affairs, Corporate Affairs and Security matters across Asia Pacific and Middle East regions. She is a member of the leadership teams of Asia Pacific and Middle East regions as well as the Global Legal and External Affairs team. She joined the Board in April 2019.

Lt. Gen. M. Masood Aslam (R)

(Independent Director)

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

Mohammad Riaz
(Independent Director)

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

Asif Jooma
(Independent Director)

Mr. Asif Jooma started his career in the corporate sector with ICI Pakistan Limited in 1983 and has over 35 years of extensive experience in senior commercial and leadership roles. Following his early years with ICI Pakistan Limited and subsequently Pakistan PTA Limited, he was appointed Managing Director of Abbott Laboratories Pakistan Limited in 2007. After serving there for nearly six years, he returned to ICI Pakistan Limited as Chief Executive in February 2013. He has previously served as President of the American Business Council, President of the Overseas Investors Chamber of Commerce and Industry (OICCI) and Chairman of the Pharma Bureau. He has also served as a Director on NIB Bank Limited, Engro Fertilisers Limited and Director and Member Executive Committee of the Board of Investment (BOI) – Government of Pakistan. He currently serves on the Board of Systems Limited and is the Chief Executive of NutriCo Morinaga (Private) Limited.

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

Zafar Aslam
(Non-Executive Director)

Mr. Zafar Aslam is a Mechanical Engineer, having completed management programs at University of Cranfield, Stanford University and IMD Lausanne. He's worked on multiple programs with McKinsey, Accenture and Gartner. He joined BAT 24 years ago, as a Management Trainee in Operations. After several roles in PTC, he moved to Malaysia as the Asia Pacific (AsPac) Regional Supply Chain Program Manager before returning to Pakistan as the Factory Manager. In 2010, he was appointed as Operations Director, BAT Bangladesh. He then served as the Regional Head of Plan & Service based in the UK and later as the Group Head of Plan, Service & Logistics in the Global Head Office, London before returning to Asia as the Regional Operations Director for AsPac Region in 2016. He was also appointed Director on the Boards of British-American Tobacco (Singapore) Pte Ltd & British-American Tobacco Marketing (Singapore) Pte Ltd. Since January 2018, he has taken over the added responsibilities of the Middle East Area as Regional Operations Director. He joined the Board in April 2019.

COMMITTEES OF BOARD

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

Executive Committee

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

Usman Zahur
Managing Director & CEO

Syed Asad Ali Shah
Legal & External Affairs Director

William Pegel
Finance & IT Director

Syed Ali Akbar
Marketing Director

Waqas Ahmad Khan
Head of Human Resources

Husain Iqbal Jaffery
Head of Operations

Sami Zaman
Company Secretary

Matters delegated to the Management

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

Board Meetings

During the year 2020, five meetings were held on 24th February, 7th May, 24th July, 23rd October and 10th December. Attendance of its members is as follows:

Members	Attendance
Mr. Zafar Mahmood Chairman	5/5
Usman Zahur Managing Director and CEO	5/5
William Francis Pegel Director Finance & IT	5/5
Syed Asad Ali Shah Director Legal and External Affairs	5/5
Syed Ali Akbar Director Marketing	4/5
Syed Javed Iqbal Non-Executive Director	1/5
Belinda Joy Ross Non-Executive Director	4/5
Zafar Aslam Khan Non-Executive Director	3/5
Lt. Gen. M. Masood Aslam (R) Independent Director	5/5
Mohammad Riaz Independent Director	5/5
Asif Jooma Independent Director	5/5
Mr. Tajamal Shah Non-Executive Director	4/5

Audit Committee

In 2020, 4 meetings were held on 24th February, 7th May, 24th July and 23rd October. Attendance of its members is as follows:

Mohammad Riaz Chairman	4/4
Lt. Gen. M. Masood Aslam (R)	4/4
Asif Jooma	4/4
Tajamal Shah	3/4
Belinda Joy Ross	3/4

Executive Committee (ExCo)

In 2020, one meeting was held on 18th June*. Attendance of its members is as follows:

Usman Zahur	1/1
William Francis Pegel	1/1
Syed Asad Ali Shah	1/1
Syed Ali Akbar	0/1
Hussain Iqbal Jaffery Director, Supply Chain	1/1
Waqas Ahmad Khan Head of HR	1/1

* ExCo meetings reduced due to creation of new empowered forums for decisions on operational matters. See page 38 for more details

Human Resources & Remuneration Committee Meetings

In 2020, one meeting was held. Attendance of its members is as follows:

Lt. Gen. M. Masood Aslam (R)	1/1
Asif Jooma	1/1
Usman Zahur	1/1

Shares Transfer Committee

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

Usman Zahur	9/12
William Pegel	12/12
Syed Asad Ali Shah	12/12

Governance Committee

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

William Pegel	11/11
Syed Asad Shah	10/11

Commercial Committee

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

Usman Zahur	9/12
William Francis Pegel	12/12
Syed Asad Ali Shah	12/12
Syed Ali Akbar	9/12
Hussain Iqbal Jaffery Moved to new role in August 2020	6/7
Waqas Ahmad Khan	12/12

TORs / Functions of Board Committees

Committees **Audit Committee**	Committees **Human Resources and Remuneration (HR&R)**
Functions	**Functions**
The Audit Committee functions within the scope of the terms of reference approved by the Board, which sets out the roles and responsibilities of the Committee and as well as the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019. The role and responsibilities of the Audit Committee include: • 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.	The Committee is responsible for: • Recommending human resources management policies to the Board; • Recommending to the Board the selection, evaluation, compensation (including retirement benefits) and succession planning of the MD/CEO; • Recommending to the Board, the selection, evaluation, compensation (including retirement benefits) of COO, CFO, Company Secretary and Head of Internal Audit; and • Consideration and approval on recommendations of MD/CEO on such matters for key management positions who report directly to MD/CEO or COO.

- 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.

Committees

Share Transfer Committee

Functions

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

Committees

Executive Committee of the Board (ExCo)

Functions

The Executive Committee of the Board (ExCo) is the central working nucleus of the organisation. Comprising of Executive Directors and Heads of Departments of the Company, the ExCo drives to achieve the strategic targets set by the Board of Directors.

Committees

Governance Committee

Functions

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

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

- Achievement of PTC goals within an appropriate framework of internal control and risk management;
- Process simplification with empowered teams leading to smarter and faster decision making;
- Internal control system;
- Risk management and analysis;
- Business policies and practices;
- Compliance with the SoBC standards and policies;
- Compliance with applicable laws and regulations; and
- Monitoring and controlling of business and other risks

While recognising that the primary responsibility for corporate governance resides with the Board, it has been delegated to the Committee, which has a representation of the ExCo and their direct reports

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

Committees

Commercial Committee

Functions

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

The commercial forum is responsible for the following:

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

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

REPORT OF AUDIT COMMITTEE

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

Four meetings of the Audit Committee were held during 2020. The composition of the Audit Committee as on December 31, 2020 is as follows:

Directors	Status	24th Feb	7th May	24th Jul	23rd Oct	Total
Mr. Mohammad Riaz Chairman	Independent	✓	📹	📹	✓	4
Lt. Gen. M. Masood Aslam (R) Member	Independent	✓	📹	📹	✓	4
Mr. Asif Jooma Member	Independent	✓	📹	📹	✓	4
Ms. Belinda Joy Ross Member	Non-Executive	X	📹	📹	📹	3
Mr. Tajamal Shah Member	Non-Executive	✓	📹	X	✓	3

*Participants joining via Video conference call.

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

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

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

For 2020 the Audit Committee Reports

1. The Company has complied, without any material departure, with the requirements of Listing Regulations, Code of Corporate Governance, Company's Standards of Business Conduct and other relevant statutory & regulatory requirements;
2. The Company has issued a Statement of Compliance with the Code of Corporate Governance which has also been reviewed and certified by the external auditors of the Company;
3. The Audit Committee reviewed and approved quarterly, half-yearly and annual financial statements of the Company and recommended them for approval of the Board of Directors. Further, the financial statements comply with the requirements of the Fourth Schedule to the Companies Act, 2017, and applicable International Accounting Standards and International Financial Reporting Standards

notified by SECP. No significant issues were identified by the external auditors with respect to the financial statements;

4. The Audit Committee approves that the Annual Report is fair, balanced and understandable and it provides the necessary information for shareholders to assess the Company's position and performance, business model and strategy;
5. The Audit Committee reviewed all preliminary announcements of the Company's results prior to publication;
6. The Audit Committee reviewed the Company's statement on internal control systems prior to its endorsement by the Board;
7. The Audit Committee reviewed the Risk & Controls Matrix for identified risks, implemented controls and countermeasures to mitigate these risks. Furthermore, the Audit Committee reviewed recommendations from risk-based reviews for the mitigation of risks and improvement of processes;
8. The Audit Committee reviewed the procedures established for receipt, retention and treatment of concerns relating to the Company's accounting, internal accounting controls or auditing matters, on a confidential and anonymous basis; and
9. The Audit Committee evaluated its performance and shared the results with the external auditors.

Internal Audit and Risk Management

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

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

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

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

External Audit

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

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

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

Being eligible for reappointment as auditors of the Company, the Audit Committee has recommended the appointment of M/s KPMG Taseer Hadi & Co., Chartered Accountants as external auditors of the Company for the year ending 31 December 2021. M/s KPMG Taseer Hadi & Co. has been the Company's external auditors since 2016 and has a thorough knowledge of the Company's business and industry.

STANDARDS OF BUSINESS CONDUCT AND ETHICAL PRINCIPLES

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

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

In our Ethos we express commitment to be "diverse" and "responsible". Behaving responsibly will help us protect the quality of our business relationships amongst ourselves, our stakeholders and markets. Harnessing the diversity of our people, helps define our organisation, our culture and makes working together enjoyable.

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

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

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

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

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

Governance Exceeding Regulatory Requirements

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

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

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

Whistle Blowing

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

Policy and Procedures

The Company's whistle blowing policy (Policy) gives employees (and people working with the Company) trust and confidence in how their concerns will be treated. The whistle blowing policy allows employees to report their concerns on any breach of the SoBC. The actions that can be reported include:

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

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

Procedures for raising concerns are provided below:

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

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

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

Anonymous reports: Individuals may wish to raise concerns anonymously.

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

The designated officers are:

Managing Director and CEO

Legal and External Affairs Director

Head of Internal Audit

Company Secretary

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

Number of incidences reported in 2020

11 whistle blowing incidences were reported in the said year.

Conflicts of Interest

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

Bribery and Corruption

Corruption causes distortion in markets and harms economic, social and political development, particularly in developing countries. It is wholly unacceptable for the Company and its employees to be involved or implicated in any way in corrupt practices. The Company expects similar standards from the third parties it works with and to ensure the same has in place policies like Suppliers Code of Conduct and Anti-Bribery & Corruption Procedure

Entertainment and Gifts

The exchange of entertainment and gifts with business partners can build goodwill in business relationships and, within limits, is perfectly acceptable. However, some gifts and entertainment can create improper influence (or the appearance of improper influence) and might even be seen as bribes. The Company's Entertainment and Gift Policy prohibits giving and receiving of such gifts that may create any improper influence.

Political Contributions

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

Charitable Contributions

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

Accurate Accounting and Record Keeping

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

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

Protection of Corporate Assets

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

Confidentiality and Information Security

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

Insider Dealing and Market Abuse

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

Competition and Anti-Trust Laws

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

Money Laundering and Anti-Terrorism

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

Trade in the Company's Products

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

Sanctions

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

Respect in the Workplace

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

Human Rights and the Company's Operations

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

IT Governance Policy

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

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

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

Robust ERP System

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

Scaled Sales Automation System

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

Cloud Based Infrastructure

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

Business Continuity Planning

A Company-wide business continuity plan exists which is reviewed on a quarterly basis and tested twice a year. It is done to ensure that it is as per latest challenges and situations to ensure sustainable business operations during any disaster or climate situation.

Human Resource Talent Management

The Company's focus on creating diverse talent pools begins with attracting the best candidates in the market from all backgrounds and experiences. All the hiring managers are fully trained through 'Interviewing & Assessing Skills' training, which ensures effectiveness at hiring top & high potential talent without any biases or preconceived notions. The rigorous assessment criteria consists of multiple stages of shortlisting which primarily evaluate a candidate's agility & adaptability to be a part of a diverse community both locally and internationally.

The Company offers a plethora of learning opportunities for the talent to perform in a multi-cultural environment, including short and long term international assignments based in other end markets of the BAT Group.

Records Management Policy

The Company has its formal Records Management and Information Security Policies. Records Management Policy defines Company's Critical Records and their mandated retention periods considering their legal audit and tax obligations in addition to business needs. Both policies not only ensure that critical records are properly saved and archived but their security is also uncompromised. For electronic records, backups are maintained and for hard records, the Company has its own offsite "Records Storage" where critical records with longer retention period are kept safely.

Investors Grievance Policy

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

Business Ethics & Anti-Corruption Measures

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

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

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

Actual and Perceived Conflicts of Interest

The Company is determined to provide the best working environment to all its employees. It is a part of SoBC that all employees must avoid situations where their personal interests might, or might appear to, be in conflict with the interests of the Company. In this regard the guiding principle is that an employee must disclose to the higher management of any personal or business conflict of interest he/she may have.

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

All employees must disclose any conflicts of interest in accordance with the procedure set out in the SoBC at the end of each year.

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

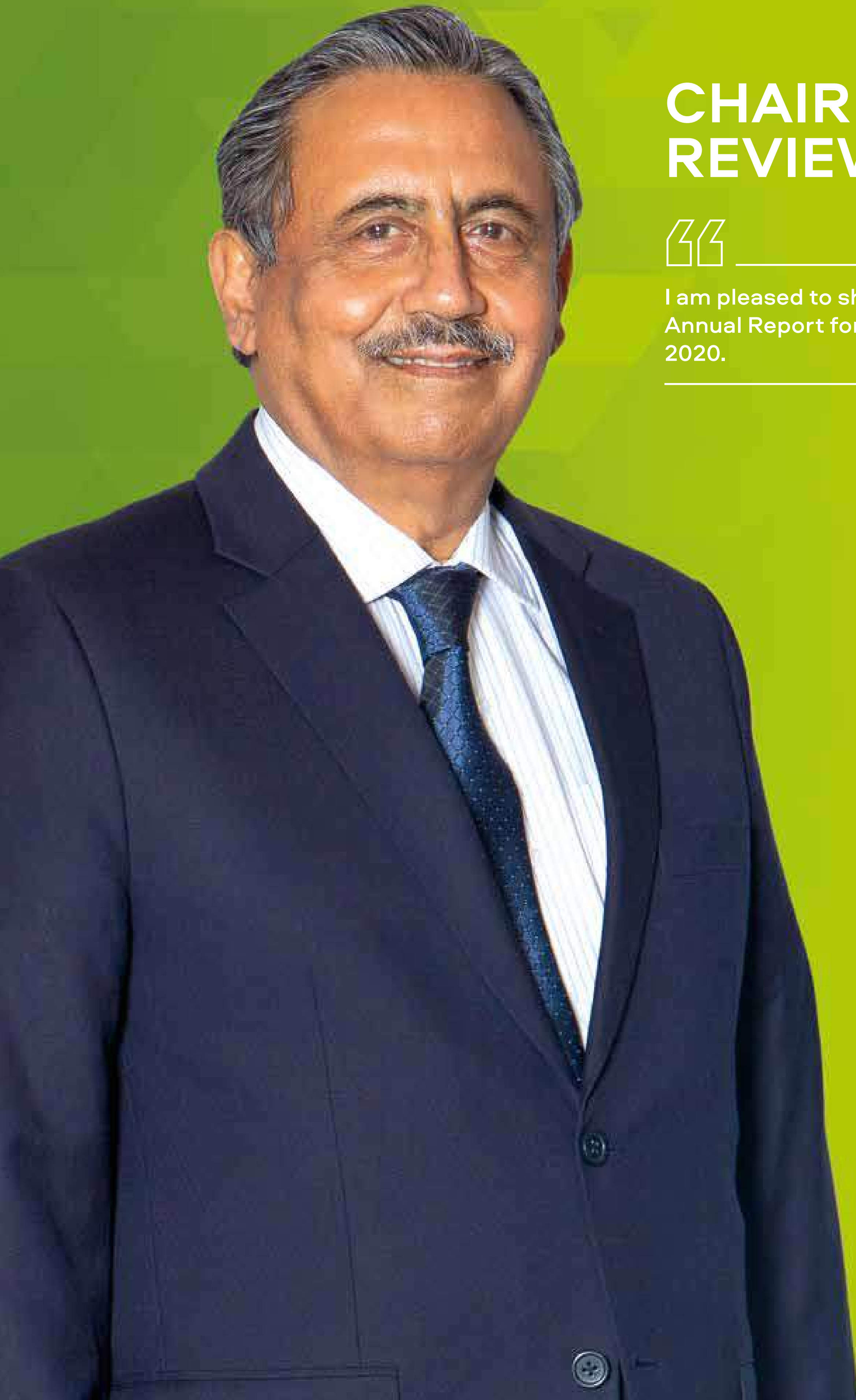
The Company Secretary is responsible for maintaining the 'conflicts log'.

Related Parties

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

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

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



CHAIRMAN'S REVIEW

I am pleased to share the Annual Report for the year 2020.

2020 Performance

The legitimate tobacco industry remained under pressure due to the widening price differential between duty not paid (DNP) brands and legitimate brands following the 93% increase in excise rates in 2018 and 2019 that fuelled illicit market share growth in 2020. The Government's decision not to change excise rates was a positive outcome from FY 2020-21 budget that provided consumer price stability, but this was short-lived as key brands in the illicit sector reduced their selling prices by 25% post budget to Rs 30/pack. Enhanced enforcement support by the Government is key to ensure fair competition within the tobacco industry and would prevent loss of further tax revenues towards the national exchequer.

Growing Illicit market share was the primary driver behind PTC's volume decline in 2020, however, the Company's overall financial position has remained healthy. The Company delivered EPS growth of 28% which was achieved by keeping a strong focus on effective cost management, lean operations and investment in brands portfolio to offer products which reflect evolving consumer preferences.

Corporate Social Responsibility

This year is poised to be the year of Sustainability. PTC has a long standing tradition of giving back to society; since 1981, the company has been running one of the largest private sector afforestation programs across the country. Under this initiative, the Company plants and distributes tree saplings free of cost. During 2020, the Company planted and distributed more than 9 Million saplings. A new fully solar powered nursery is also under construction in Lahore.

Amongst our other CSR initiatives, the Company continued to provide free medical advice and medicines under its Mobile Doctor Unit program. In 2020, more than 50,000 patients took medical advice and medicines under this program. To ensure local community is protected from water borne diseases, the Company is providing clean drinking to the less privileged sectors of the society through 5 water filtration plants filtering 64,000 litres of water per day. Our lift irrigation system provided water to more than 1,000 hectares of agricultural land of Buner district benefitting more than 450 farmers. To mitigate water scarcity in the Country, PTC installed drip irrigation systems in Buner and Mansehra that enabled water conservation of 927 Million litres.

Corporate Governance

PTC takes pride in its compliance with good corporate governance practices. A comprehensive system of controls, governance and risk management is in place to ensure that the Company's assets and the interests of the shareholders are protected. With the acquisition of Reynolds American Inc. by the BAT Group and subsequent adherence to all of the Sarbanes-Oxley Regulations (SOx), the Company's controls and governance environment has improved significantly. The compliance to all the SOx controls is monitored by external auditors and the Group's internal compliance teams.

The Company also requires its employees to operate and deliver with integrity and strongly discourages malpractice. This message is cascaded and internalized across the Company through face to face and online trainings conducted throughout the year as part of SoBC refreshers. Furthermore, channels have been established and made available for anyone working in or with the Company to raise their concerns in confidence and without fear of reprisal.

Business Sustainability

PTC's strategic objectives are aimed at building a business which can be sustained over a long-term period. 2020 was a landmark year for PTC as it ventured into new categories by launching nicotine pouches called 'VELO' with the aim of driving 'tobacco harm reduction' agenda. This was delivered on the back of bold and agile initiatives including national expansion of VELO, launch of VELO sound station and setup of an exclusive local factory for VELO. On the cigarettes and cut-tobacco exports front, $31 Million in foreign direct inflows were generated to further augment the Company's ambition of becoming the primary export hub for the region. Pakistan has also emerged as a front runner for setting up a shared services hub. This may serve as a talent incubator enabling Pakistan to become a Services Exports market unlocking enormous potential for future foreign direct investment.

The presence of a large illicit sector remains an area of concern, as it continues to create major sustainability issues for the legitimate industry while causing revenue losses of close to Rs 70 Billion for the Government. Thus, it is in the best interest of all stakeholders that stringent action is taken by the relevant law enforcing authorities to curb the illicit sector.

In addition, it is necessary to note the regulations issued in early March 2020 by the Ministry of National Health Services, Regulations and Coordination to prohibit tobacco and tobacco products' advertising, promotion and sponsorship have the potential to adversely affect the Company's business. Local DNP brands continue to violate the previous laws and the new regulation which not only disrupted the creation of a level playing field within the tobacco industry but also negatively impacted Government tax revenues.

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

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

Zafar Mehmood Chairman

MD/CEO'S MESSAGE

It gives me immense pleasure to present the performance of the Company for the year 2020.

Business Performance

During the year consumer affordability remained a challenge for the duty paid tobacco sector due to the widening price differential between legitimate and duty not paid (DNP) brands. The excessive excise-led price increase in June 2019 and price reduction of key DNP brands post FY 2020-21 budget accelerated consumer downtrading to DNP brands attributing to the 7% decline in sales volume for 2020. The year in review also witnessed the outbreak of a global pandemic COVID-19 with impact on business and social activities. However, PTC results remained buoyant which is testament to its people's resilience and drive for results.

PTC continued to instil a cost-conscious culture across the organization with the aim for sustainable profit growth. Despite domestic sales reduction, the Company recorded 11.6% growth in gross revenues from same period last year. EPS growth was 28% resulting in the highest ever dividend payout to PTC shareholders at Rs 63/share for the full year subject to approval of shareholders in their meeting scheduled for April 22nd. This was driven by a clear and aligned strategy that was underpinned by passionate commitment of our people and excellence in execution and delivery.

Our Brands

The Company continued with its strategy to build a differentiated brand portfolio with strong brand equity in every consumer segment. Our flagship brand John Player Gold Leaf continues to lead the premium segment as the preferred choice of consumers in the segment while Capstan by Pall Mall retains its standing as the best performing brand in the Value for Money (VFM) segment with an increase of 1.8% in its market share for 2020.

In line with BAT Group's vision for A Better Tomorrow™, PTC launched modern oral nicotine pouches VELO with the aim of tobacco harm reduction and within a short span of 12 months, became the 6th biggest modern oral company within the BAT Group. The company closed the year with 73 million pouches delivered to consumers.

Our People

PTC remains committed to investing in hiring, retaining, and developing high performing employees that will lead to successful delivery of business objectives and drive the corporate strategy. The company takes immense pride in the fact that local talent not only excels in Pakistan but is preferred across the BAT world with many Pakistanis placed in leadership roles internationally in BAT Group companies. Like last year, PTC retained Top Employer status for 2020 by Top Employer Institute which demonstrates its strong and consistent focus on building the company brand.

Our Processes

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

Our Future

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

The challenges of 2020 are expected to continue in 2021. The uncertainty in the country's economy alongside COVID-19 pandemic will continue to impact PTC's operating environment. The continuous presence of Illicit brands and its sizeable market share creates a non-level playing field for legitimate brands placing them at a serious disadvantage. PTC continues to work with the Government on enforcement against the illicit sector and counterfeit producers to ensure fiscal and regulatory discipline across the industry in the future. This will not only ensure the sustainability of the legitimate sector but also result in significant revenue inflows for the Government.

During the year, regulations were issued by the Ministry of National Health Services, Regulations and Coordination to prohibit tobacco and tobacco products' advertising, promotion, and sponsorship. These regulations were formulated without any consultation with the legitimate tobacco industry and we believe that illicit players will continue to violate the previous laws and the new regulation further fuelling unfair competition within the tobacco industry.

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

Usman Zahur MD/CEO

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

DIRECTOR'S REPORT

The Directors Present the Annual Report of Pakistan Tobacco Company Limited (PTC) Along with the Audited Financial Statements of the Company for the year Ended December 31, 2020.

Macroeconomic Environment

In 2020, the global economy faced high degree of uncertainty owing to the challenges posed by COVID-19 pandemic, with Pakistan being no different. The first half of the year was particularly stressed due to frequent lockdowns across the country impacting business and social activities. Due to manufacturing and supply chain disruptions caused by the pandemic as a consequence of the national lockdown to control the spread of the virus, Pakistan's exports of $22.9 Billion faced a decline of -6.8% compared to same period last year (SPLY)

To curtail the negative impacts of COVID-19, the Government made a number of targeted interventions to enhance economic activity in the country by introducing schemes with low markup such as Temporary Economic Refinance Facility for investment in plant and machinery to enhance domestic production capacities, Export Refinance Facility to enhance export operations and Salary Refinancing for providing working capital relief to businesses. This was further augmented by a reduction in policy rates announced by State Bank's Monetary Policy Committee during 2020 which helped reduce inflation from the previous level of 12.6% for SPLY by 4.6%.

Contrary to expectation, foreign worker remittances to Pakistan grew by 6.4% reaching $23.1 Billion in FY 2019-20. This provided much needed stability to the current account with the PKR depreciating only ~3% year-on-year from Rs 154.9/USD in Dec'19.

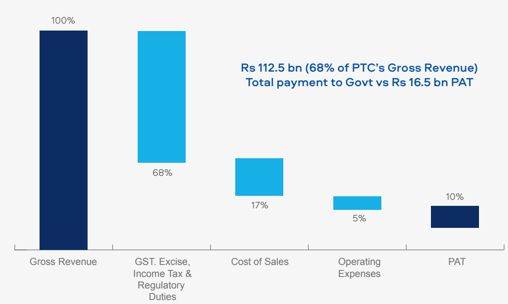
Industry Overview

Fiscal Environment

During the FY 2018-19 and FY 2019-20, excise duty on Value for Money (VFM) brands increased by 93% which resulted in widening the price gap between duty paid and duty not paid (DNP) brands. The sell-out price for duty paid VFM brands stood at Rs 80/pack compared to Rs 37.7/pack for Illicit brands in 2020 which resulted in an increase in Illicit share as depicted in Graph-1:

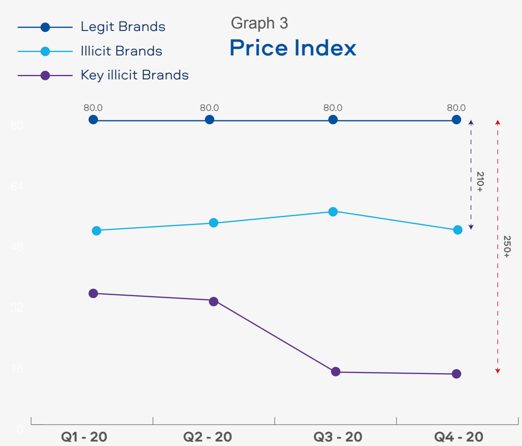
Graph 1
Illicit Market Share (%)

Graph 2
PTC's Profit & Loss Snaphot



68% of Gross earnings given as Govt Revenue

Graph 3
Price Index



Source: Access Retail & Neilsen - Retail Audit 2020

In FY 2020-21 budget, the Government did not change the excise rates to reduce price differential between DNP and legitimate VFM brands. This had a positive outcome that provided consumer price stability in the tobacco sector. Contrary to expectation, the price gap between duty paid and DNP products increased to +250% as key brands in the illicit sector reduced their selling prices by 25% (down to Rs 30.5/pack).

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

Enforcement remains a key pillar to curtail growth of the DNP segment. Enforcement efforts by the Government need to be significantly scaled up with dedicated human and financial resources to ensure a level playing field in the legitimate tobacco industry which will positively impact revenue collection for the Government.

During 2020, there was rapid growth in counterfeit incidence of the PTC brands. According to one independent research, counterfeit incidence of PTC brands amounted to an annualized volume loss of 2.8 Billion sticks with a potential revenue loss of Rs 6 Billion for the Government. As a countermeasure, the company introduced a technology enabled solution to arrest volume decline to 1.2 Billion sticks. This solution not only enables consumers to identify a genuine product at the point of sale but also serves as an effective tool for Law Enforcement Agencies (LEAs) for on-spot detection of counterfeit products. This initiative has been instrumental in curbing counterfeit incidence and has helped PTC retain sales and as a consequence increase payment to the national exchequer.

Regulatory Environment

Towards end of Q1'20, the Ministry of National Health Services, Regulations and Coordination issued a Statutory Regulatory Order further prohibiting the advertisement, promotion and sponsorship of tobacco and tobacco products. This has further negatively impacted the legitimate players within the tobacco sector as the local DNP brands continue to violate the previous laws and the new legislation with impunity.

PTC has challenged this in Sindh High Court due to certain provisions in the S.R.O that go beyond the scope of "The Prohibition of Smoking and Protection of Non-Smokers Health Ordinance 2002" (NSO 2002).

Company Performance

The Company witnessed a decline in sales volume of 7% during the year under review. This is primarily attributable to consumers downtrading to duty not paid cigarettes following the 93% increase in excise rates announced in FY 2018-19 and FY 2019-20 budgets and ~Rs 10/pack price reduction of key DNP brands post FY 2020-21 budget. The Company continued to maintain its market share leadership in the legitimate segment growing market share by 1.3% in 2020, reaching 76.2%. In 2020, PTC contributed Rs 112.5 Billion to the National Exchequer in the form of excise duties, sales tax, income tax and regulatory duties.

The Company continues to focus on enhancing productivity across its value chain by ensuring effective cost management, lean operations, and modernization of machinery infrastructure. In 2019, the Company embarked on its very first "Made in Pakistan" exports journey by becoming a new export hub for the BAT Group and in 2020 – its first year of full-scale operation, provided the Country with $31.1 Million in Foreign Direct Inflows. PTC's export operation has huge potential to grow in the coming years which will generate additional valuable foreign currency inflows into the Country.

Director's Report

The Company's cost base remained under pressure throughout 2020 in the wake of the decline in volumes, currency devaluation, inflation and COVID-19 associated costs. Despite these challenges, the Company continued to focus on effective cost management and delivered multiple efficiency improvement projects, thereby allowing it to keep costs in check.

BAT Group is driving the agenda for A Better Tomorrow™ by reducing health impact of its business and offering reduced risk products* to its adult consumers. The group has invested approximately $5 Billion in research and development for new categories which comprise of reduced risk products*. In 2020, PTC in line with Group's agenda for tobacco harm reduction, ventured into new categories by launching oral nicotine products, VELO. Currently, the VELO distribution network has expanded to 17 key cities across Pakistan and significant efforts are underway to leverage its potential in keeping with PTC's aim for A Better Tomorrow™.

With people at the core of its delivery, the Company has a strong focus on people by attracting and retaining the best talent in the country. PTC was awarded the Top Employer for 2020 by Top Employer Institute. Moreover, for its drive and consistent focus on Diversity and Inclusion, the Company was also awarded the "Global Diversity & Inclusion, Progressive Award 2020" by Global Diversity and Inclusion Benchmarks.

PTC runs one of the largest private sector afforestation programs and a Mobile Doctor Unit (MDU) program. Under its flagship afforestation program running since 1981, the Company planted and distributed more than 9 million saplings free of cost in 2020. A new fully solar powered nursery is also under construction in Lahore. Under the MDU program, the Company dispensed medical advice and medicines free of cost to more than 50,000 patients in 2020. To ensure local community is protected from water borne diseases, the Company is providing clean drinking to the less privileged sectors of the society through 5 water filtration plants filtering 64,000 litres of water per day.

	Rs. (million)	
	FY 2020	FY 2019
Domestic Turnover	**161,275**	147,292
Exports Turnover	**4,983**	1,733
FED & Sales Tax	**105,368**	97,050
Net Turnover	**60,891**	51,975
Cost of Sales	**29,329**	25,765
Gross Profit	**31,562**	26,210
Operating Profit	**21,846**	17,675
Profit Before Tax – PBT	**22,388**	18,285
Profit After Tax – PAT	**16,492**	12,889
Earnings Per Share – EPS (Rs)	**64.55**	50.45

Profit & Loss Analysis

During 2020, PTC continued its commitment with the Government as one of the largest tax paying companies in Pakistan. It contributed Rs 112.5 Billion in revenues to the Government, which translated to 68% of gross earnings, and retained 10% of revenues for distribution amongst shareholders and re-investment in the business as depicted by Graph-3

Domestic turnover increased by 10% vs Same Period Last Year (SPLY) despite 7% volume decline due to the first half (Jan-Jun' 20) impact of the Jun' 19 excise-led price increase. Exports Turnover was driven by a significant increase in export volumes as compared to SPLY, which is a testament of the Company's commitment to the Governments' agenda of driving export growth. The Company exported 2.3 Billion cigarette sticks and 4.1 Mn kgs of raw tobacco in 2020 with turnover amounting to $31.1mn

Cost of Sales also increased primarily due to devaluation of local currency, increase in exports and inflationary pressures. These were mitigated through multiple productivity savings initiatives and focused cost management to reduce overall cost base.

Selling & distribution expenses declined by 3% which is linked to reduction in sales volume. However, significant investments have been made in trade activities, Covid compliance initiatives and national expansion of new categories.

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

Other Operating Expenses increased by 12% during 2020. The major portion of this increase is attributable to one-off disposal of obsolete plant and machinery equipment across PTC's manufacturing sites with the aim of footprint optimization.

Net Finance Income decreased by 11% in 2020, attributable to the decline in average interest rates.

Statement of Financial Position Analysis

Property, plant & equipment increase in 2020 was primarily driven by upgrades to existing manufacturing capacities and infrastructure to support better product quality, innovation and higher operating efficiencies. PTC has also initiated VELO localization whereby construction of a standalone manufacturing facility has been initiated.

Stock in trade decrease was attributable to lower raw material stock.

Loans and advances include advances paid to media agencies for on-going VELO marketing campaigns.

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 decreased in 2020 due to settlement of margins with banks.

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

Current liabilities increased due to higher payables outstanding at year end to internal and external vendors.

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. Detailed review of Company's liquidity management and financing arrangements is provided in this Annual Report on page 92.

Contribution to National Exchequer

Despite the challenges faced from the DNP sector, PTC continues to remain one of the largest contributors to the national exchequer. Despite volume reduction in 2020, the Company's contribution to the National Exchequer was Rs 112.5 Billion in excise duties, sales tax, income tax and regulatory duties.

In order to maintain growth in revenues from the Tobacco industry, the Government needs to have a sharper focus on enforcement and curtailing the growth of the DNP sector. Increase in market share of the illicit sector, is indicative of the huge revenue loss of approximately Rs 70 Billion per annum. Thus, it is imperative that the illicit sector is curtailed through use of both fiscal and administrative measures.

Profit Distribution & Reserve Analysis

The Company started the year with reserves of Rs 15.8 Billion. During the year, final dividend of Rs 23 per share related to year ended 2019, was approved by shareholders and was subsequently paid. In 2020, the Company earned net profit of Rs 16.5 Billion and declared two interim dividends of Rs 15 per share in Q2'20 and Rs 20 per share in Q3'20. The net reserves position of the Company at year end stands at Rs 16.9 Billion. The details of appropriations are also elaborated in the table below:

Director's Report

	Rs. (million)	Rs. Per Share
Opening Reserves	**15,736**	
Final Dividend 2019	**(5,876)**	23.00
Net Profit 2020	**16,492**	64.55
Other Comprehensive Loss	**(452)**	
Available for appropriation	**25,900**	
Appropriation:		
Interim Dividends 2020	**(8,942)**	35.00
Closing Reserves	**16,958**	

Final Dividend

The Board of Directors of PTC in its meeting held on February 23, 2021 is pleased to recommend a final cash dividend of Rs. 28.0 per share for the year ended December 31, 2020 (2019: Rs. 23.0 per share), for the shareholders' approval. This recommendation will be subject to approval of the shareholders in the Annual General Meeting, scheduled on April 22, 2021.

Consolidated Financial Statements and Segmental Review

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

Subsequent Events Review

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

Operations Review

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

In 2019, the Company, in line with Government's vision, launched its export initiative titled "Made in Pakistan" and earned the position of being an export hub for the BAT Group. Under this initiative in 2020 – its first full year of operation, PTC exported over 2.3 Billion Cigarettes and around 4.1 million KGs of tobacco worth $31.1 Mn.

As part of the tobacco harm reduction agenda, PTC has invested more than £10 Million in Modern Oral plant and machinery for an independent factory at Jhelum site. It is expected that the factory will start producing modern oral nicotine pouches in the first half of 2021 to enable PTC further its agenda towards tobacco harm reduction and cement its position as an export hub for BAT Group.

EH&S – Environment, Health & Safety

COVID-19 pandemic and its challenge to the health and safety of PTC's employees was handled in an organized and responsible manner in 2020. A dedicated 'Crisis Management Team' comprising of PTC's leadership was formulated with the aim of brainstorming risk mitigation strategies for crisis scenarios. Further, comprehensive standard operating procedures and 'Zero Tolerance Policies' were enforced, and company-wide awareness sessions were conducted to avoid COVID-19 contraction amongst PTC's employees.

Significant awareness and infrastructural improvements have been made in relation to Environment, Health & Safety processes and procedures at the manufacturing plants. Keeping in view the energy crisis, multiple energy conservation initiatives were undertaken in 2020 including Jhelum Factory doubling its solar generation capacity to 200kW, making it the highest renewable energy generating site for PTC while Akora Factory has achieved 2nd highest status in water recycling ratio in BAT world, thereby, reducing its CO2 emissions footprint by 850 tons. PTC's manufacturing has been globally recognized in BAT Group for the efforts and outstanding results delivered through this drive for excellence.

Marketing Review

Consumer affordability continued to come under stress in 2020 due to global pandemic-led economic tightening and the widening price differential between legitimate and DNP brands. However, despite the challenges faced, focused investments were made for a future-fit brands portfolio.

Capstan by Pall Mall retains its standing as the best performing brand in the VFM segment with a 1.8% increase in market share in 2020. Additionally, the segment witnessed reinforcement campaigns during the year to further enhance Gold Flake's equity and mix. This was a strategic intervention which has helped the brand significantly capture lost volume and market share. Embassy's franchise base was also successfully retained through its pack format change campaign allowing it to sustain and maintain its distribution and consumer base respectively.

Despite increase in the incidence of counterfeit, PTC's anti-counterfeit drive via a unique technology enabled scanning solution in Q3'20 enabled the Company to gain back volume from Counterfeit brands which also resulted in positive feedback from consumers, retailers and LEAs.

In the Aspirational Premium segment, post successful pilot launch of John Player, expansion campaign was carried out in Q3'20 which was further aided by successful interventions of limited-edition packs resulting in improved sales traction for the brand in Q4'20.

In the Premium segment, based on consumer trends and positive sales results, handlers of Dunhill were increased at a national level resulting in positive sales growth and a larger handler base in 2020. These initiatives have further propelled the Dunhill brand to new heights in Pakistan.

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 control environment. The Company's risk management and internal controls framework is aimed at safeguarding the shareholders' investment and the Company's assets, while minimizing the impact of the risks that may impede the delivery of the Company's objectives. Details of this are captured in the section on Risk & Opportunity of the Annual Report.

Comprehensive policies and procedures, structured governance mechanisms and a conducive organizational culture have facilitated a strong compliance and control environment across the Company. All heads of functions are required to carry out a comprehensive assessment of globally defined key controls that are expected to be in place and operating effectively. Any non-compliances and material weakness are reported along with action plans to address them. Additionally, all employees are required to sign off an annual Statement of Compliance to the Company's Standards of Business Conduct. Furthermore, the Company is also fully compliant to all the requirements of Sarbanes Oxley Act (SOx) which has further strengthened the internal controls of the Company.

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 and monitored.

f) There are no significant doubts about the Company's ability to continue as a going concern.

g) There has been no material departure from the best practices of corporate governance, as detailed in the Code of Corporate Governance and listing regulations.

h) All major Government levies in the normal course of business, payable as at December 31, 2020 have been disclosed in the notes to the financial statements.

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

j) Values of investments in employee's retirement funds for the year ended December 31, 2020 are as follows. Further details are provided in Note 33 to the separate financial statements.

Fund Name	Rs. (million)
Staff Pension Fund	5,492
Employees Gratuity Fund	1,173
Management Provident Fund	735
Pakistan Tobacco Company Limited Provident Fund	382
Staff Defined Contribution Pension Fund	659

Composition of the Board

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

The current composition of the Board is as below.

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

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

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

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

Changes in the Board

No changes in Board were announced in 2020.

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 2020, 5 Board meetings were held, out of which the 1st meeting was held on 24th February 2020.

The notices / agendas of the meetings were circulated in advance, in a timely manner and in compliance with applicable laws. All meetings of the Board held during the year surpassed the minimum quorum requirements of attendance, as prescribed by the applicable regulations.

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

Name of Director	Attendance
Zafar Mahmood Chairman	5/5
Usman Zahur Managing Director and CEO	5/5
William Francis Pegel Director Finance & IT	5/5
Syed Asad Ali Shah Director Legal & External Affairs	5/5
Syed Ali Akbar Director Marketing	4/5
Syed Javed Iqbal Non-Executive Director	1/5
Belinda Joy Ross Non-Executive Director	4/5
Zafar Aslam Khan Non-Executive Director	3/5
Lt. Gen. M. Masood Aslam (R) Independent Director	5/5
Mohammad Riaz Independent Director	5/5
Asif Jooma Independent Director	5/5
Tajamal Shah Non-Executive Director	4/5

Board Meetings Held Outside Pakistan

In 2020, PTC conducted all its Board meetings in Pakistan.

Committees of the Board

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

Director’s 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 2020 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 Directors training. More than half of the Directors have obtained certification under Directors' Training Program (DTP) approved by SECP.

Last AGM

The Company's 73rd AGM (Annual General Meeting) was held on May 8, 2020. 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, 2020 has been concluded and the Auditors have issued their Audit Reports on the Company Financial Statements, Consolidated Financial Statements and the Statement of Compliance with the Code of Corporate Governance. The Auditors, Messers KPMG Taseer Hadi & Co., shall retire at the conclusion of the Annual General Meeting, and they have indicated their willingness to continue as Auditors for PTC. They have confirmed to have achieved satisfactory rating by the Institute of Chartered Accountants of Pakistan (ICAP) and compliance with the Guidelines on the Code of Ethics of the International Federation of Accountants (IFAC) as adopted by ICAP. The Board proposes their appointment as Auditors for the financial year ending December 31, 2020 on the recommendation of the Audit Committee. This shall be subject to the approval of the shareholders in their meeting scheduled for April 22, 2021.

Director's Report

Pattern of Shareholding

Our holding company, British American Tobacco (Investments) Limited (BAT-IL), incorporated in United Kingdom holds 94.34% shares of the Company at the year end. The pattern of shareholding as at December 31, 2020 alongside the disclosure as required under Code of Corporate Governance is provided separately in this Annual Report.

Trading In Shares by Directors and Executives

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

Review of BCP

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

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

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

By implementing a BCM process, the Company ensures that:

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

Zafar Mehmood
Chairman

Usman Zahur
MD/CEO

PRODUCT PORTFOLIO

PREMIUM

DUNHILL

- Dunhill
- Dunhill Switch

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

GOLD LEAF

- John Player Gold Leaf
- John Player Gold Leaf Special

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

BENSON & HEDGES

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

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

ASPIRATIONAL PREMIUM

JOHN PLAYER

- John Player

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

CAPSTAN FILTER

- Capstan Filter

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

VALUE FOR MONEY

CAPSTAN BY PALL MALL

- Capstan by Pall Mall

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

EMBASSY

- Embassy Filter

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

GOLD FLAKE BY ROTHMANS OF LONDON

- Gold Flake
- Gold Flake Soft Cup

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

NEW CATEGORY

VELO

- Polar Mint
- Berry Frost

Our Tobacco free alternatives come in 2 flavours varying in nicotine content i.e. 4mg, 6mg, 10mg

Syed Asad Ali Shah
LEGAL & EXTERNAL AFFAIRS DIRECTOR

ILLICIT TRADE

2020 came with its own set of challenges and the challenges for the legitimate tobacco industry were no different. Amidst the pandemic, all efforts of Law Enforcement Agencies (LEAs) were diverted to focus on ensuring compliance of national lockdowns and border closures across the country. The seriousness of LEAs to enforce the lockdowns resulted in a temporarily reduced incidence of smuggled cigarettes due to border closures and also a temporarily reduced incidence of local Duty Not Paid (DNP) cigarettes due to supply chain disruption, however, they resorted to other means to ensure consistent supply of illicit cigarettes to the retailers and eventually the customers.

The current situation serves as a harbinger of the times to come and if no action is taken by the Government, the prevalence of illicit cigarettes in Pakistan is likely to grow further. Unprecedented levels of counterfeit incidence were witnessed in early 2020. The Duty Not Paid (DNP) sector continues to sell at far lower than the mandated minimum price of PKR 63.

Furthermore, keeping in view the sharp increase in availability of counterfeit cigarettes, we decided to launch a technology enabled solution for its brands to protect its intellectual property and safeguard its business from the threats posed by the counterfeiters. In collaboration with DIGIMARC, a globally renowned solution provider, we embarked on a journey to roll out the solution on our product offering. The application can be downloaded by distributors, wholesalers, retailers, consumers and LEA officials to authenticate the product to be sure that the product being purchased or sold is genuine and the liable taxes and duties have been paid to the Government of Pakistan.

The Federal Board of Revenue (FBR) published a tender for the provision of a Track and Trace solution for the tobacco, cement, fertilizer, and sugar industries. It is believed that a solution tailored to address the local challenges of the Pakistani market will be beneficial to address the issue of illicit trade.

DIGIMARC

Counterfeit brands posed a significant challenge to the legitimate tobacco sector. To counter this, a technology-enabled solution - DIGIMARC - was introduced by us whereby consumers and retailers are equipped to identify a genuine product at point of sale. This also serves as an effective tool for on-spot detection of counterfeit products by Law Enforcement Agencies.

+2 Million Scans

Decrease in Counterfeit Sale

Action taken by Law Enforcement Agencies

Step 1
DIGIMARC App will automatically open the camera and user will scan the pack (front/back side)

Step 2
If the Pack is genuine then our logo will appear. PTC logo is the authentication of Original Pack

Step 3
By pressing our logo it will direct you to our official website

GET IT ON Google Play

Available on the iPhone App Store

OPERATIONAL EXCELLENCE

Our Operations Team did not shy away from clinching higher accolades in distinguishing itself from the ordinary. This journey towards excellence entailed passion, grit, resilience and the synergy for A Better Tomorrow™. With the 'One Ops' team whose mantra is being Bold, Fast, Responsible, Empowered and Diverse, the year 2020 saw to fruition unprecedented results.

While COVID-19 could be termed as a black swan event that forced many companies and entire industries to rethink and transform their operational model, our Ops took the entire BAT world with a complete surprise. Jhelum and Akora factories were busy registering themselves as global benchmark setters in Overall Equipment Efficiency (OEE) and Mean Time Between Failure (MTBF).

Our Ops ensured 100% OTIF in delivery of Export and Local orders to our valued customers.

Our Leaf team delivered the best leaf season with the highest crop input, CQI and lowest crop cost globally.

Our Ops delivered renewable expansion by 100% and optimized costs via initiatives to attain the rank of lowest cost manufacturer of the world.

All this and more, while delivering premium quality to the customers securing the seal of global quality excellence award.

This Journey does not stop. Another feather in the cap goes to the resilient supply chain team who faced all odds and converted misses into opportunities. The team ensured that despite the pandemic, the On Time In Full (OTIF) remains a perfect hit from raw materials availability to finished goods sales. The formidable team also managed to secure renewal on export licenses for both finished goods and cut rag amidst limited Government operations and remained on track to deliver our "Made in Pakistan" journey. Moreover, with the devaluation of the rupee, the team took the initiative to go for stock hedging to ensure 2021 supplies are procured in advance to deliver potential savings. As the situation was normalizing, the global supply chain was disrupted yet again by a container shortage and port congestions worldwide resulting in raw material delays; this was effectively managed without additional cost. With New Category Products gaining traction in the national market, the team not only ensured product delivery from imported supplier but also established readiness for local product supply chain. To its credit, 2020 was closed delivering 100% Cycle Plan-OTIF with innovative breakthroughs like DIGIMARC to curtail counterfeit sales and reclaiming 70% of lost volume.

Our procurement meanwhile delivered the highest-ever savings in 2020 minimizing the impact of currency devaluation by means of proactively distributing volumes locally.

11
SKUs of imported WMs were localized

2.76
Million GBP Highest ever WMs savings

1.7
Million GBP P&L savings were delivered by in-directs through effective negotiations and ingenious strategies

38.3 Billion
Production Volume

2.3 Billion
Cigarette sticks Exported to Middle East

Akora Khattak Factory was the 2nd most efficient factory in the BAT Group

AKF has manifested itself as the 2nd highest water recycling ratio in BAT world whilst also impeding its CO_2 emissions footprint by 850 tons.

OUR ESG ACHIEVEMENTS

Afforestation

In 2020, we set forth in transforming our flagship Afforestation programme. Since 1981 we have planted and distributed over 90 million trees for a sustainable future. Of this large number, in 2020 alone, we were able to hit a new high of 9 million trees planted through our 'Seed Ball Project'; three times of what was achieved by the company last year (a record was set last year). This initiative has helped us truly transform the landscape and counter the ever-growing problem of desertification in Pakistan. We operate and maintain 5 nurseries across the country, 2 in Islamabad, one in Faisalabad, one in Jhelum and one in Swabi. We plan to add more nurseries to help counter the negative impacts of global warming faced by the country.

Water Filtration

To combat water borne diseases we have built and continue to maintain 5 water filtration plants; 4 in the suburbs of Lahore and one in Jhelum. We are providing clean drinking water to the less privileged sectors of society everyday.

