

AN INSTITUTION OF RESILIENCE

Annual Report 2016





INSTITUTION OF RESILIENCE

Our story of resilience, despite all the challenges we face, is a testament of our legacy of investing in our people and processes.

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Corporate Information

REGISTERED OFFICE

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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

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Khyber Pakhtunkhwa
T: +92 (923) 630901-11
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JHELUM FACTORY

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T: +92 (544) 646500-7
F: +92 (544) 646524

REGIONAL AND AREA OFFICES

CENTRAL PUNJAB

200-FF, Commercial Area,
Phase-IV DHA, Lahore
T: +92 (42) 35899352

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

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

SOUTHERN PUNJAB

Office No. 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

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Phase IV, Bahria Town, Islamabad.
T: +92 (51) 5734207-10

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

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

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

SINDH & BALOCHISTAN

Office No. 903, 9th Floor,
Emerald Tower (Plot # G - 19),
Main Clifton Road, Clifton Block 5,
Karachi 75600.
T: +92 (21) 35147690-4

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

Bungalow No. A/17, Block A,
Nawabshah Cooperative Housing
Society Limited, Nawabshah, Town
and Taluka Nawabshah, District
Shaheed Benazirabad
T: +92 (244) 364463

Plot No.1009, Deh Mando Dero, Ali
Wahan, National Highway, Rohri
Sukkur.
T: +92 (71) 5662091- 93

Sabzal Road, Near Shujah Petroleum,
Quetta
T: +92 (81) 2839658-2829838

COMPANY SECRETARY

M. Idries Ahmed
T: +92 (51) 2083200-01

BANKERS

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

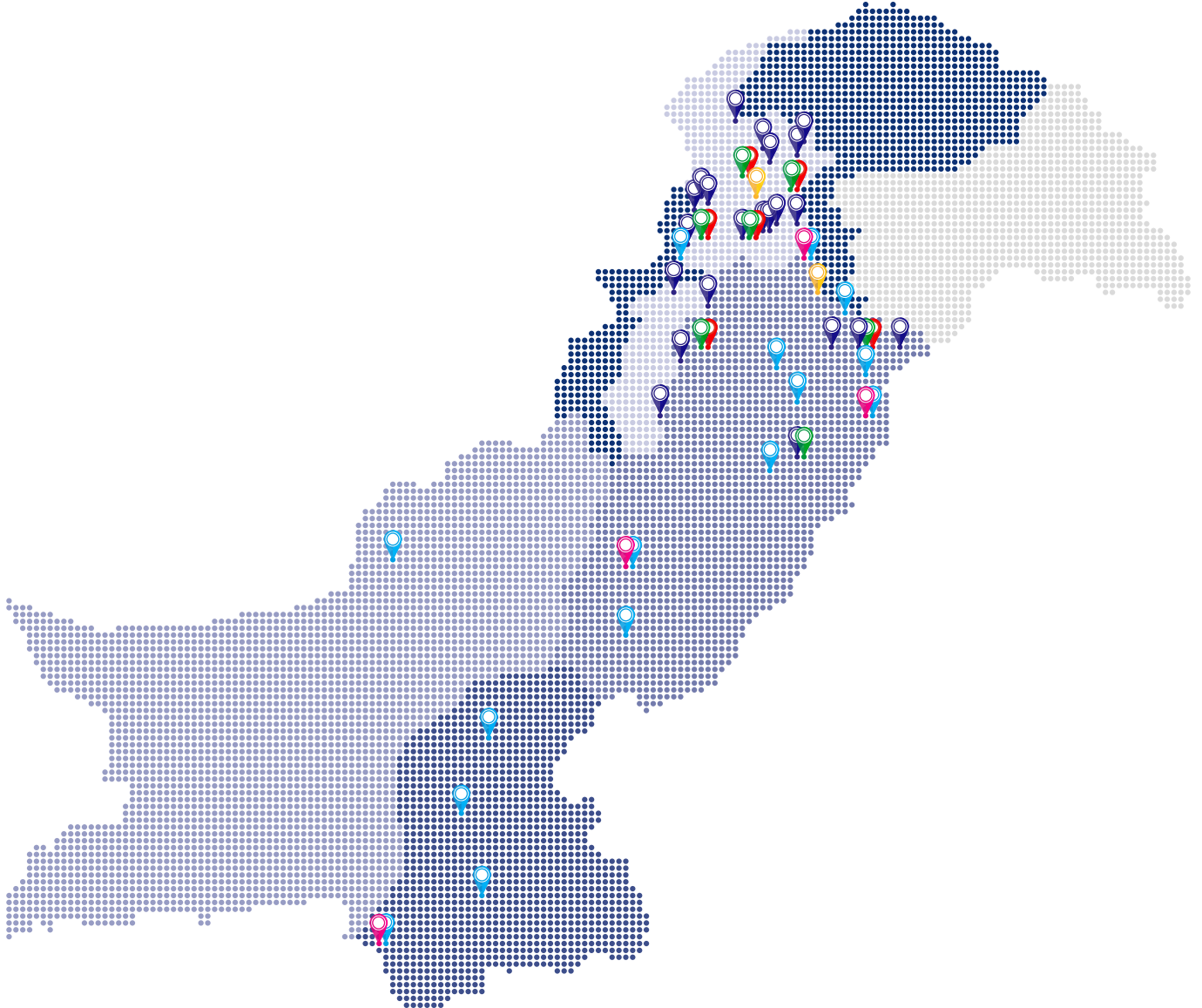
AUDITORS

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 PRIVATE
LIMITED
8-F, Next to Hotel Faran
Nursery, Block 6, F.E.C.H.S.
Shahrah-e-Faisal, Karachi
T: +92 (21) 34380101-2

Geographical Spread



02 FACTORIES

04 REGIONAL TRADE OFFICES

06 REGIONAL LEAF OFFICES

07 WAREHOUSES

15 SALES OFFICES

26 LEAF DEPOTS

Our Vision and Mission the BAT way

Our strategy enables our business to deliver today, while ensuring we invest in our future.



OUR VISION

Satisfying consumer moments

We believe that by being the world's best at satisfying consumer moments, we will become the leader in our industry. Consumers are at the core of everything we do and our success depends on addressing their evolving concerns, needs and behaviours.

Tobacco and beyond

The second part of our vision – tobacco and beyond – recognizes the strength of our traditional tobacco business and the opportunities we see in next-generation tobacco and nicotine products. There is a great potential business opportunity because consumers are looking for choices and product categories in which we are uniquely placed to succeed.

OUR MISSION

Champion informed consumer choice

We need to continue to ensure that our adult consumers are fully aware of the choices they are making when they purchase our products. We recognise that we have a responsibility to offer a range of products across the risk continuum, but we will also defend people's right to make an informed choice.

Deliver our commitments to society

As society changes and priorities and needs shift, we must be ready to meet new challenges and take advantage of new opportunities. We are a major international business and with this status comes responsibilities such as being open about the risks of our products, supporting rural communities worldwide and minimizing our impact on the environment.

OUR STRATEGIC FOCUS AREAS



Growth

Developing brands, innovations and new products to meet consumers' evolving needs.

Productivity

Effectively deploying resources to increase profits and generate funds.



Sustainability

Ensuring a sustainable business that meets stakeholders' expectations.

Winning organization

Great people, great teams, great place to work.



Guiding Principles



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

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

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

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

A man with thinning hair, wearing a dark pinstriped suit, a light blue shirt, and a dark tie with white polka dots. He is standing in an office setting with a large green plant to his right and a window in the background. The text is overlaid on a semi-transparent grey box on the right side of the image.

“WE ARE CONFIDENT
ABOUT THE FUTURE OF
THE COMPANY AND MORE
SO IN THE RESILIENCE
OF ITS PROCESSES AND
AGILITY OF ITS PEOPLE TO
FACE CHALLENGES”

Mueen Afzal
Chairman of the Board

Message from the Chairman

2016 has been a year of mixed fortunes for the Company. The year was witness to an unprecedented growth of the illicit (duty evaded) sector of cigarettes. Retail audit data indicates that the size of the illicit sector increased from 30.6% to 40.6% of the total market for cigarettes in Pakistan. This is the highest recorded level of the illicit sector in the Country's history. Unless this trend is reversed, through a proactive policy from the Government, revenues from the tobacco industry will continue to decline and the future of the legitimate, tax paying tobacco industry will be in jeopardy.

True to its resilient nature, the Company improved its financial performance despite a sizeable decline in sales volume due to growing duty evaded cigarettes widely available across the Country. We were able to make this happen only because of the ability of our people and processes and their capacity to adapt to the changing market dynamics and plan accordingly. We have delivered on our strategic objectives and are reporting Net Turnover, Operating Profit and Earnings per share growth, in line with those objectives.

We are becoming agile

Ability to deliver good financial results despite an adverse market environment is a testament to the agility of our processes. We are emphasizing efficiency by optimizing our processes across all our business operations. We have successfully adopted global manufacturing standards and processes in our factories and reduced costs through efficient supply chain management. Marketing has strengthened their brands portfolio with a dynamic workforce and smart investments. We have improved personal and team productivity using latest Information Technology tools.

We are investing in our people

We are continuously investing in hiring, retaining and developing people who are leading the successful delivery of business objectives and driving the corporate strategy. We are rated amongst the top preferred employers in the country. We have an unequivocal belief that our organizational culture coupled with the commitment and professionalism of our people, is pivotal to driving excellence and delivering results. We foster an environment that is conducive to generating the

best possible results by following a resilient leadership development model. We celebrate achievements together and rely on teamwork when it comes to formulating future strategies.

We are working towards a better Future

The menace of illicit trade cigarettes has grown alarmingly in 2016. Not only has this caused a huge loss to government revenues but it has, in some cases, provided market share to illegal vendors who do not observe Pakistan's regulatory requirements for the tobacco industry. Hence, 2017 will be a challenging year, where we can expect both profit and Government revenues to be under severe pressure. This can only be countered by a proactive government policy to reduce the sale of duty evaded.

Pakistan Tobacco Company Ltd. remains committed to unrelenting perseverance and is committed to being a responsible and sustainable business. We are confident about the future of the Company and more so in the resilience of its processes and agility of its people to face challenges.



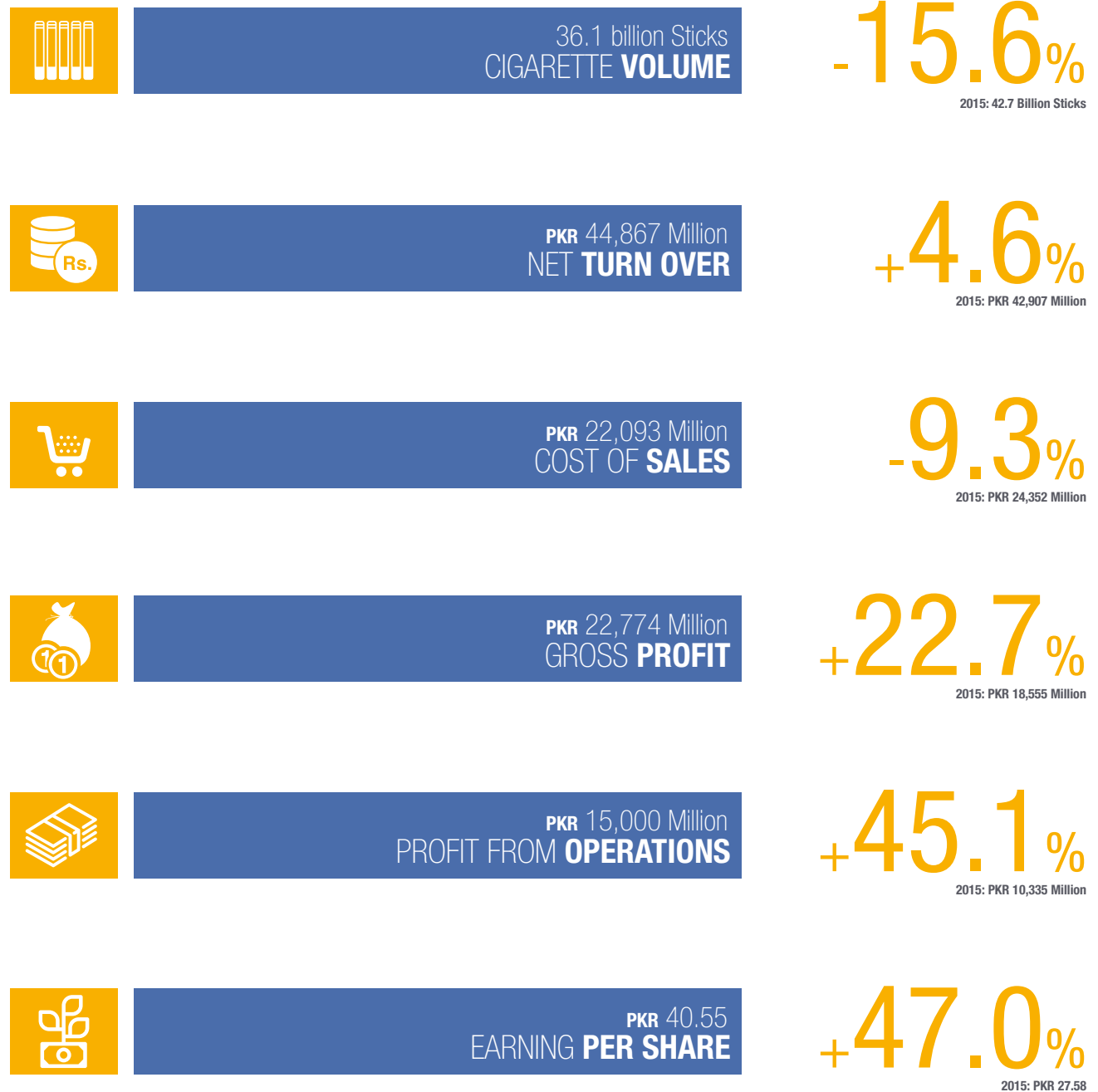
Mueen Afzal
Chairman

A man in a dark pinstriped suit and blue tie stands in an office setting, smiling. He has his hands in his pockets. The background is a blurred office interior with a yellow sofa and a potted plant.

“OUR LEGACY IS BUILT
ON THE STRENGTH OF
OUR BRANDS, PASSION
OF OUR PEOPLE, WORLD
CLASS PROCESSES AND
THE RESILIENCE OF OUR
ORGANIZATION”.

Syed Javed Iqbal
Managing Director & CEO

Our Year in Numbers



Board of Directors



Mueen Afzal
*Chairman & Non-Executive
Director*



Syed Javed Iqbal
Managing Director & CEO



Zafar Mahmood
Non-Executive Director



Hae In KIM
Non-Executive Director



**Lt. Gen. (Retd.) Ali Kuli
Khan Khattak**
Non-Executive Director



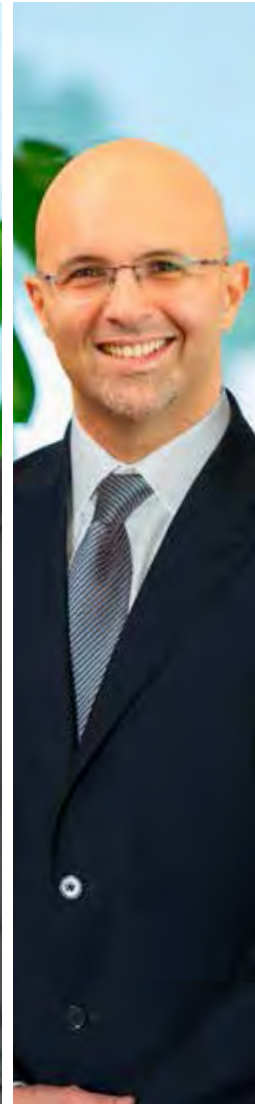
Imran Maqbool
Non-Executive Director



Michael Koest
Non-Executive Director



Tajamal Shah
Director-Legal & External Affairs



Wael Sabra
Director-Finance & IT

Board of Directors

Mueen Afzal

(Chairman and Non-Executive Director)

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

He joined the Civil Services of Pakistan in 1964, and served as Finance Secretary in the provinces of Balochistan and Punjab. Later, he was Federal Secretary in the ministries of health and finance. He finally served as Secretary General, Finance and Economic Affairs between 1990 to 2002.

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

Syed Javed Iqbal

(Managing Director & CEO)

Syed Javed Iqbal has been with the Company for the last 20 years. He joined the Company as a Management Trainee and has held various key positions in the Finance function within PTC as well as with British American Tobacco Group first in BAT South Korea as Finance Controller and later in Global Headquarters in London as Finance Manager for Global Marketing.

In 2011, Mr. Iqbal was appointed as Finance Director for Swiss Business Unit looking after 5 European markets based in Switzerland. He came back to Pakistan in 2014 as Director Finance & IT for PTC.

In July 2016, he became the Managing Director/CEO of PTC. Mr. Iqbal has an MBA with majors in Finance & MIS.

Zafar Mahmood

(Non-Executive Director)

Mr. Zafar Mahmood, ex-Chairman WAPDA has served the Government of Pakistan for 38 years at policy formation and implementation level, before assuming responsibilities as Chairman WAPDA in April, 2014. He has served the Federal Government as Secretary Textiles Industry, Secretary Industries, Secretary Water & Power, Secretary Petroleum & Natural Resources, Secretary Commerce and Secretary Cabinet.

He has also served as Chairman, Punjab Public Service Commission, Consul General Istanbul, Vice Chairman Export Promotion Bureau, Secretary Punjab Education Schools. Mr. Mahmood holds a Master Degree in Economics, LL.B. and Post Graduate Diploma in Development Administration from Manchester University. He joined the PTC Board in 2016.