Mobile Doctor Units (MDUs)

Since 1985, to provide free first aid and medical services to far flung and rural areas, we own and operate 7 MDU's in 6 different Leaf Areas. These MDU's are stationed in Yar Hussian, Mianwali, Akora Khattak, Sher Gharh, Mansehra and Jhelum. Due to Covid operations were ceased in March, however upon reopening in August more than 50,000 patients have been attended too.

Drip Irrigation

We embarked upon the journey of Drip Irrigation in 2019 under the umbrella of ESG & till date 165 hectares of drip irrigation units has been installed successfully. All these initiative enabled us to save overall 927M litres of water in 2020, which is now available for other food crops. These technologies being the most efficient are delivering water savings and conserving water and ensuring sustainable water usage and agriculture.

Solar Power

By successful installation of 150 kW Solar PV (Photo Voltaic) plants in our 5 leaf buying centres & GLT plants, we aim to reduce our carbon footprint. This has resulted in reduction of 90 tons of CO_2 footprints. By 2021, the aim is to conduct 100% leaf buying through solar powered buying centres. Furthermore, we are saving 435,500 Kwh power annually at our 2 factories. Our new VELO factory will be the first ever fully solar operated plant in the BAT world.

CALENDAR OF NOTABLE EVENTS 2020

January
VELO Launch Ceremony

February
First Crisis Management Team Meeting to Combat COVID-19

March
VELO Plant Groundbreaking

April
Akora Khattak Factory Team achieves Global Benchmark in Production

May
Jhelum Factory Team achieves Global Benchmarks in Production

June
HO and A&TMD Offices reopen

July
COVID Relief Program

August
Launch of DIGIMARC

September
BOM 2020 kick-off

October
PTC Celebrates PINKtober

November
VELO Sound Station Launch

December
New Logo Launch

LEAF SUSTAINABILITY INITIATIVES

This year our Leaf Team took remarkable steps in improving its social uplift agenda

Star Farmer Program

We promote a competitive environment among farmers leading to adoption of new agricultural technologies and best practices. The aim is to have better productivity and quality to improve farmer livelihood. For 2020 crop, we conducted events across all leaf producing areas to reward its progressive farmers under the flagship initiative of Star Farmer Program. In the journey of transformation and excellence in agriculture, we strive to transfer modern skills, new technologies, best agricultural practices to improve farmers livelihood with a vision to strive for A Better Tomorrow™.

Technology Deployment

To equip our valuable business partners – our farmers, with modern techniques in agriculture sector, new technologies are introduced aiming at fast-tracked deployment at farm level to bring ease in operations, reduce cost of production and better farmer returns. Specific equipment were introduced to mitigate the identified challenges at various crop stages including hybrid seed varieties, float seedling production, drip irrigation, tobacco leaf stitching machine and Loose-leaf barn.

We strive to have agronomy excellence as a key game changer. It is a continuous journey that will remain under prime focus to produce premium quality tobacco at a competitive cost, where farmer livelihood can be improved.

Turbo Barns

Crop sustainability is the key to our business. To ensure the same, we work closely work with our farming community to increase their net returns. We have taken the route of arresting farmer's cost of production & improving their curing quality for increasing their margins. In this connection one of the most significant cost & quality element is curing impacting both farmers spend & tobacco quality.

Keeping in view the aforementioned challenges & their impact on business, we have introduced new technology in the form of 'Turbo Barns' and took it to the farmers doorstep. This journey kick-started in 2017 with the aim to modify our traditional barns to turbo barns & ensured incremental increase in the same. This initiative not only improved the cured tobacco quality but also helped us in meeting increased farmer's net returns & reducing pressure on natural wood reservoirs. This resulted in 13%-15% savings in wood consumption.

Human Rights

Human rights is one of the key areas where we took multiple major initiatives such as:

- **Women Empowerment;** Trainings were conducted through female trainers across leaf growing areas. 900 farming families were trained on health & safety, child education & kitchen gardening.
- **Mobile Doctor Unit;** We are providing MDU facility to under privileged rural communities since 1985. In 2020 alone, over 50,000 people benefited from this much needed facility.
- **Grievance Mechanism;** To ensure respect for all and having safe work environment at our farmer's premises, boxes were installed across leaf areas for labours and farmers to raise their voice related to any human rights issues.

Our efforts have been globally recognized by the Group & highlighted in its Human Rights report. These efforts will pave way to achieve our vision of A Better Tomorrow™.

MARKETING PERFORMANCE REVIEW

2020 has been a challenging year for us. Not only were there industry specific challenges such as price disparity and growing illicit & counterfeit incidence post-2019 Federal Budget, but also a turbulent 1st Half due to the onset of COVID-19, which led to severe operational challenges for the business, accompanied by the introduction of the TAPS (Tobacco Advertising, Promotions and Sponsorship) ban.

Given the situation at hand, however, the marketing department rose to the challenge to keep delivering on yearly goals and ensuring business continuity. Key wins such as the inculcation of digitization-driven initiatives such as DIGIMARC have been instrumental in curbing the incidence nationally. Additionally, ensuring continued strategic investment behind our core brands, we delivered on our full year volume targets with 38.5Bn cigarette sales; the Premium segment played a key role in delivering both volume and value for us. In addition to this, 2020 paved the road for the business bringing to life the group's vision of A Better Tomorrow™ by launching Pakistan's first ever Modern Oral Category product, VELO.

Establishing Modern Oral in Pakistan

Pakistan successfully embarked on the modern oral journey in December 2019, by introducing VELO as a modern, premium and innovative offer. Our guiding principles helped us target the right consumer, focus on relevant consumer channels, and create impactful conversations through generating contemporary content. To keep the fire burning, we kicked off the pilot in two test markets – Karachi and Lahore. VELO was able to emerge as a disruptive force in the market.

The pilot launch was marred by severe lockdowns, but this did not deter our resolve and as part of our contingency plan, we activated 3rd party E-commerce platforms which ensured that our products were readily available to our consumers during lockdown. For the post lockdown period, we leveraged our pilot market learnings as part of our robust learning agenda and saw a period of accelerated growth.

The stage was set for VELO to build on this momentum and improve its brand salience and affinity amongst its target group. This was made possible by the introduction of VELO Sound Station; the biggest digital asset for the brand - a space for contemporary music centered around the pop culture of today. By tapping into music as a key passion point, VELO Sound Station was the perfect fit to massify VELO for the right audience which gained further traction when it got picked up by notable publishers and influencers alike. 2020 was a landmark year of VELO in terms of learning and achievements.

+73 Mn pouches Sold

+100,000 Consumers

Premium Growth in 2020

Our premium portfolio has had a tremendous year in 2020 despite the route to market challenges that came with COVID-19 and the consumer communication limitations that came with the TAPS (Tobacco Advertising, Promotions and Sponsorship) ban. Each brand within the portfolio has stood out through its strategic focus on superior product quality, distribution expansion and one of its kind packaging innovations. Together the portfolio has delivered a 4% volume growth at the back of powerful brands.

Dunhill, the leading international brand for progressive consumers, delivered a stellar 72% volume growth with its highest ever volume delivery and executed the rotational relocs that marked the first of its kind packaging innovation in all Middle East South Asia (MESA) area. The largest premium brand of Pakistan, John Player Gold Leaf, held its strong footing by maintaining its volume share and JPGL Special continued to lead the Non-Full Flavour space delivering a superb 18% volume growth. Aspirational Premium brands like Capstan Filter and John Player continued their national expansion and equity journey together delivering a 32% growth for the AP space at the back of rising differential between Premium & VFM pricing.

Digitizing the RTM Model

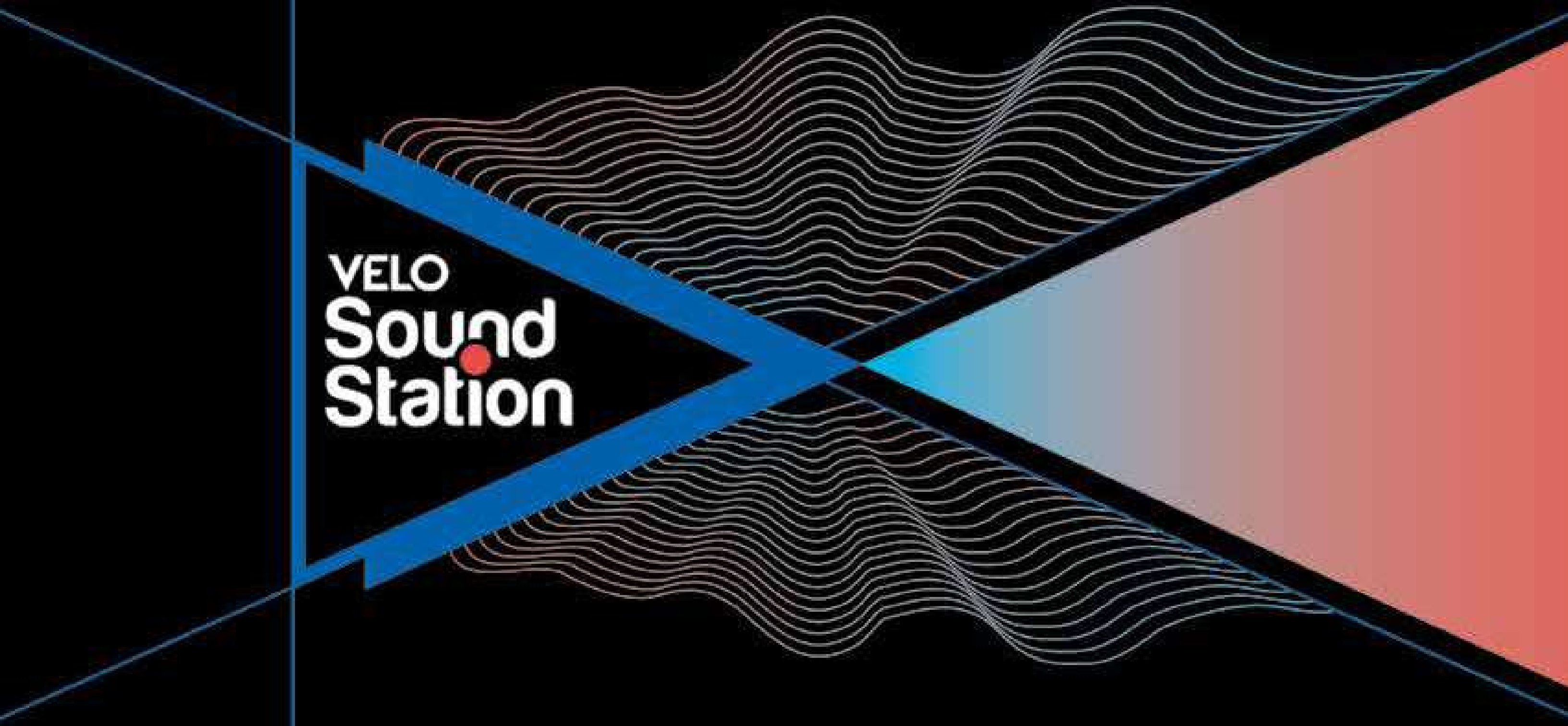
2020 has been a year that many would like to forget but for us, it was a journey of excellence, transformation and sustainability. The ambition to stay relevant for the future by making the Company 'Simpler, Faster & Stronger' was our mantra that led to the complete digital transformation in the RTM (Route to Market) and RTC (Route to Consumer) value chains which changed the market dynamics forever.

We partnered with Pakistan's biggest mobile financial services provider EasyPaisa, a subsidiary of Ali Baba. This was an industry first initiative which leveraged Mobile Financial services to make our salesmen completely cashless by digitizing the end to end sale transaction with the retailer. This initiative is currently live in 50% volume contributing markets with 30% of total retail cash in these markets digitized, essentially leading to time saving, which is being invested back into the business.

For us, consumer centricity has always been at the heart of our operations. The COVID-19 pandemic caused a big shift in purchasing behaviour of the consumer and purchasing from E-commerce platforms was one of the biggest trends in the country with a growth of 200%+ in transactions vs 2019. We also embarked on an exciting journey by partnering with some of the biggest E-commerce players such as Daraz & FoodPanda that cater more than 80% of online shopping traffic along with 24 other accounts across the country. 2020 has truly been a transformational year for us. The holy grail for us is to further expand our digital landscape in RTM & RTC structures to continue the journey to becoming Simpler, Faster and Stronger.

BECOMING THE EXPORTS HUB FOR MODERN ORAL

Our clear commitment to providing consumers with a range of less harmful products is central to our corporate purpose, around which our long-term ambition is planned. This year Pakistan Tobacco Company initiated setup of an exclusive manufacturing plant in Jhelum for modern oral nicotine pouches. With this plant, the Company aims to become an export hub for BAT and potentially generate additional foreign direct inflows for the Country. Furthermore, this factory will be the first in BAT world to fully operate on Solar Energy.



In the first year since we've launched, VELO has had a remarkable success. In our commitment for A Better Tomorrow™, we have established a new, potentially reduced-risk category in Pakistan – but the journey has just begun. In our quest to engage with society on a large-scale level and for us to generate mass appeal of our vision, it was necessary for us to dig deep into what really resonates with the people of Pakistan. VELO saw music as a gateway to generate mass appeal for our vision. And thus, VELO Sound Station was born.

It is the largest music platform in any market across the BAT world. The first episode of VELO Sound Station aired on 20th November 2020 and since then the inaugural season has had huge success.

VELO SOUND STATION : SEASON 1 OUTCOME

+2 Bn Impressions

+550K Followers

+500 Mn Views & Plays

Scan to View

SECURITY THAT MEANS BUSINESS

Crisis Management

An uphill task this year was ensuring Business Continuity Management as the pandemic spread across the globe. Pakistan, when faced with a stricter lockdown in quarter 1 and 2 of 2020 resulted in political instability, businesses closures, restrictions on intercity and interprovincial movements, and civil disorder arising due to a dwindling economy. This harmed the performance of multi-nationals and blue chips operating in the country. Against all odds, we continued to deliver products and services beyond its strategic and operational plans. Response to the pandemic was conducted to always be ahead of time; proactively reviewing and updating the plans.

At the very outset of COVID-19, before it was declared a global pandemic by WHO, we had updated the existing pandemic plans and prepared the business response in consonance with Regional plans and referred to the same during the Crisis Management Team's (CMT) meetings. Sequel to embargos imposed by the Government, chances of getting into unrest situation was an emerging potential risk in the country mainly due to lockdown which impacted the huge population of daily wagers. Hence, we decided to add the Potential Unrest readiness tracker to the existing Unrest & Evac plan. This horizon scan helped us to pre-empt the risk from impacting the business. Information gathering process was robust which helped CMT to make informed, timely & correct decisions. Crisis Management training was also meticulously developed keeping the COVID-19 scenario in mind to cater to every aspect that could lead the business into a crisis. In the actual situation, numerous robust and fit-for-purpose plans were invoked which proved to be effective while dealing with the pandemic.

Support for Business Initiatives

Notwithstanding the above odds, the focus was on the delivery of commercial goals keeping simplicity in implementation and excellence in execution of processes to ensure Zero-Tolerance Policy New Ways of Working to Security incident and to align the delivery of integrated corporate security service support with integrity in line with Ambition-21 by transforming the function based on the new way of working.

Training and Development

Training and Development even in these trying times remained key focus area within the Security Function. Concept of these training sessions was based on self-learning/refresher training. BAT Ethos and Security Strategy–21 (SS-21) related aspects were especially emphasized during the distance training sessions developed and delivered by each Security team. Our way forward for the year 2021 and beyond is based on securing the future - for a sustainable better tomorrow.

SIMPLIFY

Simplification through Empowerment, an outcome of Strategic Leadership Agenda 2020, aims to achieve the Group's vision of A Better Tomorrow™. In line with our Ethos of being Bold, Fast, Empowered, Diverse and Responsible, this pillar aims to set clear directions for faster decision making. Paving the way for transformation, this pillar will revolutionize the Organization to become Simpler, Faster and Stronger. Let's Simplify to Amplify Delivery.

Delegate -
Empower and Revamp
New Ways of Working

Streamline -
Simplify Policies
and Procedures

Digitize -
Connect, Automate and
Ensure Faster Delivery

2020 PERFORMANCE

Net turnover	Profit After tax
60,891 Rs in Million	16,492 Rs in Million

Sales Volume

38.5

Billion Sticks

Cash Generated from Operating Activities

22,215

Rs in Million

CRITICAL PERFORMANCE INDICATORS

1) Financial Indicators

Key Performance Indicators	2020	2019
Market Share (Legitimate market)	77.3%	75.4%
Gross Turnover (Rs. In Million)	166,258	149,025
Net Turnover (Rs. In Million)	60,891	51,975
Gross Profit (Rs. In Million)	31,562	26,210
Profit before Tax (Rs. In Million)	22,388	18,285
Profit after Tax (Rs. In Million)	16,492	12,889
Earnings Per Share (Rs)	64.55	50.45
Dividend per Share (Rs)	58.0	48.0
Operating Cash (Rs. In Million)	22,215	8,564
Market Price per share (Rs)	1,609.64	2,440.55

2) Non-Financial Indicators

a) Market Share of the Illicit Trade

This indicator gives visibility on the business lost to duty not paid sector due to weak enforcement. Illicit sector currently accounts for 37.6% of the total market share.

b) Trade Coverage

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

c) Legitimate Market Share Across Segments

i) Premium Segment share

77% market share in the legitimate premium segment held by JPGL - John Player Gold Leaf.

ii) Aspirational Premium Segment

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

iii) VFM (Value for Money) Segment

Our position in the VFM category was strengthened through the strong performance of Capstan by Pall Mall. The brand captured the largest market share of 51.3% in 2020, up by 1.8% from 2019. Further, The Value For Money (VFM) segment witnessed Gold Flake's migration to Rothmans of London with reinforcement campaigns during the year to further enhance Gold Flake's equity and mix

d) OEE – Overall Equipment Efficiency

In 2020, our Jhelum factory achieved 79.8% Overall Equipment Efficiency (OEE) while Akora-Khattak factory (AKF) posted OEE of 82.3%. This feat has propelled AKF to become the 2nd most efficient factory in BAT Group.

e) Lost Workday Cases (LWC)

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

f) Human Capital

i) Employee Retention

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

ii) Employee Engagement

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

In 2020, we were certified as a Top Employer for the third year running by Top Employer Institute, which is a testament of our high level of employee engagement.

iii) Diversity and Inclusion

We are an equal opportunity employer and do not discriminate on the grounds of gender, race, religion or social class, when making decisions on recruitment and promotions. We have aligned ourselves with the BAT's diversity ambitions and continue to widen diverse representation through ensuring balanced access at entry level, providing opportunities for flexible working, increasing maternity benefits and facilitating platforms for engagement. Moreover, for its drive and consistent focus on Diversity and Inclusion, the Company was also awarded the "Global Diversity & Inclusion, Progressive Award 2020".

g) Social and Relationship Capital

We have always been focused on investing in community and social initiatives. Following is the overview of various social responsibility initiatives taken in 2020

i) Afforestation

Under our flagship afforestation program, we planted and distributed more than 9 million saplings, free of cost, in 2020. A new fully solar powered nursery is also under construction in Lahore. This is in addition to the already established five nurseries in Islamabad, Jhelum, Faisalabad and Swabi.

ii) Water Filtration

To combat water borne diseases, we have 5 water filtration plants in Lahore and Jhelum benefiting millions everyday. The Company is providing clean drinking to the less privileged sectors of the society annually.

iii) Mobile Doctors Units

Under the MDU program, we dispensed medical advice and medicines to more than 50,000 patients in 2020 free of cost.

iv) Lift Irrigation

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

h) Natural Capital

i) Leaf Consumption

In 2020, we purchased 29.4 million kgs of tobacco leaf from local farmers, thereby, supporting the livelihood of farmers growing tobacco in the areas of KPK and Punjab.

ii) Environmental Sustainability Initiatives

Significant awareness and infrastructural improvements have been made in relation to Environment, Health & Safety processes and procedures at the manufacturing plants. Keeping in view the energy crisis, multiple energy conservation initiatives were undertaken in 2020 including Jhelum Factory doubling its solar generation capacity to 200kW, making it the highest renewable energy generating site for us while Akora Factory has achieved 2nd highest status in water recycling ratio in BAT world, thereby, reducing its CO_2 emissions footprint by 850 tons.

Performance Measures

Key Indicators and performance measures change as the strategic goals evolve over time but are mostly aligned to the Company's overall goal of increasing shareholders value in the future. These indicators are integral to the assessment of value generated for all our stakeholders. These indicators serve as a basis for the assessment of the performance of our Company's operations and value generation and they continue to be relevant for the foreseeable future.

Methods and Assumptions Used in Compiling the Indicators

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

QUARTERLY ANALYSIS 2020

Rs in Million	2020 Quarter 1	Quarter 2	Quarter 3	Quarter 4	2020 Annual
Statement of Profit or Loss					
Gross Turnover	38,606,738	47,277,711	36,656,177	43,717,857	166,258,483
Excise Duties	19,038,632	22,885,900	17,801,040	21,182,007	80,907,579
Sales tax	5,654,549	6,942,365	5,384,803	6,478,676	24,460,393
Net Turnover	13,913,557	17,449,446	13,470,334	16,057,174	60,890,511
Cost of sales	7,762,318	8,219,307	6,936,907	6,410,289	29,328,821
Gross Profit	6,151,239	9,230,139	6,533,427	9,646,885	31,561,690
Selling and distribution costs	1,012,073	1,793,565	511,631	1,698,158	5,015,427
Administrative expenses	903,565	625,886	732,655	1,095,798	3,357,904
Other operating expenses	413,069	554,709	430,094	693,357	2,091,229
Other income	428	7,078	(4,444)	745,536	748,598
	2,328,279	2,967,082	1,678,824	2,741,777	9,715,962
Operating profit	3,822,960	6,263,057	4,854,603	6,905,108	21,845,728
Finance income	115,938	347,482	170,671	148,775	782,866
Finance cost	59,369	50,114	69,264	61,952	240,699
Finance income - net	56,569	297,368	101,407	86,823	542,167
Profit before income tax	3,879,529	6,560,425	4,956,010	6,991,931	22,387,895
Income tax expense	1,058,851	1,766,674	1,230,155	1,839,725	5,895,405
Profit for the year	2,820,678	4,793,751	3,725,855	5,152,206	16,492,490

01 Quarter	02 Quarter	03 Quarter	04 Quarter
Sales Billion Sticks 8.7 Billion	Sales Billion Sticks 11 Billion	Sales Billion Sticks 8.7 Billion	Sales Billion Sticks 10.1 Billion
Net Turnover Rs 13.9 Billion	Net Turnover Rs 17.4 Billion	Net Turnover Rs 13.5 Billion	Net Turnover Rs 16.1 Billion
Net Profit Rs 2.8 Billion	Net Profit Rs 4.8 Billion	Net Profit Rs 3.7 Billion	Net Profit Rs 5.2 Billion

	Sales , Net Turnover and Income	Operating Costs (Cost of Sales and all Operating Costs)	Profit
Quarter 1	Q1'20 accounted for approximately 23% of total sales of the Company for FY'20. Sales volume in Q1'20 decreased by 22% compared to Q1'19 primarily because of Excise led price increase in June 2019. However, the Net Turnover increased by 12% compared to Q1'19 due to Rs 20/pack excise-led price increase. Interest income from short term investments decreased by 44.9% compared to Q1'19 because of reduction in interest rates.	Cost of sales increased by 16% compared to Q1'19 despite decrease in sales volume. This was primarily due to currency devaluation and general inflation in prices of raw materials. Selling and distribution costs decreased by 3% due to decrease in volume whereas administrative costs increased by 29% on account of general inflation compared to Q1'19.	Net profit for Q1'20 was 1% higher than that of Q1'19. This was primarily driven by higher Net Turnover and effective cost management.
Quarter 2	Q2'20 accounted for 28% of total sales of the Company for FY'20. Sales volume in Q2'20 improved by 27% compared to Q1'20 in anticipation of potential price increase post FY2020-21 budget. Net Turnover also increased by 25% against Q1'20. Income from short term investments increased by 200% vs Q1'20 driven by higher funds availability (47% higher) because of higher turnover and efficient investment strategy. Compared to Q2'19, Net turnover was higher by 12.1%.	Cost of sales increased by 6% from Q1'20 owing to increase in volume in Q2'20 and increased by 22% from Q2'19 owing to increase in cost base on account of rupee devaluation and general inflation. Selling and distribution costs increased by 77% as compared to Q1'20 due to increased volumes.	Profit increased by 70% compared to Q1'20. This is primarily because of higher sales volume compared to Q1'20. Compared to Q2'19 profit was higher by 13%.
Quarter 3	Q3'20 accounted for 22% of total sales of the company for FY'20. Sales volume was lower by 26% vs Q2'20. Resultantly, Net Turnover also declined by 23% compared to Q2. This was on account of higher distributor on hand stocks. Compared to Q3'19 Net Turnover increased by 41% due to increase in sales volume by 30%. Investment in marketing activities, dividend payments and payments to farmers on account of leaf purchases resulted in lower liquidity and as a result decline in income from short term investments by 26% compared to average of Q1'20 & Q2'20.	Decrease in sales resulted in decrease in cost of sales by 13% compared to average of Q1'20 & Q2'20. Compared to Q3'19 cost of sales increased by 49% due to increase in sales volume. Selling and distribution costs decreased by 64% compared to average of Q1'20 and Q2'20 due to decrease in sales volume vs cumulative quarterly average for prior periods. All other operating costs of the company saw a reduction of 7% in Q3'20 compared to average of Q1'20 & Q2'20.	Profit declined by 2% in Q3'20 compared to average of Q1'20 and Q2'20 due to significant drop in sales volume which was partially offset by effective cost management. Profit increased by 27% vs Q3'19.
Quarter 4	Q4'20 accounted for 26% of total sales of the Company for FY'20. Sales volume picked up pace in the last quarter of the year rising by 21% compared to Q3'20 and higher by 4% compared to Q4'19. Net turnover increased by 7% and 11.6% compared to cumulative average of prior quarters of 2020 and Q4'19 respectively.	Cost of sales decreased by 16% compared to cumulative average of prior quarters of 2020 and again by 16% compared to Q4'19 on account of effective cost management. Selling and distribution costs increased by 54% in Q4'20 as compared to average of last three quarters of the year due to increase in sales volume. Other operating costs increased by 47% compared to cumulative average of prior quarters of 2020. Compared to Q4'19, there was an increase of 25% in operating costs primarily due to higher Group IT recharges.	The profit for Q4'20 increased by 36% compared to cumulative average of prior quarters of 2020 mainly because of higher costs. Compared to Q4'19 profit was higher by 77%.

Analysis of Variation in Interim Results with Final Accounts

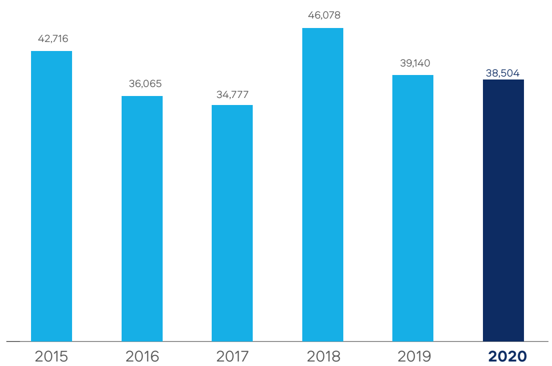
The Company's sales volume showed an upward trend in the first 6 months of the year on account of expected excise led price increases. However, post FY 20-21 budget excise rates remained unchanged. Sales volume declined by 9% in the second half compared to the first half of the year due to already accumulated stocks at distributors end. On the flip side, profitability improved by 17% in the second half due to effective cost management and greater efficiency.

The Company's input costs saw increase in first half of the year 2020 which was mainly attributable to FX devaluation and inflation. In H2'20, cost of sales declined by 17% primarily due to reduction in sales volumes and strict cost control regime augmented by savings generated through productivity initiatives across the Company. Following the same trend, selling and distribution costs also declined by 21% due to decline in sales volume.

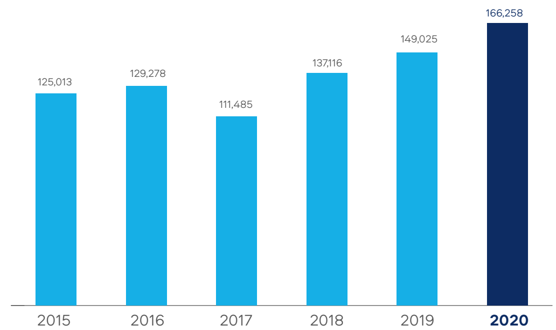
The Company's cash flow position in second half of the year decreased by 34% primarily on account of dividend, capex, royalty and leaf payments. As a result, interest income for second half also declined by 31% due to lower funds available for short term investments. Overall, the Company managed to generate healthy cash flows for the year ended 2020 as a result of effective liquidity management.

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

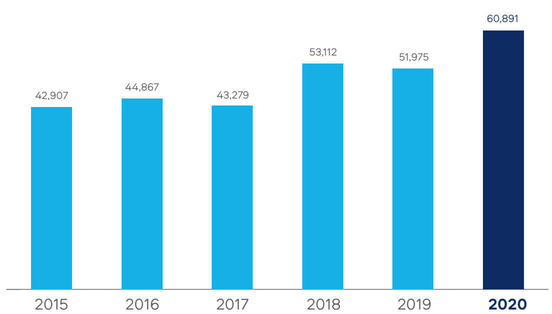
Volume
(Million Sticks)



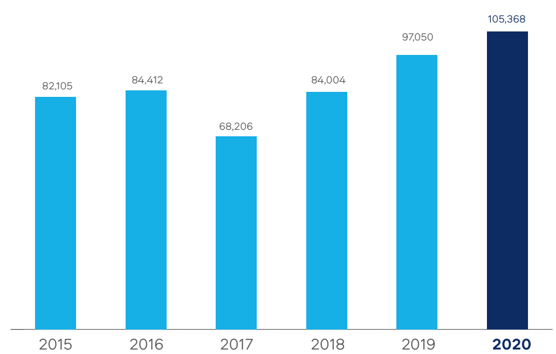
Gross Turnover
(Rs in Million)



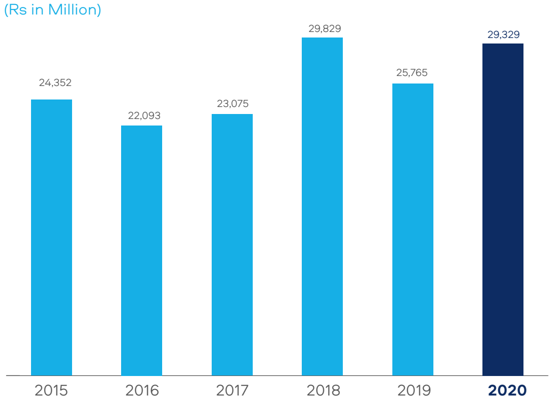
Net Turnover
(Rs in Million)



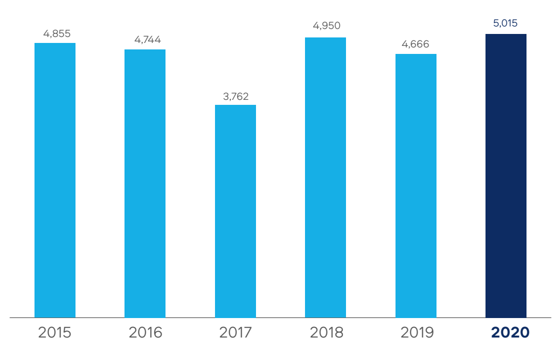
Excise & Sales Tax
(Rs in Million)



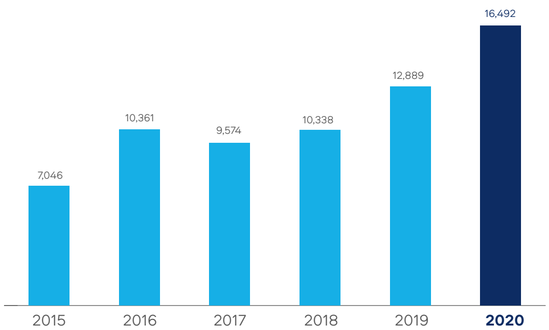
Cost of Sales
(Rs in Million)



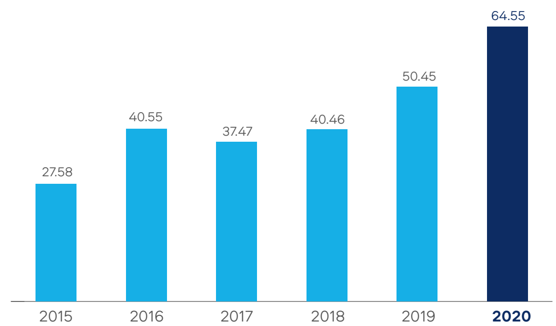
Selling & Distribution Costs
(Rs in Million)



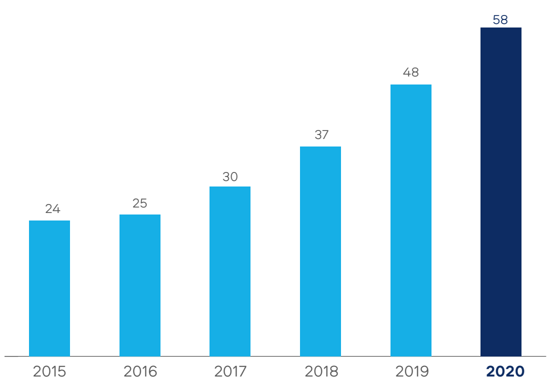
Profit after Tax
(Rs in Million)



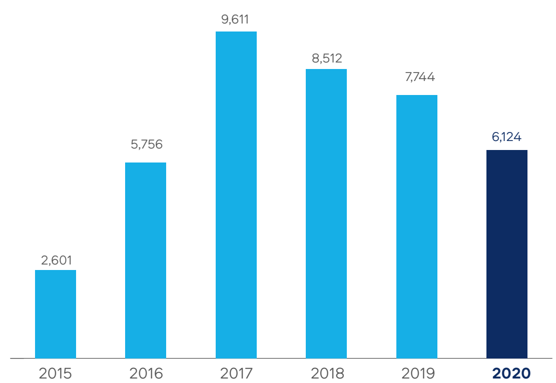
Earnings per Share
(Rs/share)



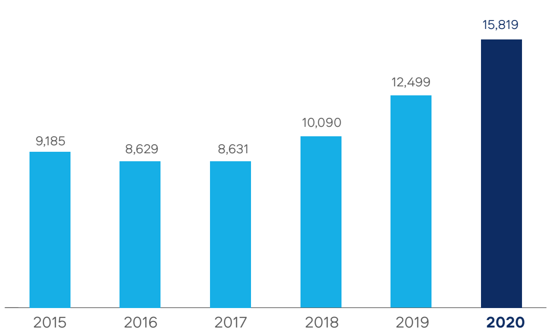
Dividend per Share
(Rs/share)



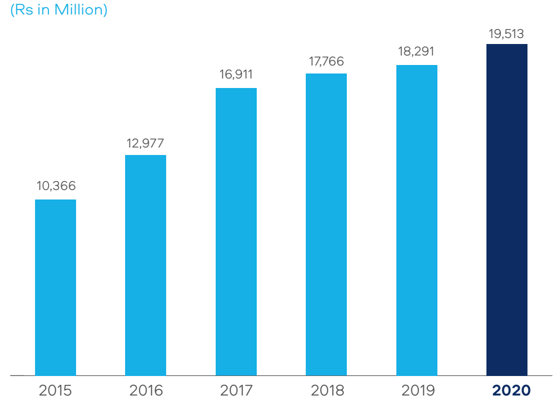
Working Capital
(Rs in Million)



Property, Plant & Equipment
(Rs in Million)



Share Capital and Reserves
(Rs in Million)



HORIZONTAL & VERTICAL ANALYSIS

Source Data

Rs. in million	2020	2019	2018	2017	2016	2015
Statement of Profit or Loss						
Gross turnover*	166,258	149,025	137,116	111,485	129,278	125,013
Excise duties	(80,908)	(74,741)	(63,118)	(51,247)	(64,976)	(63,290)
Sales tax	(24,460)	(22,308)	(20,886)	(16,959)	(19,436)	(18,815)
Net turnover	60,891	51,975	53,112	43,279	44,867	42,907
Cost of sales	(29,329)	(25,765)	(29,829)	(23,075)	(22,093)	(24,352)
Gross Profit	31,562	26,210	23,284	20,204	22,774	18,555
Selling and distribution costs	(5,015)	(4,666)	(4,950)	(3,762)	(4,744)	(4,855)
Administrative expenses	(3,358)	(2,780)	(2,558)	(2,664)	(2,185)	(2,435)
Other operating expenses	(2,091)	(1,872)	(1,382)	(1,186)	(1,198)	(1,068)
Other income	749	783	178	242	353	137
Operating profit	21,846	17,675	14,571	12,834	15,000	10,335
Finance income	783	813	743	234	428	316
Finance cost	(241)	(203)	(34)	(56)	(46)	(72)
Profit before income tax	22,388	18,285	15,280	13,011	15,382	10,579
Income tax expense	(5,895)	(5,396)	(4,942)	(3,438)	(5,021)	(3,533)
Profit for the year	16,492	12,889	10,338	9,574	10,361	7,046
Earnings per Share - basic and diluted (Rupees)	64.55	50.45	40.46	37.47	40.55	27.58

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

Rs. in million	2020	2019	2018	2017	2016	2015
Statement of Financial Position						
Non Current Assets						
Property, plant and equipment/ Advances for capital expenditure	15,819	12,499	10,090	8,631	8,629	9,185
Investment in subsidiary company	5	5	5	5	5	5
Long term loans	-	-	-	-	-	-
Long term deposits and prepayments	28	31	32	32	34	29
	15,851	12,534	10,127	8,668	8,668	9,219
Current Assets						
Stock-in-trade	19,483	21,423	18,489	14,461	13,619	14,008
Stores and spares	679	664	634	594	570	676
Trade debts	1	4	2	3	2	1
Loans and advances	335	126	96	73	179	182
Short term prepayments	76	15	250	213	184	170
Other receivables	1,336	2,132	1,862	969	1,049	447
Cash and bank balances/Short term investments	7,244	3,537	8,993	7,154	1,127	53
	29,154	27,901	30,326	23,466	16,729	15,536
Total Assets	45,006	40,436	40,453	32,134	25,397	24,755
Current Liabilities						
Trade and other payables	21,439	19,306	21,202	13,024	9,095	10,417
Accrued interest / mark-up	1	19	5	3	3	12
Short term running finance	-	-	76	-	95	1,220
Lease liability	679	383	148	165	164	154
Current Income tax liabilities	912	449	382	662	1,615	1,132
	23,031	20,157	21,813	13,854	10,973	12,934
Non Current Liabilities						
Deferred income tax liabilities	889	646	589	1,108	1,132	1,039
Lease liability	1,574	1,342	285	260	315	415
	2,462	1,988	874	1,368	1,447	1,454
Share Capital & Reserves						
Share capital	2,555	2,555	2,555	2,555	2,555	2,555
Revenue reserves	16,958	15,736	15,211	14,356	10,422	7,811
	19,513	18,291	17,766	16,911	12,977	10,366
	45,006	40,436	40,453	32,134	25,397	24,755

Horizontal Analysis[1]						Vertical Analysis[2]					
20 Vs 19	19 Vs 18	18 Vs 17	17 Vs 16	16 Vs 15	15 Vs 14	2020	2019	2018	2017	2016	2015
Percentage (%)						Percentage (%)					
11.6%	8.7%	23.0%	(13.8%)	3.4%	16.6%						
8.2%	18.4%	23.2%	(21.1%)	2.7%	16.2%						
9.6%	6.8%	23.2%	(12.7%)	3.3%	16.5%						
17.2%	(2.1%)	22.7%	(3.5%)	4.6%	17.2%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
13.8%	(13.6%)	29.3%	4.4%	(9.3%)	6.9%	48.2%	49.6%	56.2%	53.3%	49.2%	56.8%
20.4%	12.6%	15.2%	(11.3%)	22.7%	34.0%	51.8%	50.4%	43.8%	46.7%	50.8%	43.2%
7.5%	(5.7%)	31.6%	(20.7%)	(2.3%)	25.2%	8.2%	9.0%	9.3%	8.7%	10.6%	11.3%
20.8%	8.7%	(4.0%)	21.9%	(10.2%)	1.5%	5.5%	5.3%	4.8%	6.2%	4.9%	5.7%
11.7%	35.5%	16.5%	(1.0%)	12.2%	64.1%	3.4%	3.6%	2.6%	2.7%	2.7%	2.5%
(4.4%)	340.6%	(26.6%)	(31.4%)	157.4%	(17.6%)	1.2%	1.5%	0.3%	0.6%	0.8%	0.3%
23.6%	21.3%	13.5%	(14.4%)	45.1%	45.8%	35.9%	34.0%	27.4%	29.7%	33.4%	24.1%
(3.7%)	9.4%	217.2%	(45.3%)	35.5%	58.1%	1.3%	1.6%	1.4%	0.5%	1.0%	0.7%
18.8%	498.8%	(40.0%)	22.9%	(36.2%)	(27.5%)	0.4%	0.4%	0.1%	0.1%	0.1%	0.2%
22.4%	19.7%	17.4%	(15.4%)	45.4%	47.2%	36.8%	35.2%	28.8%	30.1%	34.3%	24.7%
9.3%	9.2%	43.8%	(31.5%)	42.1%	51.1%	9.7%	10.4%	9.3%	7.9%	11.2%	8.2%
28.0%	24.7%	8.0%	(7.6%)	47.0%	45.3%	27.1%	24.8%	19.5%	22.1%	23.1%	16.4%

26.6%	23.9%	16.9%	0.0%	(6.0%)	5.4%	35.1%	30.9%	24.9%	26.9%	34.0%	37.1%
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
0.0%	0.0%	0.0%	0.0%	0.0%	(100.0%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
(9.9%)	(4.2%)	(0.6%)	(3.7%)	15.5%	(10.4%)	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
26.5%	23.8%	16.8%	0.0%	(6.0%)	5.3%	35.2%	31.0%	25.0%	27.0%	34.1%	37.2%
(9.1%)	15.9%	27.9%	6.2%	(2.8%)	17.8%	43.3%	53.0%	45.7%	45.0%	53.6%	56.6%
2.2%	4.7%	6.8%	4.2%	(15.6%)	43.1%	1.5%	1.6%	1.6%	1.8%	2.2%	2.7%
(67.3%)	174.3%	(41.1%)	43.3%	103.0%	(71.9%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
166.0%	31.3%	32.1%	(59.3%)	(1.7%)	172.3%	0.7%	0.3%	0.2%	0.2%	0.7%	0.7%
402.7%	(93.9%)	17.5%	15.7%	8.0%	(7.0%)	0.2%	0.0%	0.6%	0.7%	0.7%	0.7%
(37.3%)	14.5%	92.2%	(7.6%)	134.9%	5.0%	3.0%	5.3%	4.6%	3.0%	4.1%	1.8%
104.8%	(60.7%)	25.7%	534.7%	2023.3%	(64.5%)	16.1%	8.7%	22.2%	22.3%	4.4%	0.2%
4.5%	(8.0%)	29.2%	40.3%	7.7%	17.7%	64.8%	69.0%	75.0%	73.0%	65.9%	62.8%
11.3%	(0.0%)	25.9%	26.5%	2.6%	12.8%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
11.0%	(8.9%)	62.8%	43.2%	(12.7%)	(7.5%)	47.6%	47.7%	52.4%	40.5%	35.8%	42.1%
(96.9%)	253.8%	56.2%	(0.7%)	(70.9%)	(51.1%)	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%
0.0%	(100.0%)	100.0%	(100.0%)	(92.2%)	116.7%	0.0%	0.0%	0.2%	0.0%	0.4%	4.9%
77.2%	158.3%	(10.3%)	0.5%	6.5%	29.3%	1.5%	0.9%	0.4%	0.5%	0.6%	0.6%
103.0%	17.5%	(42.3%)	(59.0%)	42.7%	145.6%	2.0%	1.1%	0.9%	2.1%	6.4%	4.6%
14.3%	(7.6%)	57.4%	26.3%	(15.2%)	4.0%	51.2%	49.8%	53.9%	43.1%	43.2%	52.3%
37.5%	9.7%	(46.8%)	(2.1%)	9.0%	(5.6%)	2.0%	1.6%	1.5%	3.4%	4.5%	4.2%
17.3%	371.1%	9.5%	(17.4%)	(24.1%)	3.7%	3.5%	3.3%	0.7%	0.8%	1.2%	1.7%
23.9%	127.5%	(36.1%)	(5.5%)	(0.5%)	(3.1%)	5.5%	4.9%	2.2%	4.3%	5.7%	5.9%
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.7%	6.3%	6.3%	8.0%	10.1%	10.3%
7.8%	3.5%	6.0%	37.8%	33.4%	43.2%	37.7%	38.9%	37.6%	44.7%	41.0%	31.6%
6.7%	3.0%	5.1%	30.3%	25.2%	29.4%	43.4%	45.2%	43.9%	52.6%	51.1%	41.9%
						100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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

2 For Statement of Profit or Loss, net turnover is the base figure whereas for Statement of Financial Position, total assets is the base figure for calculating vertical analysis

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

Gross Turn Over:

From 2015 to 2020, gross turnover has followed a healthy growth trend. During 2020, the gross turnover grew by 11.6% which was attributable to excise led price increase in first six months and impact of premium portfolio price increase in the second half of the year even though sales volume were lower vs 2019. However, looking back at historical numbers, the growth trend in gross revenues was disrupted in the years 2016 and 2017 as the illicit sector grew rapidly and their market share reached an alarmingly high level of 41.2% which resulted in steep fall in the Company's volume. The policy reforms introduced in 2017/18 budget helped in the revival of legitimate industry in 2018 and resultantly the Company's volume rebounded as the illicit sector saw a decline and consumers shifted from non-duty-paid cigarettes to duty-paid cigarettes.

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

FED and Sales Tax:

PTC is one of the largest tax contributors to the national exchequer. Over the years, the contribution to the national exchequer has followed an increasing trend, except in 2016 and 2017, when revenue growth stalled due to accelerated expansion of the illicit sector and the legal industry lost volume to duty not paid products. To address the steep fall in government revenues, fiscal reforms were introduced in budget 17/18 and 18/19, which helped to put the tax revenues back on the growth trajectory as elaborated above. In 2020, the Company contributed Rs 105 billion in tax revenues in the form of FED and Sales tax, higher by 8.5% compared to 2019.

Net Turnover:

In line with the growth in gross turnover, the net turnover has also followed a similar trend increasing from Rs 42.9 billion in 2015 to Rs 60.8 billion in 2020 (CAGR of 7.22%). During 2020, the net turnover increased by 17.2% from 2019. This is attributable to excise led price increase impact in first half of the year and premium portfolio price increase in the second half of the year 2020.

Cost of Sales:

Cost of sales increased by 14% in comparison to previous year primarily due to higher inflation and FX devaluation. Through strict cost regime and multiple product saving initiatives, the Company was able to mitigate the increase in costs for the second half of the year by 16%.

Selling & Distribution:

Over the years, the Company has continued to invest in its brands and trade capabilities. Brand investments are aimed at building a strong portfolio wide brand equity through product upgrades, effective marketing activities and consumer engagements. The Company ventured into new categories by launching VELO and its expansion across urban cities of Pakistan, which also contributed to an increase in overall selling and distribution expenses. In 2020, the selling and distribution expenses were Rs 5 billion, up by 7.5% vs 2019.

Profit After Tax

Over the past six years, the Company has been able to register a healthy growth in its profits apart from the year 2017 when the Company's volume took a significant hit. During 2020, the Company increased its profit after tax by 28% vs 2019. This is attributable to effective cost management, productivity savings and healthy finance income from efficient working capital management.

Earnings per share (EPS)

EPS has registered CAGR (cumulative average growth rate) of 18.5%, growing from Rs 27.58 per share in 2015 to Rs 64.55 per share in 2020, in line with the profitability growth trend over the years. EPS for 2020 registered a growth of 28% vs 2019.

Property Plant & Equipment

Over the years, property, plant & equipment has increased from around Rs 9.2 billion in 2015 to Rs 15.8 billion in 2020. The Company has invested not only to increase production capacity but also to upgrade its machinery footprint, enabling it to support future product innovations. Moreover in 2020, the Company has initiated setup of a standalone VELO factory for production localization. To meet strict EH&S requirements, the Company has also upgraded the operating infrastructure for ensuring a highly safe working environment for the Company's workforce.

Working Capital Management

The Company's cash advance sales model enables working capital requirements to be managed efficiently. The growing profitability and supplier management systems have also allowed the Company to improve its working capital position over the years, reaching a positive Rs 6.1 billion in 2020. These factors have improved the cash conversion cycle to 90 days in 2020 vs 153 days in 2019.

Non-Current Liabilities

Non-current liabilities (NCL) consist of lease liability and deferred tax liability. Over the years, the Company experienced a period of sales growth, increased profitability, higher liquidity and improved working capital position, eliminating the need for long term financing. Investment needs were easily financed through cash generated from operations. The trend continued in 2020 as well with no long-term financing options availed. However, due to the introduction of a new accounting standard, IFRS 16 – Leases in 2019, there has been an increase in the lease liabilities by 17% in lieu of new contracts entered during the year.

Share Capital & Reserves

Over the years, share capital has remained the same at Rs. 2.6 billion. However, reserves have increased from Rs. 7.8 billion in 2015 to Rs. 16.9 billion in 2020 owing to consistent growth in profitability over the years.

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

		2020	2019	2018	2017	2016	2015
Statement of Profit or Loss							
Gross turnover*	Rs. million	166,258	149,025	137,116	111,485	129,278	125,013
Excise duties/Sales Tax	Rs. million	(105,368)	(97,050)	(84,004)	(68,206)	(84,412)	(82,105)
Net turnover	Rs. million	60,891	51,975	53,112	43,279	44,867	42,907
Cost of Sales	Rs. million	(29,329)	(25,765)	(29,829)	(23,075)	(22,093)	(24,352)
Profit for the Year	Rs. million	16,492	12,889	10,338	9,574	10,361	7,046
Earnings per share	Rs./share	64.55	50.45	40.46	37.47	40.55	27.58

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

		2020	2019	2018	2017	2016	2015
Statement of Financial Position							
Property Plant & Equipment/Advances for Capital Expenditure	Rs. million	15,819	12,499	10,090	8,631	8,629	9,185
Working Capital (Current Assets-Current Liabilities)	Rs. million	6,124	7,744	8,512	9,611	5,756	2,601
Share Capital & Reserves	Rs. million	19,513	18,291	17,766	16,911	12,977	10,366
Non- Current Liabilities	Rs. million	2,462	1,988	874	1,368	1,447	1,454
Statement of Cash Flows							
Cash flow from Operating Activities	Rs. million	22,215	8,564	12,810	12,280	10,555	5,179
Cash flow from Investing Activities	Rs. million	(3,192)	(835)	(1,359)	(740)	17	(1,015)
Cash flow from Financing Activities	Rs. million	(15,317)	(13,110)	(9,688)	(5,418)	(8,374)	(4,917)
Net Change in Cash and Cash Equivalents	Rs. million	3,707	(5,380)	1,763	6,122	2,198	(753)
Beginning Cash and Cash Equivalents	Rs. million	3,537	8,917	7,154	1,032	(1,166)	(413)
Ending Cash and Cash Equivalents	Rs. million	7,244	3,537	8,917	7,154	1,032	(1,166)
Cash and Cash Equivalents comprise							
Cash and Bank Balances/Short Term Investments	Rs. million	7,244	3,537	8,993	7,154	1,127	53
Short Term Borrowings	Rs. million	-	-	(76)	-	(95)	(1,220)
	Rs. million	7,244	3,537	8,917	7,154	1,032	(1,166)

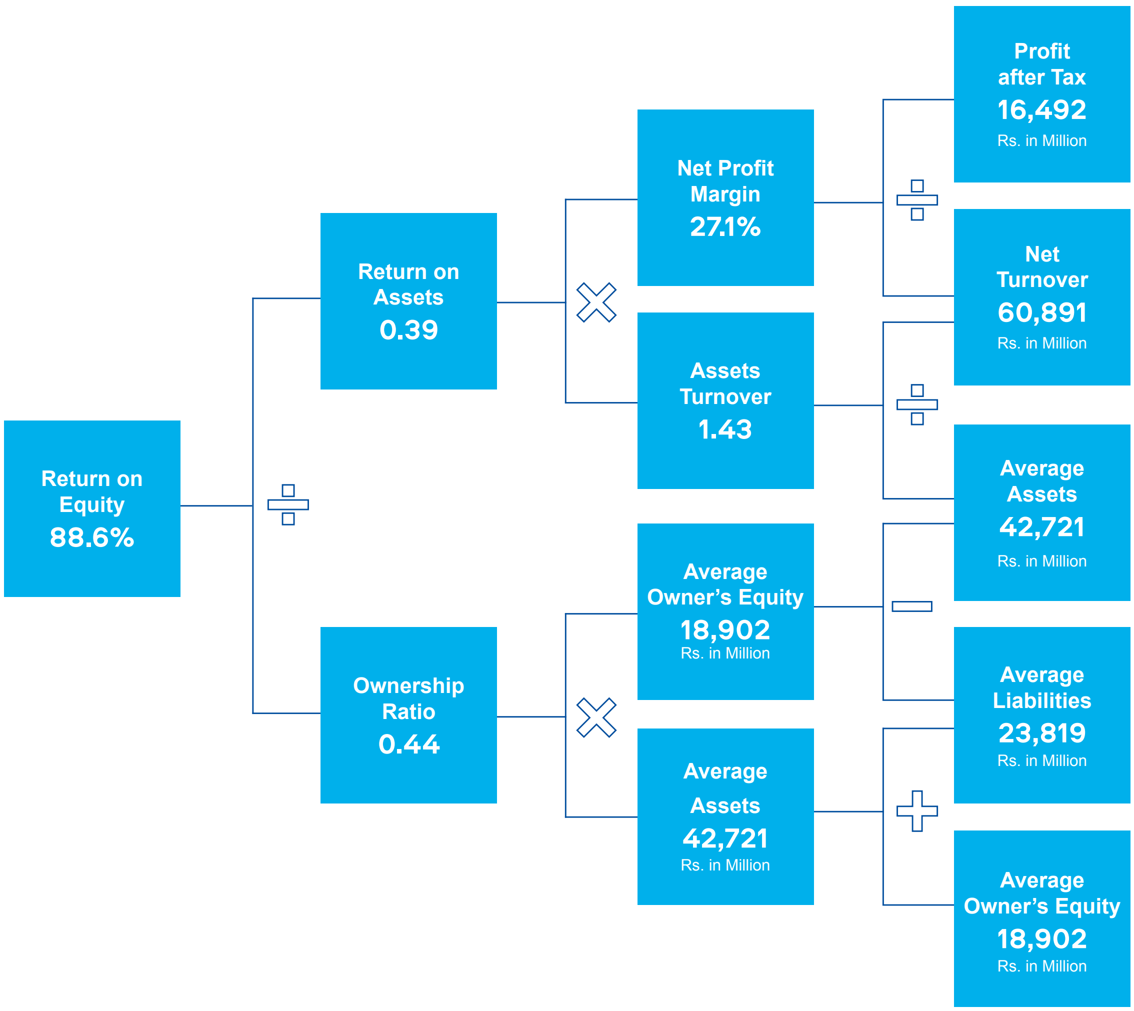
Direct Method Cash Flow

	2020	2019
Cash flows from operating activities		
Cash receipts from customers	166,257	149,037
Cash paid to Government & suppliers	(137,545)	(133,336)
Cash paid to employees and retirement funds	(5,524)	(5,462)
Interest paid	(259)	(182)
Other cash payments	(714)	(1,493)
	22,215	8,564
Cash flows from investing activities		
Purchase of property, plant and equipment/Advance for Capex	(4,201)	(1,947)
Proceeds from sale of equipment	227	299
Interest received	783	813
	(3,191)	(835)
Cash flows from financing activities		
Dividends paid	(14,801)	(12,400)
Finance lease payments	(516)	(709)
	(15,317)	(13,109)
Increase / (decrease) in cash and cash equivalents	3,707	(5,380)
Cash and cash equivalents at beginning of year	3,537	8,917
Cash and cash equivalents at end of year	7,244	3,537
Cash and cash equivalents comprise:		
Cash and bank balances	842	536
Short term investment	6,402	3,001
	7,244	3,537

Free Cash Flows

		2020	2019
Free cash flows			
Profit before tax	Rs. million	22,388	18,285
Adjustment non-cash items	Rs. million	1,819	1,354
Changes in working capital	Rs. million	3,717	(5,293)
	Rs. million	27,924	14,346
Capital expenditure	Rs. million	(4,201)	(1,947)
Free Cash flows	Rs. million	23,723	12,399

DUPONT ANALYSIS 2020



Dupont Analysis Summary

The Company's net profit registered healthy growth trend of 28% in comparison to previous year.

Asset turnover increased from 1.29 to 1.43 as net turnover increased by a higher margin than the increase in average assets in comparison to previous year. The additions in non-current asset during the year are primarily attributable to the recognition of new Right-of-Use Assets in accordance with IFRS 16 - Leases and additions in capital work in progress relating to enhancement of already installed machinery and construction of VELO factory. Further the current assets also increased due to increase in short term investments as compared to the previous period.

Ownership ratio reduced from 0.45 to 0.44 because increase in owner's equity was less than proportional increase in average assets.

LIQUIDITY, CASH FLOWS AND CAPITAL STRUCTURE

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

Cash Flow Analysis

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

1. Net Cash Generated from Operating Activities

Cash flows from operating activities followed a healthy trend over the years, improving from Rs. 5.2 billion in 2015 to Rs. 22.2 billion in 2020 (CAGR of 33.8%). This was primarily driven by increase in turnover, improved profitability and effective cash management. In its journey towards working capital improvement, the Company has been able to reduce its cash generation cycle from around 153 days in 2019 to 90 days in 2020.

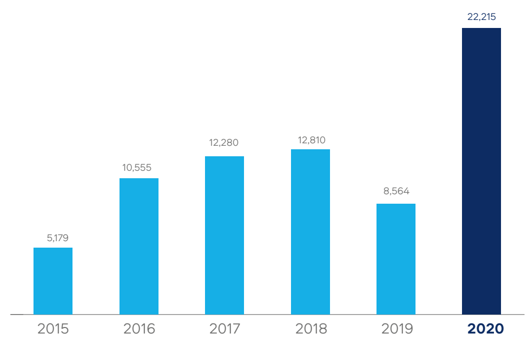
2. Net Cash Generated from Investing Activities

Cash utilized on investing activities has increased from Rs. 0.8 billion in 2019 to Rs. 3.2 billion in 2020. This is primarily due to increase of Rs 2.2 billion in capital expenditure to support innovations and fund installation and commissioning of new VELO plant and machinery. Further, lower inflows from proceeds from disposal of fixed assets and interest income have also contributed to higher cash utilization in 2020.

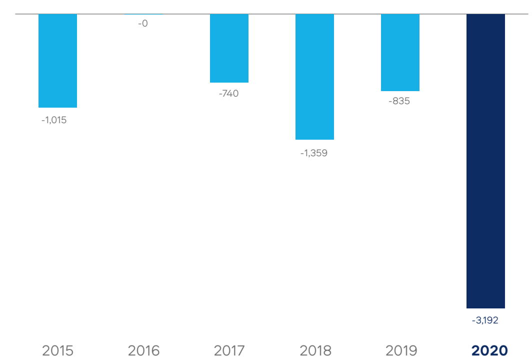
3. Net Cash Generated from Financing Activities

Cash outflow on financing activities increased from Rs 13.1 billion in 2019 to Rs 15.3 billion in 2020, as the Company paid out dividends of Rs 58/share totaling Rs 14.8 billion during the year compared to Rs 48/share totaling Rs 12.4 billion in 2019. This is a testament of Company's ability to generate sustainable value for its shareholders.

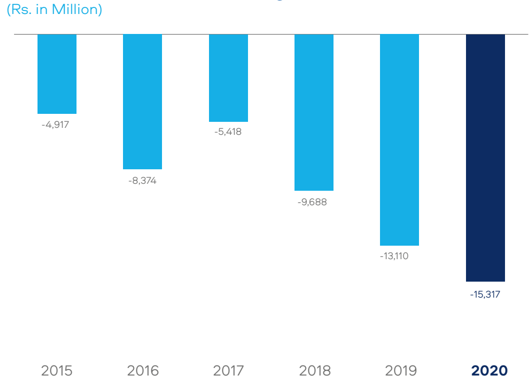
Cash Flow from Operating Activities
(Rs. in Million)



Cash Flow from Investing Activities
(Rs. in Million)



Cash Flow from Financing Activities
(Rs. in Million)



Adequacy of Capital Structure

The Company has an adequate capital structure comprising mainly of equity with a minimal portion of non-current liabilities. Over the years, share capital has remained the same at Rs. 2.6 billion, however, revenue reserves have increased from Rs. 7.8 billion in 2015 to Rs. 16.9 billion in 2020, primarily due to growing profitability over the years. Sales growth, higher profitability and improved liquidity position has enabled the Company to support its financing needs including those for capital expenditure from internally generated cash.

Financing Arrangements

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

Liquidity and Cash Flow Management Strategy to Overcome Liquidity Problems

1. Effective Working Capital Management

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

2. Cash Flow Monitoring

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

3. Investment of Surplus Funds

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

4. Effective Control Environment

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

Repayment of Debts and Recovery of Losses

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

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

PERFORMANCE INDICATORS RATIOS FOR 6 YEARS

			2020	2019	2018	2017	2016	2015
Profitability Ratios								
1	*Gross Profit ratio	%	51.8	50.4	43.8	46.7	50.8	43.2
2	*Net Profit to Sales	%	27.1	24.8	19.5	22.1	23.1	16.4
3	*EBITDA Margin to Sales	%	38.3	36.6	29.2	32.2	35.9	26.4
4	Operating leverage ratio	Times	2.0	2.5	0.6	1.0	13.2	2.8
5	Return on Equity	%	87.3	71.5	59.6	64.1	88.8	76.7
6	Return on Capital employed	%	99.4	87.2	78.2	70.2	104.0	87.4

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

			2020	2019	2018	2017	2016	2015
Liquidity Ratios								
1	Current ratio	Times	1.3	1.4	1.4	1.7	1.5	1.2
2	Quick / Acid Test Ratio	Times	0.4	0.3	0.5	0.6	0.3	0.1
3	**Cash and cash equivalents to Current Liabilities	%	31.5	17.5	41.2	51.6	10.3	0.4
4	Cash flow from operations to Sales	%	13.4	5.7	9.3	11.0	8.2	4.1
	**This includes short term investments as well							
Activity / Turnover Ratios								
1	Inventory turnover ratio	Times	1.5	1.2	1.6	1.6	1.6	1.7
2	No. of Days in Inventory	Days	242.5	303.5	226.2	228.7	225.0	210.0
3	Debtor turnover ratio	Times	0.0	0.0	0.0	0.0	0.0	0.0
4	No. of Days in Receivables	Days	0.0	0.0	0.0	0.0	0.0	0.0
5	Creditor turnover ratio	Times	2.4	2.4	2.0	2.4	2.9	3.1
6	No. of Days in Payables	Days	152.7	150.9	179.6	149.5	124.8	116.6
7	Total Assets turnover ratio	Times	3.7	3.7	3.4	3.5	5.1	5.1
8	Fixed Assets turnover ratio	Times	10.5	11.9	13.6	12.9	15.0	13.6
9	Operating cycle	Days	90	153	47	79	100	93
Investment /Market Ratios								
1	Earnings per share After Tax(EPS) and diluted EPS	Rs	64.6	50.4	40.5	37.5	40.6	27.6
2	Price-Earning Ratio	Times	24.9	48.4	71.7	57.3	35.3	40.4
3	Dividend Yield ratio	%	3.6	2.0	1.3	1.4	1.7	2.2
4	Dividend Payout ratio	%	89.9	95.1	96.4	80.1	61.6	87.0
5	Dividend Cover ratio	Times	1.1	1.1	1.0	1.2	1.6	1.1
6	Dividend Per Share	Rs	58.0	48.0	39.0	30.0	25.0	24.0
7	Stock Dividend per share	Rs	0.0	0.0	0.0	0.0	0.0	0.0
8	Market value per share at year end	Rs	1,610	2,441	2,900	2,147.9	1,433	1,114
9	Highest Market value per share during the year	Rs	2,320	2,999	3,000	2,147.9	1,433.3	1,169
10	Lowest Market value per share during the year	Rs	1,450	2,186	1,692	1,081	950	742.9
11	Break-up value per share	Rs	76.4	71.6	69.5	66.2	50.8	40.6
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	76.4	71.6	69.5	66.2	50.8	40.6
13	Price to Book Ratio	Times	21.1	34.1	41.7	32.5	28.2	27.5
Capital Structure Ratios								
1	Financial leverage ratio	Times	2.3	2.2	2.1	1.9	2.1	2.5
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)	%	0.0	0.0	0.0	0.0	0.0	0.0
4	Interest Cover/Time interest earned ratio	Times	94.0	91.3	452.7	232.0	336.6	148.2

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

ANALYSIS OF PERFORMANCE INDICATORS

Profitability Ratios

Over the years, our profitability ratios have followed an improving trend. This has been attributable to a growth in gross profit coupled with effective cost management. Gross turnover recorded an increase of 11.6% in 2020 which was primarily driven by the June-19 excise led price increase and premium portfolio price increase in second half of 2020. The gross profit ratio increased by 3% whereas net profit ratio increased by 9%. The increase in net profit ratio is clearly indicating that of our effective cost management, productivity savings and greater efficiency in operations.

Liquidity Ratios

Our liquidity ratios present a healthy position over the years. Our cash advance sales model coupled with effective resource allocation enables us to meet our liquidity requirements including capital expenditures. In 2020, a slight deviation in this trend has been witnessed with current ratio deteriorating slightly compared to 2019 due to lower inventory position as compared to 2019. However, the quick ratio increased in 2020 due to more availability of cash and cash equivalents at year end.

Activity Ratios

The activity ratios have improved significantly over the years mainly on account of a highly effective working capital management approach followed by us. As per the business model, the inventory days remain high due to a build-up of tobacco and raw material stock essential to support higher production in the first half of next year as well as to hedge against unfavourable FX headwinds. Further due to better working capital management, we have reduced our inventory days and resultantly the cash conversion cycle decreased from 153 days to 90 days only.

Investment /Market Ratios

We aim to generate maximum value for our shareholders, both in the short and the long term. This is reflected in the consistent improvement of investment ratios over the years and in particular, the growth of EPS and increase in dividend per share, which are certainly very attractive for our shareholders. Our share price witnessed a decline of 34% from 2019 along with P/E ratio declining by 28% owing to deteriorating macroeconomic factors and under performance of Pakistan Stock Exchange in the wake of global Covid-19 pandemic.

Capital Structure Ratios

The capital structure ratios reflect our ability to meet our 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, we avail a relatively small lease facility for financing vehicles provided to our employees. The debt to equity ratio is zero while interest cover has seen a minor increase from 2019 owing to increase in profits during the year.

SIGNIFICANT PLANS AND DECISIONS

The Company's key business decisions in 2020 were geared towards achieving its strategic objective of sustainable growth of its business. To deliver growth, we continued with our plans to strengthen our brands by directing investment towards product innovations and marketing activities aimed at enhancing the brand equity and image of our brands among our consumers.

1. Brand Equity:

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

(a) Value For Money Segment

Capstan by Pall Mall retains its standing as the best performing brand in the VFM segment with a 1.8% increase in market share in 2020. Additionally, the segment witnessed reinforcement campaigns during the year to further enhance Gold Flake's equity and mix. This was a strategic intervention which has helped the brand significantly capture lost volume and market share. Embassy's franchise base was also successfully retained through its pack format change campaign allowing it to sustain and maintain its distribution and consumer base respectively.

Despite increase in the incidence of counterfeit, our anti-counterfeit drive via a unique technology enabled scanning solution in the third quarter of 2020 assisted us to gain back volume from Counterfeit brands which also resulted in positive feedback from consumers, retailers and LEAs.

(b) Aspirational Premium Segment

In the Aspirational Premium segment, post successful pilot launch of John Player, expansion campaign was carried out in Q3'20 which was further aided by successful interventions of limited-edition packs resulting in improved sales traction for the brand in Q4'20.

(c) Premium Segment

In the Premium segment, based on consumer trends and positive sales results, handlers of Dunhill were increased at a national level resulting in positive sales growth and a larger handler base in 2020. These initiatives have further propelled the Dunhill brand to new heights in Pakistan.

2. Trade Activities:

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

At the very front of Sales and Distribution, we digitized the Route to Market (RTM) and Route to Consumer (RTC) value chains which transformed local market dynamics. The company piloted a 'cashless' journey for its salesman and digitized end to end sales transactions with retailers by leveraging digital payments platform offered by one of Pakistan's largest Telecom providers. In 2020, COVID-19 pandemic triggered a growth trend in E-commerce platforms as a medium for consumer buying. We capitalized on this exciting trend and partnered with some of the biggest E-commerce players and delivered 7 Million cigarette sticks and 25,000 VELO cans via the E-commerce channel during the year.

3. Investing in Talent Development

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

With people at the core of its delivery, the Company has a strong focus on people by attracting and retaining best talent in the country. In 2020, we were also awarded the Top Employer Award 2020 by Top Employer Institute. Moreover, for our drive and consistent focus on Diversity and Inclusion, we were also awarded the "Global Diversity & Inclusion Award 2020" in six categories.

BUSINESS RATIONALE OF PROJECTS UNDERTAKEN DURING THE YEAR

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

1. "Tobacco Harm Reduction"

During 2020, in line with BAT Group's vision of A Better Tomorrow™, we launched modern oral nicotine pouches under the VELO brand with 73 Million pouches sold in 2020. This enabled us to become the 6th biggest Modern Oral market within the BAT universe. Further, we also initiated setup of an exclusive VELO factory which is a key milestone in our ambition on becoming the primary export hub in Asia Pacific and Middle East region.

2. Simplification

A key initiative undertaken in 2020 was simplification of our processes to enable delivery of organizational objectives in a "simpler", "faster" and "stronger" manner. This included creation of a central Company policy HUB for easy employee access and reference. Company rewards disbursement process was also revisited for greater automation with the aim of digitized recognition and quicker rewards delivery to nominated employees. Under digitization workstream, cross functional teams initiated "We Connect" project which enables digitization of secured workspaces through smart meeting rooms, secured printing and technology labs with the aim of becoming a one-stop solution platform for Company employees.

3. Operational Synergies and Product Innovations Projects

2020 was also a big year for our manufacturing operations as both factories (Jhelum and Akora Khattak) drove "Clean Energy" agenda with Jhelum site doubling its solar generation capacity to 200kW, making it the highest renewable energy generating site. Akora on the other hand achieved 2nd highest status in the BAT Group for recycling water whilst impeding CO_2 emissions footprint by 850 tons.

We take great pride in accelerating our digital transformation. IDT has now embarked on the mission to infuse the digital DNA not just within the organization but also contribute externally. In one such example, we introduced a technology enabled solution that enables consumers to identify a genuine product at the point of sale whilst serving as an effective tool for Law Enforcement Agencies (LEAs) for on spot detection of counterfeit products. This initiative has been instrumental in curbing counterfeit incidence and has helped us retain sales and as a consequence increase Government revenues.

4. EHS and Regulatory Compliance Projects

The Company places great importance on the safety of its workplace to ensure that its operations are safe, environmentally safe and regulatory compliant. COVID-19 pandemic and its challenge to the health and safety of our employees was handled in an organized and responsible manner during the year. A dedicated 'Crisis Management Team' comprising of our leadership was formulated with the aim of brainstorming risk mitigation strategies for crisis scenarios. Further, comprehensive standard operating procedures and 'Zero Tolerance Policies' were enforced, and Company-wide awareness sessions were conducted to avoid COVID-19 contraction amongst our employees.

As a result, we have invested and will continue to invest in projects concerning improvement of our EH&S systems, processes and equipment. These include trainings on health and safety, incident reporting processes and systems, EH&S audits and maintenance programs to inculcate EH&S as a mindset and way of working across all levels within the organization.

Projects Planned for Next Year

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

STRATEGY AND RESOURCE ALLOCATION

CAPITAL

Financial Capital

Funds used to drive our strategic ambitions and support operations

Equity:	Rs. 19.51 billion
Long term Debt:	0

Manufactured Capital

Facilities and other physical infrastructure used in manufacturing activities

Property, plant & equipment:	Rs. 17.69 billion

Human Capital

Skills, attitude and experience of employees

Number of employees:	1,038
Factory employees:	377

Social and Relationship Capital

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

- Loyal Consumers
- Retailers
- Suppliers
- Distributors
- Farmers

Intellectual Capital

Knowledge, systems, standards and procedures developed over the years

- Brand trademarks
- Product recipes
- Automated systems

Natural Capital

Natural resources that are used in our value creation

Local tobacco purchased in 2020: 29.4 million kgs

WHAT WE DO

OUR STRATEGY

SOURCE

INNOVATE

SCIENCE

INSIGHTS

HOW WE WIN

- Inspirational foresights
- Remarkable innovation
- Powerful brands
- People and partnerships

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

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

OUR ETHOS

BOLD · FAST · EMPOWERED · DIVERSE · RESPONSIBLE

OUTPUTS

Outputs

Cigarettes produced in 2020:	38.5 billion sticks

Shareholders

Profit after Tax:	Rs. 16.49 billion
Earnings per share:	Rs. 64.55
Dividend per share:	Rs. 58 per share
Highest share price:	Rs. 2,320 per share

Employees

Salaries and Wages:	Rs. 5.08 billion

Business Partners

Payments to tobacco farmers:	Rs. 6.3 billion

Tax contributions

Tax, duties and other levies:	Rs. 112 billion

Community Investment

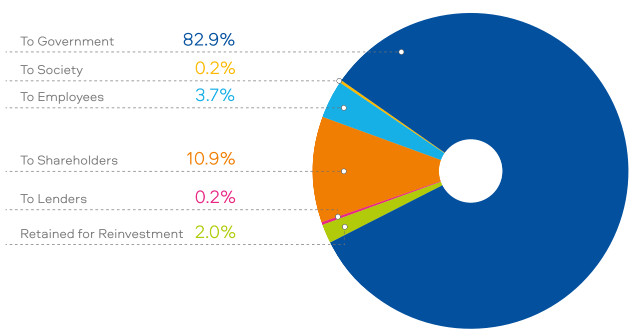
Free of cost saplings:	9 million
No. of patients treated for free:	More than 50,000
Water filtration plants:	5
Lift irrigation:	More than 450 farmers obtaining benefits

STATEMENT OF VALUE GENERATED AND ITS DISTRIBUTION

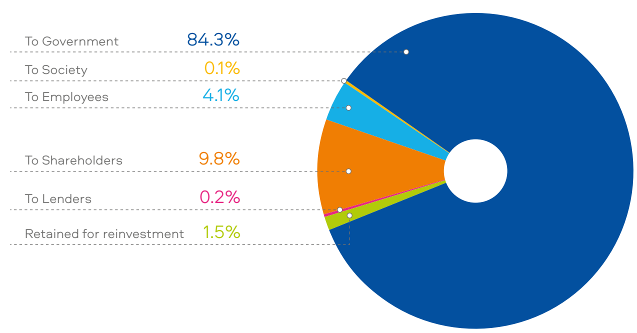
	2020 Rs. in million	%	2019 Rs. in million	%
Value Addition				
Gross Revenues	166,258		149,025	
Material, Services and Other Costs	30,636		24,406	
Value added	135,622		124,618	
Value Distribution	Rs		Rs	
To Government				
Taxes, duties and other levies	112,494	82.9%	105,069	84.3%
To Society				
Contribution towards health, environment & natural disaster	266	0.2%	72	0.1%
To Employees				
Salaries, benefits and other costs	5,080	3.7%	5,119	4.1%
To Shareholders				
Dividend to shareholders	14,819	10.9%	12,264	9.8%
To Lenders				
Mark-up/interest expense on borrowed money	241	0.2%	203	0.2%
Retained for Reinvestment				
Depreciation and retained profit	2,722	2.0%	1,892	1.5%
	135,622	100%	124,618	100%

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

Value Distribution
2020



Value Distribution
2019



Economic Value Added

2020

12,051 Rs. in Million

Economic Value Added

2019

9,498 Rs. in Million

SHARE PRICE SENSITIVITY ANALYSIS

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

1. Duty Not Paid Sector

Not only the Company but the legal tobacco industry as a whole is impacted by the duty not paid sector, which currently forms 37.6% of the total cigarette market. This sector not only continues to sell cigarettes below the minimum legal price, as stipulated by the local tax laws but also openly violates tobacco advertising and promotion restrictions. As a result, the legal industry is placed at a serious disadvantage compared to the illicit sector, as the price stretched consumer is encouraged to down trade to cheap illicit products. This creates major sustainability issues for the legal industry and hence greatly impacts the share price of the Company.

2. Political Environment

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

3. Law and Order

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

4. Economy

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

5. Social

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

6. Raw Material Prices

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

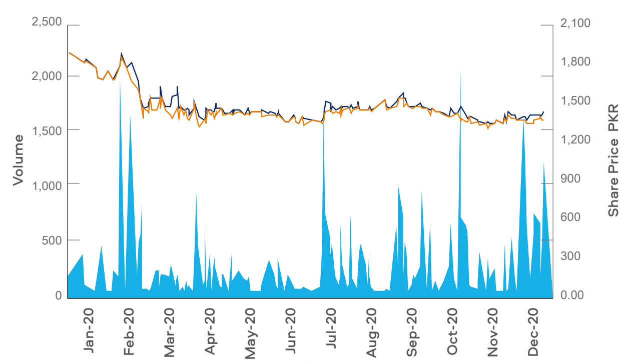
7. Local Currency Devaluation

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

8. Energy

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

Share Price Sensitivity



FORWARD LOOKING STATEMENT

In 2020, Pakistan's economy faced high degree of uncertainty owing to the challenges posed by COVID-19 pandemic. Frequent lockdowns to control the spread of virus across the country impacted business and social activities and as a consequence, Pakistan's exports of $22.9 Billion faced a decline of -6.8% compared to same period last year (SPLY). The Government made several targeted interventions during the year aimed at enhancing economic activity in the country. This was further augmented by State Bank of Pakistan's decision to reduce policy rates that resulted in deceleration of inflation by 4.6% from a level of 12.6% for SPLY. While addressing the economic challenges, the Government is focused towards not only stabilizing the economy but also driving economic growth.

Looking ahead, 2021 will be another challenging year for the Company as it will need to counter the challenges presented not only by a tough economic environment but also by the unique dynamics of the tobacco industry. In the future, the Company aims to drive business growth by focusing on delivering the following objectives and by countering the related challenges.

1. Drive Growth Agenda

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

Challenges:

A) Illicit Trade

The major impediment faced by the Company in driving volume growth is the high level of the illicit sector, which currently stands at 37.6%. The illicit sector thrives on the back of non-tax paid cigarettes that sell below the minimum legal price, resulting in significant revenue losses to the government exchequer and in major sustainability issues for the legitimate industry players. Therefore, it is necessary for the relevant authorities to intensify their efforts to eradicate the illicit sector and create a level playing field for the legitimate industry. This will not only enable the legal companies in driving volume growth but also result in increasing tax revenues for the government.

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

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

Strengthen Portfolio Wide Brand Equity

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

2. Drive Effective Resource Allocation and Cost Management

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

Challenges:

A) Currency Devaluation

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

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

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

3. Drive Operating and Manufacturing Efficiencies

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

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

4. Support ESG Agenda

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

5. Invest in Human Capital

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

Analysis of Prior Period's Forward Looking Disclosure

The Company anticipated 2020 to be a challenging year with illicit trade and currency devaluation remaining a major threat for the legitimate industry players. The illicit sector still remains very high, forming around 37.6% of the total market and continues to remain a major threat to the sustainability of the legitimate industry.

In 2020, the Company lost volumes, however, it successfully mitigated the inflationary impacts on its cost base. As a result, the Company was able to deliver a growth of 28% vs 2019 in its profits in line with the expectations.

Sources of Information

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

FINANCIAL CALENDAR

2020	
1st Quarter Results issued on	May 7, 2020
2nd Quarter Results issued on	July 24, 2020
3rd Quarter Results issued on	October 23, 2020
Recommendation of Annual Results by the BOD	February 23, 2021
74th Annual General Meeting scheduled for	April 22, 2021

2019	
1st Quarter Results issued on	April 22, 2019
2nd Quarter Results issued on	July 23, 2019
3rd Quarter Results issued on	October 17, 2019
Recommendation of Annual Results by the BOD	February 24, 2020
73rd Annual General Meeting held on	May 8, 2020

MANAGEMENT RESPONSIBILITY TOWARDS FINANCIAL STATEMENTS

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

STATEMENT OF UNRESERVED COMPLIANCE

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

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

STATEMENT OF ADHERENCE WITH THE INTEGRATED REPORTING FRAMEWORK

Our history of 73 years is a testament of our strong foundation, leadership and resilience. Being the legal industry market leader, our remarkable success is a reflection that we hold true to our core business values, adhere to a robust governance framework and operate through a streamlined set of systems & processes. We engage and cooperate with our employees, suppliers, valued business partners and other key stakeholders to ensure integrated functioning and effective utilization of our resources across our value chain, to generate value for the organization, key stakeholders and our shareholders.

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

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

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

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

1. Organizational Overview And External Environment
2. Business Model
3. Risks and Opportunities
4. Strategy and Resource Allocation
5. Performance
6. Governance
7. Basis of Presentation
8. Outlook

Report Methodology

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

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

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventy Fourth (74th) Annual General Meeting ("Meeting") of Pakistan Tobacco Company Limited ("the Company") will be held physically at the Serena Hotel, Khayaban-e- Suhrwardy, Islamabad as well as electronically on Thursday, the 22nd day of April 2021 at 10:30 am to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Company's Audited Financial Statements for the year ended 31st day of December 2020, together with the Reports of the Directors and Auditors thereon.
2. To approve and to declare Final Dividend for the year ended 31st December 2020 on the Ordinary Shares of the Company as recommended by the Board.
3. To appoint Auditors and to fix their remuneration

BY THE ORDER OF THE BOARD

Islamabad: March 30, 2021

Sami Zaman COMPANY SECRETARY

NOTES:

1. Annual Report

A soft copy (CD) of the Annual Report for the year ended 31.12.2020 is being sent to the shareholders at their given addresses and posted for download 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

Share Transfer Books of the Company will be closed from 16th April 2021 to 22nd April 2021 (both days inclusive) when no transfer of the Company's shares will be accepted for registration. Transfers in good order, received at the office of the Company's Share Registrar, FAMCO Associates (Private) Limited, 8-F, Near Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahrah-e-Faisal, Karachi-75400 ("the Share Registrar") by the close of business on 15th April 2021, will be treated in time to be entitled to attend and vote and for the entitlement of dividend payment.

3. Participation in the Annual General Meeting

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

4. Attendance of Members

A. **In view of the Circular No:** 4 of 2021, dated 15th February 2021, issued by the Securities & Exchange Commission of Pakistan (SECP), the Company is convening this AGM physically as well as electronically through video link arrangements.

i) Members can log-in through their smartphones or computer devices to the video link arrangements after completing the meeting attendance formalities that will be provided to the Members after completing identification and verification formalities. The Members are requested to provide their name, CNIC (both sides scanned copies), folio / CDC account number, cell phone number and email address by 20th April, 2021 at the following email address: PTC_AGM@bat.com.The details of the video link arrangements of the AGM will be sent only to those Members who provide the aforementioned details by the said date and time.

ii) In addition, if the participating Members also have any comments/suggestions for discussion on the agenda items of the AGM they should email the same at the above-mentioned email address, PTC_AGM@bat.com, by 20th April 2021. Only those comments/suggestions on the agenda items will be discussed at the AGM which have been received on the aforesaid email address by the said date and time.

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

B. 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 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.

C. Attendance Through Proxy:

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

i) Proxy Form. Soft copy of the proxy form has been posted on our website www.ptc.com under the section Investor Relations. The scanned copy of the filled form must be sent at the following email address: zeeshan.akhtar@famco.com.pk, not less than forty-eight (48) hours before the time of the Meeting. Proxy Form(s) received after the said forty-eight (48) hours i.e. after 10:30 am on 20th April 2021 will not be treated as valid.

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

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

5. Submission Of CNIC/NTN Details Mandatory

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

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

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

6. Dividend, Provision of IBAN, Mandatory

It is mandatory for a listed company to pay cash dividend to its shareholders only through electronic mode by making direct remittance into their respective bank account designated by the entitled shareholder(s) ("the Bank Account"), whose title must commence with the principal shareholder's name. Therefore, the Company will be remitting the dividend proceeds directly into the Bank Accounts of its Member, instead of issuing physical Dividend Warrants. In order to receive dividends directly into their Bank Account, Members holding shares in physical form are requested to submit their International Bank Account Number (IBAN) using the "Electronic Credit Mandate Form", available on Company's website i.e. www.ptc.com.pk. Please, fill and send the completed Form along with a copy of a valid CNIC to the Share Registrar of the Company at info.shares@famco.com.pk latest by 15th April 2021. Members who hold shares in CDC accounts should provide their mandate to their respective participant or CDC Investor Account Services. Shareholders already receiving direct credit of dividend in their bank account need not send the Electronic Credit Mandate Form again.

7. Deduction of Income Tax from Dividend Mandatory:

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

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

To enable the Company to make tax deduction on the amount of cash dividend @ 15% instead of 30%, shareholders whose names are not appearing in the Active Tax-payers List (ATL) provided on the website of Federal Board of Revenue (FBR), despite the fact that they are filers, are advised to immediately make sure that that their names are entered in ATL, otherwise tax on their cash dividend will be deducted @ 30% instead of 15%.

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

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

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

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

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

D. The corporate shareholders of the Company having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants or Investor Account Services of CDC, with whom their shares are placed, whereas corporate physical shareholders should send a copy of their NTN certificate to either the Company or the

Share Registrar. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

8. Zakat Deduction:

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

9. E-Voting:

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

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

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

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

11. Change of Address:

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

B. Members holding shares in electronic form with CDC must notify change of address to their participants or CDC Investor Account Services with whom their shares are placed.

12. Contact Details:

Company Contact:

Company Secretary

Pakistan Tobacco Company Limited

Serena Business Complex, Khayaban-e-Suhrwardy, Islamabad

+ 92 51 2083200

Share Registrar:

FAMCO Associates (Private) Limited

8-F, Near Hotel Faran, Nursery, Block-6, P.E.C.H.S.

Shahrah-e-Faisal, Karachi

+ 92 21 34380101-5

info.shares@famco.com.pk

STATEMENT OF COMPLIANCE
With the Code of Corporate Governance

Name of Company: **Pakistan Tobacco Company Limited**
Year ended: **December 31, 2020**

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

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

   11 Male | **1** Female

2. The Board's composition is as follows:

Independent Directors

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

Non- Executive Directors

Tajamal Shah
Belinda Joy Ross
Zafar Aslam Khan
Syed Javed Iqbal

Executive Directors

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

Female Directors

Belinda Joy Ross

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

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

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

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

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

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

9. The board has arranged Directors' Training Program for the following:

   1. Mr. Usman Zahur
   2. Mohmmad Riaz
   3. Syed Ali Akbar

10. The Board has approved appointment of Chief financial officer, company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;

11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;

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

a) Audit Committee

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

b) HR and Remuneration Committee

Lt. Gen. M. Masood Aslam (R)	Member & Chairman
Usman Zahur	Member
Asif Jooma	Member

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

14. The frequency of meetings (quarterly/half yearly/ yearly) of the Committees were as per the following:

    a) The Audit Committee: Four (4) quarterly meetings were held during the year ended 31 December 2020

    b) HR and Remuneration Committee: One (1) meeting was held during the year ended 31 December 2020.

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

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan 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 Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the Company;

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

18. We confirm that all requirements of regulations 3, 6, 7, 8, 27,32, 33 and 36 of the Regulations have been complied with.

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

Dated: 24 February 2021

INDEPENDENT AUDITORS' REVIEW REPORT

To the members of Pakistan Tobacco Company Limited Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Pakistan Tobacco Company Limited for the year ended December 31, 2020 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 December 31, 2020.

KPMG Taseer Hadi & Co

KPMG Taseer Hadi & Co.
Chartered Accountants

Islamabad
29th March 2021

PAKISTAN TOBACCO COMPANY LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

INDEPENDENT AUDITORS' REPORT

To the members of Pakistan Tobacco Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Pakistan Tobacco Company Limited (the Company), which comprise the statement of financial position as at December 31, 2020 and the statement of profit or loss, and the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2020 and of the profit, the comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for opinion

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

Key Audit Matters

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

Following are the Key audit matters:

S. No.	Key audit matters	How the matter was addressed in our audit
1	**Revenue recognition** Refer notes 7.1 and 8 to the financial statements. The Company is engaged in the production and sale of tobacco and tobacco products. The Company recognized net revenue from the sales of cigarettes/tobacco of Rs 60,891 million for the year ended December 31, 2020. We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicator of the Company and gives rise to an inherent risk that revenue could be subject to misstatement to meet expectations or targets.	Our audit procedures to assess the recognition of revenue, amongst others, included the following: • Obtaining an understanding of the process relating to recognition of revenue and testing the design, implementation and operating effectiveness of key internal controls over recording of revenue; • Comparing a sample of revenue transactions recorded during the year with sales orders, sales invoices, delivery documents and other relevant underlying documents; • Comparing a sample of revenue transactions recorded around the year- end with the sales orders, sales invoices, delivery documents and other relevant underlying documentation to assess if the related revenue was recorded in the appropriate accounting period; • Assessing whether the accounting policies for revenue recognition complies with the requirements of IFRS 15 'Revenue from Contracts with Customers'; • Comparing the details of a sample of journal entries posted to revenue accounts during the year, which met certain specific risk-based criteria, with the relevant underlying documentation; and • Assessing the appropriateness of disclosures in the financial statements.
2	**Valuation of stock-in-trade** Refer notes 7.12 and 20 to the financial statements. As at 31 December 2020, stock-in-trade is stated at Rs 19,483 million. Stock-in-trade is measured at the lower of cost and net realizable value. We identified existence and valuation of stock-in-trade as a key audit matter due to its size, representing 43% of total assets of the Company as at December 31, 2020, and the judgment involved in valuation.	Our audit procedures to assess the valuation of stock-in trade, amongst others, included the following: • Assessing the design, implementation and operating effectiveness of key internal controls over valuation of stock-in-trade including determination of net realizable values; • Attending inventory counts and reconciling the count results to the inventory listings; • Assessing the accuracy of cost of stock in trade in accordance with the accounting policy; • Assessing the net realizable value of stock-in-trade by comparing, on a sample basis, management's estimation of future selling prices for the products and selling prices achieved subsequent to the end of the reporting period; and • Comparing the net realizable value to the cost of a sample of stock-in-trade and comparison to the associated provision to assess whether stock-in-trade provisions are complete.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. Other information comprises the information included in the annual report for the year ended December 31, 2020, but does not include the financial statements and our auditors' report thereon.

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

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

d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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

KPMG Taseer Hadi & Co

KPMG Taseer Hadi & Co.
Chartered Accountants

29th March 2021
Islamabad

STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2020

	Note	2020 Rs '000	2019 Rs '000
Gross turnover	8	166,258,483	149,024,648
Excise duties		(80,907,579)	(74,741,489)
Sales tax		(24,460,393)	(22,308,263)
Net turnover		60,890,511	51,974,896
Cost of sales	9	(29,328,821)	(25,764,813)
Gross profit		31,561,690	26,210,083
Selling and distribution costs	10	(5,015,427)	(4,666,122)
Administrative expenses	11	(3,357,904)	(2,780,245)
Other operating expenses	12	(2,091,229)	(1,871,999)
Other income	13	748,598	783,182
		(9,715,962)	(8,535,184)
Operating profit		21,845,728	17,674,899
Finance income		782,866	812,571
Finance cost	14	(240,699)	(202,553)
Net finance income		542,167	610,018
Profit before income tax		22,387,895	18,284,917
Income tax expense	15	(5,895,405)	(5,395,688)
Profit for the year		16,492,490	12,889,229
Earnings per share (basic and diluted)- (Rupees)	16	64.55	50.45

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

Usman Zahur
Chief Executive Officer

William Pegel
Chief Financial Officer / Director

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2020

	Note	2020 Rs '000	2019 Rs '000
Profit for the year		16,492,490	12,889,229
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
- Remeasurement loss on defined benefit pension and gratuity plans	33	(636,405)	(144,170)
- Tax credit related to remeasurement loss on defined benefit pension and gratuity plans	15.2	184,557	43,873
		(451,848)	(100,297)
Total comprehensive income for the year		16,040,642	12,788,932

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

Usman Zahur
Chief Executive Officer

William Pegel
Chief Financial Officer / Director

A BETTER TOMORROW™

STATEMENT OF FINANCIAL POSITION

For the year ended December 31, 2020

	Note	2020 Rs '000	2019 Rs '000
Non current assets			
Property, plant and equipment	17	15,101,755	12,322,830
Advance for capital expenditure		716,864	175,783
Long term investment in subsidiary company	18	5,000	5,000
Long term deposits and prepayments	19	27,720	30,759
		15,851,339	12,534,372
Current assets			
Stock-in-trade	20	19,482,676	21,422,543
Stores and spares	21	678,900	663,999
Trade debts	22	1,392	4,260
Loans and advances	23	335,205	125,644
Short term prepayments		76,415	15,921
Other receivables	24	1,336,336	2,131,912
Short term investments	25	6,401,215	3,001,058
Cash and bank balances	26	842,296	535,905
		29,154,435	27,901,242
Current liabilities			
Trade and other payables	27	19,202,867	16,295,217
Other liabilities	28	2,073,866	2,865,822
Lease liability	30	678,730	382,941
Unpaid dividend	31	84,856	66,740
Unclaimed dividend		77,381	78,235
Accrued interest / mark-up		583	18,859
Current income tax liabilities		912,236	449,395
		(23,030,519)	(20,157,209)
Net current assets		6,123,916	7,744,033
Non current liabilities			
Lease liability	30	(1,573,892)	(1,341,607)
Deferred income tax liabilities	32	(888,506)	(645,943)
		(2,462,398)	(1,987,550)
Net assets		19,512,857	18,290,855
Share capital and reserves			
Share capital	34	2,554,938	2,554,938
Revenue reserve - Unappropriated profit		16,957,919	15,735,917
		19,512,857	18,290,855
Contingencies and commitments	35		

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

Usman Zahur
Chief Executive Officer

William Pegel
Chief Financial Officer / Director

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2020

	Share capital Rs '000	Revenue Reserve - unappropriated profit Rs '000	Total Rs '000
Balance at January 1, 2019	2,554,938	15,210,686	17,765,624
Total Comprehensive income for the year:			
Profit for the year	–	12,889,229	12,889,229
Other comprehensive loss for the year	–	(100,297)	(100,297)
Total Comprehensive income for the year	–	12,788,932	12,788,932
Transactions with owners of the Company:			
Final dividend of Rs 22.00 per share relating to the year ended December 31, 2018	–	(5,620,863)	(5,620,863)
Interim dividend of Rs 13.00 per share relating to the year ended December 31, 2019	–	(3,321,419)	(3,321,419)
Interim dividend of Rs 13.00 per share relating to the year ended December 31, 2019	–	(3,321,419)	(3,321,419)
Total transactions with owners of the Company	–	(12,263,701)	(12,263,701)
Balance at December 31, 2019	2,554,938	15,735,917	18,290,855
Balance at January 1, 2020	2,554,938	15,735,917	18,290,855
Total Comprehensive income for the year:			
Profit for the year	–	16,492,490	16,492,490
Other comprehensive loss for the year	–	(451,848)	(451,848)
Total comprehensive income for the year	–	16,040,642	16,040,642
Transactions with owners of the Company:			
Final dividend of Rs 23.00 per share relating to the year ended December 31, 2019	–	(5,876,357)	(5,876,357)
Interim dividend of Rs 15.00 per share relating to the year ended December 31, 2020	–	(3,832,407)	(3,832,407)
Interim dividend of Rs 20.00 per share relating to the year ended December 31, 2020	–	(5,109,876)	(5,109,876)
Total transactions with owners of the Company	–	(14,818,640)	(14,818,640)
Balance at December 31, 2020	2,554,938	16,957,919	19,512,857

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

Usman Zahur
Chief Executive Officer

William Pegel
Chief Financial Officer / Director

STATEMENT OF CASH FLOWS

For the year ended December 31, 2020

	Note	2020 Rs '000	2019 Rs '000
Cash flows from operating activities			
Cash generated from operations	39	27,923,964	14,361,234
Finance cost paid		(258,975)	(182,149)
Income tax paid		(5,005,444)	(5,271,843)
Contribution to retirement benefit funds		(444,152)	(342,950)
Net cash generated from operating activities		22,215,393	8,564,292
Cash flows from investing activities			
Purchases of property, plant and equipment		(3,659,936)	(2,731,002)
Advance for capital expenditure		(541,081)	783,657
Proceeds from sale of property, plant and equipment		226,567	299,933
Interest received		782,866	812,571
Net cash used in investing activities		(3,191,584)	(834,841)
Cash flows from financing activities			
Dividends paid		(14,801,378)	(12,400,182)
Lease payments		(515,883)	(709,437)
Net cash used in financing activities		(15,317,261)	(13,109,619)
Net increase in cash and cash equivalents		3,706,548	(5,380,168)
Cash and cash equivalents at beginning of year		3,536,963	8,917,131
Cash and cash equivalents at end of year		7,243,511	3,536,963
Cash and cash equivalents comprise:			
Cash and bank balances	26	842,296	535,905
Short term investments	25	6,401,215	3,001,058
		7,243,511	3,536,963

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

Usman Zahur
Chief Executive Officer

William Pegel
Chief Financial Officer / Director

1 Corporate and general Information

The Company and its operations

Pakistan Tobacco Company Limited (the Company) is a public limited company incorporated in Pakistan on November 18, 1947 under the Companies Act, 1913 (now the Companies Act, 2017) and its shares are quoted on the Pakistan Stock Exchange Limited. The Company is a subsidiary of British American Tobacco (Investments) Limited, United Kingdom, whereas its ultimate parent company is British American Tobacco p.l.c, United Kingdom. The Company is engaged in the manufacture and sale of cigarettes/ tobacco.

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

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

Capacity and production

Against an estimated manufacturing capacity of 45,330 million cigarettes (2019: 53,381 million cigarettes) actual production was 39,113 million cigarettes (2019: 39,469 million cigarettes). The split from each industrial unit is given below.

	Manufacturing Capacity	
Site	**2020 (Units in Millions)**	**2019 (Units in Millions)**
Akora Khattak Factory	21,412	27,407
Jhelum Factory	23,918	25,974
Total	45,330	53,381

	Actual Production	
Site	**2020 (Units in Millions)**	**2019 (Units in Millions)**
Akora Khattak Factory	18,494	19,521
Jhelum Factory	20,619	19,948
Total	39,113	39,469

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

Number of employees

Total number of employees as at December 31, 2020 were 1,038 (2019: 1,127). Out of the total number of employees, the number of factory employees as at December 31, 2020 were 377 (2019: 483). Average number of employees during the year were 1,059 (2019: 1,101), whereas average factory employees during the year were 411 (2019: 458).

Impact of COVID-19

During the year ended 31 December 2020, the COVID-19 pandemic emerged which impacted the economy of country in general, however the Company has not experienced any major disruptions to the operations or decline in revenue due to temporary lockdown imposed by the Government to counter COVID-19 outbreak.