Hae In KIM

(Non-Executive Director)

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

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

Lt. Gen. (Retd.) Ali Kuli Khan Khattak

(Non-Executive Director)

Lt. General (Retd.) Ali Kuli Khan hails from KPK Province and belongs to a renowned industrial family. He was commissioned in the Pakistan Army in 1964. General Khan and his late father are the only examples in the Pakistan Army where father and son have risen to the ranks of Lieutenant Generals and held the post of Chief Of General Staff (CGS). Other important assignments during his Army career were, Commandant Staff College Quetta, Director General Military Intelligence, Commander 10 Corps and CGS.

Since retirement he sits on the Boards of numerous Family Industrial Concerns which include Textiles, Automobile Assembly and Tyre Manufacturing. He joined the PTC Board in 2001.

Imran Maqbool*(Non-Executive Director)*

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

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

Michael Koest*(Non-Executive Director)*

Mr. Michael Koest joined BAT in 2001 in Zug, Switzerland. He has a proven track record in management, sales & marketing with experience in working across geographies and in complex market environments. He has built high performing, motivated and engaged teams through his inspiring and achievement driven leadership style. Extremely determined commercial leader, strategic thinker and renowned team player, he consistently achieved outstanding business results. Prior to his assignment in Sri Lanka, he held various positions in BAT mainly in the areas of strategy & planning and marketing. Mr. Koest was Commercial Director in BAT Netherlands from 2010-2012 and in BAT Korea from 2013-2015.

Mr. Koest has been appointed to the Board of Directors of Dutch retailer Primera B.V. between 2010-2012. He has also been appointed to the Board of Directors of the American Chamber of Commerce in Sri Lanka and Pakistan Tobacco Company Ltd. in 2016. Mr. Koest holds a B.A. degree from the University of Neuchâtel (Switzerland) in Philosophy, Geography and German Literature.

Tajamal Shah*(Director-Legal and External Affairs)*

A UK qualified Barrister, who later converted to become a Solicitor for England and Wales. In 1996 he was admitted as an Advocate of the High Court of Pakistan. His areas of specialization have been aircraft, asset and project financing and general banking having worked on major cross-jurisdictional transactions. He later expanded his expertise to cover commercial law, good corporate governance and strategic litigation. Prior to joining PTC, he worked in the private and public sector notably for several years as a civil servant for the UK government as part of the Department of Trade and Industry, where his responsibilities included regulation of the financial services industry. In 1999 he left the leading UK law firm DLA Piper, where he was a Senior Associate, to join BAT.

He has been with the group for over 17 years and has held various roles amongst others, Head of Legal/Company Secretary, Global Regulatory Counsel for BAT, Director Legal and is now heading the newly created function Legal and External Affairs.

Wael Sabra*(Director-Finance and IT)*

Mr. Wael Sabra joined BAT in 2003 in Lebanon and since then he held various key senior positions in the Finance function across Middle East, Africa and most recently South Asia. In 2010, Mr. Sabra was appointed as Finance Director Democratic Republic of Congo before moving to South Africa in 2012, where he was assigned to take up the role of Southern African Markets Finance Director in charge of Mozambique, Angola, Zimbabwe, Malawi, Zambia, Botswana, Namibia and Swaziland.

In July 2014, Mr. Sabra moved to Cairo as Finance Director North Africa Area covering Egypt, Algeria, Morocco, Tunisia, Sudan and Algeria. In August 2016, Mr. Sabra moved to Islamabad as Finance Director South Asia Area. In his 14 years with the British American Tobacco Group, Mr. Sabra has been an executive board member in several BAT operating companies across Africa.

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

Directors' Review



*Sitting (from left to right): Syed Javed Iqbal, Mueen Afzal, Zafar Mehmood, Tajamal Shah
Standing (from left to right): Michael Koest, Imran Maqbool, Lt. Gen. (Retd.) Ali Kuli Khan Khattak, Wael Sabra, Hae In KIM*

THE DIRECTORS PRESENT THE 70TH ANNUAL REPORT ALONG WITH THE AUDITED FINANCIAL STATEMENTS OF THE COMPANY FOR THE YEAR ENDED DECEMBER 31, 2016.

Pakistan Tobacco Company Limited (PTC) has managed to retain its market leadership in the legitimate sector and continued to improve operational results through the resilience of its organization and the agility of its people. However, this was a year which saw unprecedented levels of duty evaded cigarettes reaching as high as 40.6% as at December 2016.

INDUSTRY OUTLOOK

The legitimate tobacco industry declined by 10% by December 31st 2016 as a result of exponential growth of duty evaded segment. This was led largely by the excise driven price increases, the recent one being in Dec'16, and lack of effective enforcement by law enforcement agencies. Despite recovery in key economic indicators the consumer wallet remained under pressure. Hence excise led price increases had further stretched the consumer and widened the gap between the low price legitimate brands and duty evaded products. For example in Dec'16, the minimum total tax on a pack of 20 cigarettes was Rs. 43, yet the duty evaded segment was selling its products for prices lower than the minimum tax. All this contributed to an accelerated and significant down trading to duty evaded segment, resulting in a steep decline in the legitimate industry's volume and consequently a loss in government's revenue.

In the face of these challenges PTC continued its strategy of strengthening its brand portfolio by driving manufacturing excellence and effective cost management

Provided below are the key financial indicators for the year 2016:

	Rs. (million) Jan - Dec, 2016	Rs. (million) Jan - Dec, 2015
Gross Turnover	129,278	125,013
Net Turnover	44,867	42,907
Cost of Sales	22,093	24,352
Gross Profit	22,774	18,555
Operating Profit	15,000	10,335
Profit Before Tax – PBT	15,382	10,579
Profit After Tax – PAT	10,361	7,046
Earnings Per Share – EPS (Rs.)	40.55	27.58

to increase market share in the legitimate sector and neutralizing the adverse impacts of volume decline on Gross Margin and Operating Profit.

BRANDS PERFORMANCE

PTC remains committed to differentiating itself by investing in its entire brand spectrum. Significant investments were made in the form of innovative products, new brand launches and pack changes.

In the premium segment, our flagship brand John Player Gold Leaf (JPGL) delivered a sustained performance. As a testament to its strength and resilience, the brand was able to rebound and retain a legitimate market share of 15% through the launch of JPGL Classic.

In the Value for Money (VFM) segment, despite volume decline, Capstan by Pall Mall Original (CbPMO) continues to be the biggest and best performing brand in the industry with an increase in the legitimate market share. In 2016 we focused on innovations to add further superiority to the product

which fortified its standing. On the other hand, Gold Flake embarked on a new equity journey in 2016 with a rural focused campaign to arrest the decline of the brand and make the offer more fit for future.

CONTRIBUTION TO THE NATIONAL EXCHEQUER

PTC remains one of the largest tax contributors in the private sector in Pakistan. During 2016 the Company contributed over PKR 90 billion to the National Exchequer in the form of Excise Duty, Sales Tax, Income Tax and Custom Duties (up 4% vs. last year).

PTC continuously stresses upon the detrimental impact of the growing sales of duty-evaded cigarettes on the sustainability of government revenues. According to our estimates, currently in every ten cigarettes sold in Pakistan four are duty evaded. The relevant authorities are strongly urged to undertake strict enforcement of the regulatory regime to create a level playing field and ensure that the duty-evaded segments of the industry are made to comply with the law.

Directors' Review

COST OF SALES

Cost of sales is 9% lower vs. last year mainly due to lower volumes and it has gone down to 49% of Net Turnover (down 8% vs. last year) resulting in Gross Margin improvement. This improvement was primarily driven through strict cost controls and productivity enhancements throughout the value chain. Significant efforts were put behind refining the processes, reviewing the organizational design and introducing new ways of working fully leveraging the technology to its potential. Manufacturing facilities ensured availability of stocks on time in full while delivering the key product initiatives. Logistics on the other hand ensured zero halting of trucks, truck load optimization, effective route planning and timely rationalization of warehouses.

OPERATING & OTHER COSTS

Selling and distribution expenses focused on further enhancing PTC's brands image and availability. Investment was made in capacity and competency building of the field force through enhanced trainings. In addition to these, PTC actively work with its retail partners in carrying out capability building exercises to embed modern retail sales practices.

PTC remains committed to talent attraction and retention through fast paced career growth, good remuneration packages and international as well as local training and development opportunities. People are the core pillar of the business and the Company remains committed to developing its talent for the future.

As a result of the above, PTC has been able to show improved profitability in comparison to last year.

CASH FLOWS

The overall cash position of the business remained healthy throughout the year. The Company's operations generated sufficient cash to support its investing and financing activities despite higher payments due to excise & sales tax and dividends.

MANUFACTURING EXCELLENCE

PTC has continued its journey toward manufacturing excellence through the Integrated Work System (IWS) program. The Company's aim is to constantly modernize its operations by introducing innovative concepts, optimal processes and latest technology. Further, focus on consumer centric quality of the product has ensured a significant reduction in consumer complaints during the year. PTC's manufacturing has been globally recognized in BAT Group for the efforts and outstanding results delivered through this drive for excellence.

DIVIDEND

In light of the Company's financial performance and ground realities, the Board has recommended a final dividend of Rs. 11.00 per share for the year ended December 31, 2016 (2015: Rs. 18.00 per share), bringing the full year dividend to Rs. 25.00 (2015: Rs. 24.00).

This shall be subject to the approval of the shareholders in their meeting scheduled for April 20, 2017.

GOOD CORPORATE GOVERNANCE

The Directors confirm compliance with the Corporate and Financial Reporting Framework of the SECP's 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 control 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 listing regulations.
- h. All major Government levies in the normal course of business, payable as at December 31, 2016 have been cleared subsequent to the year-end.
- i. Key operating and financial data for the last six years in summarized form is annexed.
- j. Values of investments in employee's retirement funds based on audited accounts for the year ended December 31, 2015 are as follows:

Directors' Review

	(Rs. Million)
• Staff Pension Fund	4,844
• Employees' Gratuity Fund	1,027
• Management Provident Fund	875
• Employees' Provident Fund	855
• Staff Defined Contribution Pension Fund	215

- Mr. Graeme Amey resigned from the Board of the Company effective 30th June, 2016. The casual vacancy created by his resignation was filled in by Mr. Wael Sabra within eighty-seven days (w.e.f 25th September, 2016).

BOARD OF DIRECTORS' MEETING

During the year 2016 five meetings of the Board of Directors were held i.e. on 19th February, 20th April, 27th July, 19th October and 8th December. Attendances are detailed below:

THE BOARD

The Board comprises of 6 non-executive directors, which includes an independent director, and 3 executive directors. The positions of Chairman and MD/CEO are kept separate, in line with good governance practice.

CHANGES IN THE BOARD

The Directors wish to report the following changes in the Board of Directors:

- The Board was reconstituted through an election on 20th April, 2016. Names of the elected Board members are as follows:
 - Mr. Mueen Afzal
 - Mr. Graeme Amey
 - Mr. Syed Javed Iqbal
 - Mr. Tajamal Shah
 - Ms. Hae In KIM
 - Lt. Gen.(R) Ali Kuli Khan Khattak
 - Mr. Imran Maqbool
 - Mr. Zafar Mahmood
 - Mr. Michael Koest

Name of Director	Attendance
1. Mr. Mueen Afzal <i>Chairman & Non-Executive Director</i>	5/5
2. Mr. Graeme Amey <i>Managing Director & Chief Executive (Resigned on 30 June, 2016)</i>	2/2
3. Mr. Syed Javed Iqbal <i>Managing Director & CEO</i>	5/5
4. Mr. Wael Sabra <i>Finance & IT Director (Joined the Board on 25 September, 2016)</i>	2/2
5. Mr. Tajamal Shah <i>Legal & External Affairs Director</i>	4/5
6. Ms. Hae in KIM <i>Non-Executive Director</i>	2/5
7. Lt. Gen. (Retd.) Ali Kuli Khan Khattak <i>Non-Executive Director</i>	4/5
8. Mr. Imran Maqbool <i>Non-Executive Director</i>	3/4
9. Mr. Zafar Mahmood <i>Non-Executive Director</i>	4/4
10. Mr. Michael Koest <i>Non-Executive Director</i>	1/4
11. Mr. Syed Asif Shah <i>Non-Executive Director (Retired on completion of term)</i>	1/1
12. Mr. Felicio Ferraz Junior <i>Non-Executive Director (Retired on completion of term)</i>	0/1
13. Mr. Abid Niaz Hasan <i>Non-Executive Director (Retired on completion of term)</i>	0/1

Directors' Review

BOARD COMMITTEES

The Board has a number of committees, which assist the Board in performance of its functions. A list of committees is annexed on page 45.

AUDIT COMMITTEE

The Audit Committee assists the Board in carrying out its responsibilities relating to the management of business risks, internal controls and the conduct of business in accordance with the Code of Corporate Governance.

The Committee held four meetings during the year in which the External Auditors were also present to assist the Committee on matters relating to financial accounts and reporting.

The Managing Director and the Finance Director attend meetings of the Committee on standing invitation. The Head of Internal Audit is the Secretary of the Committee and reports directly to the Chairman of the Audit Committee.

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

- Seeking assurance on the measures taken by the management in identification, evaluation and mitigation of relevant business risks;
- Reviewing quarterly, half-yearly and annual financial statements of the Company and preliminary announcements of results before approval by the Board and publication;
- Reviewing the Company's statement on internal control systems, prior to their approval by the Board;

The committee was reconstituted on 20th April, 2016. Attendances are detailed below:

Name of Director	Attendance
1. Mr. Zafar Mahmood – <i>Chairman and Member</i>	3/3
2. Lt. Gen. (Retd.) Ali Kuli Khan Khattak – <i>Member</i>	3/4
3. Mr. Imran Maqbool – <i>Member</i>	3/3
4. Mr. Michael Koest – <i>Member</i>	1/3
5. Ms. Hae in KIM – <i>Member</i>	2/4
6. Mr. Syed Asif Shah – <i>Member (Retired on completion of term)</i>	1/1
7. Mr. Abid Niaz Hasan – <i>Member (Retired on completion of term)</i>	0/1

- Ascertaining that the internal control system 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

While the External Auditors independently determine their audit plan, the Committee is informed of their progress especially with regard to issues stated in their letters to the management and the responses received. Without interfering with the independence of the external and internal auditors, the Committee encourages coordination between them in the discharge of their respective functions. The Committee recommends to the Board the appointment of the external auditors and their engagement terms based on the Committee's review of their performance and value provided to the Company.

AUDITORS

Statutory Audit for the Company for the financial year ended December 31, 2016 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, 2017 on the recommendation of the Audit Committee. This shall be subject to the approval of the shareholders in their meeting scheduled for April 20, 2017.

SHAREHOLDING

The pattern of shareholding as at December 31, 2016 alongside the disclosure as required under Code of Corporate Governance is annexed within this report. The Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouses and minors have reportedly

Directors' Review

not performed any trading in the shares of the Company.

HOLDING COMPANY

British American Tobacco (Investments) Limited incorporated in the United Kingdom holds 94.34% of the shares of the Company.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Statements of the Company and its wholly owned subsidiary, Phoenix (Private) Limited, are submitted herewith.

ENVIRONMENT, HEALTH AND SAFETY

True to its reputation, PTC gives high priority to compliance with world-class Environment, Health and Safety (EH&S) standards. Employee safety is an underlying concern in all aspects of the business from crop to consumer and the Company continuously strives to prevent workplace injury. In addition to workplace safety, the Company has a long-standing commitment to remaining mindful of the environment. Regular monitoring of wastage and emissions is ensured to remain compliant with all national regulations and environmental standards.

CORPORATE SOCIAL RESPONSIBILITY

The Company has been one of the pioneers of Corporate Social Responsibility (CSR) programs in the country. For PTC these initiatives are aimed at caring for and working with communities where it operates, creating sustainable agriculture and uplifting the rural communities. Our efforts during the year were also recognized and we won 9 CSR awards in different categories.

Listed below are the key highlights of initiatives undertaken over the course of the year:

- 1. SUSTAINABLE AGRICULTURE:**
The main water source in Buner, a region in the Khyber Pakhtunkhwa Province (KPK), is through the lift irrigation scheme which requires power supply, however, frequent power outages led to lack of water availability in the region for irrigation purposes. To address this issue, PTC signed a Memorandum of Understanding (MoU) with the Irrigation Department KPK and provided 4 generators to support lift irrigation projects for uninterrupted irrigation water supply. These projects cover more than 1,000 hectares of land improving the farm productivity of that area.
- 2. AFFORESTATION:** In 2016, PTC started adding to its existing afforestation efforts and began developing 642 acres of land in Barakahu, Islamabad, together with the Ministry of Climate Change. The Barakahu nursery is already operational and PTC has started issuing saplings there. PTC have already distributed 3.5 Million saplings free of cost.
- 3. MOBILE DISPENSARY UNITS (MDUs):** Through this initiative PTC contributes to the provisioning of free medical assistance and advice in rural communities. PTC operates 7 MDUs in different areas of KPK which treated 78,000 people.
- 4. CLEAN WATER PROVISION:** In 2016 PTC installed another water filtration plant (Ghari Shahu),

in addition to its existing three plants. According to PTC's survey these four water filtration plants have benefitted more than 2.8 million people in just 2016.

BUSINESS CHALLENGES AND FUTURE OUTLOOK

2016 delivery was driven by committed and passionate employees, their ability to adapt to the changing industry landscape, a balanced brand portfolio and effective marketing initiatives. This was supported by a very strong trade marketing team and continuous process improvements in the supply chain.

Illicit Trade is the biggest threat facing the sustainability of the legitimate tobacco industry. The duty evaded cigarettes are sold at less than one third the price of the cheapest brands in the legitimate sector. This deprives the government of very substantial revenue and is in sheer contravention of laws of the country. It is apparent that due to illicit sector depriving the legitimate industry of a level playing field, 2017 will be a challenging year, where we can expect volumes, profit and government revenues to be under severe pressure.

PTC strongly urges the relevant authorities to intensify law enforcement to curb the duty evaded sector. If this is not addressed, it will lead to a permanent deterioration of the legitimate sector which will pose serious doubts to business sustainability and government revenue collection for the future.