2 Statement of compliance

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

– International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

– Provisions of and directives issued under the Companies Act, 2017.

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

3 Basis of measurement

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

4 Functional and presentation currency

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

5 Use of estimates and judgements

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

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

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

Measurement of fair values

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

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

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

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

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

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

The following 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 01 January 2021:

- COVID-19-Related Rent Concessions (Amendment to IFRS 16) - the International Accounting Standards Board (the Board) has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:

– the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
– any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
– there is no substantive change to the other terms and conditions of the lease.

The standard is not likely to have any effect on Company's financial statements.

- Interest Rate Benchmark Reform - Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after 1 January 2021, with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met. The standard is not likely to have any effect on Company's financial statements.

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

- Annual Improvements to IFRS standards 2018-2020:

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

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

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

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

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

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

– Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) - In response to concerns regarding temporary accounting mismatches and volatility, and increased costs and complexity, the Board issued amendments to IFRS 4 Insurance Contracts in 2017. The two optional solutions raised some considerations which required detailed analysis and management judgement. On the issue of IFRS 17 (Revised) Insurance Contracts in June 2020, the end date for applying the two options under the IFRS 4 amendments was extended to 1 January 2023, aligned with the effective date of IFRS 17.

– Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.

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

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

7 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements Significant accounting policies of the Company are as follows:

7.1 Revenue recognition

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

Revenue from contracts with customers

Sale of goods

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

Contract assets

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

Contract liabilities

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

Income on bank deposits

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

Income on short term investments

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

Others

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

7.2 Income tax

Income tax expense for the year comprises current and deferred income tax, and is recognized in the statement of profit 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 liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

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

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

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

7.3 Provisions

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

7.4 Earnings per share

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

7.5 Contingent assets

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

7.6 Contingent liabilities

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

7.7 Employee benefits

(a) Retirement benefit plans

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

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

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

The Company operates:

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

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

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

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

(ii) Approved contributory provident fund for all employees administered by trustees and approved contributory pension fund for the new joiners. The contributions of the Company are recognized as employee benefit expense when they are due. Prepaid contributions, if any, are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Termination benefits

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

(c) Medical benefits

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

(d) Bonus plans

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

(e) Share-based payments

The Company has two cash-settled share-based compensation plans. Share options are granted to key management personnel which vest over a period of three years. A liability equal to the portion of the services received is recognised at its current fair value determined at each statement of financial position date.

Where applicable, the Company recognises the impact of revisions to original estimates in the statement of profit or loss, with a corresponding adjustment to current liabilities for cash-settled schemes.

(i) Long Term Incentive Plan (LTIP)

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

(ii) Deferred Share Bonus Scheme (DSBS)

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

7.8 Lease liability

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

Short-term leases and leases of low-value assets

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

7.9 Property, plant and equipment

Owned assets

These are stated at cost less accumulated depreciation and any accumulated impairment losses, except freehold land and capital work in progress which are stated at cost less impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset.

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

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

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

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

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

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

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

Right of use assets

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

7.10 Impairment of non-financial asset

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

7.11 Long term investment in subsidiary

The investment in subsidiary company is carried at cost less any impairment losses. The profit and loss of the subsidiary company is carried in the financial statements of the subsidiary company and is not dealt with for the purpose of the separate financial statements of the Company except to the extent of dividend declared (if any) by the subsidiary company.

7.12 Stock in trade

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

7.13 Stores and spares

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

7.14 Financial Instruments

Financial assets

i. Recognition and de-recognition

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

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

ii. Classification

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

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

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

(a) Amortised cost

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

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

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

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

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

iii. Subsequent measurement

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

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

iv. De-recognition

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

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

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

v. Impairment of financial assets

The Company 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 assess whether the financial assets carried at amortized cost are credit-impaired. A financial asset is ‘credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial assets have occurred.

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

Financial liabilities

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

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.

		2020 Rs '000	2019 Rs '000
8	**Gross turnover**		
	- Domestic	161,274,986	147,291,473
	- Export	4,983,497	1,733,175
		166,258,483	149,024,648

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 16,817 thousand (2019: Rs 2,013 thousand).

		2020 Rs '000	2019 Rs '000
9	**Cost of sales**		
	Raw material consumed		
	Opening stock of raw materials and work in process	19,573,174	16,944,127
	Raw material purchases and expenses - note 9.1	21,026,617	21,851,976
	Closing stock of raw materials and work in process	(16,977,657)	(19,573,174)
		23,622,134	19,222,929
	Government taxes and levies		
	Customs duty and surcharges	1,138,889	2,353,985
	Provincial and municipal taxes and other duties	283,753	334,885
	Excise duty on royalty	53,109	42,771
		1,475,751	2,731,641
		25,097,885	21,954,570
	Royalty - note 9.2	531,093	(1,463,277)
	(Reversal) / provision for severance benefits	(169,268)	857,194
	Production overheads		
	Salaries, wages and benefits	2,075,632	2,034,476
	Stores, spares and machine repairs	690,930	604,221
	Fuel and power	445,393	493,522
	Insurance	38,595	20,712
	Repairs and maintenance	457,110	456,565
	Postage, telephone and stationery	14,775	19,182
	Information technology	20,780	31,150
	Depreciation	795,972	724,448
	Provision for damaged stocks / stock written off	67,901	72,124
	Provision / (reversal) for slow moving items / stores written off	(10,428)	15,123
	Sundries	45,593	256,111
		4,642,253	4,727,634
	Cost of goods manufactured	30,101,963	26,076,121
	Cost of finished goods		
	Opening stock	1,859,725	1,548,417
	Closing stock	(2,632,867)	(1,859,725)
		(773,142)	(311,308)
	Cost of sales	29,328,821	25,764,813
9.1	**Raw material purchases and expenses:**		
	Materials	18,244,787	19,157,657
	Salaries, wages and benefits	1,231,786	1,203,466
	Stores, spares and machine repairs	348,000	286,700
	Fuel and power	475,990	447,675
	Property rentals	56,303	26,433
	Insurance	36,928	14,100
	Repairs and maintenance	103,728	134,278
	Postage, telephone and stationery	12,319	11,224
	Depreciation	197,658	155,580
	Sundries	319,118	414,863
		21,026,617	21,851,976

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

		2020 Rs '000	2019 Rs '000
10	**Selling and distribution costs**		
	Salaries, wages and benefits	1,015,427	1,036,620
	Selling expenses	3,259,737	2,955,537
	Freight	241,638	231,931
	Repairs and maintenance	82,529	32,781
	Postage, telephone and stationery	10,136	12,828
	Travelling	96,343	175,689
	Property rentals	–	31,057
	Insurance	16,200	14,440
	Provision for damaged stocks / stock written off	107,089	5,256
	Finished goods / wrapping material stock written off	12,422	9,945
	Depreciation	173,906	160,038
		5,015,427	4,666,122
11	**Administrative expenses**		
	Salaries, wages and benefits	757,211	844,868
	Fuel and power	10,518	8,200
	Property rentals	–	7,329
	Insurance	2,795	5,382
	Repairs and maintenance	39,277	49,358
	Postage, telephone and stationery	14,293	18,858
	Legal and professional charges	124,585	122,204
	Donations - note 11.1	28,291	13,690
	Information technology	1,938,195	1,188,792
	Travelling	75,576	121,310
	Depreciation	332,523	327,410
	Auditor's remuneration and expenses - note 11.2	13,292	13,463
	Sundries	21,348	59,381
		3,357,904	2,780,245
	11.1 Details of donations exceeding Rs 1,000 thousand are as follows:		
	Name of Donee		
	Pakistan Baitul Mall	22,000	–
	One To Many	5,000	10,000
	Chal Foundation	–	1,500
	Prime Ministers' Dam Fund	–	1,390
		27,000	12,890

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

		2020 Rs '000	2019 Rs '000
11.2	**Auditor's remuneration and expenses include:**		
	- Statutory audit fee	2,500	2,317
	- Group reporting, review of half yearly accounts, audit of consolidated accounts, audit of staff retirement benefit funds and other certifications and review of Statement of Compliance with Code of Corporate Governance	10,200	10,497
	- Out-of-pocket expenses	592	649
		13,292	13,463
12	**Other operating expenses**		
	Workers' Profit Participation Fund - 27.7	1,202,357	982,004
	Workers' Welfare Fund - note 27.6	407,804	411,271
	Bank charges and fees	37,022	33,562
	Interest to Workers' Profit Participation Fund	1,263	–
	Loss on disposal of property, plant and equipment	198,342	–
	Foreign exchange loss	244,441	445,162
		2,091,229	1,871,999
13	**Other income**		
	Income from sales / services rendered to associated companies:		
	- BAT Middle East DMCC - UAE	456,624	–
	- BAT SAA Services (Private) Limited	–	127,880
	Recharges / other payable to associated companies written back:		
	-BAT ASPAC Service Center Sdn Bhd - Malaysia	253,255	519,301
	-BAT (Holdings) Limited - UK	30,445	–
	-BAT (Singapore) Pte Ltd. - Singapore	4,729	–
	-Ceylon Tobacco Co. Ltd.- SriLanka	–	52
	-BAT PNG Ltd - Papua New Guinea	–	51
	-BAT Niemeyer Ltd - Netherland	–	16
	Gain on disposal of property, plant and equipment	–	134,391
	Miscellaneous	3,545	1,491
		748,598	783,182
14	**Finance cost**		
	Interest expense on:		
	Bank borrowings	14,902	21,565
	Lease liability	225,797	180,988
		240,699	202,553
15	**Income tax expense**		
	Current:		
	For the year	5,722,536	4,686,603
	For prior years	(72,062)	600,639
		5,650,474	5,287,242
	Deferred	244,931	108,446
		5,895,405	5,395,688

15.1 Effective tax rate reconciliation:

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

	2020 %	2019 %
Applicable tax rate	29.00	29.00
Tax effect of:		
Prior year (reversal) / charge	(0.32)	0.38
Change in applicable tax rate	–	0.78
Income taxed at different rate	(1.91)	(0.76)
Others	(0.44)	0.11
Average effective tax rate	26.33	29.51

	2020 Rs '000	2019 Rs '000
15.2 Tax on items directly credited to statement of other comprehensive income		
Current tax (credit)/charge on defined benefit plans	(182,189)	7,705
Deferred tax (credit) on defined benefit plans	(2,368)	(51,578)
	(184,557)	(43,873)

	2020	2019
16 Earnings per share		
Profit after tax (Rs '000)	16,492,490	12,889,229
Number of fully paid weighted average ordinary shares ('000)	255,494	255,494
Earnings per share - Basic (Rs)	64.55	50.45

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

	2020 Rs '000	2019 Rs '000
17 Property, plant and equipment		
Operating assets - note 17.1	12,678,139	11,590,196
Capital work in progress - note 17.2	2,423,616	732,634
	15,101,755	12,322,830

17.1 Operating assets

							Right of use assets				
	Free-hold land	Buildings on free-hold land	Plant and machinery	Office and household equipment	Furniture and fittings	Vehicles	Land and building	Factory vehicles-fork lifter trucks	Vehicles	Sub-total	Total
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
At January 1, 2019											
Cost	30,570	970,153	15,044,250	1,727,721	418,532	124,172	19,888	–	1,151,619	1,171,507	19,486,905
Accumulated Depreciation	–	(288,437)	(8,913,556)	(1,235,654)	(269,726)	(108,995)	(12,345)	–	(487,916)	(500,261)	(11,316,629)
Net book amount January 1, 2019	30,570	681,716	6,130,694	492,067	148,806	15,177	7,543	–	663,703	671,246	8,170,276
Year ended December 31, 2019											
Net book amount at January 1, 2019	30,570	681,716	6,130,694	492,067	148,806	15,177	7,543	–	663,703	671,246	8,170,276
Additions	–	936	2,455,823	357,497	58,219	16,649	1,559,221	45,807	458,786	2,063,814	4,952,938
Disposals	–	(64)	(32,463)	(823)	(191)	(3,913)	–	–	(128,088)	(128,088)	(165,542)
Depreciation charge	–	(18,647)	(524,284)	(226,383)	(52,137)	(2,435)	(331,582)	(31,411)	(180,597)	(543,590)	(1,367,476)
Net book amount at December 31, 2019	30,570	663,941	8,029,770	622,358	154,697	25,478	1,235,182	14,396	813,804	2,063,382	11,590,196
At December 31, 2019											
Cost	30,570	970,868	17,251,879	1,980,058	474,810	128,432	1,579,109	45,807	1,232,393	2,857,309	23,693,926
Accumulated depreciation	–	(306,927)	(9,222,109)	(1,357,700)	(320,113)	(102,954)	(343,927)	(31,411)	(418,589)	(793,927)	(12,103,730)
Net book amount at December 31, 2019	30,570	663,941	8,029,770	622,358	154,697	25,478	1,235,182	14,396	813,804	2,063,382	11,590,196
At January 1, 2020											
Cost	30,570	970,868	17,251,879	1,980,058	474,810	128,432	1,579,109	45,807	1,232,393	2,857,309	23,693,926
Accumulated Depreciation	–	(306,927)	(9,222,109)	(1,357,700)	(320,113)	(102,954)	(343,927)	(31,411)	(418,589)	(793,927)	(12,103,730)
Net book amount January 1, 2020	30,570	663,941	8,029,770	622,358	154,697	25,478	1,235,182	14,396	813,804	2,063,382	11,590,196
Year ended December 31, 2020											
Net book amount at January 1, 2020	30,570	663,941	8,029,770	622,358	154,697	25,478	1,235,182	14,396	813,804	2,063,382	11,590,196
Additions	–	69,738	1,474,838	342,436	81,764	178	257,592	352,768	433,597	1,043,957	3,012,911
Disposals	–	(187)	(294,469)	(613)	(535)	(4,795)	(31,285)	–	(93,025)	(124,310)	(424,909)
Depreciation charge	–	(19,809)	(585,149)	(264,892)	(26,515)	(4,076)	(364,525)	(87,040)	(148,053)	(599,618)	(1,500,059)
Net book amount at December 31, 2020	30,570	713,683	8,624,990	699,289	209,411	16,785	1,096,964	280,124	1,006,323	2,383,411	12,678,139
At December 31, 2020											
Cost	30,570	1,039,621	17,698,534	2,242,202	551,113	70,068	1,765,829	367,164	1,510,957	3,643,950	25,276,058
Accumulated depreciation	–	(325,938)	(9,073,544)	(1,542,913)	(341,702)	(53,283)	(668,865)	(87,040)	(504,634)	(1,260,539)	(12,597,919)
Net book amount at December 31, 2020	30,570	713,683	8,624,990	699,289	209,411	16,785	1,096,964	280,124	1,006,323	2,383,411	12,678,139

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.

		2020 Rs '000	2019 Rs '000
17.2	**Capital work in progress**		
	Carrying value at the beginning of the year	732,634	960,551
	Additions during the year	2,343,498	1,419,007
		3,076,132	2,379,558
	Transferred to operating fixed assets	(652,516)	(1,646,924)
	Carrying value at the end of the year - note 17.2.1	2,423,616	732,634

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

		2020 Rs '000	2019 Rs '000
17.3	**Depreciation charge has been allocated as follows:**		
	Cost of sales	795,972	724,448
	Raw material purchases and expenses	197,658	155,580
	Selling and distribution expenses	173,906	160,038
	Administrative expenses	332,523	327,410
		1,500,059	1,367,476

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

	Cost Rs '000	Book value Rs '000	Sale proceeds less selling expenses Rs '000	Gain/ (loss) on sale	Particulars of buyers	Relationship
Plant & machinery						
- **by negotiation**	39,370	16,166	16,166	–	Solomon Islands Tobacco Co.	Associate company
	41,740	13,906	13,906	–	Ceylon Tobacco Co. Ltd.	Associate company
	510,624	245,432	5,282	(240,150)	Scrap Buyers	Contractor
Vehicles						
- **as per Company's policy**	2,047	573	516	(57)	Bilal Bin Waheed	Executive
	2,047	502	409	(92)	Mir M. Ali Khan	Executive
	2,067	783	782	(1)	M.Ismail Ahmed	Executive
	2,067	505	412	(93)	Syed Raza Imam Naqvi	Executive
	2,092	780	418	(362)	Mazhar Mehboob	Executive
	2,092	981	851	(130)	Usman Javed	Executive
	2,092	1,171	893	(278)	Saad Zaheer	Ex-Executive
	2,092	920	934	14	Waqas Anwar Abbasi	Executive
	2,104	1,058	1,101	43	Syeda Rahima	Ex-Executive
	2,104	1,000	1,027	26	Umar A. Jilani	Executive
	2,249	1,212	1,364	152	Nauman Masood Butt	Executive
	2,402	689	568	(121)	Nafies Zeb	Ex-Executive
	2,404	1,312	1,415	103	Uzair Qazi	Executive
	2,514	1,676	1,508	(168)	Zainab Amin	Ex-Executive
	2,689	1,577	1,841	264	Azhar Mehmood	Executive
	2,895	2,123	2,161	38	Muhammad Ahmad Iqbal	Ex-Executive
	2,895	2,123	2,179	56	Hammad A. Hashmi	Ex-Executive
	2,895	2,007	1,929	(78)	Farhan Younas Mughal	Ex-Executive
	2,895	2,007	1,983	(25)	Bushra Rahman	Ex-Executive
	2,997	2,437	2,038	(400)	Mir Faraz Tariq	Ex-Executive
	3,107	2,361	2,319	(42)	Amir S. Lodhi	Executive
	3,127	2,460	2,076	(384)	Bilal Ayub	Ex-Executive
	3,240	2,938	2,958	20	Harris Qamar	Executive
	3,483	2,879	3,093	214	Syed Shafaat Gilani	Ex-Executive
	3,483	3,251	3,081	(169)	Mariam Iqbal	Ex-Executive
	3,483	3,437	3,436	(1)	Usman Javed	Executive
	3,547	2,884	2,858	(27)	Haroon Saleem	Executive
	6,233	4,155	4,487	332	Ali Hasan Butt	Ex-Executive
	6,837	4,923	4,691	(232)	Sana Saad	Ex-Executive
	6,867	5,219	4,946	(272)	Umair Luqman	Ex-Executive
	12,300	6,884	6,730	(154)	Usman Zahur	Executive
	12,300	6,463	5,207	(1,256)	Hussain Iqbal Jaffery	Ex-Executive
- **by auction**	2,092	774	2,675	1,901	Through bidding in auction	Auction agent
	2,689	1,649	3,250	1,601	Through bidding in auction	Auction agent
	2,846	2,163	3,505	1,342	Through bidding in auction	Auction agent
- **by insurance claim**	3,483	3,204	3,848	643	EFU General Insurance Ltd.	Insurance agent

18 Long term investment in subsidiary company

This represents 500,001 (2019: 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 (2019: Rs 10 per share) based on audited financial statements for the year ended December 31, 2020.

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).

		2020 Rs '000	2019 Rs '000
19	**Long term deposits and prepayments**		
	Security deposits	27,720	30,759
		27,720	30,759
20	**Stock-in-trade**		
	Raw materials	16,030,364	18,762,548
	Raw materials in transit	856,470	719,314
	Work in process	90,823	91,312
	Finished goods	2,632,867	1,859,725
		19,610,524	21,432,899
	Provision for damaged / obsolete stocks - note 20.1	(127,848)	(10,356)
		19,482,676	21,422,543
	20.1 Movement in provision for damaged stocks is as follows:		
	Balance as at January 1	10,356	3,154
	Provision for the year	187,412	87,325
	Written off during the year	(69,920)	(80,123)
	Balance as at December 31	127,848	10,356
21	**Stores and spares**		
	Stores and spares	749,307	744,834
	Provision for slow moving items - note 21.1	(70,407)	(80,835)
		678,900	663,999
	21.1 Movement in provision for slowing moving items is as follows:		
	Balance as at January 1	80,835	65,712
	(Reversal) / provision during the year- note 9	(10,428)	15,123
	Balance as at December 31	70,407	80,835

22 Trade debts

These are unsecured, considered good.

		2020 Rs '000	2019 Rs '000
23	**Loans and advances**		
	Related parties:		
	Advances to key management personnel for house rent and expenses - note 23.1	1,214	2,140
	Others:		
	Advances to executives for house rent and expenses	25,732	34,279
	Advances to other parties	308,259	89,225
		335,205	125,644

		2020 Rs '000	2019 Rs '000
23.1	**The following advances were outstanding as at December 31:**		
	Mr Hassan Khalid	660	–
	Mr Uzair Qazi	554	–
	Mr Ahsen Altaf	–	990
	Mr Hassan Khalid	–	450
	Mr Umair Luqman	–	400
	Ms Sana Saad	–	300
		1,214	2,140

The maximum aggregate amount of advances to key management personnel outstanding at the end of any month during the year was Rs 1,518 thousand (2019: Rs 2,140 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.

		2020 Rs '000	2019 Rs '000
24	**Other receivables**		
	Related parties - unsecured:		
	Due from holding company / associated companies - note 24.1	899,794	188,638
	Due from subsidiary company - note 24.1	20,021	20,021
	Staff pension fund - note 33	316,026	881,821
	Management provident fund	1,179	–
	Employees' provident fund	15,908	–
	Others:		
	Claims against suppliers	6,576	6,576
	Cash margin with banks - imports	55,815	904,202
	Others	21,017	130,654
		1,336,336	2,131,912

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

	Upto 1 month Rs '000	1 to 6 months Rs '000	More than 6 months Rs '000	2020 Rs '000	2019 Rs '000
Holding company:					
British American Tobacco p.l.c. - UK	10,538	–	–	10,538	69,884
Associated companies:					
BAT M.E DMCC - UAE	488,394	–	–	488,394	–
BASS Europe SRL - Romania	117,545	2,437	–	119,982	–
BAT M.E SPC - Bahrain	113,536	–	–	113,536	–
BAT Aspac Service Centre Sdn Bhd-Malaysia	56,382	1,897	–	58,279	–
BAT Nigeria Ltd-Nigeria	7,919	22,111	8,207	38,237	60,132
TDR d.o.o. - Croatia	25,010	–	–	25,010	–
BAT Exports Limited - UK	18,750	–	–	18,750	–
PT Bentoel International Investama - Indonesia	10,292	–	–	10,292	1,431
BAT Marketing (S) Pte Ltd - Singapore	6,016	–	–	6,016	5,427
BAT (Singapore) Pte Ltd-Singapore	5,798	–	–	5,798	–
BAT Q LLC.- Qatar	3,483	–	–	3,483	–
BAT (Romania) Trading SRL - Romania	632	–	–	632	–
BAT Australia - Australia	364	–	–	364	–
BAT PNG Ltd - Papua New Guinea	289	56	–	345	581
BAT Fiji Ltd-Fiji	–	138	–	138	145
BAT (Investments) Ltd-UK	–	–	–	–	18,469
Solomon Islands Tobacco Co Ltd-Solomon Islands	–	–	–	–	16,022
BASS (GSD) Ltd-UK	–	–	–	–	7,771
PT Bentoel Prima - Indonesia	–	–	–	–	4,041
BAT Asia Pacific-Hong Kong	–	–	–	–	3,930
BAT Polska SA-Poland	–	–	–	–	527
Ceylon Tobacco Co. Ltd-SriLanka	–	–	–	–	160
BAT Tutun Mamulleri - Turkey	–	–	–	–	118
	864,948	26,639	8,207	899,794	188,638
Subsidiary company:					
Phoenix (Pvt) Limited	–	–	20,021	20,021	20,021
Total	864,948	26,639	28,228	919,815	208,659

24.1.2 The maximum aggregate amount of receivable from related parties at the end of any month during the year was Rs 919,815 thousand (2019: Rs 208,659 thousand).

	2020 Rs '000	2019 Rs '000
25 Short term investments		
At fair value through profit or loss (FVTPL):		
- Market treasury bills	6,401,215	3,001,058

This represents short term investment in treasury bills issued by the Government of Pakistan and carries effective interest rate of 7.20% (2019 : 13.14%) 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.

		2020 Rs '000	2019 Rs '000
26	**Cash and bank balances**		
	Deposit account - note 26.1	29,705	9,075
	Current accounts:		
	Local currency - note 26.2	492,760	379,282
	Foreign currency	317,885	145,874
		840,350	534,231
	Cash in hand	1,946	1,674
		842,296	535,905

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

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

		2020 Rs '000	2019 Rs '000
27	**Trade and other payables**		
	Related parties - unsecured:		
	Due to holding company / associated companies - note 27.1	1,301,159	1,397,088
	Others:		
	Creditors	6,765,058	5,206,714
	Federal excise duty - note 27.2	7,314,335	7,255,338
	Sales tax	1,738,194	1,283,563
	Workers' welfare fund - note 27.6	456,896	373,162
	Workers' profit participation fund - note 27.7	855,357	12,004
	Other accrued liabilities	117,655	109,977
	Employee incentive schemes - note 27.4	106,599	99,713
	Employees' gratuity fund - note 33	275,517	337,649
	Employees' provident fund	–	5,450
	Management provident fund	–	14,728
	Staff pension fund - defined contribution	112,587	55,805
	Tobacco excise duty / Tobacco development cess - note 27.3	118,134	118,134
	Security deposits - note 27.5	29,342	9,075
	Contract liability	12,034	16,817
		19,202,867	16,295,217

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

	2020 Rs '000	2019 Rs '000
Holding company:		
British American Tobacco p.l.c. - UK	197,458	195,226
Associated companies:		
BAT M.E DMCC - UAE - note 27.1.1	217,990	61,833
BAT Bangladesh Co. Ltd- Bangladesh	215,267	10,136
BAT GLP Ltd - UK	140,534	240,866
BAT Exports Limited - UK	125,955	12,457
BAT (Investments) Ltd - UK	98,297	92,321
BAT ASPAC Service Center Sdn Bhd - Malaysia	63,121	185,834
BAT JSC-Spb - Russia	61,474	–
BASS (GSD) Ltd. - UK	55,935	394,624
BAT Saudia for Trading, Saudi Arabia - note 27.1.1	35,288	–
BAT Souza Cruz Ltd - Brazil	16,015	15,041
PT Bentoel Prima - Indonesia	14,426	9,520
BAT Australia Ltd-Australia	13,339	1,716
Ceylon Tobacco Company Ltd - Sri Lanka	11,766	39
BAT Q LLC.- Qatar - note 27.1.1	10,662	–
BAT Korea Manufacturing - South Korea	6,700	14,647
BAT Myanmar Ltd - Myanmar - note 27.1.1	5,102	909
BAT M.E SPC - Bahrain - note 27.1.1	4,674	–
BAT GSD (KL) SDN BHD - Malaysia	2,818	2,052
BAT Singapore (Pte) Ltd - Singapore	2,363	121,168
Fielder & Lundgren AB. - Sweden	873	–
BAT Romania Investments Ltd - Romania	553	347
BAT Chile Tobacco - Chile	409	–
BAT Nigeria Ltd - Nigeria	140	118
Solomon Island Tobacco Co. Ltd - Solomon Islands	–	31,204
BAT Tutun Mamulleri - Turkey	–	2,204
BAT Nicoventures Trading Ltd-UK	–	1,473
BAT Argentina - Argentina	–	584
BAT Mexico Ltd - Mexico	–	143
Other		
Tajamal Hussain Shah - Director	–	2,626
	1,301,159	1,397,088

27.1.1 Rs 273,716 thousand (2019: 62,741 thousand) relates to unsecured export advance.

		2020 Rs '000	2019 Rs '000
27.2	**Federal excise duty**		
	Balance as at January 1	7,255,338	5,288,160
	Charged during the year	80,907,579	74,741,489
	Payment to the Government during the year	(80,848,582)	(72,774,311)
	Balance as at December 31	7,314,335	7,255,338
27.3	**Tobacco excise duty / tobacco development cess:**		
	Balance as at January 1	118,134	103,884
	Charge for the year	176,324	212,829
	Payment to the Government during the year	(176,324)	(198,579)
	Balance as at December 31	118,134	118,134

27.4 Employee incentive schemes

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

	2020 Rs '000	2019 Rs '000
Long Term Incentive Plan (LTIP) - note 27.4.1		
Balance as at January 1	35,384	29,580
Charge for the year	13,611	21,166
Share options exercised	(17,288)	(15,362)
Balance as at December 31	31,707	35,384
Deferred Share Bonus Scheme (DSBS) - note 27.4.2		
Balance as at January 1	64,329	70,095
Charge for the year	45,497	42,989
Share options exercised	(34,933)	(48,755)
Balance as at December 31	74,893	64,329
	106,600	99,713

27.4.1 Long Term Incentive Plan (LTIP)

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

	2020	2019
	Number of options	
Outstanding as at January 1	17,373	12,158
Granted during the year	1,915	7,994
Exercised during the year	(3,889)	(2,779)
Outstanding as at December 31	15,399	17,373

There are no exercisable options as at 31st December, 2020.

27.4.2 Deferred Share Bonus Scheme (DSBS)

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

	2020	2019
	Number of options	
Outstanding as at January 1	21,721	19,399
Granted during the year	6,694	12,184
Exercised during the year	(5,798)	(9,862)
Outstanding as at December 31	22,617	21,721

There are no exercisable options as at 31st December, 2020.

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.

	2020	2019
	Rs '000	Rs '000
27.6 Movement in Workers' Welfare Fund is as follows:		
Balance as at January 1	373,162	311,833
Charged during the year	407,804	411,271
Payment to Government /reversal during the year	(324,070)	(349,942)
Balance as at December 31	456,896	373,162
27.7 Movement in Workers' Profit Participation Fund is as follows:		
Balance as at January 1	12,004	(159,385)
Allocation for the year	1,202,357	982,004
Payments during the year	(359,004)	(810,615)
Balance as at December 31	855,357	12,004

28 Other liabilities

This relates to provisions for employee benefits, litigation and restructuring consequent to modernization of production processes. During the year, the Company has consumed amounts aggregating Rs. 1,180 million (2019: Rs 973 million) and recorded further obligations of Rs 1,066 million (2019:Rs 1,541 million).

29 Short term running finance - secured

(a) Short term running finance

Short term running finance facilities available under mark-up arrangements with banks amount to Rs 6,500 million (2019: Rs 6,500 million), out of which the amount unavailed at the year end was Rs 6,500 million (2019: Rs 6,500 million). These facilities are secured by hypothecation of stock in trade and plant and machinery amounting to Rs 7,222 million (2019: Rs 7,222 million). The mark-up ranges between 7.37% and 13.88% (2019: 10.52% and 14.05%) per annum and is payable quarterly. The facilities are renewable on annual basis.

(b) Non-funded finance facilities

The Company also has non-funded financing facilities available with banks, which include facility to avail letter of credit and letter of guarantee. The aggregate facility of Rs 2,500 million (2019: Rs 2,500 million) and Rs 600 million (2019: Rs 420 million) is available for letter of credit and letter of guarantee respectively, out of which the facility availed at the year end is Rs 1,019 million (2019: Rs 83 million) and Rs 447 million (2019: Rs 386 million). The letter of credit and guarantee facility is secured by second ranking hypothecation charge over stock-in-trade amounting to Rs 667 million (2019: Rs 670 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 928,348 thousand - short term Rs 371,046 thousand and long term Rs 557,302 thousand (December 31, 2019: Rs 596,290 thousand - short term Rs 258,036 thousand and long term Rs 338,254 thousand) and are payable in equal monthly instalments latest by December 2025. Taxes, repairs, replacement and insurance costs are to be borne by the Company. Financing rates of 7.75% to 14.61% (December 31, 2019: 12.35% to 15.36%) per annum have been used as discounting factor.

As per IFRS 16 all rental facilities of the Company with lease terms greater than one year have been capitalised as leased assets. When measuring the lease liabilities for leases that were capitalised during the period, the Company discounted lease payments using an estimated incremental borrowing rate and recorded lease obligation of Rs. 257,592 thousand during the year. Financing rates of 9% to 14% (December 31, 2019: 10% to 14%) per annum have been used as discounting factor.

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

	2020 Rs '000	2019 Rs '000
Present value of minimum lease payments	2,252,622	1,724,548
Current maturity shown under current liabilities	(678,730)	(382,941)
	1,573,892	1,341,607
Future minimum lease payments		
Not later than one year	872,824	559,801
Later than one year	1,961,265	1,760,855
	2,834,089	2,320,656
Interest	(581,467)	(596,108)
Present value of minimum lease payments	2,252,622	1,724,548
Present value of minimum lease payments		
Not later than one year	678,730	382,941
Later than one year	1,573,892	1,341,607
	2,252,622	1,724,548

31 Unpaid dividend

Unpaid dividend includes amount of Rs Nil (2019: Rs Nil), payable to British American Tobacco (Investments) Limited, parent company.

		2020 Rs '000	2019 Rs '000
32	**Deferred income tax liability**		
	Deferred tax liability is in respect of:		
	Accelerated tax depreciation	1,325,785	1,270,770
	Leased assets	47,426	100,263
		1,373,211	1,371,033
	Deferred tax asset is in respect of:		
	Remeasurement loss arising on employees' retirement benefit	(118,122)	(109,389)
	Provision for severance benefits	(346,163)	(592,257)
	Provision for stock and stores	(20,420)	(23,444)
		888,506	645,943
	The gross movement on deferred income tax account is as follows:		
	At January 1	645,943	589,076
	Charge for the year - statement of profit or loss	244,931	108,445
	(Credit) for the year - statement of comprehensive income	(2,368)	(51,578)
	At December 31	888,506	645,943

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.

	2020 Rs '000	2019 Rs '000
Staff pension fund - asset - note 24	(316,026)	(881,821)
Employees' gratuity fund - liability - note 27	275,517	337,649

The latest actuarial valuation of the defined benefit plans was conducted at December 31, 2020 using the projected unit credit method. Details of the defined benefit plans are:

	Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
	2020 Rs '000	2019 Rs '000	2020 Rs '000	2019 Rs '000
(a) The amounts recognised in the statement of financial position:				
Present value of defined benefit obligations	5,882,010	4,978,396	1,598,481	1,650,937
Fair value of plan assets	(6,198,036)	(5,860,217)	(1,322,964)	(1,313,288)
Net (assets) / liability	(316,026)	(881,821)	275,517	337,649

		Defined Benefit Pension Plan 2020 Rs '000	Defined Benefit Pension Plan 2019 Rs '000	Defined Benefit Gratuity Plan 2020 Rs '000	Defined Benefit Gratuity Plan 2019 Rs '000
(b)	**Movement in the (asset) / liability recognized in the statement of financial position is as follows:**				
	Balance as at January 1	(881,821)	(787,677)	337,649	210,278
	Charge for the year - profit or loss	(39,848)	(37,069)	129,492	105,427
	Employer's contribution during the year	(22,596)	(30,507)	(129,492)	(148,794)
	Benefits paid by the Company	–	–	(70,298)	–
	Remeasurement (gain)/loss recognized in Other Comprehensive Income (OCI) during the year	628,239	(26,568)	8,166	170,738
	Balance as at December 31	(316,026)	(881,821)	275,517	337,649
(c)	**The amounts recognised in the statement of profit or loss:**				
	Current service cost	93,114	95,605	103,704	94,064
	Interest cost	612,324	627,565	204,671	201,833
	Expected return on plan assets	(716,248)	(729,114)	(163,947)	(174,173)
	Net interest	(103,924)	(101,549)	40,724	27,660
	Members' own contribution	(22,921)	(24,456)	–	–
	Secondees' own contribution	(6,117)	(6,669)	–	–
	Contribution by employer in respect of secondees	–	–	(14,936)	(16,297)
		(39,848)	(37,069)	129,492	105,427
(d)	**Re-measurements recognised in Other Comprehensive Income (OCI) during the year:**				
	Actuarial (gain) / loss on obligation	539,563	(80,458)	(10,317)	158,282
	Net return on plan assets over interest income	88,676	53,890	18,483	12,456
	Total remeasurements loss / (gain) recognised in OCI	628,239	(26,568)	8,166	170,738
(e)	**Movement in the present value of defined benefit obligation:**				
	Present value of defined benefit obligation at January 1	4,978,396	4,628,109	1,650,938	1,474,653
	Current service cost	93,114	95,605	103,704	94,064
	Interest cost	612,324	627,565	204,671	201,833
	Actual benefits paid during the year	(341,387)	(292,425)	(350,514)	(277,894)
	Remeasurements: Actuarial loss /(gain) on obligation	539,563	(80,458)	(10,317)	158,282
	Present value of defined benefit obligation at December 31	5,882,010	4,978,396	1,598,482	1,650,938

		Defined Benefit Pension Plan 2020 Rs '000	Defined Benefit Pension Plan 2019 Rs '000	Defined Benefit Gratuity Plan 2020 Rs '000	Defined Benefit Gratuity Plan 2019 Rs '000
(f)	**Movement in the fair value of plan assets:**				
	Fair value of plan assets at January 1	5,860,217	5,415,786	1,313,288	1,264,375
	Interest income	716,248	729,114	163,947	174,173
	Contribution by employer in respect of members	22,596	30,507	129,492	148,793
	Members' own contribution	22,921	24,456	–	–
	Secondees' own contribution	6,117	6,669	–	–
	Contribution by employer in respect of secondees	–	–	14,836	16,297
	Actual benefits paid during the year	(341,387)	(292,425)	(280,216)	(277,894)
	Return on plan assets, excluding amounts included in interest income	(88,676)	(53,890)	(18,483)	(12,456)
	Fair value of plan assets at December 31	6,198,036	5,860,217	1,322,864	1,313,288
	Actual return on plan assets	665,839	635,638	147,513	148,744

The Company expects to charge Rs 31 million for pension plan and charge Rs 115 million for gratuity plan for the year ending December 31, 2021.

		Defined Benefit Pension Plan 2020 Rs '000	Defined Benefit Pension Plan 2019 Rs '000	Defined Benefit Gratuity Plan 2020 Rs '000	Defined Benefit Gratuity Plan 2019 Rs '000
(g)	**The major categories of plan assets:**				
	Investment in listed equities	1,363,509	1,060,470	275,691	242,441
	Investment in bonds	1,736,594	2,020,367	370,191	477,299
	Cash and other assets	3,097,933	2,779,380	677,082	593,548
		6,198,036	5,860,217	1,322,964	1,313,288
(h)	**Significant actuarial assumptions at the statement of financial position date:**				
	Discount rate	10.25%	12.50%	10.25%	12.50%
	Pension increase rate	5.50%	6.75%	–	–
	Expected rate of increase in salary:				
	First year	9.00%	11.75%	9.00%	11.25%
	Second year onwards	9.00%	11.75%	9.00%	11.25%

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

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

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

(i) Sensitivity Analysis on significant actuarial assumptions

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

	Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
	1 percent increase Rs '000	1 percent decrease Rs '000	1 percent increase Rs '000	1 percent decrease Rs '000
Discount rate	(700,482)	(1,472,365)	(135,256)	(132,066)
Salary increase	171,044	(734,174)	160,560	155,805
Increase in post retirement pension	703,199	(369,203)	–	–

If life expectancy increases by 1 year, the obligation of the Pension Fund increases by Rs 328,652 thousand (2019: 292,406 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	
	2020 Rs '000	2019 Rs '000	2020 Rs '000	2019 Rs '000
Weighted average duration of the PBO (Years)	11.91	11.42	8.46	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.

Historical Information

	Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
	Present value of defined benefit obligation Rs '000	Net liability at the end of the year Rs '000	Present value of defined benefit obligation Rs '000	Net liability at the end of the year Rs '000
2020	5,882,010	(316,026)	1,598,482	275,517
2019	4,978,396	(881,821)	1,650,938	337,649
2018	4,628,109	(787,677)	1,474,653	210,278
2017	4,759,609	(765,618)	1,416,319	139,736
2016	4,654,000	(855,329)	1,433,183	(52,951)

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

	2020 Rs '000	2019 Rs '000
Defined Contribution Provident Fund	103,230	94,106
Defined Benefit Pension Fund	(39,848)	(37,069)
Defined Contribution Pension Fund	118,536	116,520
Defined Benefit Gratuity Fund	129,492	105,427
	311,410	278,984

33.2 Defined Contribution Plan

Details of the management and employees' provident funds are as follows:

		Un-audited 2020	Un-audited 2019
(a)	Size of the fund - total assets	1,749,791	1,747,719
	Cost of investments made	1,615,045	1,588,501
	Percentage of investments made	92%	91%
	Fair value of investments made	1,592,984	1,583,001

		2020		2019	
		Rs '000	% age	Rs '000	% age
(b)	**Breakup of investments at cost**				
	Pakistan Investment Bonds	252,041	14%	251,725	14%
	Investment plus deposit certificates	589,750	34%	605,250	35%
	Investment in savings account with bank	150,661	9%	118,981	7%
	Investment in securities	283,661	16%	311,711	18%
	Accrued interest	338,932	19%	300,834	17%
		1,615,045	92%	1,588,501	91%

34 Share capital

34.1 Authorized share capital

2020 Number of shares	2019 Number of shares		2020 Rs '000	2019 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

2020 Number of shares	2019 Number of shares		2020 Rs '000	2019 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 (2019: 241,045,141) ordinary shares at the year-end and 10,274 (2019:12,274) and 798,282 (2019:798,282) ordinary shares are held by the directors and associated company respectively.

All ordinary shares rank equally with regard to the Company's residual assets. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

	2020 Rs '000	2019 Rs '000
35 Contingencies and commitments		
35.1 Contingencies		
Claims and guarantees		
(i) Claims against the Company not acknowledged as debt - Note 35.1.1	75,706	75,706
(ii) Guarantees issued by banks on behalf of the Company	447,376	385,730

35.1.1 Litigation

a) In the year 1979, the Market Committee Jhelum ("the Committee"), constituted under the Punjab Agriculture Produce Market Ordinance of 1978 demanded the Company to obtain license and pay marketing fee on all tobacco that is transported into the Jhelum factory of the Company. Since tobacco is not an agricultural produce and no transaction of any sale or purchase of tobacco takes place in Jhelum, the Company refused to apply for the license. In 1986, the Committee proceeded against the Company which resulted in protracted litigation, culminating in filing of a Review before the Supreme Court of Pakistan, which was decided against the Company on technical grounds in 2010. Meanwhile, the Committee made their own fictitious calculation and levied fee and penalties aggregating Rs 64.9 million relating to years 1982 to 2010 against which the Company filed a Writ Petition before the Lahore High Court, Rawalpindi Bench. The Lahore High Court granted a stay order suspending demand of penalties amounting to Rs 60 Million and directed the Company to deposit Rs 6 Million (being the principal amount) with the court in the shape of National Saving Certificates. Subsequent to December 31st 2020, the Rawalpindi Bench of the Lahore High Court vide Judgement dated 20th January 2021 (Judgement) has decided the case in PTC's favor. However, the Committee can appeal the Judgement before the Supreme Court of Pakistan.

b) In 2009, the Punjab Employees Social Security Institution (PESSI) demanded payment of social security contribution effective October 2007, from the Company for the non-permanent workers hired at its Jhelum factory hired through third party contractors. The Company has filed a complaint before the Director PESSI, which was kept pending till 2018 when an order was passed against the Company. Thereafter, PESSI demanded payment of Rs 2,306,513 for the period from October 2007 till May 2010.

In 2018, the Company filed an appeal before the Judge Punjab Social Security Court, Labour Complex, Lahore, and the matter is since then pending.

c) Tobacco Development Cess (TDC) is a tax levied and collected by the KPK pursuant to S. 11 of the KPK Finance Act, 1996 ("the Act"). The term "tobacco" was however not defined by the Act. Each year the Pakistan Tobacco Board (PTB), on the demand of each tobacco buyer, fix Quota (i.e. the quantity of tobacco) to be purchased by each such tobacco buyer from the farmers. The calculation of quantum of TDC to be paid by each tobacco buyer is based on the quantities indicated and purchased in terms of Quota. Till 2002, TDC was collected from the tobacco buyers directly by Excise & Taxation Depart (ETD). However, in 2003, the provincial government, through an amendment in law, imposed TDC also on the surplus tobacco purchased by tobacco buyers (i.e. purchase of tobacco beyond the Quota amount) ("the Surplus"). Additionally, the amended law also stipulated that while the TDC on Quota shall be collected by ETD, TDC levied on the Surplus shall be collected by a contractor to whom ETD has leased the collection through a public tender. Contract for the year 2005/06 was awarded to Malik Tilla Muhammad ("the Contractor") by PTB. The Contractor demanded payment of Rs 8.8 Million from PTC on account of TDC, which claim was rejected by PTC. The Contractor then filed a suit for recovery of Rs 8.8 Million before a civil judge but the matter was referred to Arbitration, with Chairman PTB as the Arbitrator. The Arbitrator passed an award whereby PTC was to pay Rs 8,375,071 to Malik Tilla Muhammad Tilla. The said order was challenged by the Company through an appeal before the District judge Peshawar and the appeal was finally decided in Company's favor on June 29, 2019. The matter was remanded back to the trial court / civil judge for cross examination of the arbitrator and deciding the matter afresh and the case is still pending.

d) Employees' Old-Age Benefits Institution (EOBI) constituted under the Employees' Old-Age Benefits Act, 1976 ("the Act") requires contributions to be made by industries and establishments against workers employed by it. PTC has been making prompt contributions under the Act. PTC has contractual arrangements with Logistics Service Providers for the shipment of its raw material and finished goods. In the year 2015, the EOBI Jhelum issued a show cause notice dated March 4th, 2015, demanding payment of Rs 3,024,000 against non-payment of contribution of 200 hundred employees. These employees were in fact employees of five transport concerns with which PTC had contractual arrangements. PTC filed complaint against the said show cause before Adjudicating Authority – III, EOBI Islamabad and raised the objection that this liability is of the five transport concerns who are independent entities. The Adjudicating Authority however passed an order against PTC on February 14th, 2017, upholding the demand earlier raised by the EOBI Jhelum. PTC has filed an appeal in May 2017 against the order before the Board of Trustees EOBI Head Quarter at Karachi which is pending adjudication.

e) The Company hired the services of Tariq & Saad Associates ("T&S") for providing consultancy services for the construction of "Mianwali Mega Barn Project". T&S started the work. Thereafter, during a meeting between Company and T&S, it was verbally agreed that T&S would charge @ 2.25 % of estimated cost of the Project. The payments to T&S were delayed due to which T&S served Notice of Termination and subsequently filed a civil suit for recovery in the district court of Islamabad. The matter is pending adjudication.

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

35.2 Commitments

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

	2020 Rs '000	2019 Rs '000
Not later than one year	–	99,777
Later than one year and not later than five years	–	375,899
Later than five years	–	285,199

(b) Letters of credit outstanding at December 31, 2020 were Rs 1,018,701 thousand (2019: Rs 83,392 thousand).

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.

		December 31, 2020			Fair value		
		Fair value through profit or loss	Amortised cost	Total	Level 1	Level 2	Level 3
	Note	Rs '000			Rs '000		
Financial assets measured at fair value							
Short-term investments	25	6,401,215	–	6,401,215	–	6,401,215	–
Financial assets not measured at fair value							
Deposits	19	–	27,720	27,720	–	–	–
Trade debts	22	–	1,392	1,392	–	–	–
Other receivables	24	–	1,336,336	1,336,336	–	–	–
Cash and bank balances	26	–	842,296	842,296	–	–	–
		6,401,215	2,207,744	8,608,959			
Financial liabilities measured at fair value		–	–	–	–	–	–
Financial liabilities not measured at fair value							
Trade and other payables	27	–	(8,375,451)	(8,375,451)	–	–	–
Lease liability	30	–	(2,252,622)	(2,252,622)	–	–	–
Accrued interest/mark-up		–	(583)	(583)	–	–	–
		–	(10,628,656)	(10,628,656)			

		December 31, 2019			Fair value		
		Fair value through profit or loss	Amortised cost	Total	Level 1	Level 2	Level 3
	Note	Rs '000			Rs '000		
Financial assets measured at fair value							
Short-term investments	25	3,001,058	–	3,001,058	–	3,001,058	–
Financial assets not measured at fair value							
Deposits	19	–	30,759	30,759	–	–	–
Trade debts	22	–	4,260	4,260	–	–	–
Other receivables	24	–	2,131,912	2,131,912	–	–	–
Cash and bank balances	26	–	535,905	535,905	–	–	–
		3,001,058	2,702,836	5,703,894			
Financial liabilities measured at fair value		–	–	–	–	–	–
Financial liabilities not measured at fair value							
Trade and other payables	27	–	(6,884,278)	(6,884,278)	–	–	–
Lease liability	30	–	(1,724,548)	(1,724,548)	–	–	–
Accrued interest/mark-up		–	(18,859)	(18,859)	–	–	–
			(8,627,685)	(8,627,685)			

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 that arise principally from trade debts, other receivables, deposits with banks and investment in treasury bills issued by the Government of Pakistan. The carrying amount of financial assets represents the maximum credit exposure.

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly the credit risk is minimal.

Financial assets amounting to Rs 8,609 million (2019: Rs 5,704 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		
	Short term	Long term		2020 Rs '000	2019 Rs '000
Cash at bank:					
MCB Bank Ltd	A-1+	AAA	PACRA	434,786	317,091
Habib Bank Ltd	A-1+	AAA	VIS	10,851	15,647
Deutsche Bank AG	P-2	A3	Moody's	151,296	147,132
MCB Islamic Bank	A-1	A	PACRA	6,737	53,006
National Bank of Pakistan	A-1+	AAA	PACRA	61,851	893
Standard Chartered Bank	A-1+	AAA	PACRA	173,017	48
Citibank N.A.	P-1	Aa3	Moody's	1,812	414
				840,350	534,231
Short term investments:					
Government of Pakistan		B3+	Moody's	6,401,215	3,001,058
				7,241,565	3,535,289

As at December 31, 2020, maximum exposure to credit risk for finiancial assets by geographic was as follows:

	Carrying amount	
	2020 Rs '000	2019 Rs '000
Pakistan	7,709,165	5,515,256
United Kingdom	29,288	96,124
Asia & other	870,506	92,514
	8,608,959	5,703,894

As at 31 December 2020, the ageing of financial assets was as follows:

	Carrying amount	
	2020 Rs '000	2019 Rs '000
Not due	8,547,516	5,616,409
1-30 days	26,639	60,728
31-90 days	8,207	160
90 days	26,597	26,597
	8,608,959	5,703,894

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	CarryingContractual cash flows Total	12 months or less	1 to 5 years
	Rs '000	Rs '000	Rs '000	Rs '000
31 December 2020				
Financial liabilities				
Trade and other payables	8,375,451	(8,375,451)	(8,375,451)	–
Lease liability	2,252,622	(2,834,089)	(872,824)	(1,961,265)
Accrued interest/mark-up	583	(583)	(583)	–
	10,628,656	(11,210,123)	(9,248,858)	(1,961,265)
31 December 2019				
Financial liabilities				
Trade and other payables	6,884,278	(6,884,278)	(6,884,278)	-
Lease liability	1,724,548	(2,320,656)	(559,801)	(1,760,855)
Accrued interest/mark-up	18,859	(18,859)	(18,859)	–
	8,627,685	(9,223,793)	(7,462,938)	(1,760,855)

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

36.2.4 Market risk

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

Currency risk

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

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

	December 31, 2020			December 31, 2019		
	Euro	Sterling	US dollars	Euro	Sterling	US dollars
Other receivables	223,812	3,321,168	817,041	55,953	187,712	5,928
Cash and bank balances	–	–	1,989,270	–	–	941,945
Trade and other payables	(1,362,654)	(783,979)	(1,318,157)	(903,640)	(2,751,771)	(4,447,951)
Net exposure	(1,138,842)	2,537,189	1,488,154	(847,687)	(2,564,059)	(3,500,078)

The following significant exchange rates have been applied:

	Average rate		Year-end spot rate	
	2020	2019	2020	2019
Euro 1	184.77	167.62	195.52	173.84
Sterling 1	207.64	191.06	218.44	205.16
US dollar 1	161.79	149.79	159.80	154.87

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 2020				
Euro	22,267	(22,267)	15,696	(15,696)
Sterling	(55,422)	55,422	(39,067)	39,067
US dollar	(23,781)	23,781	(16,763)	16,763
31 December 2019				
Euro	14,736	(14,736)	10,388	(10,388)
Sterling	52,604	(52,604)	37,081	(37,081)
US dollar	54,206	(54,206)	38,210	(38,210)

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. 2,252,622 thousand (2019: Rs 1,724,548 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 22.526 million (2019: Rs 17.245 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			
	2020 Rs '000	2019 Rs '000	2020 Rs '000	2019 Rs '000	2020 Rs '000	2019 Rs '000	2020 Rs '000	2019 Rs '000	2020 Rs '000	2019 Rs '000
Managerial remuneration	39,717	36,918	157,241	79,596	139,658	267,380	734,414	631,659	1,071,030	1,015,553
Corporate bonus	27,518	22,995	43,522	39,193	102,811	141,618	230,626	195,814	404,477	399,620
Leave fare assistance	1,364	1,603	6,596	5,618	1,252	8,021	–	–	9,212	15,242
Housing and utilities	14,970	14,990	14,722	10,010	61,261	73,370	320,128	275,640	411,081	374,010
Medical expenses	152	261	1,319	578	9,536	7,221	55,891	40,780	66,898	48,840
Post employment benefits	1,120	10,426	8,507	6,590	36,064	37,940	187,939	146,784	233,630	201,740
	84,841	87,193	231,907	141,585	350,582	535,550	1,528,998	1,290,677	2,196,328	2,055,005
Number of persons	1	1	3	3	18	30	302	252	324	286

37.1 The Company, in certain cases, also provides individuals with the use of company accommodation, cars and household items, in accordance with their entitlements.

37.2 The aggregate amounts charged in the financial statements of the year for remuneration including all benefits to eight (2019: eight) non-executive directors of the Company amounted to Rs 7,846 thousand (2019: Rs 11,438 thousand).

38 Transactions with related parties

British American Tobacco (Investments) Limited (BAT-IL) holds 94.34% (2019: 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.

	2020 Rs ‘000	2019 Rs ‘000
Procurement of goods and services from:		
Holding company	1,664,897	1,396,342
Associated companies	3,386,385	3,423,682
Director	34,834	32,349
Sale of goods and services to:		
Holding company	10,522	83,672
Associated companies	5,206,729	1,939,827
Dividend paid to:		
Holding company	14,027,499	12,263,702
Royalty charged by:		
Holding /associate company		
Charged	531,093	427,710
Reversed	–	(1,714,439)
	531,093	(1,286,729)
Expenses reimbursed to:		
Holding company	20,807	11,182
Associated companies	22,687	4,552
Expenses reimbursed by:		
Holding company	77,414	51,350
Associated companies	911,071	260,612
Payment under employee incentive schemes:		
Key management personnel	38,832	55,848
Other income:		
Associated company:		
Recharges written back	288,504	519,420

38.1 Following are the names of associated companies, related parties and associated undertakings with whom the Company had entered into transactions or had agreements and arrangements in place during the year. Names of associated companies, related parties and associated undertakings, incorporated outside Pakistan are included in note 38.2.

Associated company	Basis of relationship	Aggregate % of shareholding
Pheonix (Private) Limited	Subsidiary	Nil
BAT SAA Service (Private) Limited	Common Directorship	Nil
THS & Co.	Common Directorship	Nil
National Bank of Pakistan	Common Directorship	Nil
Retrirment benefit funds:		
Pension Funds	Post employment benefits	Nil
Provident Funds	Post employment benefits	Nil
Gratuity Fund	Post employment benefits	Nil
Zafar Mahmood	Director	0.000196%
Usman Zahur	Director	0.000978%
William Pegel	Director	0.000978%
Syed Asad Ali Shah	Director	0.000196%
Syed Javed Iqbal	Director	0.000196%
Syed Ali Akbar	Director	0.000196%
Tajamal Shah	Director	0.000196%
Zafar Aslam	Director	0.000196%
Belinda Ross	Director	0.000196%
Asif Jooma	Director	0.000196%
Mohammad Riaz	Director	0.000196%
Lt. Gen (Rtd.) Muhammad Masood Aslam	Director	0.000196%
Syed Hammad Ali Naqvi	Key management personnel	Nil
Waqas Ahmed Khan	Key management personnel	Nil
Ahsen Altaf	Key management personnel	Nil
M. Idries Ahmed	Key management personnel	0.000025%
Sami Zaman	Key management personnel	0.000059%
Khubaib Akram	Key management personnel	Nil
Khan Muhammad Mohmand	Key management personnel	Nil
Muhammad Asim	Key management personnel	Nil
Hassan Khalid	Key management personnel	Nil
Uzair Qazi	Key management personnel	Nil
Haroon Saleem	Key management personnel	Nil
Qadeer Hussain	Key management personnel	Nil
Khuram Javaid Rajpoot	Key management personnel	Nil

38.2 Following particulars relate to associated companies incorporated outside Pakistan with whom the Company had entered into transactions during the year or have arrangement / agreement in place.

Associated company	Basis of relationship	Aggregate % of Shareholding	Country of Incorporation
British American Tobacco p.l.c.	Ultimate Parent Company	0.00%	United Kingdom
BAT (Investments) Limited	Holding Company	94.34%	United Kingdom
BAT Rothmans International	Holding Company	0.31%	United Kingdom
BAT Exports Limited	Fellow Subsidiary	0.00%	United Kingdom
Ceylon Tobacco Company Limited	Common Directorship	0.00%	Sri Lanka

Associated company	Basis of relationship	Aggregate % of Shareholding	Country of Incorporation
British American Tobacco Myanmar Limited	Common Directorship	0.00%	Myanmar
British American Tobacco Argentina	Fellow Subsidiary	0.00%	Argentina
British American Tobacco Australia	Fellow Subsidiary	0.00%	Australia
BAT Bangladesh Company Limited	Fellow Subsidiary	0.00%	Bangladesh
Souza Cruz Ltd.	Fellow Subsidiary	0.00%	Brazil
BAT Switzerland SA	Fellow Subsidiary	0.00%	Switzerland
British American Tobacco Chile	Fellow Subsidiary	0.00%	Chile
BAT Germany GmbH	Fellow Subsidiary	0.00%	Germany
BAT (Brands) Limited	Fellow Subsidiary	0.00%	United Kingdom
Benson & Hedges (Overseas) Limited	Fellow Subsidiary	0.00%	United Kingdom
BAT (Holdings) Limited	Fellow Subsidiary	0.00%	United Kingdom
BASS (GSD) Limited	Fellow Subsidiary	0.00%	United Kingdom
British American Tobacco (GLP) Limited	Fellow Subsidiary	0.00%	United Kingdom
BAT Nicoventures Trading Ltd	Fellow Subsidiary	0.00%	United Kingdom
British American Tobacco Asia Pacific Region Ltd	Fellow Subsidiary	0.00%	Hong Kong
Fielder & Lundgren AB	Fellow Subsidiary	0.00%	Sweden
BAT Pecsi Dohanygyar KFT	Fellow Subsidiary	0.00%	Hungary
British American Tobacco Kenya Ltd	Fellow Subsidiary	0.00%	Kenya
BAT Korea Ltd	Fellow Subsidiary	0.00%	South Korea
BAT Korea Manufacturing Ltd	Fellow Subsidiary	0.00%	South Korea
British American Tobacco Mexico	Fellow Subsidiary	0.00%	Mexico
BAT AsPac Service Centre Sdn Bhd	Fellow Subsidiary	0.00%	Malaysia
BAT GSD (KL) Sdn Bhd.	Fellow Subsidiary	0.00%	Malaysia
BAT Nigeria Ltd	Fellow Subsidiary	0.00%	Nigeria
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 Romania Investment Ltd.	Fellow Subsidiary	0.00%	Romania
BAT (Romania) Trading SRL.	Fellow Subsidiary	0.00%	Romania
BASS Europe SRL.	Fellow Subsidiary	0.00%	Romania
JSC BAT-Spb	Fellow Subsidiary	0.00%	Russia
British-American Tobacco (Singapore) Pte Ltd	Fellow Subsidiary	0.00%	Singapore
BAT Marketing (Singapore) Pte Ltd	Fellow Subsidiary	0.00%	Singapore
British American Tobacco Tutun Mamulleri	Fellow Subsidiary	0.00%	Turkey
TDR D.O.O	Fellow Subsidiary	0.00%	Croatia
West Indian Tobacco Co. Ltd	Fellow Subsidiary	0.00%	Trinidad & Tobago
PJSC A/T B.A.T Prilucky Tobacco Co.	Fellow Subsidiary	0.00%	Ukraine
R J Reynolds Tobacco Company	Fellow Subsidiary	0.00%	United States
British American Tobacco South Africa (Pty) Ltd.	Fellow Subsidiary	0.00%	South Africa
British American Tobacco ME DMCC	Fellow Subsidiary	0.00%	United Arab Emirates
BAT Saudia for Trading	Fellow Subsidiary	0.00%	Saudi Arabia
BAT GCC DMCC	Fellow Subsidiary	0.00%	United Arab Emirates
BAT Middle East DMCC	Fellow Subsidiary	0.00%	United Arab Emirates
BAT Qatar LLC	Fellow Subsidiary	0.00%	Qatar
BAT Middle East S.P.C.	Fellow Subsidiary	0.00%	Bahrain
BAT Egypt Ltd.	Fellow Subsidiary	0.00%	Egypt
Central Manufacturing Company Ltd	Fellow Subsidiary	0.00%	Fiji
PT Bentoel International Investama	Fellow Subsidiary	0.00%	Indonesia
PT Bentoel International Prima	Fellow Subsidiary	0.00%	Indonesia
PT Export Leaf	Fellow Subsidiary	0.00%	Indonesia
British American Tobacco (Malaysia)	Fellow Subsidiary	0.00%	Malaysia
Tobacco Importers and Manufacturers	Fellow Subsidiary	0.00%	Malaysia
British American Tobacco (PNG) Ltd	Fellow Subsidiary	0.00%	Papua New Guinea
British American Tobacco Vranje AD	Fellow Subsidiary	0.00%	Serbia
BAT Services Ltd., Taiwan Branch	Fellow Subsidiary	0.00%	Taiwan
Tabacalera Hondurena S.A.	Fellow Subsidiary	0.00%	Honduras
Solomon Islands Tobacco Co. Ltd.	Fellow Subsidiary	0.00%	Solomon Islands
British American Tobacco (Cambodia)	Fellow Subsidiary	0.00%	Cambodia

		2020 Rs '000	2019 Rs '000
39	**Cash generated from operations**		
	Profit before taxation	22,387,895	18,284,917
	Adjustment for non-cash items:		
	- Depreciation / impairment	1,500,059	1,367,476
	- Gain on disposal of property, plant and equipment	198,342	(134,391)
	- Finance cost	240,699	202,553
	- Finance income	(782,866)	(812,571)
	- Foreign exchange loss	244,441	445,162
	- Provision /(Reversal of provision) for slow moving stores and spares	(10,428)	15,123
	- Provision / (reversal of provision) for stock-in-trade	117,492	7,202
	- Provision for staff retirement benefit plans	311,410	278,984
		1,819,149	1,369,538
	Changes in working capital:		
	- Stock-in-trade	1,822,375	(2,940,355)
	- Stores and spares	(4,473)	(45,093)
	- Trade debts	2,868	(2,707)
	- Loans and advances	(209,561)	(27,684)
	- Short term prepayments	(60,494)	234,014
	- Other receivables	229,781	(181,189)
	- Trade and other payables	2,725,341	(2,898,684)
	- Other liabilities	(791,956)	567,124
		3,713,881	(5,294,574)
	Changes in long term deposits and prepayments	3,039	1,353
		27,923,964	14,361,234

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

	Liabilities		Equity	Total
	Unclaimed / Unpaid Dividend	Finance lease obligations	Revenue reserves	
	Rs '000	Rs '000	Rs '000	Rs '000
Balance at January 1, 2019	281,456	433,090	15,210,686	15,925,232
Changes from financing cash flows:				
Finance lease payments	–	(709,437)	–	(709,437)
Dividend declared	12,263,701	–	(12,263,701)	–
Dividend paid	(12,400,182)	–	–	(12,400,182)
Total changes from financing cash flows	(136,481)	(709,437)	(12,263,701)	(13,109,619)
Other changes:				
New leases	–	2,000,895	–	2,000,895
Total equity-related other changes	–	–	12,788,932	12,788,932
Balance at December 31, 2019	144,975	1,724,548	15,735,917	17,605,440

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

41 Events after the reporting date

In respect of the year ended December 31, 2020 final dividend of Rs 28.00 (2019: Rs 23.00) per share amounting to a total dividend of Rs 7,153,826 thousand (2019: Rs 5,876,357 thousand) has been proposed at the Board of Directors meeting held on February 23, 2021. 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, 2021.

Usman Zahur
Chief Executive Officer

William Pegel
Chief Financial Officer / Director

PAKISTAN TOBACCO COMPANY LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

CHAIRMAN'S REVIEW
(CONSOLIDATED ACCOUNTS)

I am pleased to share the Annual Report for the year 2020.

2020 Performance

The legitimate tobacco industry remained under pressure due to the widening price differential between duty not paid (DNP) brands and legitimate brands following the 93% increase in excise rates in 2018 and 2019 that fuelled illicit market share growth in 2020. The Government's decision not to change excise rates was a positive outcome from FY 2020-21 budget that provided consumer price stability, but this was short-lived as key brands in the illicit sector reduced their selling prices by 25% post budget to Rs 30/pack. Enhanced enforcement support by the Government is key to ensure fair competition within the tobacco industry and would prevent loss of further tax revenues towards the national exchequer.

Growing Illicit market share was the primary driver behind PTC's volume decline in 2020, however, the Company's overall financial position has remained healthy. The Company delivered EPS growth of 28% which was achieved by keeping a strong focus on effective cost management, lean operations and investment in brands portfolio to offer products which reflect evolving consumer preferences.

Corporate Social Responsibility

This year is poised to be the year of Sustainability. PTC has a long standing tradition of giving back to society; since 1981, the company has been running one of the largest private sector afforestation programs across the country. Under this initiative, the Company plants and distributes tree saplings free of cost. During 2020, the Company planted and distributed more than 9 Million saplings. A new fully solar powered nursery is also under construction in Lahore in collaboration with Lahore Ring Road Authority.

Amongst our other CSR initiatives, the Company continued to provide free medical advice and medicines under its Mobile Doctor Unit program. In 2020, more than 50,000 patients took medical advice and medicines under this program. To ensure local community is protected from water borne diseases, the Company is providing clean drinking to the less privileged sectors of the society through 5 water filtration plants filtering 64,000 litres of water per day. Our lift irrigation system provided water to more than 1,000 hectares of agricultural land of Buner district benefitting more than 450 farmers. To mitigate water scarcity in the Country, PTC installed drip irrigation systems in Buner and Mansehra that enabled water conservation of 927 Million litres.

Corporate Governance

PTC takes pride in its compliance with good corporate governance practices. A comprehensive system of controls, governance and risk management is in place to ensure that the Company's assets and the interests of the shareholders are protected. With the acquisition of Reynolds American Inc. by the BAT Group and subsequent adherence to all of the Sarbanes-Oxley Regulations (SOx), the Company's controls and governance environment has improved significantly. The compliance to all the SOx controls is monitored by external auditors and the Group's internal compliance teams.

The Company also requires its employees to operate and deliver with integrity and strongly discourages malpractice. This message is cascaded and internalized across the Company through face to face and online trainings conducted throughout the year as part SoBC refreshers. Furthermore, channels have been established and made available for anyone working in or with the Company to raise their concerns in confidence and without fear of reprisal.

Business Sustainability

PTC's strategic objectives are aimed at building a business which can be sustained over a long-term period. 2020 was a landmark year for PTC as it ventured into new categories by launching nicotine pouches called 'VELO' with the aim of driving 'tobacco harm reduction' agenda. This was delivered on the back of bold and agile initiatives including national expansion of VELO, launch of VELO sound station and setup of an exclusive local factory for VELO. On the cigarettes and cut-tobacco exports front, $31 Million in foreign direct inflows were generated to further augment the Company's ambition of becoming the primary export hub for the region. Pakistan has also emerged as a front runner for setting up a shared services hub. This may serve as a talent incubator enabling Pakistan to become a Services Exports market unlocking enormous potential for future foreign direct investment.

The presence of a large illicit sector remains an area of concern, as it continues to create major sustainability issues for the legitimate industry while causing revenue losses of close to Rs 70 Billion for the Government. Thus, it is in the best interest of all stakeholders that stringent action is taken by the relevant law enforcing authorities to curb the illicit sector.

In addition, it is necessary to note the regulations issued in early March 2020 by the Ministry of National Health Services, Regulations and Coordination to prohibit tobacco and tobacco products' advertising, promotion and sponsorship have the potential to adversely affect the Company's business. Local DNP brands continue to violate the previous laws and the new regulation which not only disrupted the creation of a level playing field within the tobacco industry but also negatively impacted Government tax revenues.

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

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

Zafar Mehmood Chairman

DIRECTOR'S REPORT

(CONSOLIDATED ACCOUNTS)

The Directors Present the Annual Report of Pakistan Tobacco Company Limited (PTC) Along with the Audited Financial Statements of the Company for the year Ended December 31, 2020.

Macroeconomic Environment

In 2020, the global economy faced high degree of uncertainty owing to the challenges posed by COVID-19 pandemic, with Pakistan being no different. The first half of the year was particularly stressed due to frequent lockdowns across the country impacting business and social activities. Due to manufacturing and supply chain disruptions caused by the pandemic as a consequence of the national lockdown to control the spread of the virus, Pakistan's exports of $22.9 Billion faced a decline of -6.8% compared to same period last year (SPLY)

To curtail the negative impacts of COVID-19, the Government made a number of targeted interventions to enhance economic activity in the country by introducing schemes with low markup such as Temporary Economic Refinance Facility for investment in plant and machinery to enhance domestic production capacities, Export Refinance Facility to enhance export operations and Salary Refinancing for providing working capital relief to businesses. This was further augmented by a reduction in policy rates announced by State Bank's Monetary Policy Committee during 2020 which helped reduce inflation from the previous level of 12.6% for SPLY by 4.6%.

Contrary to expectation, foreign worker remittances to Pakistan grew by 6.4% reaching $23.1 Billion in FY 2019-20. This provided much needed stability to the current account with the PKR depreciating only ~3% year-on-year from Rs 154.9/USD in Dec'19.

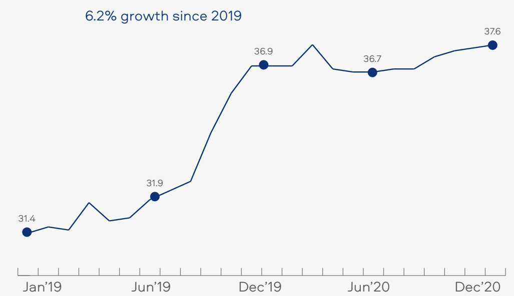
Industry Overview

Fiscal Environment

During the FY 2018-19 and FY 2019-20, excise duty on Value for Money (VFM) brands increased by 93% which resulted in widening the price gap between duty paid and duty not paid (DNP) brands. The sell-out price for duty paid VFM brands stood at Rs 80/pack compared to Rs 37.7/pack for Illicit brands in 2020 which resulted in an increase in Illicit share as depicted in Graph-1:

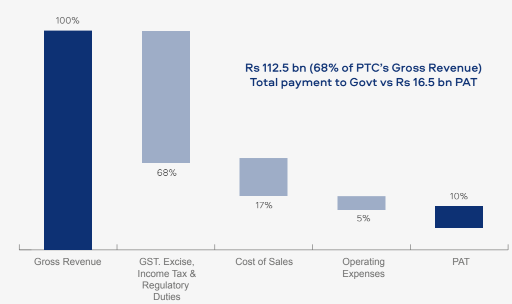
Graph 1

Illicit Market Share (%)



Graph 2

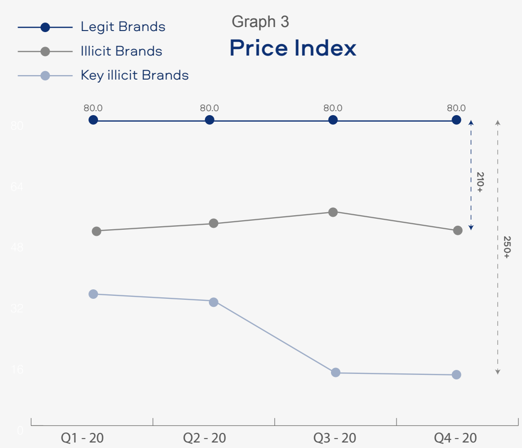
PTC's Profit & Loss Snaphot



68% of Gross earnings given as Govt Revenue

Graph 3

Price Index



Source: Access Retail & Neilsen - Retail Audit 2020

In FY 2020-21 budget, the Government did not change the excise rates to reduce price differential between DNP and legitimate VFM brands. This had a positive outcome that provided consumer price stability in the tobacco sector. Contrary to expectation, the price gap between duty paid and DNP products increased to +250% as key brands in the illicit sector reduced their selling prices by 25% (down to Rs 30.5/pack).

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

Enforcement remains a key pillar to curtail growth of the DNP segment. Enforcement efforts by the Government need to be significantly scaled up with dedicated human and financial resources to ensure a level playing field in the legitimate tobacco industry which will positively impact revenue collection for the Government.

During 2020, there was rapid growth in counterfeit incidence of the PTC brands. According to one independent research, counterfeit incidence of PTC brands amounted to an annualized volume loss of 2.8 Billion sticks with a potential revenue loss of Rs 6 Billion for the Government. As a countermeasure, the company introduced a technology enabled solution to arrest volume decline to 1.2 Billion sticks. This solution not only enables consumers to identify a genuine product at the point of sale but also serves as an effective tool for Law Enforcement Agencies (LEAs) for on-spot detection of counterfeit products. This initiative has been instrumental in curbing counterfeit incidence and has helped PTC retain sales and as a consequence increase payment to the national exchequer.

Regulatory Environment

Towards end of Q1'20, the Ministry of National Health Services, Regulations and Coordination issued a Statutory Regulatory Order further prohibiting the advertisement, promotion and sponsorship of tobacco and tobacco products. This has further negatively impacted the legitimate players within the tobacco sector as the local DNP brands continue to violate the previous laws and the new legislation with impunity.

PTC has challenged this in Sindh High Court due to certain provisions in the S.R.O that go beyond the scope of "The Prohibition of Smoking and Protection of Non-Smokers Health Ordinance 2002" (NSO 2002).

Company Performance

The Company witnessed a decline in sales volume of 7% during the year under review. This is primarily attributable to consumers downtrading to duty not paid cigarettes following the 93% increase in excise rates announced in FY 2018-19 and FY 2019-20 budgets and ~Rs 10/pack price reduction of key DNP brands post FY 2020-21 budget. The Company continued to maintain its market share leadership in the legitimate segment growing market share by 1.3% in 2020, reaching 76.2%. In 2020, PTC contributed Rs 112.5 Billion to the National Exchequer in the form of excise duties, sales tax, income tax and regulatory duties.

The Company continues to focus on enhancing productivity across its value chain by ensuring effective cost management, lean operations, and modernization of machinery infrastructure. In 2019, the Company embarked on its very first "Made in Pakistan" exports journey by becoming a new export hub for the BAT Group and in 2020 – its first year of full-scale operation, provided the Country with $31.1 Million in Foreign Direct Inflows. PTC's export operation has huge potential to grow in the coming years which will generate additional valuable foreign currency inflows into the Country.

The Company's cost base remained under pressure throughout 2020 in the wake of the decline in volumes, currency devaluation, inflation and COVID-19 associated costs. Despite these challenges, the Company continued to focus on effective cost management and delivered multiple efficiency improvement projects, thereby allowing it to keep costs in check.

BAT Group is driving the agenda for A Better Tomorrow™ by reducing health impact of its business and offering reduced risk products* to its adult consumers. The group has invested approximately $5 Billion in research and development for new categories which comprise of reduced risk products*. In 2020, PTC in line with Group's agenda for tobacco harm reduction, ventured into new categories by launching oral nicotine products, VELO. Currently, the VELO distribution network has expanded to 17 key cities across Pakistan and significant efforts are underway to leverage its potential in keeping with PTC's aim for A Better Tomorrow™.

With people at the core of its delivery, the Company has a strong focus on people by attracting and retaining the best talent in the country. PTC was awarded the Top Employer for 2020 by Top Employer Institute. Moreover, for its drive and consistent focus on Diversity and Inclusion, the Company was also awarded the "Global Diversity & Inclusion, Progressive Award 2020" by Global Diversity and Inclusion Benchmarks.

PTC runs one of the largest private sector afforestation programs and a Mobile Doctor Unit (MDU) program. Under its flagship afforestation program running since 1981, the Company planted and distributed more than 9 million saplings free of cost in 2020. A new fully solar powered nursery is also under construction in Lahore. Under the MDU program, the Company dispensed medical advice and medicines free of cost to more than 50,000 patients in 2020. To ensure local community is protected from water borne diseases, the Company is providing clean drinking to the less privileged sectors of the society through 5 water filtration plants filtering 64,000 litres of water per day.

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

	Rs. (million)	
	FY 2020	FY 2019
Domestic Turnover	**161,275**	147,292
Exports Turnover	**4,983**	1,733
FED & Sales Tax	**105,368**	97,050
Net Turnover	**60,891**	51,975
Cost of Sales	**29,329**	25,765
Gross Profit	**31,562**	26,210
Operating Profit	**21,846**	17,675
Profit Before Tax – PBT	**22,388**	18,285
Profit After Tax – PAT	**16,492**	12,889
Earnings Per Share – EPS (Rs)	**64.55**	50.45

Profit & Loss Analysis

During 2020, PTC continued its commitment with the Government as one of the largest tax paying companies in Pakistan. It contributed Rs 112.5 Billion in revenues to the Government, which translated to 68% of gross earnings, and retained 10% of revenues for distribution amongst shareholders and re-investment in the business as depicted by Graph-3

Domestic turnover increased by 10% vs Same Period Last Year (SPLY) despite 7% volume decline due to the first half (Jan-Jun' 20) impact of the Jun' 19 excise-led price increase. Exports Turnover was driven by a significant increase in export volumes as compared to SPLY, which is a testament of the Company's commitment to the Governments' agenda of driving export growth. The Company exported 2.3 Billion cigarette sticks and 4.1 Mn kgs of raw tobacco in 2020 with turnover amounting to $31.1mn

Cost of Sales also increased primarily due to devaluation of local currency, increase in exports and inflationary pressures. These were mitigated through multiple productivity savings initiatives and focused cost management to reduce overall cost base.

Selling & distribution expenses declined by 3% which is linked to reduction in sales volume. However, significant investments have been made in trade activities, COVID compliance initiatives and national expansion of new categories.

Other Operating Expenses increased by 12% during 2020. The major portion of this increase is attributable to one-off disposal of obsolete plant and machinery equipment across PTC's manufacturing sites with the aim of footprint optimization.

Net Finance Income decreased by 11% in 2020, attributable to the decline in average interest rates.

Statement of Financial Position Analysis

Property, plant & equipment increase in 2020 was primarily driven by upgrades to existing manufacturing capacities and infrastructure to support better product quality, innovation and higher operating efficiencies. PTC has also initiated Velo localization whereby construction of a standalone manufacturing facility has been initiated.

Stock in trade decrease was attributable to lower raw material stock.

Loans and advances include advances paid to media agencies for on-going VELO marketing campaigns.

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 decreased in 2020 due to settlement of margins with banks.

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

Current liabilities increased due to higher payables outstanding at year end to internal and external vendors.

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. Detailed review of Company's liquidity management and financing arrangements is provided in this Annual Report on page 92.

Contribution to National Exchequer

Despite the challenges faced from the DNP sector, PTC continues to remain one of the largest contributors to the national exchequer. Despite volume reduction in 2020, the Company's contribution to the National Exchequer was Rs 112.5 Billion in excise duties, sales tax, income tax and regulatory duties.

In order to maintain growth in revenues from the Tobacco industry, the Government needs to have a sharper focus on enforcement and curtailing the growth of the DNP sector. Increase in market share of the illicit sector, is indicative of the huge revenue loss of approximately Rs 70 Billion per annum. Thus, it is imperative that the illicit sector is curtailed through use of both fiscal and administrative measures.

Profit Distribution & Reserve Analysis

The Company started the year with reserves of Rs 15.8 Billion. During the year, final dividend of Rs 23 per share related to year ended 2019, was approved by shareholders and was subsequently paid. In 2020, the Company earned net profit of Rs 16.5 Billion and declared two interim dividends of Rs 15 per share in Q2'20 and Rs 20 per share in Q3'20. The net reserves position of the Company at year end stands at Rs 16.9 Billion. The details of appropriations are also elaborated in the table below:

	Rs. (million)	Rs. Per Share
Opening Reserves	**15,736**	
Final Dividend 2019	**(5,876)**	23.00
Net Profit 2020	**16,492**	64.55
Other Comprehensive Loss	**(452)**	
Available for appropriation	**25,900**	
Appropriation:		
Interim Dividends 2020	**(8,942)**	35.00
Closing Reserves	**16,958**	

Final Dividend

The Board of Directors of PTC in its meeting held on February 23, 2021 is pleased to recommend a final cash dividend of Rs. 28.0 per share for the year ended December 31, 2020 (2019: Rs. 23.0 per share), for the shareholders' approval. This recommendation will be subject to approval of the shareholders in the Annual General Meeting, scheduled on April 22, 2021.

Consolidated Financial Statements and Segmental Review

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

Subsequent Events Review

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

Operations Review

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

In 2019, the Company, in line with Government's vision, launched its export initiative titled "Made in Pakistan" and earned the position of being an export hub for the BAT Group. Under this initiative in 2020 – its first full year of operation, PTC exported over 2.3 Billion Cigarettes and around 4.1 million KGs of tobacco worth $31.1 Mn.

As part of the tobacco harm reduction agenda, PTC has invested more than £10 Million in Modern Oral plant and machinery for an independent factory at Jhelum site. It is expected that the factory will start producing modern oral nicotine pouches in the first half of 2021 to enable PTC further its agenda towards tobacco harm reduction and cement its position as an export hub for BAT Group.

EH&S – Environment, Health & Safety

COVID-19 pandemic and its challenge to the health and safety of PTC's employees was handled in an organized and responsible manner in 2020. A dedicated 'Crisis Management Team' comprising of PTC's leadership was formulated with the aim of brainstorming risk mitigation strategies for crisis scenarios. Further, comprehensive standard operating procedures and 'Zero Tolerance Policies' were enforced, and company-wide awareness sessions were conducted to avoid COVID-19 contraction amongst PTC's employees.

Significant awareness and infrastructural improvements have been made in relation to Environment, Health & Safety processes and procedures at the manufacturing plants. Keeping in view the energy crisis, multiple energy conservation initiatives were undertaken in 2020 including Jhelum Factory doubling its solar generation capacity to 200kW, making it the highest renewable energy generating site for PTC while Akora Factory has achieved 2nd highest status in water recycling ratio in BAT world, thereby, reducing its CO_2 emissions footprint by 850 tons. PTC's manufacturing has been globally recognized in BAT Group for the efforts and outstanding results delivered through this drive for excellence.

Marketing Review

Consumer affordability continued to come under stress in 2020 due to global pandemic-led economic tightening and the widening price differential between legitimate and DNP brands. However, despite the challenges faced, focused investments were made for a future-fit brands portfolio.

Capstan by Pall Mall retains its standing as the best performing brand in the VFM segment with a 1.8% increase in market share in 2020. Additionally, the segment witnessed reinforcement campaigns during the year to further enhance Gold Flake’s equity and mix. This was a strategic intervention which has helped the brand significantly capture lost volume and market share. Embassy’s franchise base was also successfully retained through its pack format change campaign allowing it to sustain and maintain its distribution and consumer base respectively.

Despite increase in the incidence of counterfeit, PTC’s anti-counterfeit drive via a unique technology enabled scanning solution in Q3’20 enabled the Company to gain back volume from Counterfeit brands which also resulted in positive feedback from consumers, retailers and LEAs.

In the Aspirational Premium segment, post successful pilot launch of John Player, expansion campaign was carried out in Q3’20 which was further aided by successful interventions of limited-edition packs resulting in improved sales traction for the brand in Q4’20.

In the Premium segment, based on consumer trends and positive sales results, handlers of Dunhill were increased at a national level resulting in positive sales growth and a larger handler base in 2020. These initiatives have further propelled the Dunhill brand to new heights in Pakistan.

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 control environment. The Company’s risk management and internal controls framework is aimed at safeguarding the shareholders’ investment and the Company’s assets, while minimizing the impact of the risks that may impede the delivery of the Company’s objectives. Details of this are captured in the section on Risk & Opportunity of the Annual Report.

Comprehensive policies and procedures, structured governance mechanisms and a conducive organizational culture have facilitated a strong compliance and control environment across the Company. All heads of functions are required to carry out a comprehensive assessment of globally defined key controls that are expected to be in place and operating effectively. Any non-compliances and material weakness are reported along with action plans to address them. Additionally, all employees are required to sign off an annual Statement of Compliance to the Company’s Standards of Business Conduct. Furthermore, the Company is also fully compliant to all the requirements of Sarbanes Oxley Act (SOx) which has further strengthened the internal controls of the Company.

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 and monitored.

f) There are no significant doubts about the Company's ability to continue as a going concern.

g) There has been no material departure from the best practices of corporate governance, as detailed in the Code of Corporate Governance and listing regulations.

h) All major Government levies in the normal course of business, payable as at December 31, 2020 have been disclosed in the notes to the financial statements.

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

j) Values of investments in employee's retirement funds for the year ended December 31, 2020 are as follows. Further details are provided in Note 33 to the separate financial statements.

Fund Name	Rs. (million)
Staff Pension Fund	**5,492**
Employees Gratuity Fund	**1,173**
Management Provident Fund	**735**
Pakistan Tobacco Company Limited Provident Fund	**382**
Staff Defined Contribution Pension Fund	**659**

Composition of the Board

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

The current composition of the Board is as below.

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

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

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

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

Changes in the Board

No changes in Board were announced in 2020.

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 2020, 5 Board meetings were held, out of which the 1st meeting was held on 24th February 2020.

The notices / agendas of the meetings were circulated in advance, in a timely manner and in compliance with applicable laws. All meetings of the Board held during the year surpassed the minimum quorum requirements of attendance, as prescribed by the applicable regulations.

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

Name of Director	Attendance
Zafar Mahmood Chairman	5/5
Usman Zahur Managing Director and CEO	5/5
William Francis Pegel Director Finance & IT	5/5
Syed Asad Ali Shah Director Legal & External Affairs	5/5
Syed Ali Akbar Director Marketing	4/5
Syed Javed Iqbal Non-Executive Director	1/5
Belinda Joy Ross Non-Executive Director	4/5
Zafar Aslam Khan Non-Executive Director	3/5
Lt. Gen. M. Masood Aslam (R) Independent Director	5/5
Mohammad Riaz Independent Director	5/5
Asif Jooma Independent Director	5/5
Tajamal Shah Non-Executive Director	4/5

Board Meetings Held Outside Pakistan

In 2020, PTC conducted all its Board meetings in Pakistan.

Committees of the Board

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

Directors' Remuneration

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

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

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

Evaluation of Board's Performance

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

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

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

Offices of the Chairman & CEO

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

Brief Roles & Responsibilities of the Chairman & CEO

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

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

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

CEO's Performance Evaluation by the Board

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

Performance for the year 2020 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 Directors training. More than half of the Directors have obtained certification under Directors' Training Program (DTP) approved by SECP.

Last AGM

The Company's 73rd AGM (Annual General Meeting) was held on May 8, 2020. 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, 2020 has been concluded and the Auditors have issued their Audit Reports on the Company Financial Statements, Consolidated Financial Statements and the Statement of Compliance with the Code of Corporate Governance. The Auditors, Messers KPMG Taseer Hadi & Co., shall retire at the conclusion of the Annual General Meeting, and they have indicated their willingness to continue as Auditors for PTC. They have confirmed to have achieved satisfactory rating by the Institute of Chartered Accountants of Pakistan (ICAP) and compliance with the Guidelines on the Code of Ethics of the International Federation of Accountants (IFAC) as adopted by ICAP. The Board proposes their appointment as Auditors for the financial year ending December 31, 2020 on the recommendation of the Audit Committee. This shall be subject to the approval of the shareholders in their meeting scheduled for April 22, 2021.

Pattern of Shareholding

Our holding company, British American Tobacco (Investments) Limited (BAT-IL), incorporated in United Kingdom holds 94.34% shares of the Company at the year end. The pattern of shareholding as at December 31, 2020 alongside the disclosure as required under Code of Corporate Governance is provided separately in this Annual Report.

Trading In Shares by Directors and Executives

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

Review of BCP

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

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

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

By implementing a BCM process, the Company ensures that:

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

Zafar Mehmood
Chairman

Usman Zahur
MD/CEO

INDEPENDENT AUDITORS' REPORT

To the members of Pakistan Tobacco Company Limited

Opinion

We have audited the annexed consolidated financial statements of Pakistan Tobacco Company Limited (PTC) and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, and (of) its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matters

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

Following are the Key audit matters:

S. No.	Key audit matters	How the matter was addressed in our audit
1	**Revenue recognition** Refer notes 7.2 and 8 to the consolidated financial statements. The Group is engaged in the production and sale of tobacco. The Group recognised net revenue from the sales of cigarettes/tobacco of Rs 60,891 million for the year ended 31 December 2020. We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicator of the Group and gives rise to an inherent risk that revenue could be subject to misstatement to meet expectations or targets.	Our audit procedures to assess the recognition of revenue, amongst others, included the following: • Obtaining an understanding of the process relating to recognition of revenue and testing the design, implementation and operating effectiveness of key internal controls over recording of revenue; • Comparing a sample of revenue transactions recorded during the year with sales orders, sales invoices, delivery documents and other relevant underlying documents; • Comparing a sample of revenue transactions recorded around the year- end with the sales orders, sales invoices, delivery documents and other relevant underlying documentation to assess if the related revenue was recorded in the appropriate accounting period; • Assessing whether the accounting policies for revenue recognition complies with the requirements of IFRS 15 'Revenue from Contracts with Customers'; • Comparing the details of a sample of journal entries posted to revenue accounts during the year, which met certain specific risk-based criteria, with the relevant underlying documentation; and • Assessing the appropriateness of disclosures in the financial statements.
2	**Valuation of stock-in-trade** Refer notes 7.12 and 18 to the consolidated financial statements. As at 31 December 2020, stock-in-trade is stated at Rs 19,483 million. Stock-in-trade is measured at the lower of cost and net realisable value. We identified existence and valuation of stock-in-trade as a key audit matter due to its size, representing 43% of total assets of the Group as at 31 December 2020, and the judgement involved in valuation.	Our audit procedures to assess the valuation of stock-in trade, amongst others, included the following: • Assessing the design, implementation and operating effectiveness of key internal controls over valuation of stock-in-trade including determination of net realizable values; • Attending inventory counts and reconciling the count results to the inventory listings; • Assessing the accuracy of cost of stock in trade in accordance with the accounting policy; • Assessing the net realizable value of stock-in-trade by comparing, on a sample basis, management's estimation of future selling prices for the products and selling prices achieved subsequent to the end of the reporting period; and • Comparing the net realizable value to the cost of a sample of stock-in-trade and comparison to the associated provision to assess whether stock-in-trade provisions are complete.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. Other information comprises the information included in the annual report for the year ended 31 December 2020, but does not include the consolidated financial statements and our auditors' report thereon.

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

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

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

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

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG Taseer Hadi & Co

KPMG Taseer Hadi & Co.
Chartered Accountants

29th March 2021
Islamabad

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2020

	Note	2020 Rs '000	2019 Rs '000
Gross turnover	8	166,258,483	149,024,648
Excise duties		(80,907,579)	(74,741,489)
Sales tax		(24,460,393)	(22,308,263)
Net turnover		60,890,511	51,974,896
Cost of sales	9	(29,328,821)	(25,764,813)
Gross profit		31,561,690	26,210,083
Selling and distribution costs	10	(5,015,427)	(4,666,122)
Administrative expenses	11	(3,357,904)	(2,780,245)
Other operating expenses	12	(2,091,229)	(1,871,999)
Other income	13	748,598	783,182
		(9,715,962)	(8,535,184)
Operating profit		21,845,728	17,674,899
Finance income		782,866	812,571
Finance cost	14	(240,699)	(202,553)
Net finance income		542,167	610,018
Profit before income tax		22,387,895	18,284,917
Income tax expense	15	(5,895,405)	(5,395,688)
Profit for the year		16,492,490	12,889,229
Earnings per share (basic and diluted)- (Rupees)		64.55	50.45

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

Usman Zahur
Chief Executive Officer

William Pegel
Chief Financial Officer / Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2020

	Note	2020 Rs '000	2019 Rs '000
Profit for the year		16,492,490	12,889,229
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
- Remeasurement loss on defined benefit pension and gratuity plans	31	(636,405)	(144,170)
- Tax credit related to remeasurement loss on defined benefit pension and gratuity plans	15.2	184,557	43,873
		(451,848)	(100,297)
Total comprehensive income for the year		16,040,642	12,788,932

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

Usman Zahur
Chief Executive Officer

William Pegel
Chief Financial Officer / Director

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended December 31, 2020

	Note	2020 Rs '000	2019 Rs '000
Non current assets			
Property, plant and equipment	16	15,126,803	12,347,878
Advance for capital expenditure		716,864	175,783
Long term deposits and prepayments	17	27,720	30,759
		15,871,387	12,554,420
Current assets			
Stock-in-trade	18	19,482,676	21,422,543
Stores and spares	19	678,900	663,999
Trade debts	20	1,392	4,260
Loans and advances	21	335,205	125,644
Short term prepayments		76,415	15,921
Other receivables	22	1,316,315	2,111,891
Short term investments	23	6,401,215	3,001,058
Cash and bank balances	24	842,296	535,905
		29,134,414	27,881,221
Current liabilities			
Trade and other payables	25	19,202,894	16,295,244
Other liabilities	26	2,073,866	2,865,822
Lease liability	28	678,730	382,941
Unpaid dividend	29	84,856	66,740
Unclaimed dividend		77,381	78,235
Accrued interest / mark-up		583	18,859
Current income tax liabilities		912,236	449,395
		(23,030,546)	(20,157,236)
Net current assets		6,103,868	7,723,985
Non current liabilities			
Lease liability	28	(1,573,892)	(1,341,607)
Deferred income tax liabilities	30	(888,506)	(645,943)
		(2,462,398)	(1,987,550)
Net assets		19,512,857	18,290,855
Share capital and reserves			
Share capital	32	2,554,938	2,554,938
Revenue reserve - Unappropriated profit		16,957,919	15,735,917
		19,512,857	18,290,855
Contingencies and commitments	33		

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

Usman Zahur
Chief Executive Officer

William Pegel
Chief Financial Officer / Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2020

	Share capital Rs '000	Revenue Reserve - unappropriated profit Rs '000	Total Rs '000
Balance at January 1, 2019	2,554,938	15,210,686	17,765,624
Total Comprehensive income for the year:			
Profit for the year	–	12,889,229	12,889,229
Other comprehensive loss for the year	–	(100,297)	(100,297)
Total Comprehensive income for the year	–	12,788,932	12,788,932
Transactions with owners of the Company:			
Final dividend of Rs 22.00 per share relating to the year ended December 31, 2018	–	(5,620,863)	(5,620,863)
Interim dividend of Rs 13.00 per share relating to the year ended December 31, 2019	–	(3,321,419)	(3,321,419)
Interim dividend of Rs 13.00 per share relating to the year ended December 31, 2019	–	(3,321,419)	(3,321,419)
Total transactions with owners of the Company	–	(12,263,701)	(12,263,701)
Balance at December 31, 2019	2,554,938	15,735,917	18,290,855
Balance at January 1, 2020	2,554,938	15,735,917	18,290,855
Total Comprehensive income for the year:			
Profit for the year	–	16,492,490	16,492,490
Other comprehensive loss for the year	–	(451,848)	(451,848)
Total comprehensive income for the year	–	16,040,642	16,040,642
Transactions with owners of the Company:			
Final dividend of Rs 23.00 per share relating to the year ended December 31, 2019	–	(5,876,357)	(5,876,357)
Interim dividend of Rs 15.00 per share relating to the year ended December 31, 2020	–	(3,832,407)	(3,832,407)
Interim dividend of Rs 20.00 per share relating to the year ended December 31, 2020	–	(5,109,876)	(5,109,876)
Total transactions with owners of the Company	–	(14,818,640)	(14,818,640)
Balance at December 31, 2020	2,554,938	16,957,919	19,512,857

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

Usman Zahur
Chief Executive Officer

William Pegel
Chief Financial Officer / Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2020

	Note	2020 Rs '000	2019 Rs '000
Cash flows from operating activities			
Cash generated from operations	37	27,923,964	14,361,234
Finance cost paid		(258,975)	(182,149)
Income tax paid		(5,005,444)	(5,271,843)
Contribution to retirement benefit funds		(444,152)	(342,950)
Net cash generated from operating activities		22,215,393	8,564,292
Cash flows from investing activities			
Purchases of property, plant and equipment		(3,659,936)	(2,731,002)
Advance for capital expenditure		(541,081)	783,657
Proceeds from sale of property, plant and equipment		226,567	299,933
Interest received		782,866	812,571
Net cash used in investing activities		(3,191,584)	(834,841)
Cash flows from financing activities			
Dividends paid		(14,801,378)	(12,400,182)
Lease payments		(515,883)	(709,437)
Net cash used in financing activities		(15,317,261)	(13,109,619)
Net increase in cash and cash equivalents		3,706,548	(5,380,168)
Cash and cash equivalents at beginning of year		3,536,963	8,917,131
Cash and cash equivalents at end of year		7,243,511	3,536,963
Cash and cash equivalents comprise:			
Cash and bank balances	24	842,296	535,905
Short term investments	23	6,401,215	3,001,058
		7,243,511	3,536,963

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

Usman Zahur
Chief Executive Officer

William Pegel
Chief Financial Officer / Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020

1 Corporate and general Information

The Group and its operations

Pakistan Tobacco Company Limited (the Company) is a public limited company incorporated in Pakistan on November 18, 1947 under the Companies Act, 1913 (now the Companies Act, 2017) and its shares are quoted on the Pakistan Stock Exchange Limited. The Company is a subsidiary of British American Tobacco (Investments) Limited, United Kingdom, whereas its ultimate parent company is British American Tobacco p.l.c, United Kingdom. The Company is engaged in the manufacture and sale of cigarettes/ tobacco.

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

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

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

Capacity and production

Against an estimated manufacturing capacity of 45,330 million cigarettes (2019: 53,381 million cigarettes) actual production was 39,113 million cigarettes (2019: 39,469 million cigarettes). The split from each industrial unit is given below.

	Manufacturing Capacity	
Site	2020 (Units in Millions)	2019 (Units in Millions)
Akora Khattak Factory	21,412	27,407
Jhelum Factory	23,918	25,974
Total	45,330	53,381

	Actual Production	
Site	2020 (Units in Millions)	2019 (Units in Millions)
Akora Khattak Factory	18,494	19,521
Jhelum Factory	20,619	19,948
Total	39,113	39,469

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

Number of employees

Total number of employees as at December 31, 2020 were 1,038 (2019: 1,127). Out of the total number of employees, the number of factory employees as at December 31, 2020 were 377 (2019: 483). Average number of employees during the year were 1,059 (2019: 1,101), whereas average factory employees during the year were 411 (2019: 458).

Impact of COVID-19

During the year ended 31 December 2020, the COVID-19 pandemic emerged which impacted the economy of country in general, however the Group has not experienced any major disruptions to the operations or decline in revenue due to temporary lockdown imposed by the Government to counter COVID-19 outbreak.

2 Statement of compliance

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

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

- Provisions of and directives issued under the Companies Act, 2017.