Mueen Afzal
Chairman



Syed Javed Iqbal
Managing Director & CEO

1ST MULTINATIONAL OF PAKISTAN

A precedence of resilience

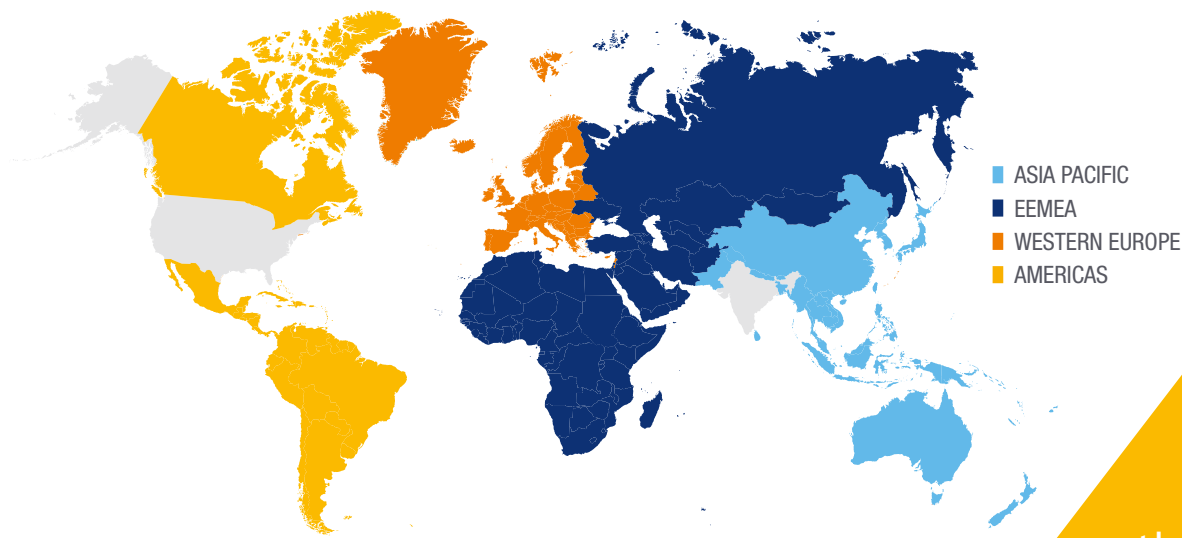
Pakistan Tobacco Company Limited (PTC) is a subsidiary of the British American Tobacco (BAT) p.l.c. The Company was incorporated in Pakistan in 1947 making it the first multinational in Pakistan. Starting from a single warehouse near Karachi port, the Company is now the largest cigarette manufacturer in Pakistan. For PTC it has been a voyage in pursuit of excellence since 1947 driven by the vision to be the “First Choice for Everyone”.

By being instrumental in designing and driving state-of-the-art agricultural and industrial processes, we have managed to stay resilient through-out our Supply Chain. There has been a ceaseless effort to modernize the Company’s operations by introducing new and innovative concepts, optimal processes and cutting-edge technology. PTC’s systems and processes are considered benchmarks by other businesses and we have also been able to transfer international best practices to the local business partners in trade and distribution.

Our ground-breaking success as a local champion is because of our illustrious international experience, heritage of brands and richness of corporate values.

Our story of 69 resilient years encapsulates the key milestones we have thus far crossed, intertwined with the meaningful contribution we have made along the way in social and economic terms. Our journey continues as we endeavor to outdo ourselves in setting the highest standards of corporate excellence.





WE SELL IN OVER
200
 MARKETS

BAT EMPLOYS NEARLY
50,000
 PEOPLE WORLDWIDE

55+
 COUNTRIES
 MARKET LEADERS

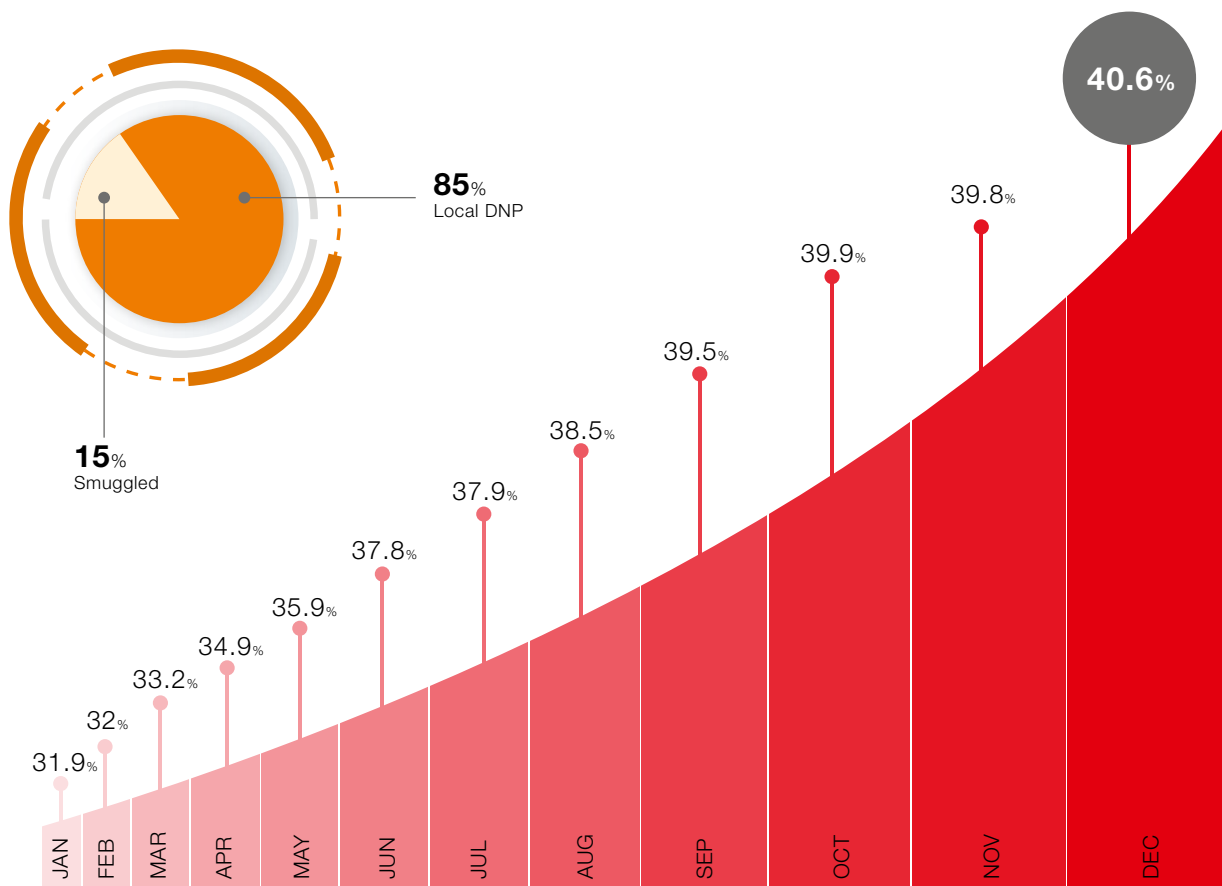
BAT Group is one of the most international companies in the world, selling in over 200 markets.

BAT is among the top 5 companies by market capitalization on the London Stock Exchange. BAT is the market leader in more than 55 countries and employs nearly 50,000 people worldwide. BAT is proud that it is frequently rated as a top employer in countries around the world.

BAT is passionate about its tobacco business and takes pride in offering consumers a choice of high-quality products and market-leading innovations that meet their needs. The Company is also extending that choice by developing innovative products that provide consumers with a choice of potentially less risky alternatives to smoking regular cigarettes, better known as Next Generation Products (NGPs).

ILLICIT CIGARETTE TRADE AT 40%

This year saw an unprecedented increase in the Illicit Trade in Cigarettes in Pakistan reaching the highest ever share of 40.6% as at December 2016.



MARKET SHARE (%) ILLICIT CIGARETTE TRADE



The bulk of the illegal cigarettes are local Duty Non Paid (DNP) which represents more than 85% of the illicit market.

DNP cigarettes are produced in Pakistan on which duties and taxes have not been paid to the Government.

Price range of the bulk of DNP packets of 20 cigarettes was from Rs. 20 to 35, whereas the legit Value For Money (VFM) segment pack price for the year (Dec'16) was Rs. 72.

The non-payment of taxes on a Rs. 20 to 35 pack is evident from the fact that the minimum tax payable on a packet of 20 cigarettes is approximately Rs. 43 in December 2016.

Continuous excise led price increases over the years have widened the gap between the legitimate and non-legitimate cigarettes hence making legal cigarettes very expensive for the consumer. The huge price differential has resulted in creating an uneven playing field for tax compliant legal industry and has consequently dealt heavy losses to both national exchequer and the tax paying industry.

While multiple laws are in place to check tax evasion on cigarettes, effective enforcement remains a cause of concern.

Robust action is required to cease the flow of illicit trade to wholesale and retail outlets. The unprecedented increase in illicit cigarettes requires active, effective and consistent enforcement.

WE CONTINUE TO INVEST IN OUR PEOPLE

Following the same enterprising spirit of BAT, PTC is in the perennial pursuit of attracting, developing and retaining the best talent in the country whilst cultivating a corporate environment conducive to driving performance, as we have an unequivocal belief that our organizational culture coupled with the commitment and professionalism of our people is pivotal to driving excellence and delivering results.

We treat performance as an explicit output and foster an environment that is conducive to generating the best possible results, this can only be accomplished by following a resilient leadership development model that focuses on balancing priorities between our people and commercial interests.

Our excellence spreads across our people and processes and with the same spirit, our talent acquisition processes and systems

are comprised of leading practices where employees go through cultural match tests coupled with shared value screenings.

All this can be broken down to a simple philosophy, attract and hire the best talent, develop and grow them organically in the organization and provide them with the best technology possible so they can be at their best.

Our talent development credentials are further strengthened when almost all of our top team is local and around 25 of our people are occupying various leadership roles in different BAT Group Companies internationally.





The final piece of the puzzle is ensuring that we have the right tools in place to manage our people and for them to spread their wings and reach new heights.

Our flagship program for talent recruitment "Battle of Minds" is designed to connect with all the leading universities across the nation where top talent is identified, mentored and recruited.



"Talented people, inspiring leaders and diverse teams make PTC a winning business and a great place to work".







Our People and their Legacy



Mobasher Raza

DMD & Area Head of Finance – SAA (Retired)

Having witnessed the various opportunities and challenges that PTC faced during the 35 years that I have been associated with the Company for, I can say with confidence that PTC is an institution on its own. An institution that has developed a culture of resilience within each individual and their way of work. British American Tobacco is an international business in the real sense, bringing diverse people from all across the globe, together, pursuing one goal. To see the dynamic environment that the people imbibe, and through it, develop and grow, withstanding many difficulties along the way, is an experience one cannot miss.



Naveed Aftab Ahmad

Area Director Business Development Group (Retired)

Working for PTC for more than 32 years has been an exhilarating experience. The Company has all the traits of a robust organization but the hallmark has been its resilience and flexibility. It is due to this trait that despite facing a hostile environment, the Company has been able to attract and retain motivated talent who are not only offered a stimulating work environment and career but also given due authority and resources to achieve the complex business goals.

The recent appointment of a local talent as its CEO after 25 years is its manifestation.



Ahmed Zeb

Supply Chain Director (Retired)

“My extensive experience in PTC/BAT convinces me that the company has managed over a century, since its incorporation, to establish an excellent dynamic management system across its global and local businesses.

It has managed to achieve the perfect blend of allowing an optimal “freedom of action”, “accountability”, “remuneration” and “development” of the individual, that has resulted in a motivated employee population and an exceptional return for the shareholder.”



Feroze Ahmed

Strategy & Planning Director (Retired)

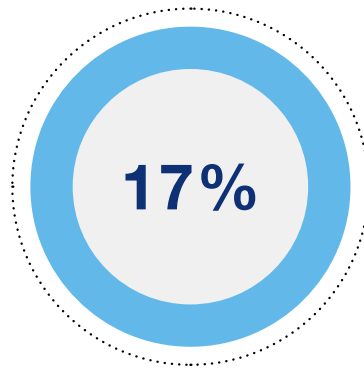
Over the years, while Pakistan Tobacco has consistently delivered excellent results. It is important to note that during this time the business faced many exceptional & unique challenges. It is to the credit of the Pakistan Tobacco team that not only did they overcome these but turned them into opportunities.

Investments in business process update, supply chain & marketing effectiveness and above all in people along with a relentless drive to deliver have all been at the core of these outstanding results.

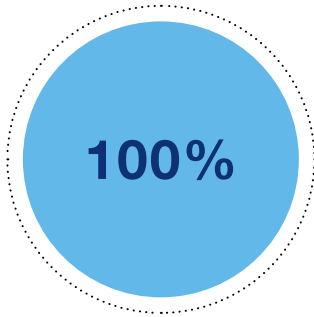
WE **CONTINUE** TO INVEST IN OUR **PROCESSES**



Reduction in
Leaf Waste
vs. last year



Reduction in
Wrapping Material
Waste
vs. last year



On Time
in Full product delivery

Be it scoring nearly perfect centuries in the Supply Chain Operations Excellence review or managing wrapping material supply in and finished goods out from both the factories during political shutdown, PTC came out a more resilient Company in 2016.

We continued our journey towards manufacturing excellence through the Integrated Work System (IWS) program. We have been delivering outstanding results in IWS and have set new benchmarks. PTC has been recognized internationally among other BAT Group companies for the efforts and outstanding results delivered through this program.

We also improved our in house value-added services such as warehousing, demand fulfillment, and timely distribution cycles.



Improvement in Optimum Equipment Efficiency (OEE)
vs. last year

PTC delivered significant benefits by figuring out the safest, most efficient, and affordable way to meet stake holder demands.

Significant awareness and infrastructural improvements have been done on Environment, Health & Safety (EH&S) which is being further strengthened with the launch of the EHS Pillar under IWS Program. Focus on consumer centric quality has ensured a significant reduction in consumer complaints during the year.

Successful navigation with thorough planning in advance of potential hazards while working with multiple stake holders to maximize current efforts made year 2016 highly accomplishing. It did not only enhance end to end visibly with robust control & governance mechanism but also assisted in exploiting synergies and optimizing end to end logistics network.



GIVING BACK TO THE COMMUNITY

The Company is one of the **pioneers of CSR initiatives in the country.**

We take great pride in each and every one of our initiatives, giving back to the communities we operate in, creating sustainable agriculture and empowerment while uplifting the rural communities.

4 GENERATORS
1,000

HECTARES OF IRRIGATION LAND



Sustainable Agriculture:

The main water source in Buner, Khyber Pakhtunkhwa Province (KPK) is through the lift irrigation scheme which requires power supply, however, frequent power outages led to lack of water available for irrigation purposes.

To address this issue, Pakistan Tobacco Company Ltd. signed an MoU with the Irrigation Department KPK, and provided 4 generator sets to support lift irrigation projects with uninterrupted irrigation water availability. Out of these, 3 generator sets were provided for tube wells to ensure water availability for irrigation. These projects cover more than 1,000 hectares of land and provide for improved water availability and thus improving the farm productivity of the region.

TREE SAPLINGS
3.5 MLN

DISTRIBUTED FREE OF COST



Afforestation:

Starting back in 1981, the Company has successfully planted more than 73 million trees since. We have four nurseries situated in Mianwali, Swabi and two in Islamabad. These nurseries provide saplings to the general public, free of cost. We have established smaller nurseries as well in Firdousabad, Faujoon, Buner and Umerzai (Shergarh).

Recently we started our afforestation efforts on 642 Acres of land in Barakahu, Islamabad, together with the Ministry of Climate Change. The Barakahu nursery is already operational and we have started issuing saplings there.

In 2016, we distributed 3.5 Million saplings free of cost.

PATIENTS TREATED
78,712

FREE OF COST



Mobile Doctor Units (MDUS):

In 1985, we started an initiative called Mobile Doctor Units. Through this programme, we provide free medical assistance and advice. We operate 7 mobile ambulances with doctors MDUs in Akora Khattak, Yar Hussain, Sher Garh, Manshera, Jhelum and Mianwali.

In 2016 alone, through this initiative 78,712 people were treated, bringing an average of about 215 people each day. The doctors who are with these ambulances are more than qualified and the feedback of this Program from patients has always been overwhelming.



3,000 PEOPLE
300

FAMILIES WERE GIVEN SOLAR KITS



Solar Energy Initiative:

In 2015, PTC, in partnership with the Provincial Government of KPK, started a project of providing solar kits to off-grid villages.

The residents of a 300-family village, Peerano Bala, benefited from the free solar kits we provided. Before our teams visited the area, this village that is cut off from proper roads and highways, had never experienced electricity in this area.

Post the implementation of this project, we visited the village in 2016 and found out that these solar panels were not just a source of electricity for these people, but a path towards success. We continue to expand this initiative in the future.

PEOPLE
2.8 MLN

USED WATER



Water Filtration Plants:

In 2016, we installed another water filtration plant in addition to our three plants, all of which are operational. According to our survey these four water filtration plants have benefitted more than 2.8 million people in 2016, bringing an average of about 7,671 people per day.

Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN that the Seventieth (70th) Annual General Meeting (Meeting) of Pakistan Tobacco Company Limited ("the Company") will be held at the Serena Hotel, Khayaban-e-Suhrwardy, Islamabad on Thursday, 20th April, 2017 at 10:30 a.m. to transact the following business

A. ORDINARY BUSINESS:

- 1) To receive, consider and adopt the audited Accounts for the year ended 31st December, 2016, and the Report of the Directors and Auditors thereon.
- 2) To approve the Final Dividend for the year 2016 as recommended by the Board.
- 3) To appoint Auditors and to fix their remuneration.

B. SPECIAL BUSINESS

- 4) To consider, and if thought fit to pass the following resolution as a special resolution:

RESOLVED THAT the Articles of Association of the Company be amended by adding a new Article 45A as follows:

The provisions and requirements for e-voting as prescribed by the SECP from time to time shall be deemed to be incorporated in these Articles, notwithstanding anything contained herein to the contrary.

- 5) A statement under section 160 (1) (b) of the Companies Ordinance 1984 pertaining to the special business is being sent to the shareholders with this notice

By order of the Board



M. IDRIES AHMED
Company Secretary

Islamabad: March 27, 2017

NOTES:

1. Closure of Share Transfer Books

The Share Transfer Books of the Company will be closed from 14th April, 2017 to 20th April, 2017 both days inclusive. Transfers received at the office of the Company's Share Registrar, FAMCO Associates (Pvt.) Ltd, 8-F, next to Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahrah-e-Faisal, Karachi by the close of business on 13th April, 2017, will be in time to be entitled to vote and for the entitlement of dividend.

2. Participation in the Annual General Meeting

A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy who will have the right to attend, speak and vote in place of that member. Forms of proxy must be deposited at Company's Share Registrar's office not less than 48 hours before the time appointed for the Meeting and proxy form (s) received after the said 48 hours will not be treated as valid.

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

mandatory requirements.

A) In Person:

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

B) By Proxy:

- i) In case of individuals, the submission of proxy form as per the requirement notified in Note 2 above.
- ii) The proxy must be witnessed by two persons whose names, addresses and CNIC numbers should be stated on the form.
- iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv) The proxy shall produce his original CNIC or original passport at the time of the Meeting.
- v) In case of a corporate entity, the Board of Directors' Resolution/ Power of Attorney with specimen signatures shall be submitted with the proxy form to the Company.

3. CNIC Number on Dividend Warrant (Mandatory)

As has already been notified from time to time, the Securities and Exchange Commission of Pakistan (SECP) vide Notification S.R.O. 19(I)/2014 dated 10th January 2014 read with Notification S.R.O. 831(1)/2012 dated July 5, 2012 require that the Dividend Warrant(s) should also bear the Computerized National Identity Card (CNIC) Number of the registered shareholder or the authorized person, except in case of minor(s) and corporate shareholder(s).

Dividend warrants of members who have not submitted a copy of their CNIC despite notices in respect of the last three dividend declarations will be with-held by the Company until submission thereof as permitted by SECP. A list of members who have not submitted copies of their CNICs can be viewed on the Company's website.

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

- (i) Pursuant to the provisions of the Finance Act 2016 effective July 1, 2016, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:

1. Rate of tax deduction for filer of income tax return 12.5%
2. Rate of tax deduction for non-filers of income tax return 20%

To enable the Company to make tax deduction on the amount of cash dividend @ 12.5% instead of 20%, shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to immediately make sure that their names are entered in ATL, otherwise tax on their cash dividend will be deducted @ 20% instead of 12.5%.

- (ii) Withholding Tax exemption from the dividend income, shall only be allowed if a copy of valid tax exemption certificate is made available to FAMCO Associates (Pvt) Ltd., by the first day of Book Closure.
- (iii) Further, according to clarification received from Federal Board of Revenue (FBR), with-holding tax will be determined separately on 'Filer/Non-Filer' status of Principal shareholder as well as joint-holder (s) based on their shareholding proportions, in case of joint accounts.

In this regard all shareholders who hold shares jointly are requested to provide shareholding proportions of Principal shareholder and Joint-

holder(s) in respect of shares held by them (only if not already provided) to our Share Registrar, in writing as follows:

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

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

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

5. Dividend Mandate (Optional)

In pursuance of the directions given by the Securities and Exchange Commission of Pakistan (SECP) vide Circular No. 18 of 2012 dated June 05, 2012, it is to inform you that under Section 250 of the Companies Ordinance, 1984 a shareholder may, if so desired, direct the Company to pay dividend through his/her/its bank account.

Further, transferee of shares may exercise option for dividend mandate by using the revised "Form of Transfer Deed" available on our Share registrar's website www.famco.com.pk.

The revised form of transfer deed will enable the transferees to receive cash dividend directly in their bank accounts, if such transferee provides particulars of its bank account which he/she/ it desires to be used for credit of cash dividend.

If they so desire the shareholders have the option to seek the dividend mandate by using the standardized "Dividend Mandate Form" available on our Share registrar's website www.famco.com.pk

Shareholders who hold shares in physical form are requested to submit the required Dividend Mandate Form to our Share Registrar, while those shareholders who hold shares in Central Depository Company are to submit the Dividend Mandate Form to their Participant/ Investor Account Services.

6. Change of Address

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

7. Contact Details:

Company Contact:

Company Secretary, Pakistan Tobacco Company Limited, Serena Business Complex, Khayaban-e-. Suhrwardy, Islamabad
Phone: (051) 2083200-01

Share Registrar:

FAMCO Associates (Pvt) Ltd. 8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahrah-e-Faisal, Karachi
Phone: (021) 34380101-5
Email address: info.shares@famco.com.pk

Statement under Section 160 of the Companies Ordinance, 1984

This statement is annexed to the Notice of Seventieth Annual General Meeting of Pakistan Tobacco Company Limited to be held on Thursday, April 20, 2017 at which certain special business is to be transacted. The purpose of this statement is to set forth the material facts concerning such Special Business.

ITEM (5) OF THE AGENDA

To give effect to the Companies (E-Voting) Regulations 2016, shareholders' approval is being sought to amend the Articles of Association of the Company to enable e-voting.

By order of the Board



M. IDRIES AHMED
Company Secretary

Islamabad: March 27, 2017

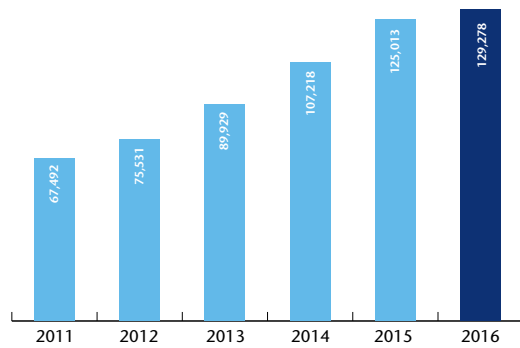
Financial Highlights

		2016	2015	2014	2013	2012	2011
PROFIT & LOSS							
Volume	Million Sticks	36,065	42,716	44,006	42,872	40,615	39,795
Gross Turnover	Rs million	129,278	125,013	107,218	89,929	75,531	67,492
Excise & Sales Tax	Rs million	84,412	82,105	70,599	59,306	49,651	44,542
Net Turnover	Rs million	44,867	42,907	36,619	30,623	25,880	22,950
Gross Profit	Rs million	22,774	18,555	13,847	10,610	8,446	6,241
Operating Profit	Rs million	15,000	10,335	7,087	4,602	2,729	661
Profit Before Tax	Rs million	15,382	10,579	7,188	4,667	2,655	559
Profit After Tax	Rs million	10,361	7,046	4,850	3,124	1,728	364
EBITDA	Rs million	16,087	11,324	7,921	5,415	3,514	1,435
Dividends	Rs million	8,176	4,599	2,299	1,852	1,035	537
BALANCE SHEET							
Paid up capital	Rs million	2,555	2,555	2,555	2,555	2,555	2,555
Reserves	Rs million	10,422	7,811	5,456	2,857	1,552	779
Property, Plant & Equipment	Rs million	8,629	9,185	8,713	7,085	5,695	6,100
Net Current Assets/(Liabilities)	Rs million	5,756	2,601	761	(392)	(426)	(1,713)
Capital Expenditure during the year	Rs million	579	1,491	2,249	1,887	421	1,167
INVESTOR INFORMATION							
Return on Assets	%	41.32	30.18	24.64	19.95	12.74	2.84
Return on Equity	%	79.85	67.98	60.54	57.73	42.08	10.91
Return on Capital Employed	%	71.83	59.61	50.99	46.50	32.65	8.24
Earnings per share After Tax	Rs	40.55	27.58	18.98	12.23	6.77	1.42
Price-Earning Ratio	Rs	35.34	40.39	55.82	46.02	9.99	38.98
Dividend yield ratio	%	2.23	1.62	0.85	1.29	6.00	3.79
Dividend payout ratio	%	78.91	65.27	47.40	59.28	59.88	147.61
Break-up value per share	Rs	50.79	40.57	31.36	21.18	16.08	13.05
Market value per share at year end	Rs	1,433.0	1,114.0	1,059.7	562.7	67.6	55.5
Highest Market value per share during the year	Rs	1,433.3	1,169.0	1,539.0	562.7	72.6	116.0
Lowest Market value per share during the year	Rs	950.0	742.9	567.8	55.5	46.0	55.5
Gross profit ratio	%	50.76	43.24	37.81	34.65	32.63	27.19
EBITDA Margin	%	35.86	26.39	21.63	17.68	13.58	6.25
Net Profit Margin	%	23.09	16.42	13.24	10.20	6.68	1.59
Inventory Turnover Ratio		1.62	1.74	1.91	2.18	2.41	2.59
Creditor Turnover		2.92	3.13	4.19	7.14	6.97	4.65
Operating Cycle		100	93	103	116	99	63
Total Assets Turnover Ratio		5.09	5.05	4.89	5.16	5.44	5.10
Fixed Assets Turnover Ratio		14.98	13.61	12.30	12.69	13.26	11.06
Current Ratio		1.52	1.20	1.06	0.96	0.95	0.81
Quick / Acid Test Ratio		0.28	0.12	0.10	0.11	0.11	0.07
Dividend Per Share	Rs	32.00	18.00	9.00	7.25	4.05	2.10
Dividend Cover Ratio		1.27	1.53	2.11	1.69	1.67	0.68
Debt to Equity Ratio		0.01	0.12	0.07	0.45	0.30	0.53
Interest Cover Ratio		336.64	148.21	73.56	65.80	20.17	4.98
Govt levies as a percentage of turnover	%	69.69	69.18	68.77	68.61	67.91	67.23
GOVERNMENT LEVIES							
Customs, Excise Duties & Sales Tax	Rs million	84,849	82,690	71,273	59,930	50,167	45,036
Local Taxes and Other Duties	Rs million	192	243	226	175	143	137
Income Tax	Rs million	5,059	3,556	2,239	1,594	984	199

Graphs

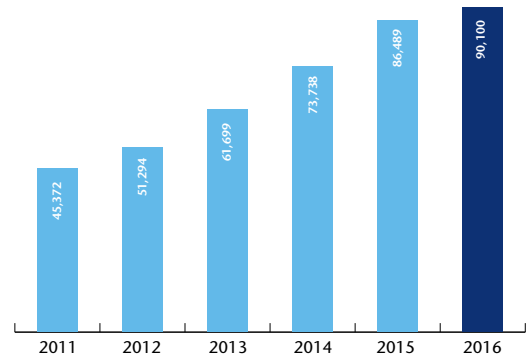
Gross Turnover

Rs (million)



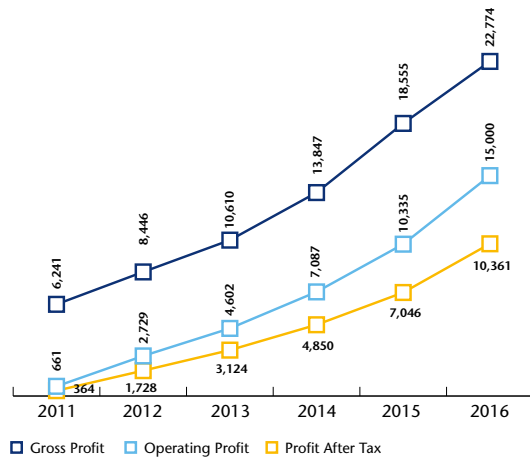
Government Levies

Rs (million)

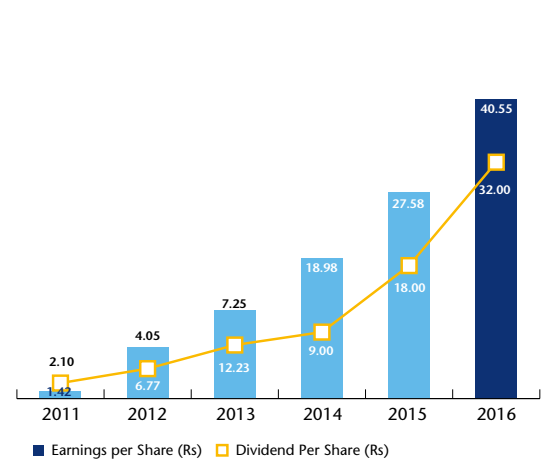


Gross, Operating and Profit After Tax

Rs (million)

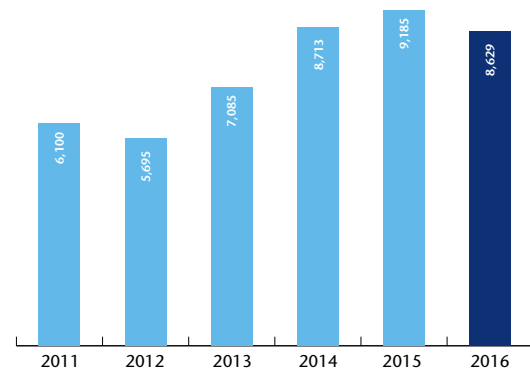


Earnings Per Share and Dividend Per Share



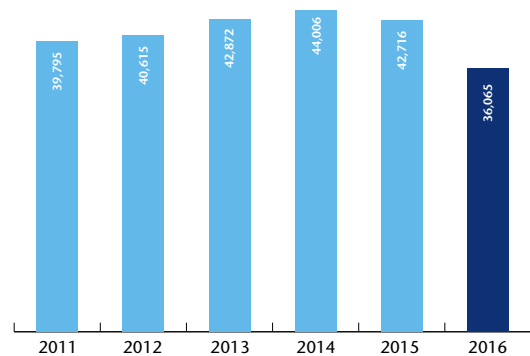
Property, Plant and Equipment

Rs (million)



Volume

Sticks (million)



Horizontal & Vertical Analysis

Source Data

	2016	2015	2014	2013	2012	2011
Rs. '000						
Balance Sheet						
Non Current Assets						
Property Plant And Equipment	8,629,435	9,184,971	8,713,477	7,084,521	5,694,961	6,099,879
Long Term Investment in Subsidiary Company	5,000	5,000	5,000	5,000	5,000	5,000
Long Term Loans	-	-	19	75	457	1,260
Long Term Deposits and Prepayments	33,571	29,072	32,453	21,478	20,286	22,640
	8,668,006	9,219,043	8,750,949	7,111,074	5,720,704	6,128,779
Current Assets						
Stocks in trade	13,618,530	14,007,537	11,894,508	9,166,367	7,225,301	6,462,330
Stores and spares	570,224	675,564	472,029	488,213	341,855	190,110
Trade debts	1,839	906	3,225	764	1,073	1,202
Loans and advances	178,561	181,594	66,692	89,579	68,632	64,310
Short term prepayments	183,858	170,298	183,145	78,889	99,509	94,052
Other receivables	1,049,248	446,622	425,467	435,055	287,696	196,249
Cash and bank balances	1,127,227	53,089	149,573	60,128	139,030	109,631
	16,729,487	15,535,610	13,194,639	10,318,995	8,163,096	7,117,884
	25,397,493	24,754,653	21,945,588	17,430,069	13,883,800	13,246,663
Share Capital & Reserves						
Share Capital	2,554,938	2,554,938	2,554,938	2,554,938	2,554,938	2,554,938
Revenue Reserves	10,421,692	7,811,221	5,456,425	2,857,270	1,552,462	778,997
	12,976,630	10,366,159	8,011,363	5,412,208	4,107,400	3,333,935
Non Current Liabilities						
Deferred income tax liabilities	1,132,463	1,038,997	1,100,229	1,014,118	1,090,892	1,082,038
Finance lease obligation	314,950	415,123	400,354	293,044	96,024	-
	1,447,413	1,454,120	1,500,583	1,307,162	1,186,916	1,082,038
Current Liabilities						
Trade and other payables	9,094,982	10,417,040	11,266,499	7,724,746	6,991,911	7,075,299
Accrued interest / mark-up	3,438	11,807	24,166	27,048	40,880	51,187
Short term running finance	95,339	1,219,501	562,870	2,436,445	1,237,772	1,783,623
Finance lease obligation	164,383	154,365	119,375	92,559	50,009	-
Current income tax liabilities	1,615,308	1,131,661	460,732	429,901	268,912	(79,419)
	10,973,450	12,934,374	12,433,642	10,710,699	8,589,484	8,830,690
	25,397,493	24,754,653	21,945,588	17,430,069	13,883,800	13,246,663
Profit & Loss Account						
Gross turnover	129,278,304	125,012,583	107,217,617	89,928,975	75,531,228	67,491,816
Excise duties	64,976,204	63,290,222	54,447,161	46,110,971	38,854,830	34,719,661
Sales tax	19,435,596	18,815,170	16,151,379	13,195,201	10,796,089	9,822,181
Net turnover	44,866,504	42,907,191	36,619,077	30,622,803	25,880,309	22,949,974
Cost of sales	22,092,836	24,351,991	22,771,684	20,012,587	17,434,790	16,709,273
Gross Profit	22,773,668	18,555,200	13,847,393	10,610,216	8,445,519	6,240,701
Selling and distribution expenses	4,743,638	4,854,542	3,877,112	4,022,635	3,516,601	3,129,938
Administration expenses	2,185,061	2,434,574	2,398,881	1,716,314	1,381,918	1,321,713
Other operating income	353,070	137,176	166,415	129,129	90,400	53,967
Other operating expenses	1,198,205	1,068,191	650,753	397,959	908,888	1,182,363
Operating profit	14,999,834	10,335,069	7,087,062	4,602,437	2,728,512	660,654
Finance income	428,143	315,866	199,795	136,487	65,057	39,160
Finance cost	45,829	71,862	99,056	72,019	138,533	140,539
Profit before taxation	15,382,148	10,579,073	7,187,801	4,666,905	2,655,036	559,275
Taxation	5,020,796	3,532,639	2,337,656	1,542,596	926,578	195,490
Profit for the year	10,361,352	7,046,434	4,850,145	3,124,309	1,728,458	363,785
Earnings per Share - basic and diluted (Rupees)	40.55	27.58	18.98	12.23	6.77	1.42