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

3 Basis of measurement

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

4 Functional and presentation currency

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

5 Use of estimates and judgements

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

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

- Note 8 – Nature and timing of satisfaction of performance obligation and revenue recognition
- Note 16 – useful lives, residual values and depreciation method of property, plant and equipment
- Note 18 and 19 – Provision for obsolescence of stock in trade and stores and spares
- Notes 15 and 30 – Provision for income tax and calculation of deferred tax
- Note 31 – Retirement benefits
- Note 34 – Financial instruments – fair values
- Note 33 – Contingencies
- Note 28 - Leases

Measurement of fair values

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

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

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

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

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

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

The following 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 01 January 2021:

- COVID-19-Related Rent Concessions (Amendment to IFRS 16) - the International Accounting Standards Board (the Board) has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications.

  This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:

– the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
– any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
– there is no substantive change to the other terms and conditions of the lease.

  The standard is not likely to have any effect on Group's financial statements.

- Interest Rate Benchmark Reform - Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after 1 January 2021, with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met. The standard is not likely to have any effect on Group's financial statements.

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

- Annual Improvements to IFRS standards 2018-2020:

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

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

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

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

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

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

– Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) - In response to concerns regarding temporary accounting mismatches and volatility, and increased costs and complexity, the Board issued amendments to IFRS 4 Insurance Contracts in 2017. The two optional solutions raised some considerations which required detailed analysis and management judgement. On the issue of IFRS 17 (Revised) Insurance Contracts in June 2020, the end date for applying the two options under the IFRS 4 amendments was extended to 1 January 2023, aligned with the effective date of IFRS 17.

– Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.

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

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

7 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements Significant accounting policies of the Group are as follows:

7.1 Basis of consolidation

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

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

7.2 Revenue recognition

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

Revenue from contracts with customers

Sale of goods

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

Contract assets

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

Contract liabilities

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

Income on bank deposits

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

Income on short term investments

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

Others

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

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.

Deferred

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

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

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

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

7.4 Provisions

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

7.5 Earnings per share

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

7.6 Contingent assets

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

7.7 Contingent liabilities

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

7.8 Employee benefits

(a) Retirement benefit plans

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

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

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

The Group operates:

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

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

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

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

(ii) Approved contributory provident fund for all employees administered by trustees and approved contributory pension fund for the new joiners. The contributions of the Group are recognized as employee benefit expense when they are due. Prepaid contributions, if any, are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Termination benefits

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

(c) Medical benefits

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

(d) Bonus plans

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

(e) Share-based payments

The Group has two cash-settled share-based compensation plans. Share options are granted to key management personnel which vest over a period of three years. A liability equal to the portion of the services received is recognised at its current fair value determined at each statement of financial position date.

Where applicable, the Group recognises the impact of revisions to original estimates in the statement of profit or loss, with a corresponding adjustment to current liabilities for cash-settled schemes.

(i) Long Term Incentive Plan (LTIP)

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

(ii) Deferred Share Bonus Scheme (DSBS)

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

7.9 Lease liability

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

Short-term leases and leases of low-value assets

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

7.10 Property, plant and equipment

Owned assets

These are stated at cost less accumulated depreciation and any accumulated impairment losses, except freehold land and capital work in progress which are stated at cost less impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance expenses are recognized in the statement of profit or loss during the financial period in which they are incurred.

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

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

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

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

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

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 Group initially recognises financial assets on the date when they are originated. Financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

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

ii. Classification

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

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

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

(a) Amortised cost

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

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

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

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

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

iii. Subsequent measurement

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

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

iv. De-recognition

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

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

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

v. Impairment of financial assets

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

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

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

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

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are 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 Group’s shareholders is recognised as a liability in the financial statements in the period in which the dividend is approved by the Group’s shareholders at the Annual General Meeting, while interim dividend distributions are recognised in the period in which the dividends are declared by the Board of Directors.

7.17 Cash and cash equivalents

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

7.18 Foreign currency transactions and translation

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

7.19 Fair value measurement

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

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

		2020 Rs '000	2019 Rs '000
8	**Gross turnover**		
	- Domestic	161,274,986	147,291,473
	- Export	4,983,497	1,733,175
		166,258,483	149,024,648

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 16,817 thousand (2019: Rs 2,013 thousand).

		2020 Rs '000	2019 Rs '000
9	**Cost of sales**		
	Raw material consumed		
	Opening stock of raw materials and work in process	19,573,174	16,944,127
	Raw material purchases and expenses - note 9.1	21,026,617	21,851,976
	Closing stock of raw materials and work in process	(16,977,657)	(19,573,174)
		23,622,134	19,222,929
	Government taxes and levies		
	Customs duty and surcharges	1,138,889	2,353,985
	Provincial and municipal taxes and other duties	283,753	334,885
	Excise duty on royalty	53,109	42,771
		1,475,751	2,731,641
		25,097,885	21,954,570
	Royalty - note 9.2	531,093	(1,463,277)
	(Reversal) / provision for severance benefits	(169,268)	857,194
	Production overheads		
	Salaries, wages and benefits	2,075,632	2,034,476
	Stores, spares and machine repairs	690,930	604,221
	Fuel and power	445,393	493,522
	Insurance	38,595	20,712
	Repairs and maintenance	457,110	456,565
	Postage, telephone and stationery	14,775	19,182
	Information technology	20,780	31,150
	Depreciation	795,972	724,448
	Provision for damaged stocks / stock written off	67,901	72,124
	Provision / (reversal) for slow moving items / stores written off	(10,428)	15,123
	Sundries	45,593	256,111
		4,642,253	4,727,634
	Cost of goods manufactured	30,101,963	26,076,121
	Cost of finished goods		
	Opening stock	1,859,725	1,548,417
	Closing stock	(2,632,867)	(1,859,725)
		(773,142)	(311,308)
	Cost of sales	29,328,821	25,764,813
9.1	**Raw material purchases and expenses:**		
	Materials	18,244,787	19,157,657
	Salaries, wages and benefits	1,231,786	1,203,466
	Stores, spares and machine repairs	348,000	286,700
	Fuel and power	475,990	447,675
	Property rentals	56,303	26,433
	Insurance	36,928	14,100
	Repairs and maintenance	103,728	134,278
	Postage, telephone and stationery	12,319	11,224
	Depreciation	197,658	155,580
	Sundries	319,118	414,863
		21,026,617	21,851,976

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

		2020 Rs '000	2019 Rs '000
10	**Selling and distribution costs**		
	Salaries, wages and benefits	1,015,427	1,036,620
	Selling expenses	3,259,737	2,955,537
	Freight	241,638	231,931
	Repairs and maintenance	82,529	32,781
	Postage, telephone and stationery	10,136	12,828
	Travelling	96,343	175,689
	Property rentals	–	31,057
	Insurance	16,200	14,440
	Provision for damaged stocks / stock written off	107,089	5,256
	Finished goods / wrapping material stock written off	12,422	9,945
	Depreciation	173,906	160,038
		5,015,427	4,666,122

		2020 Rs '000	2019 Rs '000
11	**Administrative expenses**		
	Salaries, wages and benefits	757,211	844,868
	Fuel and power	10,518	8,200
	Property rentals	–	7,329
	Insurance	2,795	5,382
	Repairs and maintenance	39,277	49,358
	Postage, telephone and stationery	14,293	18,858
	Legal and professional charges	124,585	122,204
	Donations - note 11.1	28,291	13,690
	Information technology	1,938,195	1,188,792
	Travelling	75,576	121,310
	Depreciation	332,523	327,410
	Auditor's remuneration and expenses - note 11.2	13,292	13,463
	Sundries	21,348	59,381
		3,357,904	2,780,245

		2020 Rs '000	2019 Rs '000
11.1	**Details of donations exceeding Rs 1,000 thousand are as follows:**		
	Name of Donee		
	Pakistan Baitul Mall	22,000	–
	One To Many	5,000	10,000
	Chal Foundation	–	1,500
	Prime Ministers' Dam Fund	–	1,390
		27,000	12,890

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

		2020 Rs '000	2019 Rs '000
11.2	**Auditor's remuneration and expenses include:**		
	- Statutory audit fee	2,500	2,317
	- Group reporting, review of half yearly accounts, audit of consolidated accounts, audit of staff retirement benefit funds and other certifications and review of Statement of Compliance with Code of Corporate Governance	10,200	10,497
	- Out-of-pocket expenses	592	649
		13,292	13,463
12	**Other operating expenses**		
	Workers' Profit Participation Fund - 25.7	1,202,357	982,004
	Workers' Welfare Fund - note 25.6	407,804	411,271
	Bank charges and fees	37,022	33,562
	Interest to Workers' Profit Participation Fund	1,263	–
	Loss on disposal of property, plant and equipment	198,342	–
	Foreign exchange loss	244,441	445,162
		2,091,229	1,871,999
13	**Other income**		
	Income from sales / services rendered to associated companies:		
	- BAT Middle East DMCC - UAE	456,624	–
	- BAT SAA Services (Private) Limited	–	127,880
	Recharges / other payable to associated companies written back:		
	-BAT ASPAC Service Center Sdn Bhd - Malaysia	253,255	519,301
	-BAT (Holdings) Limited - UK	30,445	–
	-BAT (Singapore) Pte Ltd. - Singapore	4,729	–
	-Ceylon Tobacco Co. Ltd.- SriLanka	–	52
	-BAT PNG Ltd - Papua New Guinea	–	51
	-BAT Niemeyer Ltd - Netherland	–	16
	Gain on disposal of property, plant and equipment	–	134,391
	Miscellaneous	3,545	1,491
		748,598	783,182
14	**Finance cost**		
	Interest expense on:		
	Bank borrowings	14,902	21,565
	Lease liability	225,797	180,988
		240,699	202,553
15	**Income tax expense**		
	Current:		
	For the year	5,722,536	4,686,603
	For prior years	(72,062)	600,639
		5,650,474	5,287,242
	Deferred	244,931	108,446
		5,895,405	5,395,688

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

15.1 Effective tax rate reconciliation:

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

	2020 %	2019 %
Applicable tax rate	29.00	29.00
Tax effect of:		
Prior year (reversal) / charge	(0.32)	0.38
Change in applicable tax rate	–	0.78
Income taxed at different rate	(1.91)	(0.76)
Others	(0.44)	0.11
Average effective tax rate	26.33	29.51

	2020 Rs '000	2019 Rs '000
15.2 Tax on items directly credited to statement of other comprehensive income		
Current tax (credit)/charge on defined benefit plans	(182,189)	7,705
Deferred tax (credit) on defined benefit plans	(2,368)	(51,578)
	(184,557)	(43,873)

	2020 Rs '000	2019 Rs '000
16 Property, plant and equipment		
Operating assets - note 16.1	12,681,503	11,593,560
Capital work in progress - note 16.2	2,445,300	754,318
	15,126,803	12,347,878

16.1 Operating assets

							Right of use 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	Land and building Rs '000	Factory vehicles-fork lifter trucks Rs '000	Vehicles Rs '000	Sub-total Rs '000	Total Rs '000
At January 1, 2019											
Cost	33,934	970,153	15,044,250	1,727,721	418,532	124,172	19,888	–	1,151,619	1,171,507	19,490,269
Accumulated Depreciation	–	(288,437)	(8,913,556)	(1,235,654)	(269,726)	(108,995)	(12,345)	–	(487,916)	(500,261)	(11,316,629)
Net book amount January 1, 2019	33,934	681,716	6,130,694	492,067	148,806	15,177	7,543	–	663,703	671,246	8,173,640
Year ended December 31, 2019											
Net book amount at January 1, 2019	33,934	681,716	6,130,694	492,067	148,806	15,177	7,543	–	663,703	671,246	8,173,640
Additions	–	936	2,455,823	357,497	58,219	16,649	1,559,221	45,807	458,786	2,063,814	4,952,938
Disposals	–	(64)	(32,463)	(823)	(191)	(3,913)	–	–	(128,088)	(128,088)	(165,542)
Depreciation charge	–	(18,647)	(524,284)	(226,383)	(52,137)	(2,435)	(331,582)	(31,411)	(180,597)	(543,590)	(1,367,476)
Net book amount at December 31, 2019	33,934	663,941	8,029,770	622,358	154,697	25,478	1,235,182	14,396	813,804	2,063,382	11,593,560
At December 31, 2019											
Cost	33,934	970,868	17,251,879	1,980,058	474,810	128,432	1,579,109	45,807	1,232,393	2,857,309	23,697,290
Accumulated depreciation	–	(306,927)	(9,222,109)	(1,357,700)	(320,113)	(102,954)	(343,927)	(31,411)	(418,589)	(793,927)	(12,103,730)
Net book amount at December 31, 2019	33,934	663,941	8,029,770	622,358	154,697	25,478	1,235,182	14,396	813,804	2,063,382	11,593,560
At January 1, 2020											
Cost	33,934	970,868	17,251,879	1,980,058	474,810	128,432	1,579,109	45,807	1,232,393	2,857,309	23,697,290
Accumulated Depreciation	–	(306,927)	(9,222,109)	(1,357,700)	(320,113)	(102,954)	(343,927)	(31,411)	(418,589)	(793,927)	(12,103,730)
Net book amount January 1, 2020	33,934	663,941	8,029,770	622,358	154,697	25,478	1,235,182	14,396	813,804	2,063,382	11,593,560
Year ended December 31, 2020											
Net book amount at January 1, 2020	33,934	663,941	8,029,770	622,358	154,697	25,478	1,235,182	14,396	813,804	2,063,382	11,593,560
Additions	–	69,738	1,474,838	342,436	81,764	178	257,592	352,768	433,597	1,043,957	3,012,911
Disposals	–	(187)	(294,469)	(613)	(535)	(4,795)	(31,285)	–	(93,025)	(124,310)	(424,909)
Depreciation charge	–	(19,809)	(585,149)	(264,892)	(26,515)	(4,076)	(364,525)	(87,040)	(148,053)	(599,618)	(1,500,059)
Net book amount at December 31, 2020	33,934	713,683	8,624,990	699,289	209,411	16,785	1,096,964	280,124	1,006,323	2,383,411	12,681,503
At December 31, 2020											
Cost	33,934	1,039,621	17,698,534	2,242,202	551,113	70,068	1,765,829	367,164	1,510,957	3,643,950	25,279,422
Accumulated depreciation	–	(325,938)	(9,073,544)	(1,542,913)	(341,702)	(53,283)	(668,865)	(87,040)	(504,634)	(1,260,539)	(12,597,919)
Net book amount at December 31, 2020	33,934	713,683	8,624,990	699,289	209,411	16,785	1,096,964	280,124	1,006,323	2,383,411	12,681,503

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 and Kashmir	178,324 Sq ft.

		2020 Rs '000	2019 Rs '000
16.2	**Capital work in progress**		
	Carrying value at the beginning of the year	754,318	982,235
	Additions during the year	2,343,498	1,419,007
		3,097,816	2,401,242
	Transferred to operating fixed assets	(652,516)	(1,646,924)
	Carrying value at the end of the year - note 16.2.1	2,445,300	754,318

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

		2020 Rs '000	2019 Rs '000
16.3	**Depreciation charge has been allocated as follows:**		
	Cost of sales	795,972	724,448
	Raw material purchases and expenses	197,658	155,580
	Selling and distribution expenses	173,906	160,038
	Administrative expenses	332,523	327,410
		1,500,059	1,367,476

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 Rs '000	Book value Rs '000	Sale proceeds less selling expenses Rs '000	Gain/ (loss) on sale	Particulars of buyers	Relationship
Plant & machinery						
- **by negotiation**	39,370	16,166	16,166	–	Solomon Islands Tobacco Co.	Associate company
	41,740	13,906	13,906	–	Ceylon Tobacco Co. Ltd.	Associate company
	510,624	245,432	5,282	(240,150)	Scrap Buyers	Contractor
Vehicles						
- **as per Company's policy**	2,047	573	516	(57)	Bilal Bin Waheed	Executive
	2,047	502	409	(92)	Mir M. Ali Khan	Executive
	2,067	783	782	(1)	M.Ismail Ahmed	Executive
	2,067	505	412	(93)	Syed Raza Imam Naqvi	Executive
	2,092	780	418	(362)	Mazhar Mehboob	Executive
	2,092	981	851	(130)	Usman Javed	Executive
	2,092	1,171	893	(278)	Saad Zaheer	Ex-Executive
	2,092	920	934	14	Waqas Anwar Abbasi	Executive
	2,104	1,058	1,101	43	Syeda Rahima	Ex-Executive
	2,104	1,000	1,027	26	Umar A. Jilani	Executive
	2,249	1,212	1,364	152	Nauman Masood Butt	Executive
	2,402	689	568	(121)	Nafies Zeb	Ex-Executive
	2,404	1,312	1,415	103	Uzair Qazi	Executive
	2,514	1,676	1,508	(168)	Zainab Amin	Ex-Executive
	2,689	1,577	1,841	264	Azhar Mehmood	Executive
	2,895	2,123	2,161	38	Muhammad Ahmad Iqbal	Ex-Executive
	2,895	2,123	2,179	56	Hammad A. Hashmi	Ex-Executive
	2,895	2,007	1,929	(78)	Farhan Younas Mughal	Ex-Executive
	2,895	2,007	1,983	(25)	Bushra Rahman	Ex-Executive
	2,997	2,437	2,038	(400)	Mir Faraz Tariq	Ex-Executive
	3,107	2,361	2,319	(42)	Amir S. Lodhi	Executive
	3,127	2,460	2,076	(384)	Bilal Ayub	Ex-Executive
	3,240	2,938	2,958	20	Harris Qamar	Executive
	3,483	2,879	3,093	214	Syed Shafaat Gilani	Ex-Executive
	3,483	3,251	3,081	(169)	Mariam Iqbal	Ex-Executive
	3,483	3,437	3,436	(1)	Usman Javed	Executive
	3,547	2,884	2,858	(27)	Haroon Saleem	Executive
	6,233	4,155	4,487	332	Ali Hasan Butt	Ex-Executive
	6,837	4,923	4,691	(232)	Sana Saad	Ex-Executive
	6,867	5,219	4,946	(272)	Umair Luqman	Ex-Executive
	12,300	6,884	6,730	(154)	Usman Zahur	Executive
	12,300	6,463	5,207	(1,256)	Hussain Iqbal Jaffery	Ex-Executive
- **by auction**	2,092	774	2,675	1,901	Through bidding in auction	Auction agent
	2,689	1,649	3,250	1,601	Through bidding in auction	Auction agent
	2,846	2,163	3,505	1,342	Through bidding in auction	Auction agent
- **by insurance claim**	3,483	3,204	3,848	643	EFU General Insurance Ltd.	Insurance agent

		2020 Rs '000	2019 Rs '000
17	**Long term deposits and prepayments**		
	Security deposits	27,720	30,759
		27,720	30,759
18	**Stock-in-trade**		
	Raw materials	16,030,364	18,762,548
	Raw materials in transit	856,470	719,314
	Work in process	90,823	91,312
	Finished goods	2,632,867	1,859,725
		19,610,524	21,432,899
	Provision for damaged / obsolete stocks - note 18.1	(127,848)	(10,356)
		19,482,676	21,422,543
	18.1 Movement in provision for damaged stocks is as follows:		
	Balance as at January 1	10,356	3,154
	Provision for the year	187,412	87,325
	Written off during the year	(69,920)	(80,123)
	Balance as at December 31	127,848	10,356
19	**Stores and spares**		
	Stores and spares	749,307	744,834
	Provision for slow moving items - note 19.1	(70,407)	(80,835)
		678,900	663,999
	19.1 Movement in provision for slowing moving items is as follows:		
	Balance as at January 1	80,835	65,712
	(Reversal) / provision during the year- note 9	(10,428)	15,123
	Balance as at December 31	70,407	80,835

20 Trade debts

These are unsecured, considered good.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

		2020 Rs '000	2019 Rs '000
21	**Loans and advances**		
	Related parties:		
	Advances to key management personnel for house rent and expenses - note 21.1	1,214	2,140
	Others:		
	Advances to executives for house rent and expenses	25,732	34,279
	Advances to other parties	308,259	89,225
		335,205	125,644

		2020	2019
21.1	**The following advances were outstanding as at December 31:**		
	Mr Hassan Khalid	660	–
	Mr Uzair Qazi	554	–
	Mr Ahsen Altaf	–	990
	Mr Hassan Khalid	–	450
	Mr Umair Luqman	–	400
	Ms Sana Saad	–	300
		1,214	2,140

The maximum aggregate amount of advances to key management personnel outstanding at the end of any month during the year was Rs 1,518 thousand (2019: Rs 2,140 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.

		2020 Rs '000	2019 Rs '000
22	**Other receivables**		
	Related parties - unsecured:		
	Due from holding company / associated companies - note 22.1	899,794	188,638
	Staff pension fund - note 31	316,026	881,821
	Management provident fund	1,179	–
	Employees' provident fund	15,908	–
	Others:		
	Claims against suppliers	6,576	6,576
	Cash margin with banks - imports	55,815	904,202
	Others	21,017	130,654
		1,316,315	2,111,891

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

	Upto 1 month Rs '000	1 to 6 months Rs '000	More than 6 months Rs '000	2020 Rs '000	2019 Rs '000
Holding company:					
British American Tobacco p.l.c. - UK	10,538	–	–	10,538	69,884
Associated companies:					
BAT M.E DMCC - UAE	488,394	–	–	488,394	–
BASS Europe SRL - Romania	117,545	2,437	–	119,982	–
BAT M.E SPC - Bahrain	113,536	–	–	113,536	–
BAT Aspac Service Centre Sdn Bhd-Malaysia	56,382	1,897	–	58,279	–
BAT Nigeria Ltd-Nigeria	7,919	22,111	8,207	38,237	60,132
TDR d.o.o. - Croatia	25,010	–	–	25,010	–
BAT Exports Limited - UK	18,750	–	–	18,750	–
PT Bentoel International Investama - Indonesia	10,292	–	–	10,292	1,431
BAT Marketing (S) Pte Ltd - Singapore	6,016	–	–	6,016	5,427
BAT (Singapore) Pte Ltd-Singapore	5,798	–	–	5,798	–
BAT Q LLC.- Qatar	3,483	–	–	3,483	–
BAT (Romania) Trading SRL - Romania	632	–	–	632	–
BAT Australia - Australia	364	–	–	364	–
BAT PNG Ltd - Papua New Guinea	289	56	–	345	581
BAT Fiji Ltd-Fiji	–	138	–	138	145
BAT (Investments) Ltd-UK	–	–	–	–	18,469
Solomon Islands Tobacco Co Ltd-Solomon Islands	–	–	–	–	16,022
BASS (GSD) Ltd-UK	–	–	–	–	7,771
PT Bentoel Prima - Indonesia	–	–	–	–	4,041
BAT Asia Pacific-Hong Kong	–	–	–	–	3,930
BAT Polska SA-Poland	–	–	–	–	527
Ceylon Tobacco Co. Ltd-SriLanka	–	–	–	–	160
BAT Tutun Mamulleri - Turkey	–	–	–	–	118
	864,948	26,639	8,207	899,794	188,638

22.1.2 The maximum aggregate amount of receivable from related parties at the end of any month during the year was Rs 899,794 thousand (2019: Rs 188,638 thousand).

	2020 Rs '000	2019 Rs '000
23 Short term investments		
At fair value through profit or loss (FVTPL):		
- Market treasury bills	6,401,215	3,001,058

This represents short term investment in treasury bills issued by the Government of Pakistan and carries effective interest rate of 7.20% (2019 : 13.14%) 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.

		2020 Rs '000	2019 Rs '000
24	**Cash and bank balances**		
	Deposit account - note 24.1	29,705	9,075
	Current accounts:		
	Local currency - note 24.2	492,760	379,282
	Foreign currency	317,885	145,874
		840,350	534,231
	Cash in hand	1,946	1,674
		842,296	535,905

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

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

		2020 Rs '000	2019 Rs '000
25	**Trade and other payables**		
	Related parties - unsecured:		
	Due to holding company / associated companies - note 25.1	1,301,159	1,397,088
	Others:		
	Creditors	6,765,085	5,206,741
	Federal excise duty - note 25.2	7,314,335	7,255,338
	Sales tax	1,738,194	1,283,563
	Workers' welfare fund - note 25.6	456,896	373,162
	Workers' profit participation fund - note 25.7	855,357	12,004
	Other accrued liabilities	117,655	109,977
	Employee incentive schemes - note 25.4	106,599	99,713
	Employees' gratuity fund - note 31	275,517	337,649
	Employees' provident fund	–	5,450
	Management provident fund	–	14,728
	Staff pension fund - defined contribution	112,587	55,805
	Tobacco excise duty / Tobacco development cess - note 25.3	118,134	118,134
	Security deposits - note 25.5	29,342	9,075
	Contract liability	12,034	16,817
		19,202,894	16,295,244

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

	2020 Rs '000	2019 Rs '000
Holding company:		
British American Tobacco p.l.c. - UK	197,458	195,226
Associated companies:		
BAT M.E DMCC - UAE - note 25.1.1	217,990	61,833
BAT Bangladesh Co. Ltd- Bangladesh	215,267	10,136
BAT GLP Ltd - UK	140,534	240,866
BAT Exports Limited - UK	125,955	12,457
BAT (Investments) Ltd - UK	98,297	92,321
BAT ASPAC Service Center Sdn Bhd - Malaysia	63,121	185,834
BAT JSC-Spb - Russia	61,474	–
BASS (GSD) Ltd. - UK	55,935	394,624
BAT Saudia for Trading, Saudi Arabia - note 25.1.1	35,288	–
BAT Souza Cruz Ltd - Brazil	16,015	15,041
PT Bentoel Prima - Indonesia	14,426	9,520
BAT Australia Ltd-Australia	13,339	1,716
Ceylon Tobacco Company Ltd - Sri Lanka	11,766	39
BAT Q LLC.- Qatar - note 25.1.1	10,662	–
BAT Korea Manufacturing - South Korea	6,700	14,647
BAT Myanmar Ltd - Myanmar - note 25.1.1	5,102	909
BAT M.E SPC - Bahrain - note 25.1.1	4,674	–
BAT GSD (KL) SDN BHD - Malaysia	2,818	2,052
BAT Singapore (Pte) Ltd - Singapore	2,363	121,168
Fielder & Lundgren AB. - Sweden	873	–
BAT Romania Investments Ltd - Romania	553	347
BAT Chile Tobacco - Chile	409	–
BAT Nigeria Ltd - Nigeria	140	118
Solomon Island Tobacco Co. Ltd - Solomon Islands	–	31,204
BAT Tutun Mamulleri - Turkey	–	2,204
BAT Nicoventures Trading Ltd-UK	–	1,473
BAT Argentina - Argentina	–	584
BAT Mexico Ltd - Mexico	–	143
Other		
Tajamal Hussain Shah - Director	–	2,626
	1,301,159	1,397,088

25.1.1 Rs 273,716 thousand (2019: 62,741 thousand) relates to unsecured export advance.

		2020 Rs '000	2019 Rs '000
25.2	**Federal excise duty**		
	Balance as at January 1	7,255,338	5,288,160
	Charged during the year	80,907,579	74,741,489
	Payment to the Government during the year	(80,848,582)	(72,774,311)
	Balance as at December 31	7,314,335	7,255,338
25.3	**Tobacco excise duty / tobacco development cess:**		
	Balance as at January 1	118,134	103,884
	Charge for the year	176,324	212,829
	Payment to the Government during the year	(176,324)	(198,579)
	Balance as at December 31	118,134	118,134

25.4 Employee incentive schemes

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

	2020 Rs '000	2019 Rs '000
Long Term Incentive Plan (LTIP) - note 25.4.1		
Balance as at January 1	35,384	29,580
Charge for the year	13,611	21,166
Share options exercised	(17,288)	(15,362)
Balance as at December 31	31,707	35,384
Deferred Share Bonus Scheme (DSBS) - note 25.4.2		
Balance as at January 1	64,329	70,095
Charge for the year	45,497	42,989
Share options exercised	(34,933)	(48,755)
Balance as at December 31	74,893	64,329
	106,600	99,713

25.4.1 Long Term Incentive Plan (LTIP)

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

	2020	2019
	Number of options	
Outstanding as at January 1	17,373	12,158
Granted during the year	1,915	7,994
Exercised during the year	(3,889)	(2,779)
Outstanding as at December 31	15,399	17,373

There are no exercisable options as at 31st December, 2020.

25.4.2 Deferred Share Bonus Scheme (DSBS)

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

	2020	2019
	Number of options	
Outstanding as at January 1	21,721	19,399
Granted during the year	6,694	12,184
Exercised during the year	(5,798)	(9,862)
Outstanding as at December 31	22,617	21,721

There are no exercisable options as at 31st December, 2020.

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.

	2020	2019
	Rs '000	Rs '000
25.6 Movement in Workers' Welfare Fund is as follows:		
Balance as at January 1	373,162	311,833
Charged during the year	407,804	411,271
Payment to Government /reversal during the year	(324,070)	(349,942)
Balance as at December 31	456,896	373,162
25.7 Movement in Workers' Profit Participation Fund is as follows:		
Balance as at January 1	12,004	(159,385)
Allocation for the year	1,202,357	982,004
Payments during the year	(359,004)	(810,615)
Balance as at December 31	855,357	12,004

26 Other liabilities

This relates to provisions for employee benefits, litigation and restructuring consequent to modernization of production processes. During the year, the Company has consumed amounts aggregating Rs. 1,180 million (2019: Rs 973 million) and recorded further obligations of Rs 1,066 million (2019:Rs 1,541 million).

27 Short term running finance - secured

(a) Short term running finance

Short term running finance facilities available under mark-up arrangements with banks amount to Rs 6,500 million (2019: Rs 6,500 million), out of which the amount unavailed at the year end was Rs 6,500 million (2019: Rs 6,500 million). These facilities are secured by hypothecation of stock in trade and plant and machinery amounting to Rs 7,222 million (2019: Rs 7,222 million). The mark-up ranges between 7.37% and 13.88% (2019: 10.52% and 14.05%) per annum and is payable quarterly. The facilities are renewable on annual basis.

(b) Non-funded finance facilities

The Company also has non-funded financing facilities available with banks, which include facility to avail letter of credit and letter of guarantee. The aggregate facility of Rs 2,500 million (2019: Rs 2,500 million) and Rs 600 million (2019: Rs 420 million) is available for letter of credit and letter of guarantee respectively, out of which the facility availed at the year end is Rs 1,019 million (2019: Rs 83 million) and Rs 447 million (2019: Rs 386 million). The letter of credit and guarantee facility is secured by second ranking hypothecation charge over stock-in-trade amounting to Rs 667 million (2019: Rs 670 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 928,348 thousand - short term Rs 371,046 thousand and long term Rs 557,302 thousand (December 31, 2019: Rs 596,290 thousand - short term Rs 258,036 thousand and long term Rs 338,254 thousand) and are payable in equal monthly instalments latest by December 2025. Taxes, repairs, replacement and insurance costs are to be borne by the Company. Financing rates of 7.75% to 14.61% (December 31, 2019: 12.35% to 15.36%) per annum have been used as discounting factor.

As per IFRS 16 all rental facilities of the Company with lease terms greater than one year have been capitalised as leased assets. When measuring the lease liabilities for leases that were capitalised during the period, the Company discounted lease payments using an estimated incremental borrowing rate and recorded lease obligation of Rs. 257,592 thousand during the year. Financing rates of 9% to 14% (December 31, 2019: 10% to 14%) per annum have been used as discounting factor.

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

	2020 Rs '000	2019 Rs '000
Present value of minimum lease payments	2,252,622	1,724,548
Current maturity shown under current liabilities	(678,730)	(382,941)
	1,573,892	1,341,607
Future minimum lease payments		
Not later than one year	872,824	559,801
Later than one year	1,961,265	1,760,855
	2,834,089	2,320,656
Interest	(581,467)	(596,108)
Present value of minimum lease payments	2,252,622	1,724,548
Present value of minimum lease payments		
Not later than one year	678,730	382,941
Later than one year	1,573,892	1,341,607
	2,252,622	1,724,548

29 Unpaid dividend

Unpaid dividend includes amount of Rs Nil (2019: Rs Nil), payable to British American Tobacco (Investments) Limited, parent company.

	2020 Rs '000	2019 Rs '000
30 Deferred income tax liability		
Deferred tax liability is in respect of:		
Accelerated tax depreciation	1,325,785	1,270,770
Leased assets	47,426	100,263
	1,373,211	1,371,033
Deferred tax asset is in respect of:		
Remeasurement loss arising on employees' retirement benefit	(118,122)	(109,389)
Provision for severance benefits	(346,163)	(592,257)
Provision for stock and stores	(20,420)	(23,444)
	888,506	645,943
The gross movement on deferred income tax account is as follows:		
At January 1	645,943	589,076
Charge for the year - statement of profit or loss	244,931	108,445
(Credit) for the year - statement of comprehensive income	(2,368)	(51,578)
At December 31	888,506	645,943

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.

	2020 Rs '000	2019 Rs '000
Staff pension fund - asset - note 22	(316,026)	(881,821)
Employees' gratuity fund - liability - note 25	275,517	337,649

The latest actuarial valuation of the defined benefit plans was conducted at December 31, 2020 using the projected unit credit method. Details of the defined benefit plans are:

	Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
	2020 Rs '000	2019 Rs '000	2020 Rs '000	2019 Rs '000
(a) The amounts recognised in the statement of financial position:				
Present value of defined benefit obligations	5,882,010	4,978,396	1,598,481	1,650,937
Fair value of plan assets	(6,198,036)	(5,860,217)	(1,322,964)	(1,313,288)
Net (assets) / liability	(316,026)	(881,821)	275,517	337,649

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

		Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
		2020 Rs '000	2019 Rs '000	2020 Rs '000	2019 Rs '000
(b)	**Movement in the (asset) / liability recognized in the statement of financial position is as follows:**				
	Balance as at January 1	(881,821)	(787,677)	337,649	210,278
	Charge for the year - profit or loss	(39,848)	(37,069)	129,492	105,427
	Employer's contribution during the year	(22,596)	(30,507)	(129,492)	(148,794)
	Benefits paid by the Company	–	–	(70,298)	–
	Remeasurement (gain)/loss recognized in Other Comprehensive Income (OCI) during the year	628,239	(26,568)	8,166	170,738
	Balance as at December 31	(316,026)	(881,821)	275,517	337,649
(c)	**The amounts recognised in the statement of profit or loss:**				
	Current service cost	93,114	95,605	103,704	94,064
	Interest cost	612,324	627,565	204,671	201,833
	Expected return on plan assets	(716,248)	(729,114)	(163,947)	(174,173)
	Net interest	(103,924)	(101,549)	40,724	27,660
	Members' own contribution	(22,921)	(24,456)	–	–
	Secondees' own contribution	(6,117)	(6,669)	–	–
	Contribution by employer in respect of secondees	–	–	(14,936)	(16,297)
		(39,848)	(37,069)	129,492	105,427
(d)	**Re-measurements recognised in Other Comprehensive Income (OCI) during the year:**				
	Actuarial (gain) / loss on obligation	539,563	(80,458)	(10,317)	158,282
	Net return on plan assets over interest income	88,676	53,890	18,483	12,456
	Total remeasurements loss / (gain) recognised in OCI	628,239	(26,568)	8,166	170,738
(e)	**Movement in the present value of defined benefit obligation:**				
	Present value of defined benefit obligation at January 1	4,978,396	4,628,109	1,650,938	1,474,653
	Current service cost	93,114	95,605	103,704	94,064
	Interest cost	612,324	627,565	204,671	201,833
	Actual benefits paid during the year	(341,387)	(292,425)	(350,514)	(277,894)
	Remeasurements: Actuarial loss /(gain) on obligation	539,563	(80,458)	(10,317)	158,282
	Present value of defined benefit obligation at December 31	5,882,010	4,978,396	1,598,482	1,650,938

		Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
		2020 Rs '000	**2019 Rs '000**	**2020 Rs '000**	**2019 Rs '000**
(f)	**Movement in the fair value of plan assets:**				
	Fair value of plan assets at January 1	5,860,217	5,415,786	1,313,288	1,264,375
	Interest income	716,248	729,114	163,947	174,173
	Contribution by employer in respect of members	22,596	30,507	129,492	148,793
	Members' own contribution	22,921	24,456	–	–
	Secondees' own contribution	6,117	6,669	–	–
	Contribution by employer in respect of secondees	–	–	14,836	16,297
	Actual benefits paid during the year	(341,387)	(292,425)	(280,216)	(277,894)
	Return on plan assets, excluding amounts included in interest income	(88,676)	(53,890)	(18,483)	(12,456)
	Fair value of plan assets at December 31	6,198,036	5,860,217	1,322,864	1,313,288
	Actual return on plan assets	665,839	635,638	147,513	148,744

The Company expects to charge Rs 31 million for pension plan and charge Rs 115 million for gratuity plan for the year ending December 31, 2021.

		Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
		2020 Rs '000	**2019 Rs '000**	**2020 Rs '000**	**2019 Rs '000**
(g)	**The major categories of plan assets:**				
	Investment in listed equities	1,363,509	1,060,470	275,691	242,441
	Investment in bonds	1,736,594	2,020,367	370,191	477,299
	Cash and other assets	3,097,933	2,779,380	677,082	593,548
		6,198,036	5,860,217	1,322,964	1,313,288
(h)	**Significant actuarial assumptions at the statement of financial position date:**				
	Discount rate	10.25%	12.50%	10.25%	12.50%
	Pension increase rate	5.50%	6.75%	–	–
	Expected rate of increase in salary:				
	First year	9.00%	11.75%	9.00%	11.25%
	Second year onwards	9.00%	11.75%	9.00%	11.25%

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

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

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

(i) Sensitivity Analysis on significant actuarial assumptions

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

	Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
	1 percent increase Rs '000	1 percent decrease Rs '000	1 percent increase Rs '000	1 percent decrease Rs '000
Discount rate	(700,482)	(1,472,365)	(135,256)	(132,066)
Salary increase	171,044	(734,174)	160,560	155,805
Increase in post retirement pension	703,199	(369,203)	–	–

If life expectancy increases by 1 year, the obligation of the Pension Fund increases by Rs 328,652 thousand (2019: 292,406 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	
	2020 Rs '000	2019 Rs '000	**2020** Rs '000	2019 Rs '000
Weighted average duration of the PBO (Years)	11.91	11.42	8.46	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.

Historical Information

	Defined Benefit Pension Plan		Defined Benefit Gratuity Plan	
	Present value of defined benefit obligation Rs '000	Net liability at the end of the year Rs '000	Present value of defined benefit obligation Rs '000	Net liability at the end of the year Rs '000
2020	5,882,010	(316,026)	1,598,482	275,517
2019	4,978,396	(881,821)	1,650,938	337,649
2018	4,628,109	(787,677)	1,474,653	210,278
2017	4,759,609	(765,618)	1,416,319	139,736
2016	4,654,000	(855,329)	1,433,183	(52,951)

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

	2020 Rs '000	2019 Rs '000
Defined Contribution Provident Fund	103,230	94,106
Defined Benefit Pension Fund	(39,848)	(37,069)
Defined Contribution Pension Fund	118,536	116,520
Defined Benefit Gratuity Fund	129,492	105,427
	311,410	278,984

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	1,749,791	1,747,719
	Cost of investments made	1,615,045	1,588,501
	Percentage of investments made	92%	91%
	Fair value of investments made	1,592,984	1,583,001

		2020		2019	
		Rs '000	% age	Rs '000	% age
(b)	**Breakup of investments at cost**				
	Pakistan Investment Bonds	252,041	14%	251,725	14%
	Investment plus deposit certificates	589,750	34%	605,250	35%
	Investment in savings account with bank	150,661	9%	118,981	7%
	Investment in securities	283,661	16%	311,711	18%
	Accrued interest	338,932	19%	300,834	17%
		1,615,045	92%	1,588,501	91%

32 Share capital

32.1 Authorized share capital

2020 Number of shares	2019		2020 Rs '000	2019 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

2020 Number of shares	2019		2020 Rs '000	2019 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 (2019: 241,045,141) ordinary shares at the year-end and 10,274 (2019:12,274) and 798,282 (2019:798,282) ordinary shares are held by the directors and associated company respectively.

All ordinary shares rank equally with regard to the Company's residual assets. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

	2020 Rs '000	2019 Rs '000
33 Contingencies and commitments		
33.1 Contingencies		
Claims and guarantees		
(i) Claims against the Group not acknowledged as debt - Note 33.1.1	75,706	75,706
(ii) Guarantees issued by banks on behalf of the Group	447,376	385,730

33.1.1 Litigation

a) In the year 1979, the Market Committee Jhelum ("the Committee"), constituted under the Punjab Agriculture Produce Market Ordinance of 1978 demanded the Company to obtain license and pay marketing fee on all tobacco that is transported into the Jhelum factory of the Company. Since tobacco is not an agricultural produce and no transaction of any sale or purchase of tobacco takes place in Jhelum, the Company refused to apply for the license. In 1986, the Committee proceeded against the Company which resulted in protracted litigation, culminating in filing of a Review before the Supreme Court of Pakistan, which was decided against the Company on technical grounds in 2010. Meanwhile, the Committee made their own fictitious calculation and levied fee and penalties aggregating Rs 64.9 million relating to years 1982 to 2010 against which the Company filed a Writ Petition before the Lahore High Court, Rawalpindi Bench. The Lahore High Court granted a stay order suspending demand of penalties amounting to Rs 60 Million and directed the Company to deposit Rs 6 Million (being the principal amount) with the court in the shape of National Saving Certificates. Subsequent to December 31st 2020, the Rawalpindi Bench of the Lahore High Court vide Judgement dated 20th January 2021 (Judgement) has decided the case in PTC's favor. However, the Committee can appeal the Judgement before the Supreme Court of Pakistan.

b) In 2009, the Punjab Employees Social Security Institution (PESSI) demanded payment of social security contribution effective October 2007, from the Company for the non-permanent workers hired at its Jhelum factory hired through third party contractors. The Company has filed a complaint before the Director PESSI, which was kept pending till 2018 when an order was passed against the Company. Thereafter, PESSI demanded payment of Rs 2,306,513 for the period from October 2007 till May 2010.

In 2018, the Company filed an appeal before the Judge Punjab Social Security Court, Labour Complex, Lahore, and the matter is since then pending.

c) Tobacco Development Cess (TDC) is a tax levied and collected by the KPK pursuant to S. 11 of the KPK Finance Act, 1996 ("the Act"). The term "tobacco" was however not defined by the Act. Each year the Pakistan Tobacco Board (PTB), on the demand of each tobacco buyer, fix Quota (i.e. the quantity of tobacco) to be purchased by each such tobacco buyer from the farmers. The calculation of quantum of TDC to be paid by each tobacco buyer is based on the quantities indicated and purchased in terms of Quota. Till 2002, TDC was collected from the tobacco buyers directly by Excise & Taxation Depart (ETD). However, in 2003, the provincial government, through an amendment in law, imposed TDC also on the surplus tobacco purchased by tobacco buyers (i.e. purchase of tobacco beyond the Quota amount) ("the Surplus"). Additionally, the amended law also stipulated that while the TDC on Quota shall be collected by ETD, TDC levied on the Surplus shall be collected by a contractor to whom ETD has leased the collection through a public tender. Contract for the year 2005/06 was awarded to Malik Tilla Muhammad ("the Contractor") by PTB. The Contractor demanded payment of Rs 8.8 Million from PTC on account of TDC, which claim was rejected by PTC. The Contractor then filed a suit for recovery of Rs 8.8 Million before a civil judge but the matter was referred to Arbitration, with Chairman PTB as the Arbitrator. The Arbitrator passed an award whereby PTC was to pay Rs 8,375,071 to Malik Tilla Muhammad Tilla. The said order was challenged by the Company through an appeal before the District judge Peshawar and the appeal was finally decided in Company's favor on June 29, 2019. The matter was remanded back to the trial court / civil judge for cross examination of the arbitrator and deciding the matter afresh and the case is still pending.

d) Employees' Old-Age Benefits Institution (EOBI) constituted under the Employees' Old-Age Benefits Act, 1976 ("the Act") requires contributions to be made by industries and establishments against workers employed by it. PTC has been making prompt contributions under the Act. PTC has contractual arrangements with Logistics Service Providers for the shipment of its raw material and finished goods. In the year 2015, the EOBI Jhelum issued a show cause notice dated March 4th, 2015, demanding payment of Rs 3,024,000 against non-payment of contribution of 200 hundred employees. These employees were in fact employees of five transport concerns with which PTC had contractual arrangements. PTC filed complaint against the said show cause before Adjudicating Authority – III, EOBI Islamabad and raised the objection that this liability is of the five transport concerns who are independent entities. The Adjudicating Authority however passed an order against PTC on February 14th, 2017, upholding the demand earlier raised by the EOBI Jhelum. PTC has filed an appeal in May 2017 against the order before the Board of Trustees EOBI Head Quarter at Karachi which is pending adjudication.

e) The Company hired the services of Tariq & Saad Associates ("T&S") for providing consultancy services for the construction of "Mianwali Mega Barn Project". T&S started the work. Thereafter, during a meeting between Company and T&S, it was verbally agreed that T&S would charge @ 2.25 % of estimated cost of the Project. The payments to T&S were delayed due to which T&S served Notice of Termination and subsequently filed a civil suit for recovery in the district court of Islamabad. The matter is pending adjudication.

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

33.2 Commitments

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

	2020 Rs '000	2019 Rs '000
Not later than one year	–	99,777
Later than one year and not later than five years	–	375,899
Later than five years	–	285,199

(b) Letters of credit outstanding at December 31, 2020 were Rs 1,018,701 thousand (2019: Rs 83,392 thousand).

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.

		December 31, 2020			Fair value		
		Fair value through profit or loss	Amortised cost	Total	Level 1	Level 2	Level 3
	Note	Rs '000			Rs '000		
Financial assets measured at fair value							
Short-term investments	23	6,401,215	–	6,401,215	–	6,401,215	–
Financial assets not measured at fair value							
Deposits	17	–	27,720	27,720	–	–	–
Trade debts	20	–	1,392	1,392	–	–	–
Other receivables	22	–	1,316,315	1,316,315	–	–	–
Cash and bank balances	24	–	842,296	842,296	–	–	–
		6,401,215	2,187,723	8,588,938			
Financial liabilities measured at fair value		–	–	–	–	–	–
Financial liabilities not measured at fair value							
Trade and other payables	25	–	(8,375,478)	(8,375,478)	–	–	–
Lease liability	28	–	(2,252,622)	(2,252,622)	–	–	–
Accrued interest/mark-up		–	(583)	(583)	–	–	–
		–	(10,628,683)	(10,628,683)			

		December 31, 2019			Fair value		
		Fair value through profit or loss	Amortised cost	Total	Level 1	Level 2	Level 3
	Note	Rs '000			Rs '000		
Financial assets measured at fair value							
Short-term investments	23	3,001,058	–	3,001,058	–	3,001,058	–
Financial assets not measured at fair value							
Deposits	17	–	30,759	30,759	–	–	–
Trade debts	20	–	4,260	4,260	–	–	–
Other receivables	22	–	2,111,891	2,111,891	–	–	–
Cash and bank balances	24	–	535,905	535,905	–	–	–
		3,001,058	2,682,815	5,683,873			
Financial liabilities measured at fair value		–	–	–	–	–	–
Financial liabilities not measured at fair value							
Trade and other payables	25	–	(6,884,305)	(6,884,305)	–	–	–
Lease liability	28	–	(1,724,548)	(1,724,548)	–	–	–
Accrued interest/mark-up		–	(18,859)	(18,859)	–	–	–
			(8,627,712)	(8,627,712)			

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 that arise principally from trade debts, other receivables, deposits with banks and investment in treasury bills issued by the Government of Pakistan. The carrying amount of financial assets represents the maximum credit exposure.

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly the credit risk is minimal.