Horizontal Analysis						Vertical Analysis				
16 Vs 15	15 Vs 14	14 Vs 13	13 Vs 12	12 Vs 11	2016	2015	2014	2013	2012	2011
Variance (%)						Percentage				
(6.05)	5.41	22.99	24.40	(6.64)	33.98	37.10	39.70	40.65	41.02	46.05
-	-	-	-	-	0.02	0.02	0.02	0.03	0.04	0.04
0.00	(100.00)	(74.67)	(83.59)	(63.73)	0.00	0.00	0.00	0.00	0.00	0.01
15.48	(10.42)	51.10	5.88	(10.40)	0.13	0.12	0.15	0.12	0.15	0.17
(5.98)	5.35	23.06	24.30	(6.66)	34.13	37.24	39.88	40.80	41.20	46.27
(2.78)	17.76	29.76	26.86	11.81	53.62	56.59	54.20	52.59	52.04	48.78
(15.59)	43.12	(3.31)	42.81	79.82	2.25	2.73	2.15	2.80	2.46	1.44
102.98	(71.91)	322.12	(28.80)	(10.73)	0.01	0.00	0.01	0.00	0.01	0.01
(1.67)	172.29	(25.55)	30.52	6.72	0.70	0.73	0.30	0.51	0.49	0.49
7.96	(7.01)	132.16	(20.72)	5.80	0.72	0.69	0.83	0.45	0.72	0.71
134.93	4.97	(2.20)	51.22	46.60	4.13	1.80	1.94	2.50	2.07	1.48
2,023.28	(64.51)	148.76	(56.75)	26.82	4.44	0.21	0.68	0.34	1.00	0.83
7.68	17.74	27.87	26.41	14.68	65.87	62.76	60.12	59.20	58.80	53.73
2.60	12.80	25.91	25.54	4.81	100	100	100	100	100	100
-	-	-	-	-	10.06	10.32	11.64	14.66	18.40	19.29
33.42	43.16	90.97	84.05	99.29	41.03	31.55	24.86	16.39	11.18	5.88
25.18	29.39	48.02	31.77	23.20	51.09	41.88	36.51	31.05	29.58	25.17
9.00	(5.57)	8.49	(7.04)	0.82	4.46	4.20	5.01	5.82	7.86	8.17
(24.13)	3.69	36.62	205.18	-	1.24	1.68	1.82	1.68	0.69	-
(0.46)	(3.10)	14.80	10.13	9.69	5.70	5.87	6.84	7.50	8.55	8.17
(12.69)	(7.54)	45.85	10.48	(1.18)	35.81	42.08	51.34	44.32	50.36	53.41
(70.88)	(51.14)	(10.66)	(33.84)	(20.14)	0.01	0.05	0.11	0.16	0.29	0.39
(92.18)	116.66	(76.90)	96.84	(30.60)	0.38	4.93	2.56	13.98	8.92	13.46
6.49	29.31	28.97	85.08	-	0.65	0.62	0.54	0.53	0.36	-
42.74	145.62	7.17	59.87	(438.60)	6.36	4.57	2.10	2.47	1.94	(0.60)
(15.16)	4.03	16.09	24.70	(2.73)	43.21	52.25	56.66	61.45	61.87	66.66
2.60	12.80	25.91	25.54	4.81	100	100	100	100	100	100
3.41	16.60	19.22	19.06	11.91	-	-	-	-	-	-
2.66	16.24	18.08	18.68	11.91	-	-	-	-	-	-
3.30	16.49	22.40	22.22	9.92	-	-	-	-	-	-
4.57	17.17	19.58	18.32	12.77	100	100	100	100	100	100
(9.28)	6.94	13.79	14.79	4.34	49.24	56.76	62.19	65.35	67.37	72.81
22.73	34.00	30.51	25.63	35.33	50.76	43.24	37.81	34.65	32.63	27.19
(2.28)	25.21	(3.62)	14.39	12.35	10.57	11.31	10.59	13.14	13.59	13.64
(10.25)	1.49	39.77	24.20	4.56	4.87	5.67	6.55	5.60	5.34	5.76
157.38	(17.57)	28.88	42.84	67.51	0.79	0.32	0.45	0.42	0.35	0.24
12.17	64.15	63.52	(56.21)	(23.13)	2.67	2.49	1.78	1.30	3.51	5.15
45.14	45.83	53.98	68.68	313.00	33.43	24.09	19.35	15.03	10.54	2.88
35.55	58.10	46.38	109.80	66.13	0.95	0.74	0.55	0.45	0.25	0.17
(36.23)	(27.45)	37.54	(48.01)	(1.43)	0.10	0.17	0.27	0.24	0.54	0.61
45.40	47.18	54.02	75.78	374.73	34.28	24.66	19.63	15.24	10.26	2.44
42.13	51.12	51.54	66.48	373.98	11.19	8.23	6.38	5.04	3.58	0.85
47.04	45.28	55.24	80.76	375.13	23.09	16.42	13.24	10.20	6.68	1.59
47.03	45.31	55.19	80.65	376.76	-	-	-	-	-	-

Summary of Cash Flows

(Rs. million)	2016	2015	2014	2013	2012	2011
Cash flow from Operating Activities	10,485	5,179	6,375	2,373	1,775	2,151
Cash flow from Investing Activities	113	(1,015)	(1,982)	(1,665)	(119)	(1,089)
Cash flow from Financing Activities	(8,400)	(4,917)	(2,430)	(1,985)	(1,081)	(536)
Net Change in Cash and Cash Equivalents	2,198	(753)	1,963	(1,278)	575	526
Beginning Cash and Cash Equivalents	(1,166)	(413)	(2,376)	(1,099)	(1,674)	(2,200)
Ending Cash and Cash Equivalents	1,032	(1,166)	(413)	(2,376)	(1,099)	(1,674)
Cash and Cash Equivalents comprise						
Cash and Bank Balances	1,127	53	150	60	139	110
Short Term Borrowings	(95)	(1,220)	(563)	(2,436)	(1,238)	(1,784)
	1,032	(1,166)	(413)	(2,376)	(1,099)	(1,674)

Financial Calendar

2016

1st Quarter Results issued on	April 20, 2016
2nd Quarter Results issued on	July 27, 2016
3rd Quarter Results issued on	October 19, 2016
Recommendation of Annual Results by the BOD	February 20, 2017
70th Annual General Meeting scheduled for	April 20, 2017

2015

1st Quarter Results issued on	April 20, 2015
2nd Quarter Results issued on	July 22, 2015
3rd Quarter Results issued on	October 19, 2015
Recommendation of Annual Results by the BOD	February 19, 2016
69th Annual General Meeting held on	April 20, 2016

Analysis of Quarterly Results

(Rs in million)	2016				2015			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Balance Sheet								
Non Current Assets								
Property Plant and Equipment	9,021	8,704	8,612	8,629	8,605	8,701	8,796	9,185
Long Term Investment in Subsidiary Company	5	5	5	5	5	5	5	5
Long Term Loans	-	-	-	-	0	0	-	-
Long Term Deposits and Prepayments	29	35	35	34	26	26	26	29
Current Assets								
Stocks in trade	12,866	7,956	14,431	13,619	9,632	6,145	13,560	14,008
Stores and spares	574	632	562	570	533	541	537	676
Trade debts	4	1	3	2	3	4	1	1
Loans, advances, short term prepayments and other receivables	959	3,310	757	1,412	736	1,365	733	799
Short Term Deposits	-	2,988	5,284	980	-	-	-	-
Cash and bank balances	6,070	189	467	147	4,810	762	4,465	53
	20,473	15,076	21,504	16,729	15,713	8,816	19,296	15,536
Current Liabilities								
Trade and other payables	12,802	7,288	14,115	9,095	11,299	4,653	13,577	10,417
Accrued interest / mark-up	8	5	4	3	14	8	6	12
Finance lease obligation	154	163	157	164	119	120	116	154
Short term running finance	196	1	38	95	466	31	25	1,220
Current Income tax liabilities	1,831	2,257	1,997	1,615	811	1,535	1,632	1,132
	14,991	9,713	16,311	10,973	12,709	6,347	15,357	12,934
Net Current Assets / (Liabilities)	5,483	5,363	5,193	5,756	3,005	2,469	3,938	2,601
Non Current Liabilities								
Finance lease obligation	373	339	348	315	407	475	463	415
Deferred income tax liabilities	986	931	994	1,132	1,140	1,044	1,025	1,039
	1,358	1,269	1,342	1,447	1,547	1,519	1,488	1,454
Net Assets	13,179	12,839	12,504	12,977	10,095	9,682	11,278	10,366
Share Capital & Reserves								
Share Capital	2,555	2,555	2,555	2,555	2,555	2,555	2,555	2,555
Revenue Reserves	10,624	10,284	9,949	10,422	7,540	7,127	8,723	7,811
	13,179	12,839	12,504	12,977	10,095	9,682	11,278	10,366
Profit & Loss Account								
Gross Turnover	33,125	49,083	19,653	27,417	32,861	38,020	25,153	28,979
Excise Duties	16,594	24,400	9,965	14,017	16,569	19,051	12,909	14,761
Sales tax	4,984	7,383	2,942	4,127	4,946	5,723	3,785	4,361
Net Turnover	11,547	17,300	6,746	9,273	11,346	13,245	8,459	9,857
Cost of sales	5,647	8,503	3,446	4,497	6,622	7,881	4,510	5,339
Gross Profit	5,901	8,797	3,300	4,776	4,724	5,365	3,949	4,517
Selling and distribution expenses	901	1,486	1,123	1,234	919	780	822	2,333
Administration expenses	599	517	397	673	485	370	633	947
Other operating expenses	324	507	124	243	246	361	205	257
Other operating income	7	31	3	312	26	51	22	39
	1,817	2,478	1,642	1,838	1,624	1,460	1,638	3,498
Operating profit	4,084	6,319	1,658	2,939	3,100	3,904	2,311	1,019
Finance income	38	239	69	82	48	183	38	47
Finance cost	15	11	10	9	21	15	15	21
Finance (cost)/income - net	23	227	59	73	26	168	23	26
Profit before taxation	4,107	6,547	1,717	3,012	3,126	4,072	2,335	1,046
Taxation	1,293	2,289	520	919	1,043	1,419	739	332
Profit for the year	2,813	4,258	1,198	2,092	2,083	2,654	1,596	714

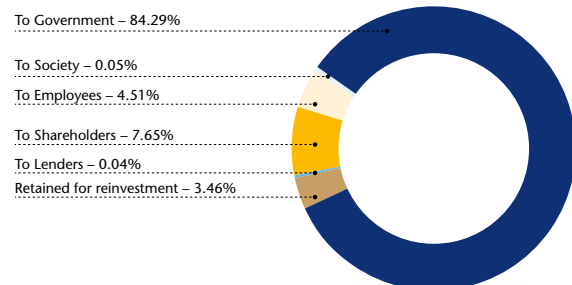
Statement of Value

Generated and its Distribution

	2016 Rs. in million	%	2015 Rs. in million	%
Value Addition				
Gross Revenues	130,060		125,466	
Material, Services and Other Costs	23,172		26,347	
Value added	106,888		99,119	
Value Distribution				
To Government				
Taxes, duties and other levies	90,100	84.29	86,489	87.26
To Society				
Contribution towards health, environment & natural disaster	49	0.05	72	0.08
To Employees				
Salaries, benefits and other costs	4,819	4.51	4,544	4.58
To Shareholders				
Dividend	8,176	7.65	4,599	4.64
To Lenders				
Markup/interest expense on borrowed money	46	0.04	72	0.07
Retained for reinvestment				
Depreciation and retained profit	3,698	3.46	3,343	3.37
	106,888	100.00	99,119	100.00

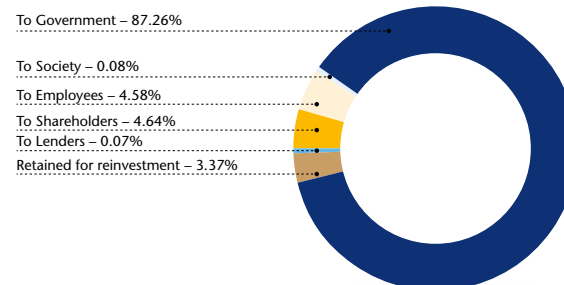
Value Distribution

2016



Value Distribution

2015



Board Committees

THE BOARD HAS A NUMBER OF COMMITTEES, WHICH ASSIST THE BOARD IN THE PERFORMANCE OF ITS FUNCTIONS.

EXECUTIVE COMMITTEE (ExCo):

Name of Director	Attendance
1. Mr. Graeme Douglas Amey (Member and Chairman)	6/6
2. Mr. Syed Javed Iqbal (Member and Chairman)	12/12
3. Mr. Tajamal Shah (Member)	11/12
4. Mr. Sacha Cotting (Member) – Resigned	7/12
5. Mr. Mustanser Khan (Member)	12/12
6. Mr. Asim Imdad (Member) – Resigned	5/9
7. Mr. Sanzid Ahmed (Member)	12/12
8. Mr. Wael Sabra (Member)	4/5

HUMAN RESOURCES & REMUNERATION COMMITTEE:

Name of Director	Attendance
1. Lt. Gen. (Retd.) Ali Kuli Khan Khattak (Member and Chairman)	1/1
2. Mr. Syed Asif Shah (Member) – Retired	1/1
3. Mr. Syed Javed Iqbal (Member)	1/1
4. Mr. Sanzid Ahmed Alvi (Secretary)	1/1
5. Mr. Imran Maqbool (Member) – Joined on 20 April, 2016	0/1

FUNCTIONS OF BOARD COMMITTEES

Committees	Function
1. Executive Committee of the Board (ExCo)	The Executive Committee of the Board (ExCo) is the central working nucleus of the organisation. Comprising of Executive Directors and Head of the Departments of the Company, the ExCo drives to achieve the strategic targets set by the Board of Directors.
2. Audit Committee	The Audit Committee assists the Board of Directors in management of business risks, internal controls and the conduct of the business in economically sound and ethical manner in line with the Code of Corporate Governance. Audit Committee also reviews the Company's Corporate Social Responsibility (CSR) initiatives and their alignment with Code of Corporate Governance.
3. Human Resources and Remuneration Committee	The Committee is responsible for : <ul style="list-style-type: none"> • Recommending human resources management policies to the Board; • Recommending to the Board the selection , evaluation, compensation (including retirement benefits) and succession planning of the MD/CEO; • Recommending to the Board, the selection , evaluation, compensation (including retirement benefits) of COO, CFO, Company Secretary and Head of Internal Audit; and • Consideration and approval on recommendations of MD/CEO on such matters for key management positions who report directly to MD/CEO or COO.
4. Share Transfer Committee	The Committee is responsible for dealing with the day to day matters relating to the shares of the Company.

AUDIT COMMITTEE:

Name of Director	Attendance
1. Mr. Zafar Mahmood (Member and Chairman)	3/3
2. Lt. Gen. (Retd.) Ali Kuli Khan Khattak (Member)	3/4
3. Mr. Imran Maqbool (Member)	3/3
4. Mr. Michael Koest (Member)	1/3
5. Ms. Hae in KIM (Member)	2/4
6. Mr. Syed Asif Shah (Member) – Retired	1/1
7. Mr. Abid Niaz Hasan (Member) – Retired	0/1

SHARES TRANSFER COMMITTEE:

Name of Director	Attendance
1. Mr. Graeme Douglas Amey (Member and Chairman)	5/5
2. Mr. Syed Javed Iqbal (Member and Chairman)	10/10
3. Mr. Tajamal Shah (Member)	10/10
4. Mr. Wael Sabra (Member)	5/5

Pattern of Shareholding

AS AT DECEMBER 31, 2016

No. of Shareholders	Categories				Total Shares
1,416	From	1	To	100	45,370
1,146	From	101	To	500	324,806
381	From	501	To	1,000	268,508
264	From	1,001	To	5,000	556,447
30	From	5,001	To	10,000	205,877
6	From	10,001	To	15,000	72,784
4	From	15,001	To	20,000	70,256
8	From	20,001	To	25,000	182,419
1	From	25,001	To	30,000	27,000
3	From	30,001	To	35,000	95,838
1	From	35,001	To	40,000	37,000
1	From	40,001	To	45,000	41,840
1	From	50,001	To	55,000	53,000
3	From	55,001	To	60,000	172,390
1	From	60,001	To	65,000	60,961
1	From	70,001	To	75,000	70,140
2	From	165,001	To	170,000	335,714
1	From	230,001	To	235,000	231,000
1	From	300,001	To	305,000	300,752
1	From	325,001	To	330,000	326,000
1	From	400,001	To	405,000	401,800
1	From	795,001	To	800,000	798,282
1	From	1,830,001	To	1,835,000	1,830,513
1	From	7,935,001	To	7,940,000	7,939,954
1	From	241,045,001	To	241,050,000	241,045,141
3,277					255,493,792

	No. of Shares
Associated Companies, Undertakings and Related Parties	241,843,423
NIT and ICP	515
Directors, CEO and their spouse and minor children	12,274
Executives	34
Banks, Development Finance Institutions, Non-Banking	
Finance Institutions, Insurance companies, Modaraba and Mutual Funds	2,294,754
Individuals	2,575,043
Others	8,767,749
	255,493,792

Categories of Shareholders	Number	Shares Held	%
Directors, CEO and their spouse and minor children	9	12,274	0.0
Executives	3	34	0.0
Associated Companies, Undertakings and Related Parties	2	241,843,423	94.7
Investment Companies	1	515	0.0
Modarabas & Mutual Funds	5	1,897,213	0.7
Insurance Companies	3	394,259	0.2
Banks, Development and other Financial Institutions	9	3,282	0.0
Individuals	3,193	2,575,043	1.0
Others	52	8,767,749	3.4
Total	3,277	255,493,792	100.0

	No. of Shares
Associated Companies, Undertakings and Related Parties	
British American Tobacco (Investments) Limited	241,045,141
Rothmans International	798,282
NIT and ICP (name wise details)	
National Bank of Pakistan	515
Directors, CEO and their spouse and minor children (name wise details)	
Mueen Afzal	2,124
Syed Javed Iqbal	2,500
Tajamal Shah	2,500
Wael Sabra	2,500
Hae In Kim	1,000
Michael Kost	1,000
Imran Maqbool	500
Ali Kuli Khan Khattak	100
Zafar Mehmood	50
Executives	
Awais Hussain Kazi	15
Mirza Zubair Ahmed	10
Shahid Yamin	9
Shareholders holding 10% or more voting interest	
British American Tobacco (Investments) Limited	241,045,141

Statement of Compliance

WITH THE CODE OF CORPORATE GOVERNANCE
YEAR ENDED: DECEMBER 31, 2016

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 5.19 of listing regulations of Pakistan Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent, non-executive directors and directors representing minority interests on its board. At present the Company's Board includes:

Independent Director

Mr. Zafar Mahmood

Executive Directors

Syed Javed Iqbal

Mr. Tajamal Shah

Mr. Wael Sabra

Non-Executive Directors

Mr. Mueen Afzal

Mr. Lt. Gen. (Retd) Ali Kuli Khan

Ms. Hae In KIM

Mr. Michael Koest

Mr. Imran Maqbool

The Independent Director meet the criteria of independence under Clause 5.19.1(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has

defaulted in payment of any loan to a banking Company, a DFI or an NBFII or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. A casual vacancy occurring on the board on the resignation of Graeme Amey was filled in by Mr. Wael Sabra within ninety days.
5. The Company has prepared a "Code of Conduct" namely Standard of Business Conduct (SoBC) and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board/shareholders.
8. 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 and the Board met at least once in every quarter. Written notices of the board meetings, along with

agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board arranged training of one director during the year. Training of all directors will be completed by June 2018.
10. The Board has approved appointment of the Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms & conditions of employment.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of five members, all are non-executive directors and the Chairman of the committee is an independent director.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed an Human Resource and Remuneration Committee. It comprises of three members, of whom two are non-executive directors and the Chairman of the Committee is also a non-executive director.
18. The Board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountant of Pakistan (ICAP).
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles enshrined in the CCG have been complied with.