Financial assets amounting to Rs 8,589 million (2019: Rs 5,684 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		
	Short term	Long term		2020 Rs '000	2019 Rs '000
Cash at bank:					
MCB Bank Ltd	A-1+	AAA	PACRA	434,786	317,091
Habib Bank Ltd	A-1+	AAA	VIS	10,851	15,647
Deutsche Bank AG	P-2	A3	Moody's	151,296	147,132
MCB Islamic Bank	A-1	A	PACRA	6,737	53,006
National Bank of Pakistan	A-1+	AAA	PACRA	61,851	893
Standard Chartered Bank	A-1+	AAA	PACRA	173,017	48
Citibank N.A.	P-1	Aa3	Moody's	1,812	414
				840,350	534,231
Short term investments:					
Government of Pakistan		B3+	Moody's	6,401,215	3,001,058
				7,241,565	3,535,289

As at December 31, 2020, maximum exposure to credit risk for finiancial assets by geographic was as follows:

	Carrying amount	
	2020 Rs '000	2019 Rs '000
Pakistan	7,689,144	5,495,235
United Kingdom	29,288	96,124
Asia & other	870,506	92,514
	8,588,938	5,683,873

As at 31 December 2020, the ageing of financial assets was as follows:

	Carrying amount	
	2020 Rs '000	2019 Rs '000
Not due	8,547,516	5,616,409
1-30 days	26,639	60,728
31-90 days	8,207	160
90 days	6,576	6,576
	8,588,938	5,683,873

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	Contractual cash flows		
		Total	12 months or less	1 to 5 years
	Rs '000	Rs '000	Rs '000	Rs '000
31 December 2020				
Financial liabilities				
Trade and other payables	8,375,478	(8,375,478)	(8,375,478)	–
Lease liability	2,252,622	(2,834,089)	(872,824)	(1,961,265)
Accrued interest/mark-up	583	(583)	(583)	–
	10,628,683	(11,210,1250)	(9,248,885)	(1,961,265)
31 December 2019				
Financial liabilities				
Trade and other payables	6,884,305	(6,884,305)	(6,884,305)	-
Lease liability	1,724,548	(2,320,656)	(559,801)	(1,760,855)
Accrued interest/mark-up	18,859	(18,859)	(18,859)	–
	8,627,712	(9,223,820)	(7,462,965)	(1,760,855)

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

	December 31, 2020			December 31, 2019		
	Euro	Sterling	US dollars	Euro	Sterling	US dollars
Other receivables	223,812	3,321,168	817,041	55,953	187,712	5,928
Cash and bank balances	–	–	1,989,270	–	–	941,945
Trade and other payables	(1,362,654)	(783,979)	(1,318,157)	(903,640)	(2,751,771)	(4,447,951)
Net exposure	(1,138,842)	2,537,189	1,488,154	(847,687)	(2,564,059)	(3,500,078)

The following significant exchange rates have been applied:

	Average rate		Year-end spot rate	
	2020	2019	2020	2019
Euro 1	184.77	167.62	195.52	173.84
Sterling 1	207.64	191.06	218.44	205.16
US dollar 1	161.79	149.79	159.80	154.87

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 2020				
Euro	22,267	(22,267)	15,696	(15,696)
Sterling	(55,422)	55,422	(39,067)	39,067
US dollar	(23,781)	23,781	(16,763)	16,763
31 December 2019				
Euro	14,736	(14,736)	10,388	(10,388)
Sterling	52,604	(52,604)	37,081	(37,081)
US dollar	54,206	(54,206)	38,210	(38,210)

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. 2,252,622 thousand (2019: Rs 1,724,548 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 22.526 million (2019: Rs 17.245 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			
	2020 Rs '000	2019 Rs '000	2020 Rs '000	2019 Rs '000	2020 Rs '000	2019 Rs '000	2020 Rs '000	2019 Rs '000	2020 Rs '000	2019 Rs '000
Managerial remuneration	39,717	36,918	157,241	79,596	139,658	267,380	734,414	631,659	1,071,030	1,015,553
Corporate bonus	27,518	22,995	43,522	39,193	102,811	141,618	230,626	195,814	404,477	399,620
Leave fare assistance	1,364	1,603	6,596	5,618	1,252	8,021	–	–	9,212	15,242
Housing and utilities	14,970	14,990	14,722	10,010	61,261	73,370	320,128	275,640	411,081	374,010
Medical expenses	152	261	1,319	578	9,536	7,221	55,891	40,780	66,898	48,840
Post employment benefits	1,120	10,426	8,507	6,590	36,064	37,940	187,939	146,784	233,630	201,740
	84,841	87,193	231,907	141,585	350,582	535,550	1,528,998	1,290,677	2,196,328	2,055,005
Number of persons	1	1	3	3	18	30	302	252	324	286

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 eight (2019: eight) non-executive directors of the Company amounted to Rs 7,846 thousand (2019: Rs 11,438 thousand).

36 Transactions with related parties

British American Tobacco (Investments) Limited (BAT-IL) holds 94.34% (2019: 94.34%) shares of the Company at the year end. Therefore, all the subsidiaries and associated undertakings of BAT-IL and the ultimate parent company British American Tobacco, p.l.c (BAT) are related parties of the Company. The related parties also include directors, major shareholders, key management personnel, employee funds and the entities over which the directors are able to exercise significant influence. The amounts due from and due to these undertakings are shown under receivables and payables. The remuneration of the chief executive, directors, key management personnel and executives is given in note 35 to the financial statements. Transactions with employee funds and associated payable/receivable balances are provided in note 31 to the financial statements.

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

	2020 Rs '000	2019 Rs '000
Procurement of goods and services from:		
Holding company	1,664,897	1,396,342
Associated companies	3,386,385	3,423,682
Director	34,834	32,349
Sale of goods and services to:		
Holding company	10,522	83,672
Associated companies	5,206,729	1,939,827
Dividend paid to:		
Holding company	14,027,499	12,263,702
Royalty charged by:		
Holding /associate company		
Charged	531,093	427,710
Reversed	–	(1,714,439)
	531,093	(1,286,729)
Expenses reimbursed to:		
Holding company	20,807	11,182
Associated companies	22,687	4,552
Expenses reimbursed by:		
Holding company	77,414	51,350
Associated companies	911,071	260,612
Payment under employee incentive schemes:		
Key management personnel	38,832	55,848
Other income:		
Associated company:		
Recharges written back	288,504	519,420

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020

36.1 Following are the names of associated companies, related parties and associated undertakings with whom the Company had entered into transactions or had agreements and arrangements in place during the year. Names of associated companies, related parties and associated undertakings, incorporated outside Pakistan are included in note 36.2.

Associated company	Basis of relationship	Aggregate % of shareholding
BAT SAA Service (Private) Limited	Common Directorship	Nil
THS & Co.	Common Directorship	Nil
National Bank of Pakistan	Common Directorship	Nil
Retrirment benefit funds:		
Pension Funds	Post employment benefits	Nil
Provident Funds	Post employment benefits	Nil
Gratuity Fund	Post employment benefits	Nil
Zafar Mahmood	Director	0.000196%
Usman Zahur	Director	0.000978%
William Pegel	Director	0.000978%
Syed Asad Ali Shah	Director	0.000196%
Syed Javed Iqbal	Director	0.000196%
Syed Ali Akbar	Director	0.000196%
Tajamal Shah	Director	0.000196%
Zafar Aslam	Director	0.000196%
Belinda Ross	Director	0.000196%
Asif Jooma	Director	0.000196%
Mohammad Riaz	Director	0.000196%
Lt. Gen (Rtd.) Muhammad Masood Aslam	Director	0.000196%
Syed Hammad Ali Naqvi	Key management personnel	Nil
Waqas Ahmed Khan	Key management personnel	Nil
Ahsen Altaf	Key management personnel	Nil
M. Idries Ahmed	Key management personnel	0.000025%
Sami Zaman	Key management personnel	0.000059%
Khubaib Akram	Key management personnel	Nil
Khan Muhammad Mohmand	Key management personnel	Nil
Muhammad Asim	Key management personnel	Nil
Hassan Khalid	Key management personnel	Nil
Uzair Qazi	Key management personnel	Nil
Haroon Saleem	Key management personnel	Nil
Qadeer Hussain	Key management personnel	Nil
Khuram Javaid Rajpoot	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 Limited	Common Directorship	0.00%	Sri Lanka
British American Tobacco Myanmar Limited	Common Directorship	0.00%	Myanmar

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

Associated company	Basis of relationship	Aggregate % of Shareholding	Country of Incorporation
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	Fellow Subsidiary	0.00%	Chile
BAT Germany GmbH	Fellow Subsidiary	0.00%	Germany
BAT (Brands) Limited	Fellow Subsidiary	0.00%	United Kingdom
Benson & Hedges (Overseas) Limited	Fellow Subsidiary	0.00%	United Kingdom
BAT (Holdings) Limited	Fellow Subsidiary	0.00%	United Kingdom
BASS (GSD) Limited	Fellow Subsidiary	0.00%	United Kingdom
British American Tobacco (GLP) Limited	Fellow Subsidiary	0.00%	United Kingdom
BAT Nicoventures Trading Ltd	Fellow Subsidiary	0.00%	United Kingdom
British American Tobacco Asia Pacific Region Ltd	Fellow Subsidiary	0.00%	Hong Kong
Fielder & Lundgren AB	Fellow Subsidiary	0.00%	Sweden
BAT Pecsi Dohanygyar KFT	Fellow Subsidiary	0.00%	Hungary
British American Tobacco Kenya Ltd	Fellow Subsidiary	0.00%	Kenya
BAT Korea Ltd	Fellow Subsidiary	0.00%	South Korea
BAT Korea Manufacturing Ltd	Fellow Subsidiary	0.00%	South Korea
British American Tobacco Mexico	Fellow Subsidiary	0.00%	Mexico
BAT AsPac Service Centre Sdn Bhd	Fellow Subsidiary	0.00%	Malaysia
BAT GSD (KL) Sdn Bhd.	Fellow Subsidiary	0.00%	Malaysia
BAT Nigeria Ltd	Fellow Subsidiary	0.00%	Nigeria
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 Romania Investment Ltd.	Fellow Subsidiary	0.00%	Romania
BAT (Romania) Trading SRL.	Fellow Subsidiary	0.00%	Romania
BASS Europe SRL.	Fellow Subsidiary	0.00%	Romania
JSC BAT-Spb	Fellow Subsidiary	0.00%	Russia
British-American Tobacco (Singapore) Pte Ltd	Fellow Subsidiary	0.00%	Singapore
BAT Marketing (Singapore) Pte Ltd	Fellow Subsidiary	0.00%	Singapore
British American Tobacco Tutun Mamulleri	Fellow Subsidiary	0.00%	Turkey
TDR D.O.O	Fellow Subsidiary	0.00%	Croatia
West Indian Tobacco Co. Ltd	Fellow Subsidiary	0.00%	Trinidad & Tobago
PJSC A/T B.A.T Prilucky Tobacco Co.	Fellow Subsidiary	0.00%	Ukraine
R J Reynolds Tobacco Company	Fellow Subsidiary	0.00%	United States
British American Tobacco South Africa (Pty) Ltd.	Fellow Subsidiary	0.00%	South Africa
British American Tobacco ME DMCC	Fellow Subsidiary	0.00%	United Arab Emirates
BAT Saudia for Trading	Fellow Subsidiary	0.00%	Saudi Arabia
BAT GCC DMCC	Fellow Subsidiary	0.00%	United Arab Emirates
BAT Middle East DMCC	Fellow Subsidiary	0.00%	United Arab Emirates
BAT Qatar LLC	Fellow Subsidiary	0.00%	Qatar
BAT Middle East S.P.C.	Fellow Subsidiary	0.00%	Bahrain
BAT Egypt Ltd.	Fellow Subsidiary	0.00%	Egypt
Central Manufacturing Company Ltd	Fellow Subsidiary	0.00%	Fiji
PT Bentoel International Investama	Fellow Subsidiary	0.00%	Indonesia
PT Bentoel International Prima	Fellow Subsidiary	0.00%	Indonesia
PT Export Leaf	Fellow Subsidiary	0.00%	Indonesia
British American Tobacco (Malaysia)	Fellow Subsidiary	0.00%	Malaysia
Tobacco Importers and Manufacturers	Fellow Subsidiary	0.00%	Malaysia
British American Tobacco (PNG) Ltd	Fellow Subsidiary	0.00%	Papua New Guinea
British American Tobacco Vranje AD	Fellow Subsidiary	0.00%	Serbia
BAT Services Ltd., Taiwan Branch	Fellow Subsidiary	0.00%	Taiwan
Tabacalera Hondurena S.A.	Fellow Subsidiary	0.00%	Honduras
Solomon Islands Tobacco Co. Ltd.	Fellow Subsidiary	0.00%	Solomon Islands
British American Tobacco (Cambodia)	Fellow Subsidiary	0.00%	Cambodia

	2020 Rs '000	2019 Rs '000
37 Cash generated from operations		
Profit before taxation	22,387,895	18,284,917
Adjustment for non-cash items:		
- Depreciation / impairment	1,500,059	1,367,476
- Gain on disposal of property, plant and equipment	198,342	(134,391)
- Finance cost	240,699	202,553
- Finance income	(782,866)	(812,571)
- Foreign exchange loss	244,441	445,162
- Provision /(Reversal of provision) for slow moving stores and spares	(10,428)	15,123
- Provision / (reversal of provision) for stock-in-trade	117,492	7,202
- Provision for staff retirement benefit plans	311,410	278,984
	1,819,149	1,369,538
Changes in working capital:		
- Stock-in-trade	1,822,375	(2,940,355)
- Stores and spares	(4,473)	(45,093)
- Trade debts	2,868	(2,707)
- Loans and advances	(209,561)	(27,684)
- Short term prepayments	(60,494)	234,014
- Other receivables	229,781	(181,189)
- Trade and other payables	2,725,341	(2,898,684)
- Other liabilities	(791,956)	567,124
	3,713,881	(5,294,574)
Changes in long term deposits and prepayments	3,039	1,353
	27,923,964	14,361,234

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

	Liabilities		Equity	Total
	Unclaimed / Unpaid Dividend	Finance lease obligations	Revenue reserves	
	Rs '000	Rs '000	Rs '000	Rs '000
Balance at January 1, 2019	281,456	433,090	15,210,686	15,925,232
Changes from financing cash flows:				
Finance lease payments	–	(709,437)	–	(709,437)
Dividend declared	12,263,701	–	(12,263,701)	–
Dividend paid	(12,400,182)	–	–	(12,400,182)
Total changes from financing cash flows	(136,481)	(709,437)	(12,263,701)	(13,109,619)
Other changes:				
New leases	–	2,000,895	–	2,000,895
Total equity-related other changes	–	–	12,788,932	12,788,932
Balance at December 31, 2019	144,975	1,724,548	15,735,917	17,605,440

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020

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

39 Events after the reporting date

In respect of the year ended December 31, 2020 final dividend of Rs 28.00 (2019: Rs 23.00) per share amounting to a total dividend of Rs 7,153,826 thousand (2019: Rs 5,876,357 thousand) has been proposed at the Board of Directors meeting held on February 23, 2021. 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, 2021.

Usman Zahur
Chief Executive Officer

William Pegel
Chief Financial Officer / Director

PATTERN OF SHAREHOLDING

As at December 31, 2020

No. of Shareholders		Categories			Total Shares
1,426	From	1	To	100	44,714
1,112	From	101	To	500	312,030
338	From	501	To	1,000	236,525
240	From	1,001	To	5,000	508,395
29	From	5,001	To	10,000	202,924
5	From	10,001	To	15,000	60,334
2	From	15,001	To	20,000	34,223
6	From	20,001	To	25,000	140,019
1	From	25,001	To	30,000	27,000
1	From	30,001	To	35,000	31,978
1	From	35,001	To	40,000	37,000
1	From	40,001	To	45,000	44,402
1	From	45,001	To	50,000	49,280
2	From	55,001	To	60,000	114,390
2	From	60,001	To	65,000	121,461
2	From	165,001	To	170,000	335,714
1	From	190,001	To	195,000	191,000
1	From	300,001	To	305,000	300,752
1	From	385,001	To	390,000	386,800
1	From	795,001	To	800,000	798,282
1	From	1,755,001	To	1,760,000	1,755,873
1	From	8,715,001	To	8,720,000	8,715,555
1	From	241,045,001	To	241,050,000	241,045,141
3,176					255,493,792

PATTERN OF SHAREHOLDING

As at December 31, 2020

	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	2,090,554
Individuals	2,372,464
Others	9,176,562
	255,493,792

Categories of Shareholders	Number	Shares Held	%
Directors, CEO and their spouse and minor children	12	10,000	0.0
Executives	7	274	0.0
Associated Companies, Undertakings and Related Parties	2	241,843,423	94.7
Investment Companies	1	515	0.0
Modarabas & Mutual Funds	4	1,760,153	0.7
Insurance Companies	3	327,119	0.1
Banks, Development and other Financial Institutions	8	3,282	0.0
Individuals	3,094	2,372,464	0.9
Others	45	9,176,562	3.6
Total	3,176	255,493,792	100.0

	No. of Shares
Associated Companies, Undertakings and Related Parties	
British American Tobacco (Investments) Limited	241,045,141
Rothmans International	798,282
NIT and ICP (name wise details)	
National Bank of Pakistan	515
Directors, CEO and their spouse and minor children (name wise details)	
Zafar Mahmood	500
Usman Zahur	2,500
William Francis Pegel	2,500
Syed Asad Ali Shah	500
Syed Ali Akbar	500
Syed Javed Iqbal	500
Tajamal Shah	500
Asif Jooma	500
Mohammad Riaz	500
Belinda Ross	500
Zafar Aslam Khan	500
Muhammad Masood Aslam	500
Executives	
Sami Zaman	150
M.Idries Ahmed	65
Syed Aamir Iqbal	10
Farkhanda Naheed	17
Awais Hussain Kazi	15
Shahid Yamin	9
Arshad Javed	8
Shareholders holding 10% or more voting interest	
British American Tobacco (Investments) Limited	241,045,141

ڈائریکٹرز اور ایگزیکٹیوز کے ذریعہ کی حصص میں تجارت

ڈائریکٹرز، چیف ایگزیکٹیو آفیسر، چیف فنانشل آفیسر، کمپنی سکریٹری اور ان کے شریک حیات اور نابالغ بچوں نے کمپنی کے حصص میں کوئی تجارت نہیں کی ہے۔

بی سی پی کا جائزہ

پی ٹی سی بزنس تسلسل مینجمنٹ (بی سی ایم) کی اہمیت کو بطور وسیلہ تسلیم کرتی ہے تاکہ یہ یقینی بنایا جا سکے کہ کاروبار بحران کے وقت اور بحالی کے عمل کے دوران بھی کامیابی کو جاری رکھ سکتا ہے۔ اس مقصد کے لئے، کمپنی نے بین الاقوامی معیار کے مطابق ایک بی سی ایم دستی قائم کیا ہے جو کمپنی کو قابل بناتا ہے:

واقعہ کی صورت میں فوری طور پر منصوبہ بندی کریں اور تیاری کریں۔

یہ سمجھنا کہ کوئی واقعہ پیش آنے پر جواب دینے کا طریقہ؛

صورتحال کو مؤثر طریقے سے سنبھالنے کا طریقہ جانیں؛ اور

بزنس پر منفی اثر کو کم کرنے کے لئے جتنی جلدی ممکن ہو بطور معمول (BAU) پر واپس جائیں۔

بورڈ سالانہ بنیاد پر بی سی ایم کی تعمیل کا جائزہ لیتا ہے۔ معیارات کی تعمیل کو یقینی بنانے اور بی سی ایم عمل کے نفاذ کے لئے ذمہ داری اور جوابدہی کو مینجنگ ڈائریکٹر کے سپرد کیا گیا ہے۔ بی سی ایم کا آپریشنل مینجمنٹ ہیڈ آف سیکیورٹی کے سپرد ہے جو کمپنی میں بی سی ایم کے لئے سب سے اہم ہے۔ یہ محکمے کا سربراہ کسی بھی قسم کے خطرے سے آگاہی کا ذمہ دار ہے اور وہ اپنے متعلقہ افعال میں بی سی ایم کی موثر صلاحیت کو قابل بنانے اور برقرار رکھنے کے لئے ذمہ دار ہیں۔

بزنس کنٹونٹی مینیجر کمپنی میں بی سی ایم کے عمل کو آسان اور ہم آہنگ کرتا ہے۔

بی سی ایم کے عمل کو نافذ کرکے، کمپنی اس بات کو یقینی بناتی ہے کہ:

اس کے افراد، اثاثے اور معلومات محفوظ ہیں، اور ملازمین کو خلل پڑنے کی صورت میں مناسب مدد اور مواصلات موصول ہوتے ہیں۔

دیگر تنظیموں، متعلقہ ریگولیٹرز یا سرکاری محکموں، مقامی حکام اور ہنگامی خدمات کے ساتھ تعلقات کو مناسب طور پر استوار کیا گیا ہے اور دستاویزی دستاویز کی گئی ہے، اور اسٹیک ہولڈر کی ضروریات کو سمجھا جاتا ہے اور ان کی فراہمی کو ممکن بنایا جاتا ہے۔ اور

کمپنی میں اپنی ساکھ کو بچانے کے لئے ایک بہتر صلاحیت موجود ہے اور وہ اس کی قانونی اور ریگولٹری ذمہ داریوں کے مطابق ہے۔

ظفر محمود
چیئرمین

عثمان ظہور
ایم ڈی / سی ای او

تبدیلی کیلیے ترجیحات پر تبادلہ خیال اور اس پر اتفاق، جس کو مختصر اور طویل مدتی میں حل کیا جاسکے۔

ایکشن پلان پر اتفاق کریں۔

تشخیصی ٹول میں ایک تشخیصی سوالنامہ شامل ہے، جو تمام ڈائریکٹرز کو تقسیم کیا جاتا ہے جس میں ہر ڈائریکٹر کو لازمی طور پر خود اور بورڈ کو جائزہ لینا ہوتا ہے۔ کھلی اور واضح جانچ پڑتالوں کی حوصلہ افزائی کرنے کے ساتھ ساتھ شناخت ظاہر نہ کرنے کو یقینی بنانے کے لئے، کمپنی سکریٹری کی طرف سے تشخیصی عمل کی ہدایت کی گئی ہے، جو ہر ڈائریکٹر کو سوالیہ نشان بھیجتا ہے اور پھر نتائج کا خلاصہ اور سفارشات سمیت رپورٹ کو نتائج میں شریک کرتا ہے۔ بورڈ کو اس کے بعد بورڈ کی اگلی میٹنگ میں باعث تشویش کاموں اور بورڈ کی کارکردگی کو بہتر بنانے کے لئے اس رپورٹ پر تبادلہ خیال کیا گیا ہے۔

چیئرمین اور سی ای او کے دفاتر

شفافیت اور اچھی حکمرانی کو فروغ دینے کے لئے، بورڈ آف ڈائریکٹرز کے چیئرمین اور چیف ایگزیکیٹو آفیسر کے عہدے الگ الگ افراد کے پاس ہوتے ہیں جن کے کرداروں اور ذمہ داریوں کی واضح علیحدگی ہوتی ہے۔

چیئرمین اور سی ای او کے اہم کردار اور ذمہ داریاں

بورڈ کے ذریعہ چیئرمین اور سی ای او کے کردار اور ذمہ داریوں کی واضح اور واضح وضاحت کی گئی ہے۔

چیئرمین بنیادی طور پر ایک رہنما اور ثالث ہے جو بورڈ آف ڈائریکٹرز کی میٹنگ کی مؤثر طریقے سے سربراہی کرتا ہے اور ایک محدود وقت کے اندر اندر آزادانہ اور آزادانہ انداز میں تبادلہ خیال کے بعد فیصلے فوری اور موثر انداز میں لے جاتا ہے۔ چیئرمین بورڈ کے فرائض کی مجموعی طور پر نفاذ کا ذمہ دار ہے۔

سی ای او کمپنی کا ایگزیکٹو ہیڈ ہوتا ہے، جو کمپنی کے تمام افسران کی سربراہی کرتا ہے اور کمپنی کے روزمرہ کام کا انتظام کرتا ہے اور کارپوریٹ پلان کے حصول کی طرف رہنمائی فراہم کرتا ہے۔ سی ای او حصص یافتگان کی قدر کو بڑھانے کے مقصد سے کمپنی کی مختصر اور طویل مدتی حکمت عملی کی قیادت، ترقی اور عملدرآمد کا ذمہ دار ہے۔ سی ای او بورڈ کے ساتھ رابطہ کرتا ہے اور مینجمنٹ کی جانب سے بات چیت کرتا ہے۔

بورڈ کے ذریعہ سی ای او کی کارکردگی کا اندازہ

بورڈ لاگو قوانین کے تحت سی ای او کو 3 سال کی مدت کے لئے مقرر کرتا ہے۔ ریگولیٹری فریم ورک کے تحت اپنی ذمہ داریوں کے علاوہ، سالانہ کارپوریٹ منصوبے کی بنیاد پر، اس کی کارکردگی کا ہر سال جائزہ لیا جاتا ہے۔

کارپوریٹ پلان کے حصول اور قابل اطلاق ریگولیٹری ضروریات کی تعمیل سے سال 2020 کی کارکردگی کا مظاہرہ کیا جاتا ہے۔

رسمی واقفیت کا طریقہ کار

نئے شامل بورڈ کے ممبروں کو کمپنی کے نقطہ نظر، تنظیمی ڈھانچے، سینئر ایگزیکٹوز کے کردار اور ذمہ داریوں، اہم زیر التواء یا دھمکی آمیز قانونی چارہ جوئی، منافع سے متعلق پالیسیاں، وسل بلوئنگ، کمپنی کے بڑے اثاثوں، واجبات کی سمری کے بارے میں ان کی واقفیت اور واقفیت کے لئے انڈکشن پلان کے ذریعہ لیا جاتا ہے۔ اور قابل ذکر معاہدے وغیرہ۔

انڈکشن پلان کے ایک حصے کے طور پر، کمپنی کے سینئر ایگزیکٹوز اپنے اپنے محکمہ کی کارکردگی کو نئے شامل ڈائریکٹرز کے سامنے پیش کرتے ہیں۔

ڈائریکٹرز کا تربیتی پروگرام

پی ٹی سی نے ڈائریکٹرز کی تربیت سے متعلق قابل اطلاق ریگولیٹری ضروریات کی تعمیل کو یقینی بنایا ہے۔ آدھے سے زیادہ ڈائریکٹرز نے ایس ای سی پی کے ذریعہ منظور شدہ ڈائریکٹرز کے ٹریننگ پروگرام کے تحت سند حاصل کی ہے۔

آخری سالانہ اجلاس عام

کمپنی کی 73 ویں سالانہ اجلاس عام 8 مئی 2020 کو منعقد ہوا۔ اقلیتی حصص یافتگان سمیت تمام حصص یافتگان کو فوری طور پر دعوت نامے بھیجے گئے تا کہ انہیں اجلاس کے وقت اور مقام کے بارے میں آگاہی دے سکے۔ سالانہ اجلاس عام کے انعقاد کے لئے کمپنی کے حصص یافتگان کو سہولت فراہم کرنے کے لئے اعلی معیار اور آرام دہ انتظامات کیے گئے تھے۔

اجلاس کے دوران، حصص یافتگان اور سرمایہ کاروں کے ذریعہ شائع ہونے والے مالی بیانات اور غیر قانونی تجارت کے اثرات کے بارے میں عمومی وضاحت طلب کی گئی تھی لیکن اس میٹنگ میں کسی ایشو کے حوالے سے کوئی اطلاع نہیں ملی۔

آڈیٹرز

31 دسمبر 2020 کو ختم ہونے والے مالی سال کے لئے کمپنی کا قانونی آڈٹ اختتام پذیر ہوا ہے اور آڈیٹرز نے کمپنی کے مالیاتی بیانات، اجتماعی مالی بیانات اور کارپوریٹ گورننس کے ضابطہ اخلاق کے تعمیل کے بیان پر اپنی آڈٹ رپورٹس جاری کردی ہیں۔ آڈیٹرز، میسرز کے پی ایم جی تاثیر ہادی اینڈ کمپنی، سالانہ جنرل اجلاس کے اختتام پر ریٹائر ہوجائیں گے، اور انہوں نے پی ٹی سی کے آڈیٹرز کی حیثیت سے جاری رہنے پر رضامندی ظاہر کی ہے۔ انہوں نے انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان (آئی سی اے پی) کی طرف سے اطمینان بخش درجہ بندی حاصل کرنے اور آئی سی اے پی کے ذریعہ بین الاقوامی فیڈریشن آف اکاؤنٹنٹس (IFAC) کے اختیار کردہ ضابطہ اخلاق کے رہنما اصولوں کی تعمیل کی تصدیق کی ہے۔ بورڈ نے آڈٹ کمیٹی کی سفارش پر 31 دسمبر 2020 کو ختم ہونے والے مالی سال کے لئے بطور آڈیٹر ان کی تقرری کی تجویز پیش کی۔ یہ 22 اپریل 2021 کو شیڈول ہولڈرز کی میٹنگ میں ہونے والی منظوری سے مشروط ہوگا۔

شیئر ہولڈنگ کا انداز

ہماری ہولڈنگ کمپنی، برٹش امریکن ٹوبیکو (انویسٹمنٹ) لمیٹڈ (بی اے ٹی-IL)، جو برطانیہ میں شامل ہے، سال کے آخر میں کمپنی کے حصص میں 94.34 فیصد حصص ہے۔ اس سالانہ رپورٹ میں کوڈ آف کارپوریٹ گورننس کے تحت مطلوبہ اطلاعات کے ساتھ ساتھ 31 دسمبر 2020 تک شیئر ہولڈنگ کا انداز بھی الگ الگ فراہم کیا گیا ہے۔

(iii) جناب سید اسد علی شاہ

(iv) جناب سید علی اکبر

ریگولیٹری ضرورت کے تعمیل میں بورڈ میں خواتین کی نمائندگی ہوتی ہے۔

بورڈ کی مجموعی تاثیر کو اپنے ممبروں کے تنوع اور وسعت کے تناسب سے بڑھایا جاتا ہے، جو پیشہ ورانہ اور تعلیمی مہارت اور تجربے، مقامی اور بین الاقوامی امتزاج کرتے ہیں اور اجتماعی طور پر بورڈ کے پاس بھی کافی مالی قابلیت اور معلومات موجود ہیں۔ پی ٹی سی بورڈ آف ڈائریکٹرز کی تشکیل اور قابلیت کے ضوابط کے تقاضوں سے ہم آہنگ ہے۔

سالانہ رپورٹ میں صنعت کے تجربے اور دیگر کمپنیوں کی ڈائریکٹرشپ کے علاوہ ان کے نام، حیثیت (آزاد، ایگزیکٹو، غیر انتظامی) سمیت ہدایت کاروں کے تفصیلی پروفائلز کو الگ سے فراہم کیا گیا ہے۔ کارپوریٹ گورننس کے ضابطہ اخلاق کی تعمیل کے بیان میں ہدایت نامہ (آزاد، ایگزیکٹو، غیر انتظامی) کی حیثیت کی نشاندہی کی گئی ہے۔

بورڈ میں تبدیلیاں

2020 میں بورڈ میں کسی تبدیلی کا اعلان نہیں کیا گیا تھا۔

بورڈ کے اجلاس

قابل اطلاق ریگولیٹری فریم ورک کے تحت، بورڈ کو ہر سہ ماہی میں کم از کم ایک بار ملنے کی ضرورت ہے تاکہ کمپنی کی کارکردگی کی شفافیت، احتساب اور نگرانی کو یقینی بنایا جا سکے۔ سال کے دوران اہم امور پر تبادلہ خیال کرنے کے لئے خصوصی میٹنگیں بھی کی جاتی ہیں، جب بھی ضرورت ہو۔ 2020 میں، بورڈ کے 5 اجلاس ہوئے، جن میں سے پہلا اجلاس 24 فروری 2020 کو ہوا۔

اجلاسوں کے نوٹسز/ ایجنڈوں کو بروقت اور قابل اطلاق قوانین کی تعمیل میں پہلے سے ہی تقسیم کیا گیا تھا۔ سال کے دوران منعقدہ بورڈ کے تمام اجلاسوں میں حاضری کی کم سے کم کورم ضروریات کو عبور کیا گیا تھا، جیسا کہ قابل اطلاق قواعد وضوابط کے تحت مقرر کیا گیا ہے۔

کمپنی سکریٹری بورڈ کے سکریٹری کی حیثیت سے کام کرتا ہے۔ بورڈ کے اجلاسوں کے دوران کیے گئے تمام فیصلوں کو کمپنی سکریٹری کے ذریعہ برقرار رہنے والی میٹنگوں کے منٹوں میں واضح طور پر قلمبند کیا گیا تھا اور ان کی توثیق کے لئے باقاعدگی سے تمام ڈائریکٹرز کو بھیجا گیا تھا اور بعد میں بورڈ کے اجلاسوں میں ان کی منظوری دی گئی تھی۔

ڈائریکٹر کا نام	حاضری
ظفر محمود چیئرمین	5/5
عثمان ظہور مینجنگ ڈائریکٹر اور سی ای او	5/5
ولیم فرانسس پیگل ڈائریکٹر فنانس اور آئی ٹی	5/5
سید اسد علی شاہ ڈائریکٹر قانونی اور خارجہ امور	5/5
سید علی اکبر ڈائریکٹر مارکیٹنگ	4/5
سید جاوید اقبال نان ایگزیکٹو ڈائریکٹر	1/5
بیلنڈا اجوائے راس نان ایگزیکٹو ڈائریکٹر	4/5
ظفر اسلم خان نان ایگزیکٹو ڈائریکٹر	3/5
لیفٹیننٹ جنرل ایم مسعود اسلم (ر) آزاد ڈائریکٹر	5/5
محمد ریاض آزاد ڈائریکٹر	5/5
تجمل شاہ نان ایگزیکٹو ڈائریکٹر	4/5
آصف جمعہ آزاد ڈائریکٹر	5/5

پاکستان سے باہر بورڈ کے اجلاس

2020 میں، پی ٹی سی نے اپنے تمام بورڈ اجلاس پاکستان میں کروائے۔

بورڈ کی کمیٹیاں

بورڈ کے پاس چار کمیٹیاں ہیں، جو بورڈ کو اپنے فرائض کی انجام دہی میں معاونت کرتی ہیں۔ تمام بورڈ کمیٹیوں کی تفصیلات، بشمول حاضری اور ان کے افعال، سالانہ رپورٹ میں الگ سے فراہم کی گئیں۔

ڈائریکٹر کا معاوضہ

کوڈ آف کارپوریٹ گورننس کی ضروریات کے مطابق، انفرادی ڈائریکٹرز کے معاوضے کے پیکیج کو ٹھیک کرنے کے لئے ایک باقاعدہ اور شفاف طریقہ کار موجود ہے۔ کوئی ڈائریکٹر اپنی معاوضے کا فیصلہ کرنے میں ملوث نہیں ہے۔

یہ معاوضے کے پیکیج ریگولیٹری فریم ورک اور داخلی طریقہ کار کی ضروریات کے مطابق منظور کیے گئے ہیں، جبکہ یہ یقینی بناتے ہیں کہ وہ اس سطح پر نہیں ہیں جس پر سمجھا جا سکتا ہے کہ وہ نان ایگزیکٹو ڈائریکٹرز کی آزادی پر سمجھوتہ کر سکتے ہیں۔

چیف ایگزیکٹو ڈائریکٹرز، اہم مینجمنٹ اہلکاروں اور دیگر ایگزیکٹوز سمیت دیگر ایگزیکٹوز کے معاوضے نوٹ 37 میں مالی بیانات کو دیے گئے ہیں۔

بورڈ کے کارکردگی کا اندازہ

کمپنی نے بورڈ کی مدد کے لئے ایک "تشخیصی آلہ" تیار کیا ہے۔

اچھی طرح سے کام کرنے کو سمجھنا اور پہچاننا

بہتری کے لیے علاقوں کی نشاندہی کرنا؛

صارفین کے رجحانات اور فروخت کے مثبت نتائج پر مبنی پریمیم طبقہ میں، ڈن ہل کے ہینڈلرز کو قومی سطح پر بڑھایا گیا جس کے نتیجے میں 2020 میں فروخت کی مثبت اضافہ ہوا ہے۔ ان اقدامات سے ڈن ہل برانڈ کو پاکستان میں نئی بلندیوں کی طرف راغب کیا گیا ہے۔

رسک مینجمنٹ اور اندرونی کنٹرول

بورڈ کنٹرول کے مضبوط ماحول کو برقرار رکھتے ہوئے اپنے کام کے دوران کمپنی کو درپیش خطرات اور چیلنجوں کے نظم و نسق کا ذمہ دار ہے۔ کمپنی کے رسک مینجمنٹ اور اندرونی کنٹرول فریم ورک کا مقصد حصص یافتگان کی سرمایہ کاری اور کمپنی کے اثاثوں کی حفاظت کرنا ہے، جبکہ ان خطرات کے اثرات کو کم کرنا ہے جو کمپنی کے مقاصد کی فراہمی میں رکاوٹ بن سکتے ہیں۔ اس کی تفصیلات کو سالانہ رپورٹ کے رسک اور مواقع سے متعلق سیکشن میں حاصل کیا گیا ہے۔

جامع پالیسیاں اور طریقہ کار، منظم طرز حکمرانی کے طریقہ کار اور سازگار تنظیمی ثقافت نے پوری کمپنی میں مضبوط تعمیل اور کنٹرول ماحول فراہم کیا ہے۔ تمام افسران کے ذمہ داران کو عالمی سطح پر بیان کردہ کلیدی کنٹرولوں کا ایک جامع جائزہ لینے کی ضرورت ہے، جس کی توقع کی جارہی ہے کہ وہ اس جگہ پر موجود ہوں گے اور مؤثر طریقے سے کام کریں گے۔ کسی بھی عدم تعمیل اور مادی کمزوری کی اطلاع دی گئی ہے اور اس سے نمٹنے کے لئے عملی منصوبوں کے ساتھ۔ مزید برآں، تمام ملازمین کو کمپنی کے معیارات سے متعلق طرز عمل کے سالانہ بیان پر دستخط کرنے کی ضرورت ہے۔ مزید برآں، کمپنی سربینز آکسلے ایکٹ (ایس او کس) کی تمام ضروریات کے ساتھ بھی پوری طرح مطابقت رکھتی ہے جس سے کمپنی کے داخلی کنٹرول مزید مستحکم ہوئے ہیں۔

کارپوریٹ گورننس

اچھی کارپوریٹ گورننس

ڈائریکٹرز سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی فہرست شدہ کمپنیوں (کوڈ کارپوریٹ گورننس) ریگولیشنز، 2019 ("کوڈ کارپوریٹ گورننس") کے کارپوریٹ اور مالی رپورٹنگ کے فریم ورک کی تعمیل کی تصدیق کرتے ہیں۔

a) کمپنی کے انتظام کے ذریعہ تیار کردہ مالی بیانات، اس کی امور کی منصفانہ حیثیت، اس کے کاموں، نقد بہاؤ اور ایکویٹی میں بدلاؤ کا نتیجہ۔

b) کمپنی کے اکاؤنٹس کی مناسب کتابیں برقرار رکھی گئی ہیں۔

c) مالی بیانات کی تیاری کے لئے مناسب اکاؤنٹنگ پالیسیاں مستقل طور پر لاگو ہوتی ہیں اور محاسبہ کا تخمینہ معقول اور محتاط فیصلے پر مبنی ہوتا ہے۔

d) بین الاقوامی مالیاتی رپورٹنگ کے معیارات، جیسا کہ پاکستان میں قابل اطلاق ہیں، مالی بیانات کی تیاری میں عمل کیا گیا ہے اور اس میں سے کسی بھی روانگی کا مناسب طور پر انکشاف اور وضاحت کی گئی ہے۔

e) اندرونی کنٹرول کا نظام ڈیزائن میں مستحکم ہے اور اس کو موثر انداز میں نافذ اور نگرانی کی گئی ہے۔

f) کمپنی کی جاری تشویش کی حیثیت سے اس کی صلاحیت کے بارے میں کوئی اہم شبہات نہیں ہیں۔

g) کارپوریٹ گورننس کے بہترین طریقہ کار سے کوئی مادی طور پر کمی نہیں ہوئی ہے، جیسا کہ ضابطہ کارپوریٹ گورننس اور لسٹنگ کے ضوابط میں تفصیل سے ہے۔

h) کاروبار کے معمول کے مطابق حکومت کے تمام بڑے عائد محصولات جو 31 دسمبر 2020 کو قابل ادائیگی ہیں ان کا مالی بیانات کی رپورٹ میں تحریر کیا گیا ہے۔

i) مختص شکل میں پچھلے چھ سالوں کے کلیدی آپریٹنگ اور مالی اعداد و شمار کو اس سالانہ رپورٹ میں الگ سے فراہم کیا گیا ہے۔

j) 31 دسمبر 2020 کو ختم ہوئے سال کے لئے ملازمین کے ریٹائرمنٹ فنڈز میں کی جانے والی سرمایہ کاری کی قدریں درج ذیل ہیں۔ مزید تفصیلات نوٹ 33 میں مختلف مالی بیانات کو فراہم کی گئیں۔

فنڈ کا نام	(RS. MILLION)
اسٹاف پنشن فنڈ	5,492
ملازمین کا گریجوئٹی فنڈ	1173
مینجمنٹ پرووڈنٹ فنڈ	735
پاکستان ٹوبیکو کمپنی لمیٹڈ پراویڈینٹ فنڈ	382
سٹاف ڈیفائنڈ کنٹریبیوشن پینشن فنڈ	659

بورڈ کا مجموعہ

بورڈ میں کل 12 ڈائریکٹرز شامل ہیں: 8 نان ایگزیکٹو ڈائریکٹر، جن میں سے 4 آزاد ڈائریکٹر، اور 4 ایگزیکٹو ڈائریکٹر ہیں۔

بورڈ کی موجودہ تشکیل ذیل میں ہے۔

ڈائریکٹر کے نام	ڈائریکٹرز کی تعداد
مرد ڈائریکٹرز	11
خواتین ڈائریکٹر	1
a. آزاد ڈائرکٹر	4
(i) جناب ظفر محمود (چیئرمین)	
(ii) جناب لیفٹیننٹ جنرل ایم مسعود اسلم (ر)	
(iii) جناب محمد ریاض	
(iv) جناب آصف جومہ	
b. نان ایگزیکٹو ڈائریکٹر	4
(i) جناب تجمل شاہ	
(ii) محترمہ ہیلنڈا اجوائے راس	
(iii) جناب ظفر اسلم خان	
(iv) جناب سید جاوید اقبال	
c. ایگزیکٹو ڈائریکٹرز	4
(i) جناب عثمان ظہور (مینجنگ ڈائریکٹر اور سی ای او)	
(ii) جناب ولیم فرانسس پیگل	

Rs. Per Share	(Millions)Rs.	
	15,736	افتتاحی ذخائر
23.00	(5,876)	حتمی منافع2019
64.55	16,492	خالص منافع2020
	(452)	دیگر جامع آمدنی
	25,900	مختص کے لئے دستیاب ہے
35.00	(8,942)	عبوری منافع2020
	16,958	اختتامی ذخائر

حتمی منافع

پی ٹی سی کے بورڈ آف ڈائریکٹرز نے23 فروری 2021 کو منعقدہ اپنے اجلاس میں28.0 روپے کے حتمی نقد منافع کی سفارش کی۔ یہ سفارش31 دسمبر 2020 کو ختم ہونے والے سال کیلئے(2019-23Rs) ہے۔یہ سفارش22 اپریل 2021 کو ہونے والے سالانہ جنرل اجلاس میں حصص یافتگان کی منظوری سے مشروط ہوگی۔

مکمل مالیاتی بیانات اور قطعاتی جائزہ

اس سالانہ رپورٹ میں شامل مالیاتی بیانات، جیسے پاکستان ٹو بیکو کمپنی لمیٹڈ اوراس کی مکمل ملکیت میں واقع کمپنی، فینکس (نجی) لمیٹڈ کی کارکردگی کو یکجا کیا گیا ہے۔ ماتحت ادارہ غیر فعال ہے اوراس نے تجارتی کاموں کا آغاز نہیں کیا ہے۔

بعد کے واقعات کا جائزہ

انتظامیہ نے رپورٹ کی تاریخ تک کمپنی کے مالی سال کے اختتام کے بعد پیدا ہونے والے واقعات کا اندازہ کیا ہے اوراس کے ذریعہ اس بات کی تصدیق کی گئی ہے کہ کمپنی کی مالی حیثیت کو متاثر کرنے کی مادی تبدیلیوں اور وعدے اس عرصے میں وقوع نہیں ہوئے ہیں۔

آپریشنز کا جائزہ

پی ٹی سی کے پاس دو فیکٹریاں اور بی اے ٹی گروپ کے سب سے بڑے تمباکو لیف کا ایک کاروباری ماحول موجود ہے۔ ویلیو چین میں پیداواری صلاحیت کو بڑھانے کے مقصد کے ساتھ، کمپنی کی لاگت کے موثر انتظام، دبلی پتلی کارروائیوں اور مشینری کے بنیادی ڈھانچے کی مستقل جدید کاری پر پوری توجہ ہے۔

2019 میں، کمپنی نے حکومت کے وژن کی مناسبت سے، ''میڈ ان پاکستان'' کے عنوان سے اپنا برآمدی اقدام شروع کیا اور بی اے ٹی گروپ کے لئے برآمدی مرکز ہونے کا مقام حاصل کیا۔ 2020 میں اس اقدام کے تحت اس کے پہلے پورے سال کے آپریشن میں، پی ٹی سی نے 2.3 ارب سگریٹ اور تقریبا 31.1 ملین ڈالر مالیت کا4.1 ملین کلو تمباکو برآمد کیا۔

تمباکو کے پہنچنے والے نقصان کو کم کرنے کے ایجنڈے کے طور پر، پی ٹی سی نے جہلم سائٹ پر ایک فیکٹری کے لئے جدید پلانٹ اور مشینری میں10 ملین پونڈ سے زیادہ کی سرمایہ کاری کی ہے۔توقع کی جارہی ہے کہ فیکٹری2021 کے پہلے نصف میں جدید اورل نیکوٹین پاؤچوں کی تیاری شروع کردے گی تاکہ PTC تمباکو کے نقصانات میں کمی لانے کے لئے اپنا ایجنڈا آگے بڑھائے اور BAT گروپ کے برآمدی مرکز کے طور پر اپنی پوزیشن کو مستحکم کرے۔

ملازمین کی صحت اور حفاظت- ماحولیات، صحت اور حفاظت

کووڈ19 وبائی بیماری اور پی ٹی سی کے ملازمین کی صحت وسلامتی کے اس کے چیلنج کو سنجیدہ اور ذمہ دارانہ انداز میں 2020 میں نمٹایا گیا۔ پی ٹی سی کی قیادت پر مشتمل ایک 'کرائسس مینجمنٹ ٹیم' تشکیل دی گئی تھی جس کا مقصد بحران کے حالات کے لئے خطرے سے بچاؤ کی حکمت عملی تیار کرنا تھا۔مزید یہ کہ جامع معیاری آپریٹنگ طریقہ کار اور زیرو ٹالرنس پالیسیاں' نافذ کردی گئیں، اور پی ٹی سی کے ملازمین میں کووڈ19 سے بچنے کے لئے کمپنی بھر میں بیداری کے سیشن منعقد کیے گئے۔

مینوفیکچرنگ پلانٹس میں ماحولیات، صحت اور حفاظت کے عمل اور طریقہ کار کے سلسلے میں اہم آگاہی اور بنیادی ڈھانچے میں بہتری لائی گئی ہے۔توانائی کے بحران کو مدنظر رکھتے ہوئے، 2020 میں جہلم فیکٹری نے شمسی توانائی سے پیداواری صلاحیت کو 200 کلوواٹ تک پہنچانے میں متعدد توانائی کے تحفظ کے اقدامات اٹھائے تھے، جس سے یہ پی ٹی سی کے لئے قابل تجدید توانائی پیدا کرنے والا مقام بن گیا ہے جبکہ اکوڑہ فیکٹری نے بی اے ٹی میں واٹر ری سائیکلنگ تناسب میں دوسری اعلی حیثیت حاصل کی ہے۔جس سے CO2 اخراج کے اثرات کو850 ٹن تک کم کیا جاتا ہے۔ پی ٹی سی کی مینوفیکچرنگ کی کامیابی کو اس مہم کے ذریعے فراہم کی جانے والی کوششوں اور شاندار نتائج کیلئے عالمی سطح پر BAT گروپ میں پہچانا گیا ہے۔

مارکیٹنگ کا جائزہ

2020 میں وبائی امراض سے ہونے والی معاشی صورتحال اور قانونی اور ٹیکس نہ ادا کرنے والے برانڈز کے مابین قیمتوں میں فرق کے باعث صارفین کی استعداد استوار رہی۔ تاہم، درپیش چیلنجوں کے باوجود، مستقبل میں اہم برانڈز کے پورٹ فولیو کے لئے مرکوز سرمایہ کاری کی گئی۔

کیپسٹن پال مال کے ذریعے2020 میں مارکیٹ شیئر میں 1.8 فیصد اضافے کے ساتھ وی الیف ایم طبقہ میں بہترین کارکردگی کا مظاہرہ کرنے والے برانڈ کی حیثیت سے اپنا موقف برقرار رکھا ہے۔مزید برآں، اس حصے نے گولڈ فلیک کی ایکویٹی اور مکس کو مزید بڑھانے کے لئے سال کے دوران مہم چلائی۔ یہ ایک اسٹریٹجک اقدام تھا جس نے برانڈ کو کھوئے ہوئے حجم اور مارکیٹ شیئر کو نمایاں طور پر حاصل کرنے میں مدد کی ہے۔ایمبسی برانڈ کو بھی اس کی پیک فارمیٹ چینج مہم کے ذریعے کامیابی کے ساتھ برقرار رکھا گیا تھا جس کی وجہ سے یہ بالترتیب اپنی تقسیم اور صارف کی بنیاد کو برقرار اور برقرار رکھا گیا۔

برانڈز کی جعل سازی کے واقعات میں اضافے کے باوجود، پی ٹی سی کی انسداد جعل سازی مہم نے 2020 کی تیسری سہ ماہی میں ایک انوکھی ٹیکنالوجی قابل سکیننگ حل کے ذریعے کمپنی کو جعلی برانڈز سے حجم واپس حاصل کرنے میں کامیاب کردیا جس کے نتیجے میں صارفین، خوردہ فروشوں اور قانون نافذ کرنے والے اداروں کی جانب سے بھی مثبت آراء سامنے آئیں۔

ایسپر یشنز یل پریمیم طبقہ میں، جان پلیر کے کامیاب پائلٹ لانچ کے بعد، 2020 کی تیسری سہ ماہی میں توسیع مہم چلائی گئی جس کی مدد سے محدود ایڈیشن پیک کی کامیاب مہم کی گئی جس کے نتیجے میں2020 چوتھی سہ ماہی میں برانڈ کی فروخت میں بہتری آئی۔

منافع اور نقصان کا تجزیہ

2020 کے دوران، پی ٹی سی نے پاکستان میں ٹیکس ادا کرنے والی سب سے بڑی کمپنیوں میں سے ایک کے طور پر حکومت کے ساتھ اپنی وابستگی جاری رکھی۔ اس نے حکومت کو 112.5 بلین روپے ادا کیا جو مجموعی آمدنی کا 68 فیصد تھا اور حصص یافتگان میں تقسیم اور کاروبار میں دوبارہ سرمایہ کاری کے لئے 10 فیصد محصول کو برقرار رکھا جیسا کہ گراف تھری کے ذریعہ دکھایا گیا ہے۔

گزشتہ سال اسی عرصہ کے دوران مقامی ٹرن اوور میں 10 فیصد اضافہ ہوا ہے۔ باوجود اس کے کہ پہلے آدھے سال (جنوری تا جون 2020) میں جون 19 کی ایکسائز اضافہ کی وجہ سے حجم میں 7 فیصد کمی واقع ہوئی تھی۔ برآمدات میں گزشتہ سال اسی عرصہ کے دوران خاطر خواہ اضافہ ہوا، جو کہ کمپنی کی حکومت پاکستان 'میڈ ان پاکستان' ایجنڈے کے ساتھ وابستگی کا ثبوت ہے۔ کمپنی نے 2020 کے دوران 2.3 ارب سگریٹ اور 4.1 ملین کلو خام تمباکو برآمد کیا جس سے 31.1 ملین ڈالر کی تجارت ہوئی۔