Syed Javed Iqbal
Managing Director & CEO

Review Report to the Members

on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (“the Code”) prepared by the Board of Directors of Pakistan Tobacco Company Limited (“the Company”) for the year ended 31 December 2016 to comply with the requirements of Listing Regulation No 5.19 of the Pakistan Stock Exchange Limited, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company’s compliance with the provisions of the Code and report if it does not and to highlight any noncompliance with the requirements of the Code. 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 Code.

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 Code requires 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 distinguishing between transactions carried out on terms equivalent to those that prevail in arm’s length transactions and transactions which are not executed at arm’s length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm’s length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company’s Compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 31 December 2016.



KPMG Taseer Hadi & Co.

Chartered Accountants

Atif Zamurrad Malik

Islamabad

20 February 2017

PAKISTAN TOBACCO COMPANY LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016



Auditor's Report to the Members


We have audited the annexed balance sheet of Pakistan Tobacco Company Limited ("the Company") as at 31 December 2016 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting polices consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, 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 financial statement of the Company for the year ended 31 December 2015, were audited by another auditor whose report dated 19 February 2016 expressed an unmodified opinion on those statements.


KPMG Taseer Hadi & Co.
Chartered Accountants
Atif Zamurrad Malik

Islamabad
20 February 2017

Profit & Loss Account

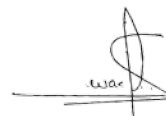
for the year ended December 31, 2016

	Note	2016 Rs '000	2015 Rs '000
Gross turnover		129,278,304	125,012,583
Excise duties		(64,976,204)	(63,290,222)
Sales tax		(19,435,596)	(18,815,170)
Net turnover		44,866,504	42,907,191
Cost of sales	8	(22,092,836)	(24,351,991)
Gross profit		22,773,668	18,555,200
Selling and distribution costs	9	(4,743,638)	(4,854,542)
Administrative expenses	10	(2,185,061)	(2,434,574)
Other operating expenses	11	(1,198,205)	(1,068,191)
Other income	12	353,070	137,176
		(7,773,834)	(8,220,131)
Operating profit		14,999,834	10,335,069
Finance income		428,143	315,866
Finance cost	13	(45,829)	(71,862)
Net finance income		382,314	244,004
Profit before income tax		15,382,148	10,579,073
Income tax expense	14	(5,020,796)	(3,532,639)
Profit for the year		10,361,352	7,046,434
Earnings per share - (Rupees)	15	40.55	27.58

The annexed notes 1 to 38 form an integral part of these financial statements.



Syed Javed Iqbal
Managing Director & CEO



Wael Sabra
Finance & IT Director

Statement of Comprehensive Income

for the year ended December 31, 2016

	Note	2016 Rs '000	2015 Rs '000
Profit for the year		10,361,352	7,046,434
Other comprehensive income for the year:			
Items that will not be reclassified to profit and loss account			
- Remeasurement gain / (loss) on defined benefit pension and gratuity plans	31	806,722	(132,723)
- Tax (charge) / credit related to remeasurement gain on defined benefit pension and gratuity plans	14.3	(381,802)	39,973
Items that may be subsequently reclassified to profit and loss account			
Other comprehensive income / (loss) for the year - net of tax		424,920	(92,750)
Total comprehensive income for the year - net of tax		10,786,272	6,953,684

The annexed notes 1 to 38 form an integral part of these financial statements.



Syed Javed Iqbal
Managing Director & CEO



Wael Sabra
Finance & IT Director

Balance Sheet

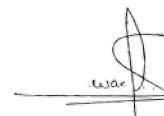
as at December 31, 2016

	Note	2016 Rs '000	2015 Rs '000
Non current assets			
Property, plant and equipment	16	8,629,435	9,184,971
Long term investment in subsidiary company	17	5,000	5,000
Long term loans	18	–	–
Long term deposits and prepayments	19	33,571	29,072
		8,668,006	9,219,043
Current assets			
Stock-in-trade	20	13,618,530	14,007,537
Stores and spares	21	570,224	675,564
Trade debts	22	1,839	906
Loans and advances	23	178,561	181,594
Short term prepayments		183,858	170,298
Other receivables	24	1,049,248	446,622
Short term investment	25	979,903	–
Cash and bank balances	26	147,324	53,089
		16,729,487	15,535,610
Current liabilities			
Trade and other payables	27	9,094,982	10,417,040
Short term running finance	28	95,339	1,219,501
Finance lease obligation	29	164,383	154,365
Accrued interest / mark-up		3,438	11,807
Current income tax liabilities		1,615,308	1,131,661
		(10,973,450)	(12,934,374)
Net current assets		5,756,037	2,601,236
Non current liabilities			
Finance lease obligation	29	(314,950)	(415,123)
Deferred income tax liabilities	30	(1,132,463)	(1,038,997)
		(1,447,413)	(1,454,120)
Net assets		12,976,630	10,366,159
Share capital and reserves			
Share capital	32	2,554,938	2,554,938
Revenue reserves		10,421,692	7,811,221
		12,976,630	10,366,159
Contingencies and commitments	33		

The annexed notes 1 to 38 form an integral part of these financial statements.



Syed Javed Iqbal
Managing Director & CEO



Wael Sabra
Finance & IT Director

Statement of Changes in Equity

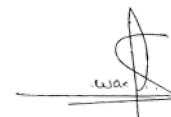
for the year ended December 31, 2016

	Share capital Rs '000	Revenue reserves Rs '000	Total Rs '000
Balance at January 1, 2015	2,554,938	5,456,425	8,011,363
Comprehensive income:			
Profit for the year	–	7,046,434	7,046,434
Other comprehensive loss for the year	–	(92,750)	(92,750)
Total Comprehensive income for the year	–	6,953,684	6,953,684
Transactions with owners:			
Final dividend of Rs 12.00 per share relating to the year ended December 31, 2014	–	(3,065,925)	(3,065,925)
Interim dividend of Rs 6.00 per share relating to the year ended December 31, 2015	–	(1,532,963)	(1,532,963)
Total transactions with owners	–	(4,598,888)	(4,598,888)
Balance at December 31, 2015	2,554,938	7,811,221	10,366,159
Balance at January 1, 2016	2,554,938	7,811,221	10,366,159
Comprehensive income:			
Profit for the year	–	10,361,352	10,361,352
Other comprehensive income for the year	–	424,920	424,920
Total Comprehensive income for the year	–	10,786,272	10,786,272
Transactions with owners:			
Final dividend of Rs 18.00 per share relating to the year ended December 31, 2015	–	(4,598,888)	(4,598,888)
1st Interim dividend of Rs 6.00 per share relating to the year ended December 31, 2016	–	(1,532,963)	(1,532,963)
2nd Interim dividend of Rs 8.00 per share relating to the year ended December 31, 2016	–	(2,043,950)	(2,043,950)
Total transactions with owners	–	(8,175,801)	(8,175,801)
Balance at December 31, 2016	2,554,938	10,421,692	12,976,630

The annexed notes 1 to 38 form an integral part of these financial statements.



Syed Javed Iqbal
Managing Director & CEO



Wael Sabra
Finance & IT Director

Cash Flow Statement

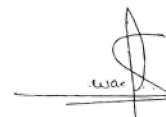
for the year ended December 31, 2016

	2016 Rs '000	2015 Rs '000
Cash flows from operating activities		
Cash receipts from customers	129,017,298	125,292,870
Cash paid to Government for Federal excise duty, sales tax and other levies	(86,124,222)	(86,059,817)
Cash paid to suppliers	(21,920,913)	(25,270,750)
Cash paid to employees and retirement funds	(4,818,697)	(4,558,127)
Interest paid	(54,199)	(84,221)
Cash paid as royalty	(567,289)	(563,022)
Income tax paid	(4,575,401)	(2,908,123)
Other cash payments	(471,338)	(669,580)
	10,485,239	5,179,230
Cash flows from investing activities		
Purchase of property, plant and equipment	(579,413)	(1,490,676)
Proceeds from sale of property, plant and equipment	264,691	159,919
Interest received	427,843	315,866
	113,121	(1,014,891)
Cash flows from financing activities		
Dividends paid	(8,153,675)	(4,620,059)
Finance lease payments	(246,385)	(297,395)
	(8,400,060)	(4,917,454)
Increase / (decrease) in cash and cash equivalents	2,198,300	(753,115)
Cash and cash equivalents at beginning of year	(1,166,412)	(413,297)
Cash and cash equivalents at end of year	1,031,888	(1,166,412)
Cash and cash equivalents comprise:		
Cash and bank balances	147,324	53,089
Short term investment	979,903	-
Short term running finance	(95,339)	(1,219,501)
	1,031,888	(1,166,412)

The annexed notes 1 to 38 form an integral part of these financial statements.



Syed Javed Iqbal
Managing Director & CEO



Wael Sabra
Finance & IT Director

Notes to the Financial Statements

for the year ended December 31, 2016

1. THE COMPANY AND ITS OPERATIONS

Pakistan Tobacco Company Limited (the Company) is a public listed company incorporated in Pakistan on 18 November 1947 under the Companies Act, 1913 (now the Companies Ordinance, 1984) and its shares are quoted on the Pakistan Stock Exchange (formerly the Karachi, Lahore and Islamabad stock exchanges of Pakistan). 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 manufacturing and sale of cigarettes.

The registered office of the Company is situated at Serena Business Complex, Khayaban-e-Suharwardy, Islamabad.

2. STATEMENT OF COMPLIANCE

These are separate financial statements of the Company. These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board as are notified under the Companies Ordinance, 1984 (the Ordinance), and provisions of and directives issued under the Ordinance. In case requirements differ, the provisions or directives of the Ordinance shall prevail.

3. BASIS OF MEASUREMENT

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

4. FUNCTIONAL AND PRESENTATION CURRENCY

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

5. USE OF ESTIMATES AND JUDGEMENTS

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

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

- Note 16 – useful lives of property, plant and equipment
- Note 20 and 21 – Provision for obsolescence of stock in trade and stores and spares
- Notes 14 and 30 – provision for income tax and calculation of deferred tax
- Note 31 – retirement benefits
- Note 34 – financial instruments – fair values
- Note 33 – contingencies
- Notes 7.10 and 7.14(d) – impairment of financial and non-financial assets

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

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

Notes to the Financial Statements

for the year ended December 31, 2016

When measuring fair value of an asset or a liability, the Company uses observable 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 that are observable 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 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 standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2017:

- Amendments to IAS 12 Income Taxes are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on Company's financial statements.
- Amendments to IAS 7 Statement of Cash Flows are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.
- Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have a significant impact on Company's financial statements.
- Transfers of Investment Property (Amendments to IAS 40 Investment Property - effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Company's financial statements.
- Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:
 - Amendments to IFRS 12 Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The amendments are not likely to have an impact on Company's financial statements.
 - Amendments to IAS 28 Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2018) clarify that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time

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of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Company's financial statements.

- IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

7.1 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods; stated net of discounts, in the ordinary course of the Company's activities.

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue, and the associated cost incurred or to be incurred, can be measured reliably and when specific criteria have been met for each of the Company's activities as described below.

(a) Sale of goods

The Company manufactures and sells cigarettes to its appointed distributors. Sale of goods is recognized when the Company has delivered products to the distributor and there is no unfulfilled obligation that could affect the distributor's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the distributor, and either the distributor has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

(b) Income on bank deposits/investments

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

(c) Others

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

7.2 Income tax

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

(a) 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

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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.

(b) 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, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

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 balance sheet 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 be confirmed only 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 virtually 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 be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of obligation cannot be measured with sufficient reliability.

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 upto the limit allowed in terms of the Income Tax Ordinance, 2001. The Company has both defined contribution and defined benefit plans.

Notes to the Financial Statements

for the year ended December 31, 2016

A defined contribution plan is a plan under which the Company pays fixed contributions into a separate fund. The Company has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee 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 approved pension scheme. The liability recognized in the balance sheet in respect of pension and gratuity plans is the present value of the defined benefit obligation 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 that are denominated in Pakistani 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 pensioners and their respective spouses. The Company contributes premium to the policy annually. Such premium is recognised as an expense in the profit and loss account.

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

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for the year ended December 31, 2016

(e) Share-based payments

The Company has cash-settled share-based compensation plans. Share options are granted to employees in the grades 37 and above which vest over a period of 3 years. For cash-settled share-based payments, a liability equals to the portion of the services received is recognised at its current fair value determined at each balance sheet date.

(f) Long Term Incentive Plan (LTIP)

Nil-cost options exercisable after three years from date of grant. Payout is subject to performance conditions based on earnings per share relative to inflation and total shareholder return, combining the share price and dividend performance of the British American Tobacco Group. Cash-settled LTIPs are granted in March each year.

(g) Deferred Share Bonus Scheme (DSBS)

The number of deferred shares awarded is calculated by converting the portion of the incentive payment to be delivered as shares to Sterling (using an average year to date exchange rate) and by dividing this Sterling value by the British American Tobacco share price on the award date. These shares are transferable to the participant on the third anniversary (i.e. after three years), on condition that the individual is still in the employment of the Company in the British American Tobacco group. 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-year holding period. Cash-settled deferred shares are granted in March each year.

7.8 Leases

(a) Finance leases

Leases that transfer substantially all the risks and rewards incidental to ownership of an asset are classified as finance leases. Assets on finance lease are capitalized at the commencement of the lease term at the lower of fair value of leased assets and the present value of minimum lease payments, each determined at the inception of the lease. Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long term payables. The finance cost is charged to profit and loss account and is included under finance costs. The assets acquired under finance lease are depreciated over the shorter of the useful life of the asset or the lease term. The Company has entered into Ijarah arrangements with a financial institution in respect of vehicles. Islamic Financial Accounting Standard (IFAS) No.2 "Ijarah" was notified by SECP vide S.R.O 431 (I) /2007 on 22 May 2007. This said IFAS requires Ijarah payments under such arrangements to be recognised as an expense over the Ijarah terms. Since the arrangement of the company with the financial institutions in substance comply with the conditions under International Accounting Standard – 17 "Leases", it is classified as finance lease accordingly.

(b) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit and loss account on a straight-line basis over the period of the lease.

7.9 Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance expenses are recognized in profit and loss account during the financial period in which they are incurred.

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

Notes to the Financial Statements

for the year ended December 31, 2016

• Buildings on freehold and leasehold land	3%
• Plant and machinery	7%
• 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	20%

Depreciation on additions and deletions during the year is charged on a pro rata basis from the month when 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 profit and loss account.

7.10 Impairment of non-financial asset

Assets that have an indefinite useful life, for example land, are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment at each balance sheet 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 asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no new impairment losses had been recognised. An impairment loss or reversal of impairment loss is recognised in the profit and loss account.

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 upto the balance sheet date.

7.14 Financial assets

(a) Classification

The Company classifies non-derivative financial assets into loans and receivable category and financial liabilities into other financial liabilities category.

(b) Recognition and de-recognition

The Company initially recognises loans and receivables 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.

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for the year ended December 31, 2016

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.

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.

(c) Measurement

Financial assets categorised as loans and receivables are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method. Financial liabilities categorised as other financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

(d) Impairment of financial assets

Financial assets, categorised as loans and receivables, are assessed at each reporting date to determine whether there is objective evidence of impairment. Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indication that a debtor or issuer will enter bankruptcy, adverse changes in the payment status, the disappearance of an active market for a security because of financial difficulties or observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets. For financial assets measured at amortised cost, the Company considers evidence of impairment at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical information on the timings of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in the income statement and reflected in an allowance account. When the Company considers that there is no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through the income statement.

7.15 Trade debts

Trade debts are recognised initially at fair value and subsequently measured at cost less provision for doubtful debts. A provision for doubtful debts is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the trade debts. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade debt is doubtful. The provision is recognised in the profit and loss account. When a trade debt is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the profit and loss account.

Notes to the Financial Statements

for the year ended December 31, 2016

7.16 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

7.17 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 profit and loss account over the period of the borrowings using the effective interest method.

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. All other borrowing costs are charged to profit and loss account.

7.18 Dividend distribution

Final 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.

7.19 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Short term finance facilities availed by the Company, which are payable on demand and form an integral part of the Company's cash management are included as part of cash and cash equivalents for the purpose of statement of cash flows.

7.20 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 balance sheet 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 profit and loss account. All other foreign exchange gains and losses are presented in the profit and loss account within other operating expenses.

7.21 Fair value measurement

'Fair value' is the price that would be received to sell 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, for both 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.

Notes to the Financial Statements

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	2016 Rs '000	2015 Rs '000
8 Cost of sales		
Raw material consumed		
Opening stock of raw materials and work in process	11,233,495	9,802,963
Raw material purchases and expenses - note 8.1	15,466,189	19,881,227
Closing stock of raw materials and work in process	(12,449,905)	(11,233,495)
	14,249,779	18,450,695
Government taxes and levies		
Customs duty and surcharges	380,395	525,731
Provincial and municipal taxes and other duties	192,370	242,552
Excise duty on royalty	56,566	58,780
	629,331	827,063
	14,879,110	19,277,758
Royalty	565,657	587,798
Production overheads		
Salaries, wages and benefits	2,155,384	1,742,058
Stores, spares and machine repairs	642,905	602,380
Fuel and power	341,418	545,288
Insurance	32,470	44,183
Repairs and maintenance	597,840	552,621
Postage, telephone and stationery	14,058	13,773
Information technology	53,631	37,066
Depreciation	812,766	719,848
Provision for damaged stocks / stock written off	14,698	15,795
Provision for slow moving items / stores written off	18,391	90,621
Severance benefits	182,000	465,805
Sundries	197,667	269,494
	5,063,228	5,098,932
Cost of goods manufactured	20,507,995	24,964,488
Cost of finished goods		
Opening stock	2,774,042	2,161,545
Closing stock	(1,189,201)	(2,774,042)
	1,584,841	(612,497)
Cost of sales	22,092,836	24,351,991
8.1 Raw material purchases and expenses		
Materials	13,121,741	17,722,013
Salaries, wages and benefits	1,036,385	1,004,951
Stores, spares and machine repairs	261,411	116,911
Fuel and power	350,093	602,993
Property rentals	115,682	145,381
Insurance	21,464	26,412
Repairs and maintenance	135,310	46,803
Postage, telephone and stationery	23,061	11,637
Depreciation	93,740	128,742
Sundries	307,302	75,384
	15,466,189	19,881,227

Notes to the Financial Statements

for the year ended December 31, 2016

	2016 Rs '000	2015 Rs '000
9 Selling and distribution costs		
Salaries, wages and benefits	745,957	745,887
Selling expenses	3,439,271	3,580,217
Freight	132,483	103,517
Repairs and maintenance	52,799	40,994
Postage, telephone and stationery	4,483	10,931
Travelling	54,244	91,748
Property rentals	50,993	28,819
Insurance	13,372	16,055
Provision for damaged stocks	9,967	–
Finished goods stock written off	185,737	206,826
Depreciation	54,332	29,548
	4,743,638	4,854,542
10 Administrative expenses		
Salaries, wages and benefits	880,971	1,051,435
Fuel and power	4,839	9,509
Property rentals	125,625	117,055
Insurance	4,630	5,277
Repairs and maintenance	18,762	40,957
Postage, telephone and stationery	11,577	9,625
Legal and professional charges	87,998	50,703
Donations - note 10.1	5,585	20,000
Information technology	823,872	861,545
Travelling	47,230	100,508
Depreciation	126,396	110,491
Auditor's remuneration and expenses - note 10.2	6,008	11,355
Sundries	41,568	46,114
	2,185,061	2,434,574

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

	KPMG Taseer Hadi & Co 2016 Rs '000	A.F Ferguson & Co 2015 Rs '000
10.2 Auditor's remuneration and expenses include:		
- Statutory audit fee	1,832	1,778
- Group reporting, review of half yearly accounts, audit of consolidated accounts, audit of staff retirement benefit funds and special certifications & review of Code of Corporate Governance	3,941	3,779
- Tax services	–	5,209
- Out-of-pocket expenses	235	589
	6,008	11,355

Notes to the Financial Statements

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	2016 Rs '000	2015 Rs '000
11 Other operating expenses		
Workers' profit participation fund	826,109	568,196
Workers' welfare fund	313,921	216,644
Bank charges and fees	44,491	50,118
Interest paid to workers' profit participation fund	4,520	892
Loss on disposal of property, plant and equipment	9,164	-
Receivable written off	-	24
Foreign exchange loss	-	232,317
	1,198,205	1,068,191
12 Other income		
Income from an associated company		
BAT SAA Services (Private) Limited, for services rendered	31,339	37,642
Services to BAT Bangladesh / BAT Holdings and BAT Myanmar	3,229	6,224
Sale of stem tobacco	5,990	17,402
Recharges payable to associated companies written back:		
BAT Australia Ltd	1,375	-
BAT Asia-Pacific Region Ltd - Hong Kong	161,093	-
BAT ASPAC Service Center Sdn Bhd - Malaysia	132,757	-
Foreign exchange gain	15,286	-
Gain on disposal of property, plant and equipment	-	70,219
Income recognised on sale and lease back of vehicles	-	972
Miscellaneous	2,001	4,717
	353,070	137,176
13 Finance cost		
Interest expense on		
Bank borrowings	7,218	16,685
Finance lease	38,611	55,177
	45,829	71,862
14 Income tax expense		
Current		
For the year	4,741,676	3,350,985
For prior years - 14.1	317,372	205,475
	5,059,048	3,556,460
Deferred	(38,252)	(23,821)
	5,020,796	3,532,639

14.1 This represents super tax @ 3% of taxable income levied through Finance Act, 2016 and its levy is sub judice at various fora.

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for the year ended December 31, 2016

14.2 Effective tax rate reconciliation:

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

	2016 %	2015 %
Applicable tax rate	31.00	32.00
Tax effect of:		
Prior year charge	2.06	1.94
Change in applicable tax rate	(0.25)	(0.32)
Income taxed at different rate	(0.13)	(0.03)
Others	(0.04)	(0.20)
Average effective tax rate	32.64	33.39

The applicable income tax rate was reduced from 32% to 31% during the year on account of the changes made to Income tax Ordinance, 2001 in 2016.

	2016 Rs '000	2015 Rs '000
14.3 Tax on items directly credited to statement of other comprehensive income		
Current tax charge / (credit) on defined benefit plans	250,084	(2,562)
Deferred tax charge / (credit) on defined benefit plans	131,718	(37,411)
	381,802	(39,973)

	2016	2015
15 Earnings per share		
Profit after tax (Rs '000)	10,361,352	7,046,434
Number of fully paid weighted average ordinary shares ('000)	255,494	255,494
Earnings per share - Basic (Rs)	40.55	27.58

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

	2016 Rs '000	2015 Rs '000
16 Property, plant and equipment		
Operating assets - note 16.1	8,282,901	8,066,023
Capital work in progress - note 16.2	346,534	1,118,948
	8,629,435	9,184,971

Notes to the Financial Statements

for the year ended December 31, 2016

16.1 Operating assets

	Free-hold land Rs '000	Building on free-hold land Rs '000	Building on leasehold land Rs '000	Plant and machinery Rs '000	Office and household equipment Rs '000	Furniture and fittings Rs '000	Vehicles owned Rs '000	Vehicles under finance lease Rs '000	Total Rs '000
At January 1, 2015									
Cost	30,570	849,171	20,011	11,090,485	880,031	361,319	317,526	603,886	14,152,999
Accumulated Depreciation	-	(215,643)	(10,756)	(5,271,138)	(558,174)	(76,458)	(239,706)	(132,513)	(6,504,388)
Net book amount at January 1, 2015	30,570	633,528	9,255	5,819,347	321,857	284,861	77,820	471,373	7,648,611
Year ended December 31, 2015									
Net book amount at January 1, 2015	30,570	633,528	9,255	5,819,347	321,857	284,861	77,820	471,373	7,648,611
Additions	-	74,919	-	602,250	383,884	13,251	1,388	420,049	1,495,741
Disposals	-	(794)	-	(409)	(468)	(1,258)	(17,411)	(69,360)	(89,700)
Depreciation charge	-	(21,532)	(410)	(680,227)	(130,492)	(50,212)	(4,860)	(100,896)	(988,629)
Net book amount at December 31, 2015	30,570	686,121	8,845	5,740,961	574,781	246,642	56,937	721,166	8,066,023
At December 31, 2015									
Cost	30,570	922,242	20,004	11,795,892	1,246,226	369,460	197,280	916,403	15,498,077
Accumulated depreciation	-	(236,121)	(11,159)	(6,054,931)	(671,445)	(122,818)	(140,343)	(195,237)	(7,432,054)
Net book amount at December 31, 2015	30,570	686,121	8,845	5,740,961	574,781	246,642	56,937	721,166	8,066,023
At January 1, 2016									
Cost	30,570	922,242	20,004	11,795,892	1,246,226	369,460	197,280	916,403	15,498,077
Accumulated Depreciation	-	(236,121)	(11,159)	(6,054,931)	(671,445)	(122,818)	(140,343)	(195,237)	(7,432,054)
Net book amount at January 1, 2016	30,570	686,121	8,845	5,740,961	574,781	246,642	56,937	721,166	8,066,023
Year ended December 31, 2016									
Net book amount at January 1, 2016	30,570	686,121	8,845	5,740,961	574,781	246,642	56,937	721,166	8,066,023
Additions	-	10,593	-	1,157,844	267,380	12,385	60	129,704	1,577,966
Disposals	-	-	-	(175,681)	(107)	(253)	(6,026)	(91,787)	(273,854)
Depreciation charge	-	(23,280)	(410)	(711,055)	(178,563)	(50,639)	(4,674)	(118,613)	(1,087,234)
Net book amount at December 31, 2016	30,570	673,434	8,435	6,012,069	663,491	208,135	46,297	640,470	8,282,901
At December 31, 2016									
Cost	30,570	932,835	20,004	12,664,827	1,516,248	379,266	175,994	915,696	16,635,440
Accumulated depreciation	-	(259,401)	(11,569)	(6,652,758)	(852,757)	(171,131)	(129,697)	(275,226)	(8,352,539)
Net book amount at December 31, 2016	30,570	673,434	8,435	6,012,069	663,491	208,135	46,297	640,470	8,282,901

Notes to the Financial Statements

for the year ended December 31, 2016

	2016 Rs '000	2015 Rs '000
16.2 Capital work in progress		
Carrying value at the beginning of the year	1,118,948	1,064,866
Additions during the year	334,295	1,124,947
	1,453,243	2,189,813
Transferred to operating fixed assets	(1,106,709)	(1,070,865)
Carrying value at the end of the year - note 16.2.1	346,534	1,118,948
16.2.1 Plant and machinery - 16.2.2	315,710	992,518
Advances to suppliers	30,824	126,430
	346,534	1,118,948

16.2.2 CWIP includes capital expenditure on projects relating to enhancement of already installed machinery.

	2016 Rs '000	2015 Rs '000
16.3 Depreciation charge has been allocated as follows:		
Cost of sales	812,766	719,848
Raw material purchases and expenses	93,740	128,742
Selling and distribution expenses	54,332	29,548
Administrative expenses	126,396	110,491
	1,087,234	988,629

16.4 Details of property, plant and equipment disposed off during the year, having book value of Rs 50,000 or more are as follows:

	Cost Rs '000	Book Value Rs '000	Sale Proceeds less selling expenses Rs '000	Particulars of Buyers
Plant & machinery - by negotiation	143,997	124,537	140,303	BAT Bangladesh - Associate Co.
Vehicles - as per Company's policy	1,260	600	589	Mazhar Mahboob - executive
	1,350	653	486	Usama Bin Shabbir- executive
	1,350	600	401	Usman Akbar - executive
	1,440	645	442	Farhan Bashir - executive
	1,691	940	847	Ahmed Raza - ex executive
	1,691	894	854	Nasir Khattak - executive
	2,007	1,485	1,440	Amra Mubashir- ex executive
	2,047	1,825	1,653	Ahsen Altaf - executive
	2,047	1,737	1,740	Rahiba Rafael - ex executive
	2,047	1,581	1,297	Faisal Iqbal - executive
	2,047	1,603	1,761	Shadman Safdar - executive
	2,067	1,955	1,846	Hammad Nawaz - ex executive
	2,106	1,295	1,068	Arif Bilal- ex executive
	2,162	1,394	1,256	Sami Zaman - executive
	2,322	1,844	1,627	Waqas Bhatti - executive

Notes to the Financial Statements

for the year ended December 31, 2016

	Cost	Book Value	Sale Proceeds less selling expenses	Particulars of Buyers
	Rs '000	Rs '000	Rs '000	
	4,950	2,161	1,355	Asim Imdad - ex executive
	5,031	4,105	3,622	Hasan Zulfiqar - ex executive
	5,031	3,995	3,022	Ayesha Rafique - ex executive
	11,500	9,133	7,205	Syed Javed Iqbal - executive
	12,320	11,252	5,995	Asim Imdad - ex executive
- auction	619	217	501	Noor Hassan - Karachi
	659	178	440	Ch. Asif Ali - Rawalpindi
	659	178	445	Usman Alvi - Islamabad
	659	178	431	Mutahir Shah - Mardan
	659	178	457	Khurram Mehboob - Rawalpindi
	674	183	495	Imdad Awan - Islamabad
	683	100	545	Amir Sardar - Islamabad
	683	100	448	Hamid Usman - executive
	701	245	515	M. Yaseen - Rawalpindi
	701	245	530	Nasir Iftikhar - Islamabad
	702	246	517	S. Asif Iqbal - Multan
	702	246	530	M. Haroon - Swabi
	702	246	550	Raja Ihtasham - Haripur
	702	246	494	Manzoor Ahmed - Karachi
	702	246	440	Cornell Fernandes - Karachi
	702	246	500	Ahsen Bin Asim - Karachi
	702	246	475	Imran Ahmed - Karachi
	702	246	565	Munir Sohail - Rawalpindi
	702	246	585	Kamran Gul - Islamabad
	702	246	500	Kamran Gul - Islamabad
	702	246	580	Rizwan Mazhar - Rawalpindi
	737	336	585	Abdul Rauf - Rawalpindi
	771	311	631	M. Hussain Khan - Islamabad
	1,103	539	970	Khurram Malik - Islamabad
	1,200	586	1,035	M. Altaf - Islamabad
	1,240	284	1,100	Nadeem Hayat - Chakwal
	1,305	611	1,027	Liaqat Ali - Rawalpindi
	1,305	590	1,110	Sujawal Khan - Islamabad
	1,320	666	1,146	Ch. Naghman - Rawalpindi
	1,328	194	1,070	Sujawal Khan - Islamabad
	1,477	690	1,150	Jawed Khan - Abbottabad
	1,500	700	1,275	Liaqat Hussain - Islamabad
	1,620	860	1,330	M. Shareef - Wah
	1,900	190	1,250	Ch. Asif Ali - Rawalpindi
	1,939	1,212	1,462	Iftikhar Ahmed - Islamabad
	2,041	891	1,400	Abdul Islam - Rawalpindi
	2,047	1,825	1,910	Mohammad Faizan - Lahore
	2,107	497	1,620	M. Shareef - Wah
	2,125	1,182	1,420	M. Shareef - Wah
	2,162	1,439	1,465	Abdul Islam - Rawalpindi
	2,197	1,412	1,545	S. Nazar Abbas - Islamabad
	2,197	1,412	1,475	Abdul Islam - Rawalpindi
	2,322	1,718	1,800	Munir Sohail - Rawalpindi
	2,322	553	1,840	Shadman Safdar - executive
	2,342	2,215	2,100	Mohammad Faizan - Lahore
	5,760	2,333	4,105	Shadman Safdar - executive
	5,774	3,687	3,230	Wali Khan - Haripur

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for the year ended December 31, 2016

	Cost	Book Value	Sale Proceeds less selling expenses	Particulars of Buyers
	Rs '000	Rs '000	Rs '000	
	5,774	4,210	3,550	Ch. M Shafique - Rawalpindi
- by insurance claim	101	66	85	EFU General Insurance Ltd
	1,691	962	1,691	EFU General Insurance Ltd
	2,047	1,892	1,950	EFU General Insurance Ltd
	2,047	1,626	1,800	EFU General Insurance Ltd
	2,047	1,759	1,900	EFU General Insurance Ltd
	2,067	1,955	2,067	EFU General Insurance Ltd
	2,106	1,114	1,950	EFU General Insurance Ltd

17 Long term investment in subsidiary company

This represents 500,001 (2015: 500,001) fully paid ordinary shares of Rs 10 each in Phoenix (Private) Limited. The break up value of shares calculated by reference to net assets worked out to be Rs 10 per share (2015: Rs 10 per share) based on audited accounts for the year ended December 31, 2016.

This is a wholly owned subsidiary of Pakistan Tobacco Company Limited which is dormant and has not commenced commercial production.