مقامی کرنسی کی قدر میں کمی، برآمدات میں اضافہ، مہنگائی کی وجہ سے کاروباری لاگت میں اضافہ دیکھنے میں آیا۔ مجموی کاروباری لاگت کو کم کرنے کے لئے کئی پیداواری بچت اور موثر اقدامات اٹھائے گئے۔

تقسیم کار اور فروخت کے حوالے سے لاگت میں کمی ہوئی جس کہ وجہ فروخت کے حجم میں کمی تھی۔ تاہم تجارتی سرگرمیوں، کرونا قوانین پر عمل درآمد اور نئی اقسام میں توسیع کے لیے خاطر خواہ سرمایہ کاری کی گئی۔

2020 کے دوران دوسرے آپریٹنگ اخراجات میں 12 فیصد کا اضافہ ہوا۔ اس اضافہ کی بڑی وجہ پی ٹی سی کی فیکٹریوں پر پرانی مشینری، پلانٹ کو تبدیل کرنا تھا۔

2020 میں خالص مالی خزانہ میں 11 فیصد کمی ہوئی جس کہ وجہ اوسط شرح سود میں کمی ہے۔

مالی پوزیشن تجزیہ

2020 میں پراپرٹی، پلانٹ اور آلات میں اضافہ بنیادی طور پر موجودہ مینوفیکچرنگ کی صلاحیتوں اور انفراسٹرکچر میں اپ گریڈ کے ذریعہ بہتر مصنوعات کے معیار، جدت اور اعلی آپریٹنگ افادیت کی تائید کے لئے کارفرما تھا۔ پی ٹی سی نے بھی ویلو کی مقامی سطح پر تیاری کا آغاز کیا ہے جس کے تحت مینوفیکچرنگ سہولیات کی تعمیر کا کام شروع کیا گیا ہے۔

تجارتی سٹاک کی کمی کی وجہ خام مال کے سٹاک میں کمی ہے۔

قرضوں اور ایڈوانس مالی سہولیات میں VELO مارکیٹنگ کی جاری مہموں کے لئے میڈیا ایجنسیوں کو ادائیگی کی گئی رقم شامل ہے۔

دیگر وصولیوں میں بنیادی طور پر بینکوں کے ذریعہ رکھے گئے نقد مارجن سے متعلق توازن شامل ہیں جو خام مال کی درآمد کے انتظامات/ معاہدوں کے خلاف 100 نقد مارجن جمع کرنے کے لئے اسٹیٹ بینک کی درآمد کے ضابطے کی تعمیل کرتے ہیں۔ بینکوں کے ساتھ حاشیے طے کرنے کی وجہ سے 2020 میں اس کے نیچے توازن کم ہوا۔

سرکاری خزانے کے بلوں میں قلیل مدتی سرمایہ کاری کی جاتی ہے جس میں پچھلے سال کے مقابلے میں اضافہ ریکارڈ کیا گیا جس کی وجہ سال کے آخر میں سیلز کیش آمدنی سے زائد فنڈز کی زیادہ دستیابی ہے۔

موجودہ واجبات میں داخلی اور بیرونی فروخت کنندگان کے لئے سال کے آخر میں زیادہ ادائیگی بقایا جانے کی وجہ سے بڑھ گئی ہے۔

لیکویڈیٹی مینجمنٹ

پی ٹی سی کا ٹریژری فنکشن کمپنی کے لئے ضرورت کے مطابق مالی اعانت جمع کرنے، اس کے نقد وسائل کا انتظام کرنے اور اس کے کاروباری عمل کے دوران پیدا ہونے والے مالی خطرات کو کم کرنے کے لئے ذمہ دار ہے۔ اتھارٹی کی سطح کے ساتھ ساتھ مالی آلات کی قسم اور استعمال سمیت واضح پیرامیٹرز قائم کیے گئے ہیں۔ خزانے سے متعلق تمام سرگرمیاں متعین پالیسیاں، طریقہ کار اور حدود کے مطابق انجام دی جاتی ہیں۔ ان کا جائزہ لیا جاتا ہے اور بورڈ کے ذریعہ یا اسے فنانس ڈائریکٹر/ ٹریژری کمیٹی کو تفویض کردہ اتھارٹی منظور کرتا ہے۔ صفحہ نمبر 92 پر اس سالانہ رپورٹ میں کمپنی کے لیکویڈیٹی مینجمنٹ اور فنانسنگ انتظامات کا تفصیلی جائزہ فراہم کیا گیا ہے۔

قومی خزانے میں شراکت

ٹیکس نہ ادا کرنے والے سیکٹر کی وجہ سے درپیش چیلنجوں کے باوجود، پی ٹی سی قومی خزانے میں سب سے بڑا تعاون کرنے والے اداروں میں سے ایک ہے۔ 2020 میں حجم میں کمی کے باوجود، کمپنی کی قومی جانچ میں شراکت 112.5 بلین روپے ایکسائز ڈیوٹی، سیلز ٹیکس، انکم ٹیکس اور ریگولیٹری ڈیوٹی میں تھی۔

تمباکو کی صنعت سے حاصل ہونے والی آمدنی میں اضافے کو برقرار رکھنے کے لئے، حکومت کو ٹیکس ادا نہ کرنے والے کے شعبے میں قوانین کا نفاذ اور اس پر قابو پانے پر زیادہ توجہ دینے کی ضرورت ہے۔ غیر قانونی شعبے میں مارکیٹ شیئر میں اضافہ، تقریبا 70 ارب روپے سالانہ کے بھاری نقصان کا اشارہ ہے۔ اس طرح، یہ ضروری ہے کہ غیر قانونی شعبے کو مالی اور انتظامی دونوں طریقوں سے کنٹرول کیا جائے۔

منافع کی تقسیم اور ریزرو تجزیہ

کمپنی نے سال کا آغاز 15.8 ارب روپے کے ذخائر کے ساتھ کیا۔ سال کے دوران، سال 2019 کے اختتام سے متعلق سالانہ 23 روپے فی شیئر کا حتمی منافع حصص یافتگان کے ذریعہ منظور کیا گیا تھا اور بعد میں اس کی ادائیگی کی گئی تھی۔ 2020 میں، کمپنی نے 16.5 بلین روپے کا خالص منافع حاصل کیا اور Q2'20 میں 15 روپے فی حصص اور Q3'20 میں 20 روپے فی شیئر کے دو عبوری منافع کا اعلان کیا۔ سال کے آخر میں کمپنی کے خالص ذخائر کی پوزیشن 16.9 بلین روپے ہے۔ مختص کی تفصیلات بھی نیچے دیئے گئے جدول میں بیان کی گئی ہیں۔

قانون پر عملدرآمد، ٹیکس ادا نہ کرنے والے سیکٹر کی نمو کم کرنے کے لئے کلیدی ستون ہے۔ حکومت کی جانب سے قانون کے نفاذ کی کوششوں کو بڑھانے کی ضرورت ہے۔ جس سے قانونی تمباکو کی صنعت کو مارکیٹ میں برابری کا ماحول ملے گا۔ اور اس سے حکومتی محصولات کی وصولی پر مثبت اثرات مرتب ہوں گے۔

2020 کے دوران پاکستان ٹوبیکو کمپنی کی برانڈز کے جعلی بنانے میں تیزی سے اضافہ ہوا ہے۔ ایک آزاد ریسرچ کے مطابق پاکستان ٹوبیکو کمپنی کی برانڈز کے جعلی بنانے کا حجم سالانہ 2.8 بلین سگریٹ تھے، جس سے حکومت کو 6 ارب روپے کے نقصان کا امکان تھا۔ جوابی تدابیر کے طور پر کمپنی نے ایک ٹیکنالوجی کا حل پیش کیا، جس سے کمپنی نے 1.2 ارب سگریٹ کے حجم کو روکنے میں کامیاب ہوئی۔ یہ حل نہ صرف 'پوائنٹ آف سیل' پر صارفین کو اصل مصنوعات کی نشاندہی کرتا ہے بلکہ قانون نافذ کرنے والے اداروں کو بھی جعلی مصنوعات کی جگہ کا پتہ چلانے کے لیے ایک موثر حل ہے۔ یہ اقدامات جعلی برانڈز کی روک تھام میں معاون ثابت ہوئے ہیں اور ان سے پاکستان ٹوبیکو کمپنی کی اپنے برانڈز کی فروخت کو بہتر بنانے میں مدد ملی ہے اور اس کے نتیجہ میں قومی خزانے کو بھی ادائیگیوں میں اضافہ ہوا ہے۔

ریگولیٹری ماحولیات

2021 کی پہلی سہ ماہی کے اختتام تک وزارت قومی صحت برائے خدمات، ضوابط اور کوارڈینیشن نے ایک قانونی ریگولیٹری آرڈر جاری کیا جس کے تحت تمباکو اور تمباکو کی مصنوعات کی تشہیری مہم اور سپانسر شپ پر پابندی عائد کی گئی۔ اس سے تمباکو کے شعبے میں قانونی انڈسٹری پر مزید منفی اثرات مرتب ہوئے کیونکہ ٹیکس ادا نہ کرنے والے مقامی برانڈز پہلے سے موجود قوانین کے ساتھ نئے قوانین کی بھی خلاف ورزیاں کر رہے ہیں۔

پاکستان ٹوبیکو کمپنی نے اس ایس آر او کی کچھ ایسی شقوں کو سندھ ہائی کورٹ میں چیلنج کیا ہے جو کہ 'انسداد تمباکو نوشی اور نان سموکر آرڈیننس 2002' کے دائرہ سے باہر آتی ہیں۔

کمپنی کی کارکردگی

زیر غور سال کے دوران کمپنی نے فروخت میں 7 فیصد کی کمی دیکھی ہے۔ جس کہ وجہ مالی سال 19-2018 اور مالی سال 20-2019 کے بجٹ میں ایکسائز ڈیوٹی میں 93 فیصد اضافہ اور مالی سال 21-2020 کے بجٹ کے بعد ٹیکس ادا نہ کرنے والے برانڈز کی قیمت میں 10 روپے فی پیک کمی ہے۔ 2020 میں کمپنی نے قانونی انڈسٹری کے مارکیٹ شیئر میں 1.3 فیصد کے اضافہ کے ساتھ اپنی مارکیٹ لیڈر کی پوزیشن کو مستحکم رکھا جس سے مارکیٹ شیئر کی سطح 76.2 فیصد تک پہنچ چکی ہے۔ پاکستان ٹوبیکو کمپنی نے قومی خزانے کو 112.5 ارب روپے، ایکسائز ڈیوٹی، سیلز ٹیکس، انکم ٹیکس اور ریگولیٹری ڈیوٹی کی مد میں ادا کیے ہیں۔

کمپنی لاگت کے موثر انتظام، کم قیمت موثر اقدامات، اور مشینری کے انفراسٹرکچر کو جدید بنانے کو یقینی بناتے ہوئے اپنی ویلیو چین میں پیداواری صلاحیت کو بڑھانے پر دھیان دے رہی ہے۔ 2019 میں، کمپنی نے برٹش امریکن ٹوبیکو گروپ کے لئے ایک نیا ایکسپورٹ ہب بن کر اپنا پہلا "میڈ ان پاکستان" ایکسپورٹ سفر شروع کیا، اور 2020 میں اس کا مکمل پیمانے پر آپریشن کا پہلا سال، ملک کو غیر ملکی براہ راست آمدنی میں 31.1 ملین ڈالر فراہم کرتا تھا۔ پی ٹی سی کے ایکسپورٹ آپریشن میں آنے والے سالوں میں اضافے کی بڑی صلاحیت ہے جو ملک میں اضافی قیمتی غیر ملکی کرنسی کی آمد کو پیدا کرے گی۔

حجم، کرنسی کی قدر میں کمی، افراط زر اور کوویڈ 19 سے وابستہ اخراجات میں کمی کے نتیجے میں کمپنی کا لاگت کی بنیاد 2020 کے دوران دباؤ میں رہی۔ ان چیلنجوں کے باوجود، کمپنی نے لاگت کے موثر انتظام پر توجہ مرکوز رکھنا جاری رکھا اور ایک سے زیادہ کارکردگی میں بہتری لانے والے منصوبوں کو پیش کیا، اس طرح اس سے اخراجات کو برقرار رکھنے کا موقع ملا۔

برٹش امریکن ٹوبیکو گروپ اپنے کاروبار کے صحت پر اثرات کو کم کر کے اور اپنے بالغ صارفین کو کم خطرناک مصنوعات کی پیش کش کر کے "ایک بہتر کل" کا ایجنڈا بنا رہا ہے۔ اس گروپ نے تحقیق اور ترقی میں تقریباً 5 بلین ڈالر کی نئی اقسام کے لئے سرمایہ کاری کی ہے جو امکانی طور پر کم خطرے کی مصنوعات پر مشتمل ہیں۔ 2020 میں، پی ٹی سی نے گروپ کے تمباکو سے ہونے والے نقصان کو کم کرنے کے ایجنڈا کے مطابق، اورل نیکوٹین مصنوعات (VELO) کو شروع کیا۔ فی الحال، VELO ڈسٹری بیوشن نیٹ ورک میں پاکستان کے 17 شہروں میں توسیع ہوگئی ہے اور پی ٹی سی کے مقصد کو برقرار رکھنے کے لئے اس کی صلاحیت کو بروئے کار لانے کے لئے اہم کوششیں جاری ہیں۔

اپنے کاروبار کے ساتھ، کمپنی ملک میں بہترین ہنر کو راغب کرنے اور اسے برقرار رکھنے کے ذریعہ لوگوں پر ایک مضبوط توجہ مرکوز رکھتی ہے۔ پی ٹی سی کو 2020 میں ٹاپ ایمپلائر انسٹی ٹیوٹ نے ٹاپ ایمپلائر سے نوازا تھا۔ اس کے علاوہ، تنوع اور شمولیت پر اپنی توجہ اور مستقل توجہ کے لیے کمپنی کو عالمی تنوع اور شمولیت کے بینچ مارک کے ذریعہ "عالمی تنوع اور شمولیت، ترقی پسند ایوارڈ 2020" بھی دیا گیا۔

پی ٹی سی کا شجر کاری پروگرام نجی شعبے کے سب سے بڑے شجر کاری پروگراموں میں سے ایک ہے اور ایک موبائل ڈاکٹر یونٹ (ایم ڈی یو) پروگرام ہے۔ 1981 سے جاری اس پروگرام کے تحت، کمپنی نے 2020 میں مفت میں 9 ملین سے زائد پودے لگائے اور تقسیم کیے۔ لاہور میں ایک مکمل طور پر شمسی توانائی سے چلنے والی نرسری بھی زیر تعمیر ہے۔ ایم ڈی یو پروگرام کے تحت، کمپنی نے 2020 میں 50,000 سے زائد مریضوں کو بلا معاوضہ طبی مشورے اور دوائیں مہیا کیں۔ یہ یقینی بنانے کے لئے کہ عام آدمی پانی سے پیدا ہونے والی بیماریوں سے محفوظ ہے، کمپنی 5 واٹر فلٹریشن پلانٹ کے ذریعے معاشرے کے کم مراعات یافتہ طبقوں کو صاف پینے کی سہولیات فراہم کر رہی ہے۔ واٹر فلٹریشن پلانٹ جو فی دن 64,000 لیٹر پانی کو فلٹر کرتے ہیں۔ یہ پلانٹ اکوڑہ خٹک، فیصل آباد اور جہلم کے دیہی علاقوں میں ہیں۔

	روپے (ملین) FY2020	روپے (ملین) FY2019
گھریلو کاروبار	**161,275**	147,292
برآمدات کا کاروبار	**4,983**	1,733
فیڈرل ایکسائز ڈیوٹی اور سیلز ٹیکس	**105,368**	97,050
نیٹ کاروبار	**60,891**	51,975
فروخت کی لاگت	**29,329**	25,765
کل منافع	**31,562**	26,210
آپریٹنگ منافع	**21,846**	17,675
ٹیکس سے پہلے منافع - پی بی ٹی	**22,388**	18,285
ٹیکس کے بعد منافع - پی اے ٹی	**16,492**	12,889
فی شیئر آمدنی روپے	**64.55**	50.45

ڈائریکٹرز رپورٹ

ڈائریکٹرز نے پاکستان ٹوبیکو کمپنی لمیٹڈ (پی ٹی سی) کی سالانہ رپورٹ وبشمول آڈٹ شدہ مالی سال کی رپورٹ کو سال کے اختتام پر 31 دسمبر 2020 کو پیش کی۔

معاشی ماحول

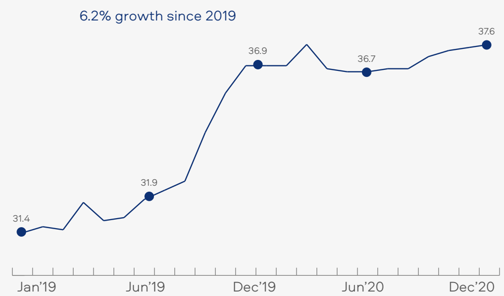
2020 میں، کوویڈ 19 وبائی امراض نے درپیش چیلنجوں کی وجہ سے عالمی معیشت کو اعلیٰ حد تک غیر یقینی کا سامنا کرنا پڑا، اور پاکستان اس سے مختلف نہیں تھا۔ سال کے پہلے نصف حصے میں خاص طور پر دباؤ پڑا تھا جس کی وجہ سے ملک بھر میں بار بار لاک ڈاؤن کاروبار اور سماجی سرگرمیوں کو متاثر کرتے تھے۔ وائرس کے پھیلاؤ پر قابو پانے کے لیے قومی لاک ڈاؤن کے نتیجے میں مینوفیکچرنگ اور سپلائی چین میں خلل پڑنے کی وجہ سے، پاکستان کی 22.9 بلین ڈالر کی برآمدات میں گذشتہ سال کی اسی مدت کے مقابلے میں 6.8- فیصد کی کمی واقع ہوئی ہے (ایس پی ایل وائے)۔

کوویڈ 19 کے منفی اثرات کو کم کرنے کے لئے، حکومت نے گھریلو پیداوار کی صلاحیتوں کو بڑھانے کے لئے پلانٹ اور مشینری میں سرمایہ کاری کے لئے عارضی معاشی ری فنانس سہولت جیسی اسکیمیں متعارف کروا کر ملک میں معاشی سرگرمیوں کو بڑھانے کے لئے متعدد ہدف بنائے گئے اقدامات، برآمد کاروباری اداروں کو ورکنگ سرمایہ میں ریلیف کی فراہمی کے لئے برآمدی کاموں اور تنخواہوں کی مالی اعانت میں اضافے کے لئے ری فائنانس سہولت۔ اس کو مزید 2020 کے دوران اسٹیٹ بینک کی مانیٹری پالیسی کمیٹی کے ذریعہ اعلان کردہ پالیسی نرخوں میں کمی کے ذریعہ بڑھایا گیا جس نے گزشتہ سال اسی مدت کے مقابلے میں 12.6 فیصد افراط زر کی سابقہ سطح سے 4.6 فیصد کم کرنے میں مدد دی۔

توقع کے برخلاف، غیر ملکی کارکنوں کے پاکستان کو ترسیلات زر 6.4 فیصد اضافے سے مالی سال 2019-20 میں 23.1 بلین ڈالر تک پہنچ گئی۔ اس سے موجودہ معاشی صورتحال میں کافی مطلوبہ استحکام ملا جس میں پاکستانی روپے دسمبر 2019 سے صرف 3 فیصد سالانہ 154.9 / امریکی روپے سے کم ہوا۔

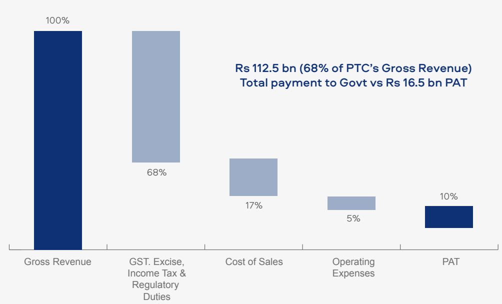
Graph 1

Illicit Market Share (%)



Graph 2

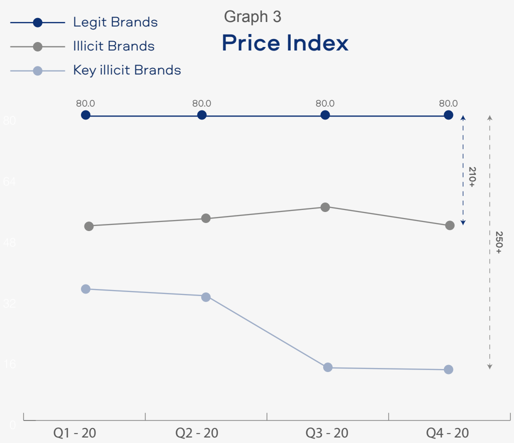
PTC's Profit & Loss Snaphot



68% of Gross earnings given as Govt Revenue

Graph 3

Price Index



Source: Access Retail & Neilsen - Retail Audit 2020

صنعت کا جائزہ

مالی ماحول

مالی سال 2018-2019 اور مالی سال 2019-2020 کے دوران ویلیو فارمنی (وی ایف ایم) برانڈز پر ایکسائز ڈیوٹی میں 93 فیصد کا اضافہ ہوا جس کے نتیجے میں ڈیوٹی ادا کرنے والے اور ڈیوٹی نہ دیے جانے والے برانڈز کے درمیان قیمت کا فرق بڑھ گیا۔ 2020 میں 37.7 روپے کے غیر قانونی برانڈ کے مقابلے میں ڈیوٹی ادا شدہ وی ایف ایم برانڈز کی سیل آوٹ قیمت 80 روپے فی پیکٹ رہی تھی جس کے نتیجے میں غیر قانونی تجارت کے حجم میں اضافہ ہوا ہے۔ جیسا کہ گراف 1 میں دکھایا گیا ہے۔

مالی سال 2020-21 کے بجٹ میں، حکومت نے ڈیوٹی نہ ادا کرنے والے برانڈ اور قانونی ویلیو فارمنی برانڈز کے درمیان قیمت کے فرق کو کم کرنے کے لئے ایکسائز ریٹ میں کوئی تبدیلی نہیں کی۔ اس کا مثبت نتیجہ نکل سکتا تھا جس سے تمباکو کے شعبے میں صارفین کے لیے قیمتوں میں استحکام پیدا ہوتا۔ توقع کے برعکس، ڈیوٹی ادا کردہ اور ڈیوٹی ادا نہ کرنے والے مصنوعات کے درمیان قیمت کا فرق 250 فیصد بڑھ گیا کیونکہ غیر قانونی شعبے میں برانڈز نے ان کی فروخت کی قیمتوں میں 25 فیصد (30.5 روپے تک) کمی کر دی۔

ڈیوٹی ادا کردہ اور ڈیوٹی نہ دینے والے برانڈز کے مابین جو تفاوت موجود ہے وہ قانونی تمباکو کے شعبے کیلئے ایک سنگین چیلنج بنا ہوا ہے جہاں ڈیوٹی ادا نہ کرنے والے برانڈز کی قیمتیں حکومت کی کم سے کم قیمت 62.75 روپے فی پیکٹ سے ہی کم نہیں بلکہ کم سے کم ایکسائز اور سیلز ٹیکس سے بھی کم ہیں۔ 20 سگریٹ کے ایک پیکٹ پر ٹیکس یعنی 42.12 روپے فی پیکٹ کے ادا نہ کرنے سے نہ صرف ٹیکس ادا کرنے والی قانونی صنعت کی استحکام پر اثر پڑتا ہے بلکہ اس سے سالانہ لگ بھگ 70 ارب روپے کا قومی خزانے کو بھی نقصان ہوتا ہے۔

D- سی ڈی سی اکاؤنٹس والی کمپنی کے کارپوریٹ شیئر ہولڈرز کو لازم ہے کہ وہ اپنے قومی ٹیکس نمبر (این ٹی این) کو اپنے متعلقہ شرکاء یا سی ڈی سی کے انویسٹر اکاؤنٹ سروسز کے ساتھ اپ ڈیٹ کریں، جس کے ساتھ ان کے حصص رکھے گئے ہیں، جبکہ کارپوریٹ جسمانی حصص داروں کو اپنے این ٹی این کی ایک کاپی بھیجنا چاہیے۔ کمپنی یا شیئر رجسٹرار کو سرٹیفکیٹ دیں۔ جیسا کہ معاملہ ہو، NTN یا NTN سند بھیجتے ہوئے حصص یافتگان کو لازم ہے کہ کمپنی کا نام اور ان کے متعلقہ فولیو نمبرات کا حوالہ دیں۔

8۔ زکوۃ کی کٹوتی:

زکوۃ کی لازمی کٹوتی سے استثنٰی کے دعوے کے لئے، حصص داروں سے درخواست ہے کہ وہ اپنے زکوۃ ڈیکلیریشن فارم CZ"-"50 کی ایک نوٹریائز ڈ کاپی NJSP پر 50 روپے میں جمع کروائیں شیئر رجسٹرار کو۔

9۔ ای ووٹنگ:

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

10۔ کمپنیوں کے ایکٹ، 2017 کے دعویدار ڈویڈن/حصص U/244S:

کمپنی کے دعویدار منافع/حصص کے لئے ایک تازہ ترین فہرست کمپنی کی ویب سائٹ پر دستیاب ہے www.ptc.com.pk. یہ غیر دعویدار منافع/حصص ہیں جو اس مدت سے ادائیگی اور قابل ادائیگی کی تاریخ سے تین سال کی مدت کے لئے غیر دعویدار یا بلا معاوضہ رہے ہیں۔

دعوی فارم کے حصص یافتگان کے ذریعہ دعوی کیا جاسکتا ہے جیسا کہ کمپنی کی ویب سائٹ پر دستیاب ہے۔ ڈیویڈنڈ/حصص کی وصولی کے لئے دعوے کے فارم کمپنی کے شیئر رجسٹرار کو جمع کروائے جائیں۔

11۔ ایڈریس کی تبدیلی:

A- فزیکل حصص رکھنے والے ممبران سے گزارش ہے کہ وہ کمپنی کے شیئر رجسٹرار کو فوری طور پر اپنے مطلع شدہ پتے میں تبدیلیوں کے بارے میں مطلع کریں۔

B- الیکٹرانک شکل میں سی ڈی سی کے ساتھ حصص رکھنے والے ممبران کو اپنے شرکاء یا سی ڈی سی انویسٹر اکاؤنٹ سروسز کے ایڈریس کی تبدیلی کو مطلع کرنا ہوگا جس کے ساتھ ان کے حصص رکھے گئے ہیں۔

12۔ رابطہ کی تفصیلات:

کمپنی سے رابطہ:

کمپنی سیکریٹری
پاکستان ٹوبیکو کمپنی لمیٹڈ
سرینا بزنس کمپلیکس، خیابان سہروردی، اسلام آباد

فون: 2083200 51 92 +

شیئر رجسٹرار:

فیمکو ایسوسی ایٹس (نجی) لمیٹڈ
8-ایف، نزد ہوٹل فاران، نرسری، بلاک-6،
پی ای سی ایچ ایس
شاہراہ فیصل، کراچی
+92 21 34380101-5

info.shares@famco.com.pk

i) نمائندگی فارم کی سافٹ کاپی ہماری ویب سائٹ پر پوسٹ کی گئی ہے www.ptc.com سیکشن کے تحت سرمایہ کاروں کے تعلقات۔ بھرے ہوئے فارم کی اسکین شدہ کاپی کو درج ذیل ای میل ایڈریس پر بھیجنا ضروری ہے: zeeshan.akhtar@famco.com.pk، جلسہ کے وقت سے اڑتالیس (48) گھنٹوں سے کم نہیں۔ 20 اپریل 2021 کو صبح ساڑھے دس بجے کے بعد مذکورہ اڑتالیس (48) گھنٹوں کے بعد موصول ہونے والے نمائندے فارم (دستاویزات) کو درست نہیں سمجھا جائے گا۔

ii) درست CNIC کی تصدیق شدہ کاپیاں یا فائدہ مند مالکان اور نمائندے کی درست پاسپورٹ نمائندے فارم کے ساتھ پیش کی جائیں گی۔

iii) کارپوریٹ ہستی کی صورت میں، بورڈ آف ڈائریکٹرز کی ریزولوشن/ پاور آف اٹارنی کے ساتھ نمونوں کے دستخط اور اس کی طرف سے نمائندگی اور ووٹ ڈالنے کے لئے کارپوریٹ ادارہ کے ذریعہ نامزد شخص کی تصدیق شدہ کاپی پیش کی جائے گی۔

5۔ NTN/CNIC تفصیلات لازمی قرار دیں:

A- اراکین جنہوں نے ابھی تک کمپنی کے پاس اپنی درست CNIC یا درست پاسپورٹ کی کاپی جمع نہیں کروائی ہے، انہیں ایک بار پھر یاد دہانی کرائی گئی ہے کہ وہ جلد سے جلد کمپنی کو یا شیئر رجسٹرار کو بھیجیں۔ CNIC نمبر/ NTN کی تفصیلات لازمی ہیں اور فیڈرل بورڈ آف ریونیو (ایف بی آر) کے ذریعہ وقتا فوقتا جاری کردہ ایکٹو ٹیکس دہندگان کی فہرست (اے ٹی ایل) کے مطابق ٹیکس کی حیثیت کی جانچ پڑتال کے لئے بھی ضروری ہے۔

B- انفرادی ممبران (بشمول تمام مشترکہ ہولڈرز) کمپنی کے جسمانی شیئر سرٹیفکیٹ رکھتے ہیں لہذا درخواست کی جاتی ہے کہ اگر وہ پہلے سے مہیا نہ ہوئی ہو تو ان کے جائز CNC کی کاپی کمپنی یا اس کے شیئر رجسٹرار کو پیش کریں۔ سی این آئی سی بھیجتے وقت حصص یافتگان کو اپنے متعلقہ فولیو نمبرز کا حوالہ دینا ہوگا۔

C- کسی صحیح CNIC کی کاپی موصول نہ ہونے کی صورت میں، کمپنی کو اس طرح کے حصص یافتگان کی تقسیم روکنے کے لئےکمپنیز ایکٹ، 2017 ("کمپنی ایکٹ") کے سیکشن 243(3) کے تحت پابند کیا جائے گا۔

6۔ ڈیویڈینڈ، آئیبین کی فراہمی، لازمی:

ایک لسٹڈ کمپنی کے لئے لازمی ہے کہ وہ اپنے حصص یافتگان کو صرف الیکٹرانک موڈ کے ذریعے نقد ڈویڈنڈ ادا کرے جس کے تحت حصص یافتگان (بینک اکاؤنٹ) کے ذریعہ متعین کردہ اپنے متعلقہ بینک اکاؤنٹ میں براہ راست ترسیلات زر بھیجے جائیں، جس کا عنوان پرنسپل سے ہونا چاہئے۔ حصہ دار کا نام۔ لہذا، کمپنی جسمانی منافع کے وارنٹ جاری کرنے کے بجائے، اپنے ممبر کے بینک اکاؤنٹس میں براہ راست منافع وصول کرے گی۔ ان کے بینک اکاؤنٹ میں براہ راست منافع حاصل کرنے کے لphysical، جسمانی شکل میں حصص رکھنے والے ممبروں سے درخواست کی جاتی ہے کہ وہ "الیکٹرانک کریڈٹ مینڈیٹ فارم" کا استعمال کرتے ہوئے اپنا بین الاقوامی بینک اکاؤنٹ نمبر (I B A N) جمع کروائیں، جو کمپنی کی ویب سائٹ پر دستیاب ہیں۔ .www.ptc.com.pk براہ کرم، مکمل فارم کو پُر کریں اور ایک درست CNIC کی کاپی کے ساتھ کمپنی کے شیئر رجسٹرار کو بھیجیں info.shares@famco.com.pk 15 اپریل 2021 تک تازہ ترین۔ ممبران جو سی ڈی سی کھاتوں میں حصص رکھتے ہیں وہ اپنا مینڈیٹ اپنے متعلقہ شریک یا سی ڈی سی انویسٹر اکاؤنٹ سروسز کو فراہم کریں۔ پہلے سے ہی اپنے بینک اکاؤنٹ میں براہ راست منافع حاصل کرنے والے حصص داروں کو دوبارہ الیکٹرانک کریڈٹ مینڈیٹ فارم بھیجنے کی ضرورت نہیں ہے۔

7۔ لازمی طور پر ڈیویڈینڈ انکم ٹیکس کی کٹوتی:

A- براہ کرم نوٹ کریں کہ ایف بی آر کی ویب سائٹ پر دستیاب شرحوں کے مطابق موجودہ ایکٹیوٹ ٹیکس دہندگان کی فہرست (اے ٹی ایل) کی بنیاد پر ود ہولڈنگ ٹیکس میں کٹوتی کی جائے گی:

1 ایکٹو ٹیکس دہندگان کی فہرست میں شامل حصص یافتگان (اے ٹی ایل): 15 فیصد

2 حصص یافتگان ایکٹیوٹ ٹیکس دہندگان کی فہرست (اے ٹی ایل) میں شامل نہیں ہو رہے ہیں: 30 فیصد

کمپنی کو 30 کی بجائے 15 فیصد cash نقد منافع کی رقم پر ٹیکس کی کٹوتی کرنے کے قابل بنانے کے لئے، جن حصص یافتگان کے نام فیڈرل بورڈ آف ریونیو (ایف بی آر) کی ویب سائٹ پر فراہم کردہ ایکٹیوٹ ٹیکس دہندگان کی فہرست (اے ٹی ایل) میں نہیں آرہے ہیں۔، اس حقیقت کے باوجود کہ وہ فائلر ہیں، انہیں فوری طور پر یہ یقینی بنانے کی ہدایت کی گئی ہے کہ ان کے نام اے ٹی ایل میں داخل ہوں، بصورت دیگر ان کے نقد منافع پر ٹیکس 15 فیصد کے بجائے 30 فیصد ٹیکس کی کٹوتی کی جائیگی۔

B- منافع بخش آمدنی سے ود ہولڈنگ ٹیکس میں چھوٹ صرف کارپوریٹ حصص یافتگان کو ہی ہوگی جب کتاب کے اختتام کے پہلے دن تک کمپنی کے شیئر رجسٹرار، فیمکو ایسوسی ایٹس (پرائیوٹ) لمیٹڈ کو درست ٹیکس استثنیٰ سرٹیفکیٹ کی ایک کاپی دستیاب ہو جائے۔

C- مزید یہ کہ ایف بی آر سے موصولہ وضاحت کے مطابق، مشترکہ کھاتوں کے معاملے میں، ودہولڈنگ ٹیکس پرنسپل حصص یافتگان کے ساتھ ساتھ مشترکہ ہولڈر (حصص یافتگیان کی تناسب کی بنیاد پر) فائلر/ نان فائلر کی حیثیت پر الگ سے طے کیا جائے گا۔

اس سلسلے میں، کمپنی کے تمام ممبران/حصص یافتگان کو یا تو جسمانی 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 شیئر دارک اور جوائنٹ ہولڈر (حصص) کے شیئر ہولڈنگ تناسب فراہم کریں۔ اگر ہمارے شیئر رجسٹرار کو پہلے ہی فراہم نہیں کیا گیا ہو تو تحریری طور پر اور درج ذیل طریقے سے:

		پرنسپل شیئر ہولڈر		جوائنٹ شیئر ہولڈرز	
کمپنی کا نام	فولیو/سی ڈی سی اکاؤنٹ#	نام اور شناختی کارڈ نمبر	حصص یافتگی کا تناسب (حصص کی تعداد)	نام اور شناختی کارڈ نمبر	حصص یافتگی کا تناسب (حصص کی تعداد)

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

سالانہ اجلاس عام کا نوٹس

نوٹس یہاں دیا جاتا ہے کہ پاکستان ٹوبیکو کمپنی لمیٹڈ ("کمپنی") چوہترویں سالانہ جنرل میٹنگ ("کمپنی") سرینا ہوٹل، خیابانِ سہروردی میں، اور ساتھ ہی جمعرات کو، 22 اپریل 2021 کو صبح 10:30 بجے کو منعقد ہوگی۔ جس میں مندرجہ ذیل باتیں طے ہوں گی۔

ابتدائی کاروبار:

1۔ کمپنی کے آڈٹ شدہ مالیاتی بیانات وصول کرنے، اس پر غور کرنے اور اس کو اپنانے کے لیے 31 دسمبر 2020 کو ختم ہونے والے سال کے لئے، اس کے ساتھ ہی اس میں ڈائریکٹرز اور آڈیٹرز کی رپورٹس بھی شامل ہوں گی۔

2۔ بورڈ کے ذریعہ تجویز کردہ کمپنی کے عام حصص پر 31 دسمبر 2020 کو ختم ہونے والے سال کے لئے حتمی منافع کی منظوری اور اعلان کرنا۔

3۔ آڈیٹرز کی تقرری اور ان کا معاوضہ کا فیصلہ کرنا۔

بحکم بورڈ

سمیع زمان
کمپنی سیکرٹری

اسلام آباد: 30 مارچ 2021

نوٹ:

1۔ سالانہ رپورٹ:

31.12.2020 کو ختم ہونے والے سال کی سالانہ رپورٹ کی ایک سافٹ کاپی (سی ڈی) شیئر ہولڈرز کو ان کے دیئے گئے پتوں پر بھجوا رہی ہے اور ہماری ویب سائٹ پر ڈاؤن لوڈ کے لئے پوسٹ کی جارہی ہے .www.ptc.com.pk حصص یافتگان جو سالانہ رپورٹ کی ہارڈ کاپی حاصل کرنا چاہتے ہیں ان سے گزارش ہے کہ ہمیں اس پر مطلع کریں PTC_AGM@bat.com، سالانہ رپورٹ کی ایک ہارڈ کاپی ان کو مناسب طریقے سے بھیجی جائے گی۔

2۔ منتقلی کی مشترکہ کتابوں کا تبادلہ:

کمپنی کے حصص کی منتقلی کی کتابیں 16 اپریل 2021 سے 22 اپریل 2021 (دونوں دن شامل) تک بند رہیں گی جب رجسٹریشن کے لئے کمپنی کے حصص کی منتقلی قبول نہیں کی جائے گی۔ جن شیئر ہولڈرز کی درخواست کمپنی کے شیئر رجسٹرار، فیمکو ایسوسی ایٹس (نجی) لمیٹڈ، 8-ایف، ہوٹل فاران کے قریب، نرسری، بلاک-6، پی ای سی ایچ ایس، شہرہ فیصل، کراچی-75400 ("The share registrar") بذریعہ ڈاک 15 اپریل 2021 کو بروقت وصول ہو وہ شرکت، ووٹ ڈالنے اور ڈیوڈنڈ ادائیگی کے حقدار ہوں گے۔

3۔ قومی عام اجلاس میں حصہ لینا:

کمپنی کے تمام ممبر/حصص یافتگان میٹنگ میں شرکت اور ووٹ ڈالنے کے حقدار ہیں۔

4۔ اراکین کی توجہ:

A. سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (ایس ای سی پی) کے ذریعہ جاری کردہ 15 فروری 2021ء کے 2021 کے سرکلر نمبر: 4 کے پیش نظر، کمپنی اس AGM کو جسمانی اور الیکٹرانک طور پر ویڈیو لنک انتظامات کے ذریعہ طلب کررہی ہے۔

i) ممبران اپنے اسمارٹ فونز یا کمپیوٹر ڈیوائسز کے ذریعے ویڈیو لنک انتظامات میں لاگ ان کر سکتے ہیں جس کے بعد میٹنگ میں حاضری کی باقاعدگی ختم ہو جاتی ہے جو ممبران کو شناخت اور تصدیق کی رسمی کارروائیوں کو مکمل کرنے کے بعد فراہم کی جائیں گی۔ ممبران سے درخواست ہے کہ وہ اپنا نام، CNIC (دونوں فریق اسکین شدہ کاپیاں)، فولیو/سی ڈی سی اکاؤنٹ نمبر، سیل فون نمبر اور ای میل ایڈریس 20 اپریل 2021 تک درج ذیل ای میل ایڈریس پر فراہم کریں: .PTC_AGM@bat.com کے ویڈیو لنک انتظامات کی تفصیلات صرف ان ممبروں کو ارسال کی جائیں گی جو مذکورہ تاریخ اور وقت کے مطابق مذکورہ بالا تفصیلات فراہم کرتے ہیں۔

ii) اس کے علاوہ، اگر شریک اراکین کے پاس اے جی ایم کے ایجنڈے آئٹمز پر گفتگو کے لئے بھی کچھ تبصرے / مشورے ہوں تو وہ مذکورہ ای میل ایڈریس پر ای میل کریں۔ PTC_AGM@bat.com، 20 اپریل 2021 تک۔ ایجنڈا کے آئٹمز پر صرف ان تبصروں/مشوروں پر ہی اے جی ایم میں تبادلہ خیال کیا جائے گا جو مذکورہ تاریخ اور وقت کے ذریعہ مذکورہ ای میل ایڈریس پر موصول ہوئے ہیں۔

iii) کمپنی اس بات کو یقینی بنائے گی کہ مذکورہ شق (ii) کے مطابق پیش کردہ ممبروں کے تبصرے/مشورے، کمپنی سکریٹری کے اجلاس میں پڑھ کر سنائے جائیں گے اور جوابات کو اجلاس کے منٹوں کا حصہ بنایا جائے گا۔

B- شخصی طور پر:

i) انفرادی اراکین کو اجلاس میں شرکت کے وقت اپنے شرکت کنندہ کا شناختی نمبر اور اکاؤنٹ/سب اکاؤنٹ نمبر مع اصل کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) یا اصل پاسپورٹ اپنے ہمراہ لانا ہوں گے۔

ii) کارپوریٹ ادارے کی صورت میں، اجلاس کے وقت نامزد شخص کے نمونہ کے دستخط کے ساتھ بورڈ آف ڈائریکٹرز کی قرارداد/ پاور آف اٹارنی کی مصدقہ کاپی پیش کرنا ہوگی۔

C- نمائندے کے ذریعہ حاضری: ایک ممبر ایک نمائندے (جس کو کمپنی کا ممبر بننے کی ضرورت نہیں) مقرر کرنے کا حق ہے جو مقرر کردہ ممبر کی جگہ جسمانی طور پر بھی ویڈیو لنک کے ذریعہ شرکت، بولنے اور ووٹ ڈالنے کا حق حاصل کرے گا۔ نمائندے کا تقرر مندرجہ ذیل طریقے سے کیا جائے گا۔

GLOSSARY AND DEFINITIONS

Acid Test Ratio
The ratio of liquid assets to current liabilities

AGM
Annual General Meeting

AJK
Azad Jammu and Kashmir

AKF
Akora Khattak Factory

ALT
Area Leadership Team

Amortisation
To charge a regular portion of an expenditure over a fixed period of time

AmSSA
Americas & Sub-Saharan Africa

APME
Asia Pacific & Middle East

APL
Approved Product List

ASOP
Area Sales Operations Planning

ATL
Active Taxpayers List

BA
Bachelors in Arts

BAT
British American Tobacco

BCP
Business Continuity Planning

BOM
Battle of Minds

CDC
Central Depository Company

CEO
Chief Executive Officer

CFO
Chief Financial Officer

CGS
Chief of General Staff

CMA
Certified Management Accountant

CNIC
Computerized National Identity Card

COO
Chief Operating Officer

CSR
Corporate Social Responsibility

CTC
Ceylon Tobacco Company

Current Ratio
The current ratio indicates a company's ability to meet short-term debt obligations

Debt-to-Equity Ratio
The ratio found by dividing total debt by the equity (all assets minus debts) held in stock (This is a measure of financial risk)

Dividend Payout Ratio
The ratio found by dividing the annual dividends per share by the annual earnings per share

DNA
Deoxyribonucleic Acid

Earnings Per Share
Earnings found by dividing the net income of the Company by the number of shares of common outstanding stock

EBITDA
Earnings before Interest, Taxes, Depreciation and Amortization

EH&S
Environment, Health & Safety

ENA
Europe & North Africa

ExCo
Executive Committee

FBR
Federal Board of Revenue

FED
Federal Excise Duty

Fiscal Deficit
Fiscal deficit occurs when a government's total expenditure exceeds the revenue that it generates, excluding money from borrowings

FMCG
Fast Moving Consumer Goods

FTSE
Financial Times Stock Exchange

FX
Foreign Exchange

GB
Gilgit-Baltistan

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

GG
Global Graduate

GLT
Green Leaf Threshing

HR & RC
Human Resource and Remuneration Committee

HR
Human Resource

IBM
International Business Machines

ICAP
Institute of Chartered Accountants of Pakistan

ICP
Investment Corporation of Pakistan

IDT
Information and Digital Technology

IFAC
International Federation of Accountants

IT
Information Technology

ITIL
Information Technology Infrastructure Library

IWS
Integrated Work System

JF
Jhelum Factory

JV
Joint Venture

KPIs
Key Performance Indicators

KPK
Khyber Pakhtunkhwa

LLB
Bachelor of Laws

M.A
Masters in Arts

MBA
Masters in Business Administration

MCB
Muslim Commercial Bank

MD
Managing Director

MIS
Management Information Systems

MoU
Memorandum of Understanding

MS
Masters in Sciences

NIT
National Investment Trust

NEBOSH
National Examination Board in Occupational Safety and Health

Net Working Capital:
Current assets minus current liabilities

NJSP
Non-Judicial Stamp Paper

NRSP
National Rural Support Programme

NTN
National Tax Number

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

ORA
Overall Risk Assessment

P.l.c
Public Limited Company

Price-Earnings Ratio (P/E)
The ratio found by dividing market price per share by earnings per share (This ratio indicates what investors think of the firm's earnings' growth and risk prospects)

PPEs
Personal Protective Equipments

PTC
"Pakistan Tobacco Company Limited" or "The Company"

QRP
Quick Risk Prediction

R&D
Research and Development

RAI
Reynolds American Incorporated

Return on Equity (ROE)
The value found by dividing the Company's net income by its net assets (ROE measures the amount a company earns on investments)

RMC
Risk Management Committee

SAA
South Asia Area

SECP
Securities Exchange Commission of Pakistan

SfD
Strength from Diversity

SoBC
Standards of Business Conduct

SOx
Sarbanes-Oxley

SPLY
Same Period Last Year

TFP
Teach For Pakistan

TSS
Technical Security Standards

UK
United Kingdom

USA
United States of America

VFM
Value for Money

vs.
Versus

WMS
Wrapping Material

WOW
Way of Working

FORM OF PROXY

Pakistan Tobacco Company Limited

I/We ______________________________

of ______________________________

being a member(s) of Pakistan Tobacco Company Limited ("Company"), holding ______________

Ordinary Share(s) as per Register Folio No./CDC account No. ______________

hereby appoint Mr./Ms. ______________________________

Folio No. / CDC Account No.(if member) ______________ of ______________

or failing him/her, Mr./Ms. ______________________________

Folio No. / CDC Account No. (if member) ______________________________

as my/our proxy in my/our absence to attend and vote for me/us, and on my/our behalf at the 74th Annual General Meeting of the Company to be held on the 22nd day of April 2021 and at any and every adjournment thereof.

Signed by ______________________________

Signed under my/our hand this the ____________ day of ______________ 2021.

WITNESS – 1

Name: ______________________________

CNIC: ______________________________

Address: ______________________________

____

WITNESS – 2

Name: ______________________________

CNIC: ______________________________

Address: ______________________________

____

NOTE:

a. The signature should match with the specimen signature registered with the Company or with that on CNIC (in case of a CDC shareholder).

b. A Proxy need not be a member of the Company.

c. Proxy Forms (scanned copies) properly completed along with attested copies of CNIC or the Passport of the Proxy shall be sent to zeeshan.akhtar @famco.com.pk not less than 48 hours (excluding closed days) before the Meeting.

d. The Proxy Form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the Form.

e. In case of a corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signature shall be sent at zeeshan.akhtar@famco.com.pk along with Proxy Form.

پراکسی فارم

میں/ہم ________ کے ________

پاکستان ٹوبیکو کمپنی لمیٹڈ (کمپنی) کا ممبر ہونے کے ناطے، ہولڈنگ ________ عام شیئر (ز) کے مطابق رجسٹر فولیو نمبر/

سی ڈی سی اکاؤنٹ نمبر ________ کے ذریعے مقرر کرتا ہوں مسٹر/مسز ________ فولیو نمبر/سی ڈی سی اکاؤنٹ نمبر (اگر ممبر ہے تو) ________

کا ________ یا اس میں نام مسٹر/مسز ________ فولیو نمبر/سی ڈی سی اکاؤنٹ نمبر (اگر ممبر ہے تو) ________

جیسا کہ میری/ ہماری غیر موجودگی میں اور میری/ ہماری موجودگی میں اور مجھے/ ہمیں ووٹ دینے اور میری/ ہماری طرف سے کمپنی کی 74 ویں سالانہ اجلاس عام میں جس کا انعقاد 22 اپریل 2021 کو ہوگا اور کسی بھی اور ہر التواء پر

دستخط کردہ ________

یہ میرے/ ہمارے ہاتھ کے دستخط شدہ ہے/ ہیں ________ دن ________ 2021

گواہ نمبر 1	گواہ نمبر 2
نام: ________	نام: ________
شناختی کارڈ نمبر: ________	شناختی کارڈ نمبر: ________
پتہ: ________	پتہ: ________

نوٹ:

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

ب کسی نمائندہ کو کمپنی کا ممبر بننے کی ضرورت نہیں ہے۔

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

ت نمائندے کے فارم کا مشاہدہ دو افراد کریں گے جن کے نام، پتے اور CNIC نمبروں پر ذکر کیا جائے گا۔

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

PAKISTAN TOBACCO COMPANY

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GO ONLINE

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