	2016 Rs '000	2015 Rs '000
18 Long term loans - unsecured, considered good		
Related parties		
Key management personnel	-	5
Others		
Other executives	-	10
	-	15
Receivable within one year	-	(15)
	-	-

18.1 Reconciliation of loans:

	Executives				Total	
	Key management personnel		Other executives		2016 Rs'000	2015 Rs'000
	2016 Rs'000	2015 Rs'000	2016 Rs'000	2015 Rs'000		
Balance as at January 1	5	23	10	48	15	71
Repayments	(5)	(18)	(10)	(38)	(15)	(56)
Balance as at December 31	-	5	-	10	-	15

The above comprises interest free loans for purchase of household furniture, appliances, cars and motorcycles and are repayable over 5 to 10 years in equal monthly instalments. The Company has discontinued this facility. Further no new loans were disbursed to employees during the year.

18.2 The maximum amount due from the key management personnel and other executives at the end of any month during the year was:

Notes to the Financial Statements

for the year ended December 31, 2016

	2016 Rs '000	2015 Rs '000
Key management personnel	5	22
Other executives	6	44
	11	66
19 Long term deposits and prepayments		
Security deposits	25,053	26,199
Prepayments	8,518	2,873
	33,571	29,072
20 Stock-in-trade		
Raw materials	12,088,273	10,473,398
Raw materials in transit	293,102	680,659
Work in process	68,530	79,438
Finished goods	1,189,201	2,774,042
	13,639,106	14,007,537
Provision for damaged stocks	(20,576)	-
	13,618,530	14,007,537
21 Stores and spares		
Stores and spares	735,605	829,175
Provision for slow moving items - 21.1	(165,381)	(153,611)
	570,224	675,564
21.1 Provision for slow moving items		
Balance as at January 1	153,611	70,600
Charge for the year	18,391	90,621
Written off during the year	(6,621)	(7,610)
Balance as at December 31	165,381	153,611
22 Trade debts		
These are unsecured, considered good.		
23 Loans and advances		
Related parties		
Loans to key management personnel	-	5
Advances to key management personnel for house rent and expenses	2,848	5,469
Others		
Loans to executives and other employees	15	25
Advances to executives for house rent and expenses	42,709	44,054
Advances to other parties	132,989	132,041
	178,561	181,594

These loans and advances are unsecured and considered good.

Notes to the Financial Statements

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	2016 Rs '000	2015 Rs '000
24 Other receivables		
Related parties - unsecured		
Due from holding company / associated companies - note 24.1	76,349	49,477
Due from subsidiary company	20,021	20,021
Unbilled receivable from related parties	35,595	23,477
Staff pension fund - note 31	855,329	346,701
Employees' gratuity fund - note 31	52,951	-
Others		
Claims against suppliers	6,576	6,576
Others	2,427	370
	1,049,248	446,622

24.1 The amount due from holding company / associated companies comprises:

Holding Company		
British American Tobacco p.l.c. - UK	11,734	1,808
Associated Companies		
BAT SAA Services (Private) Limited - Pakistan	13,141	37,642
BAT Bangladesh - Bangladesh	34,822	-
BAT Myanmar - Myanmar	6,449	-
BAT Marketing (Singapore) Pte Ltd	5,105	712
BAT (Singapore) Pte Ltd	3,377	-
BAT Cambodia	843	777
BAT JV HCMC - Vietnam	813	-
BAT GLP Ltd - UK	65	65
BAT ASPAC Service Center Sdn Bhd - Malaysia	-	3,756
PT Bentoel Prima - Indonesia	-	1,325
BAT Pars, Iran	-	1,294
Commercial Marketers & Distributors - Malaysia	-	1,223
BAT Korea Manufacturing - South Korea	-	615
BAT Asia-Pacific Region Ltd - Hong Kong	-	260
	76,349	49,477

25 Short term investment

This represents short term investment in treasury bills issued by the Government of Pakistan. Treasury bills carries effective interest rate 5.86% per annum. These have been disposed off subsequent to the year-end.

	2016 Rs '000	2015 Rs '000
26 Cash and bank balances		
Deposit account	27,314	15,142
Current accounts		
Local currency	62,487	12,815
Foreign currency	55,399	24,806
	145,200	52,763
Cash in hand	2,124	326
	147,324	53,089

Notes to the Financial Statements

for the year ended December 31, 2016

	2016 Rs '000	2015 Rs '000
27 Trade and other payables		
Related parties - unsecured		
Due to holding company / associated companies - note 27.1	1,744,070	1,276,466
Others		
Creditors	2,347,654	3,459,164
Federal excise duty - note 27.2	1,016,718	2,273,427
Sales tax	523,989	361,735
Tobacco excise duty / Tobacco development cess - note 27.3	154,242	187,143
Employee incentive schemes - note 27.4	290,114	148,538
Employees' gratuity fund - note 31	-	415,493
Staff pension fund - defined contribution	-	34
Management provident fund	-	150
Employees' provident fund	-	68
Workers' profit participation fund	826,109	268,196
Workers' welfare fund	313,921	216,644
Other accrued liabilities	1,752,297	1,458,343
Advances from customers	20,375	280,448
Security deposits	27,314	15,142
Dividend payable / unclaimed dividend	78,179	56,049
	9,094,982	10,417,040
27.1 The amount due to holding company / associated companies comprises:		
Holding Company		
British American Tobacco p.l.c. - UK	228,410	216,404
Associated Companies		
BAT Singapore (Pte) Ltd - Singapore	463,602	236,949
BAT GSD Ltd. - UK	385,165	43,094
BAT ASPAC Service Center Sdn Bhd - Malaysia	304,636	364,878
BAT Marketing (Singapore) Pte Ltd	158,006	164,869
BAT GLP Ltd - UK	137,138	100,405
BAT Myanmar - Myanmar	31,957	-
BAT Australia Ltd	11,572	13,343
BAT Asia-Pacific Region Ltd - Hong Kong	9,675	129,743
Tobacco Importers & Manufacturers - Malaysia	6,588	1,826
Ceylon Tobacco Company Plc - Sri Lanka	4,419	4,434
BAT Korea Manufacturing - South Korea	1,257	-
BAT Germany GmbH - Germany	393	-
BAT Romania Investment	373	384
BAT Chile Tobacco - Chile	263	-
BAT Tutun Mamulleri - Turkey	220	-
BAT Suisse - Switzerland	158	-
BAT SCWE Ltd. - UK	132	137
BAT Kenya Ltd - Kenya	47	-
BAT PNG Ltd - Papua New Guinea	39	-
BAT PECSI Dohanygyar - Hungary	20	-
	1,744,070	1,276,466

Notes to the Financial Statements

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	2016 Rs '000	2015 Rs '000
27.2 Federal excise duty		
Balance as at January 1	2,273,427	4,610,181
Charge for the year	65,032,770	63,290,222
Payment to the Government during the year	(66,289,479)	(65,626,976)
Balance as at December 31	1,016,718	2,273,427
27.3 Tobacco excise duty / tobacco development cess		
Balance as at January 1	187,143	122,329
Charge for the year	120,584	154,509
Payment to the Government during the year	(153,485)	(89,695)
Balance as at December 31	154,242	187,143

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.

	2016 Rs '000	2015 Rs '000
Long Term Incentive Plan (LTIP) - note 27.4.1		
Balance as at January 1	49,930	33,943
Charge for the year	66,121	15,987
Payment to employees	(1,913)	-
Balance as at December 31	114,138	49,930
Deferred Share Bonus Scheme (DSBS) - note 27.4.2		
Balance as at January 1	70,478	64,103
Charge for the year	74,304	38,458
Payment to employees	(33,681)	(32,083)
Balance as at December 31	111,101	70,478
Other employee benefit	64,875	28,130
	290,114	148,538

27.4.1 Long Term Incentive Plan

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

	2016 Rs '000	2015 Rs '000
Outstanding as at January 1	18,214	12,356
Granted during the year	8,945	9,703
Exercised during the year	(3,199)	(2,964)
Reversed during the year	(3,263)	(881)
Outstanding as at December 31	20,697	18,214

There are no exercisable options at end of the year.

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for the year ended December 31, 2016

27.4.2 Deferred Share Bonus Scheme

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

	2016	2015
	Number of options	
Outstanding as at January 1	22,096	22,166
Granted during the year	9,957	8,651
Exercised during the year	(5,468)	(5,959)
Reversed during the year	(3,100)	(2,762)
Outstanding as at December 31	23,485	22,096

There are no exercisable options at end of the year.

	2016	2015
	Rs '000	
27.5 Deferred income on sale and leaseback of vehicles		
Deferred income	-	972
Income recognised during the year	-	(972)
	-	-

The Company entered in a transaction of sale and lease back of vehicles resulting in finance lease. Profit on this transaction has been deferred and is being recognised as income over the lease term of 2 to 4 years.

28 Short term running finance - secured

(a) Short term running finance

Short term running finance facilities available under mark-up arrangements with banks amount to Rs 6,500 million (2015: Rs 6,500 million), out of which the amount unavailed at the year end was Rs 6,405 million (2015: Rs 5,280 million). These facilities are secured by hypothecation of stock in trade and plant & machinery amounting to Rs 7,222 million (2015: Rs 7,222 million). The mark-up ranges between 6.39% and 6.77% (2015: 6.71% and 10.34%) 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 (2015: Rs 2,500 million) and Rs 420 million (2015: 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 151 million (2015: Rs 444 million) and Rs 241 million (2015: Rs 233 million). The letter of credit and guarantee facility is secured by second ranking hypothecation charge over stock-in-trade amounting to Rs 670 million (2015: Rs 670 million).

29 Liability against assets subject to finance lease

This represents finance lease agreements entered into with a leasing company for vehicles. Total lease rentals due under various lease agreements aggregate to Rs 525,825 thousand (2015:Rs 681,934) thousand and are payable in equal monthly installments latest by December 2021. Taxes, repairs, replacement and insurance costs are to be borne by the Company. Financing rates of 7.19% to 7.58% (2015: 7.64% to 10.75%) per annum have been used as discounting factor.

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for the year ended December 31, 2016

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:

	2016 Rs '000	2015 Rs '000
Present value of minimum lease payments	479,333	569,488
Current maturity shown under current liabilities	(164,383)	(154,365)
	314,950	415,123
Minimum lease payments		
Not later than one year	194,720	248,422
Later than one year and not later than five years	331,105	433,512
	525,825	681,934
Future finance charges on finance leases	(46,492)	(112,446)
Present value of finance lease liabilities	479,333	569,488
Present value of finance lease liabilities		
Not later than one year	164,383	154,365
Later than one year and not later than five years	314,950	415,123
	479,333	569,488
30 Deferred income tax liability		
Deferred tax liability is in respect of		
Accelerated tax depreciation	1,107,235	1,106,300
Leased assets	76,498	90,980
	1,183,733	1,197,280
Deferred tax asset is in respect of		
Remeasurement loss arising on employees' retirement benefit	-	(131,718)
Provision for stock and stores	(51,270)	(26,565)
	1,132,463	1,038,997
The gross movement on deferred income tax account is as follows:		
At January 1	1,038,997	1,100,229
Credit for the year - profit and loss account	(38,252)	(23,821)
Charge / (credit) for the year - statement of other comprehensive income	131,718	(37,411)
At December 31	1,132,463	1,038,997

Notes to the Financial Statements

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	2016 Rs '000	2015 Rs '000
31 Retirement benefits		
Staff pension fund - asset - note 24	(855,329)	(346,701)
Employees' gratuity fund - (asset) / liability - note 24 and 27	(52,951)	415,493

The latest actuarial valuation of the defined benefit plans was conducted at December 31, 2016 using the projected unit credit method. Details of the defined benefit plans are:

	Defined benefit pension plan		Defined benefit gratuity plan	
	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000
(a) The amounts recognised in the balance sheet:				
Present value of defined benefit obligations	4,654,000	4,506,581	1,433,183	1,458,102
Fair value of plan assets	(5,509,329)	(4,853,282)	(1,486,134)	(1,042,609)
Net (assets) / liability	(855,329)	(346,701)	(52,951)	415,493
(b) Movement in the liability recognized in the balance sheet is as follow:				
Balance as at January 1	(346,701)	(319,535)	415,493	308,042
Charge for the year - profit & loss	41,909	13,631	116,805	108,606
Employer's contribution during the year	53,091	(48,804)	(382,154)	(125,871)
Remeasurement (gain)/loss recognized in Other Comprehensive Income (OCI) during the year	(603,628)	8,007	(203,095)	124,716
Balance as at December 31	(855,329)	(346,701)	(52,951)	415,493
(c) The amounts recognized in the profit and loss account:				
Current service cost	127,772	130,223	86,182	83,269
Interest cost	447,849	452,573	145,043	142,411
Expected return on plan assets	(480,906)	(486,654)	(105,427)	(109,556)
Net interest	(33,057)	(34,081)	39,616	32,855
Past service cost	-	(31,416)	-	-
Members' own contribution	(30,073)	(30,960)	-	-
Seconded's own contribution	(7,442)	(7,274)	-	-
Contribution by employer in respect of secondees	(15,291)	(12,861)	(8,993)	(7,518)
	41,909	13,631	116,805	108,606
(d) Re-measurements recognized in Other Comprehensive Income (OCI) during the year:				
Actuarial (gain) / loss on obligation	(198,793)	57,040	(85,617)	145,387
Net return on plan assets over interest income	(404,835)	(49,033)	(117,478)	(20,671)
Total remeasurements (gains) / loss recognised in OCI	(603,628)	8,007	(203,095)	124,716

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	Defined benefit pension plan		Defined benefit gratuity plan	
	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000
(e) Movement in the present value of defined benefit obligation:				
Present value of defined benefit obligation at January 1	4,506,581	4,034,421	1,458,102	1,257,137
Current service cost	127,772	130,223	86,182	83,269
Interest cost	447,849	452,573	145,043	142,411
Actual benefits paid during the year	(229,409)	(136,260)	(170,527)	(170,102)
Remeasurements: Actuarial (gain)/loss on obligation	(198,793)	57,040	(85,617)	145,387
Prior service cost	-	(31,416)	-	-
Present value of defined benefit obligation at December 31	4,654,000	4,506,581	1,433,183	1,458,102
(f) Movement in the fair value of plan assets:				
Fair value of plan assets at January 1	4,853,282	4,353,956	1,042,609	949,095
Interest income	480,906	486,654	105,427	109,556
Contribution by employer in respect of members	(53,091)	48,804	382,154	125,871
Members' own contribution	30,073	30,960	-	-
Secondees' own contribution	15,291	12,861	-	-
Contribution by employer in respect of secondees	7,442	7,274	8,993	7,518
Actual benefits paid during the year	(229,409)	(136,260)	(170,527)	(170,102)
Return on plan assets, excluding amounts included in interest income	404,835	49,033	117,478	20,671
Fair value of plan assets at December 31	5,509,329	4,853,282	1,486,134	1,042,609
Actual return on plan assets	1,215,664	549,502	287,310	132,686

The Company expects to credit Rs 17 million for pension plan and charge Rs 70 million for gratuity plan for the year ending December 31, 2017.

	Defined benefit pension plan		Defined benefit gratuity plan	
	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000
(g) The major categories of plan assets:				
Investment in listed equities	1,422,468	864,037	355,434	186,555
Investment in bonds	4,061,852	3,959,763	1,122,197	850,221
Cash and other assets	25,009	29,482	8,503	5,833
	5,509,329	4,853,282	1,486,134	1,042,609
(h) Significant actuarial assumptions at the balance sheet date:				
Discount rate	9.25%	10%	9.25%	10%
Pension increase rate	7.50%	9%	-	-
Expected rate of increase in salary				
First year	11%	12%	11%	12%
Second year onwards	8%	9%	8%	9%

Notes to the Financial Statements

for the year ended December 31, 2016

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

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

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

(i) Sensitivity Analysis on significant actuarial assumptions

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

	Defined benefit pension plan		Defined benefit gratuity plan	
	1 percent increase Rs '000	1 percent decrease Rs '000	1 percent increase Rs '000	1 percent decrease Rs '000
Discount rate	(604,291)	764,416	(116,705)	97,268
Salary increase	208,345	(186,325)	134,151	(154,628)
Increase in post retirement pension	521,150	(426,431)	-	-

If life expectancy increases by 1 year, the obligation of the Pension Fund increases by Rs 258.684 million.

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	
	2016	2015	2016	2015
Weighted average duration of the PBO (Years)	17.14	15.36	8.25	9.01

Risks associated with defined benefit plan

Longevity risk

The risk arises when the actual lifetime of retiree is longer than the estimate of future employee lifetime expectation. This risk is measured at the plan level over the entire retiree population.

Salary increase risk

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than the expectations and impacts the liability accordingly.

Withdrawal risk

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

Notes to the Financial Statements

for the year ended December 31, 2016

	Defined benefit pension plan		Defined benefit gratuity plan	
	Rs '000	Rs '000	Rs '000	Rs '000
2016	4,842,721	(506,034)	1,481,283	10,129
2015	4,506,581	(346,701)	1,458,102	415,493
2014	4,034,421	(319,535)	1,257,137	308,042
2013	3,582,353	(345,253)	1,082,176	265,349
2012	3,358,267	(182,804)	870,406	91,720

31.1 Salaries, wages and benefits as appearing in note 8, 9 and 10 include amounts in respect of the following:

	2016 Rs '000	2015 Rs '000
Defined Contribution Provident Fund	85,218	82,574
Defined Benefit Pension Fund	41,909	13,631
Defined Contribution Pension Fund	69,514	58,270
Defined Benefit Gratuity Fund	116,805	108,606
	313,446	263,081

31.2 Defined Contribution Plan

Details of the management and employees' provident funds are as follows:

(a) Net assets	2,025,756	1,741,037
Cost of investments made	1,650,824	1,472,057
Percentage of investments made	81%	85%
Fair value of investments made	1,858,893	1,581,659

	2016		2015	
	Rs '000	% age	Rs '000	% age
(b) Breakup of investments at cost				
Treasury bills	105,101	5%	9,998	1%
Pakistan Investment Bonds	507,199	25%	544,008	31%
Investment plus deposit certificates	484,100	24%	447,100	26%
Investment in savings account with bank	62,048	3%	48,280	3%
Investment in securities	298,024	15%	222,328	13%
Accrued interest	194,352	9%	200,343	11%
	1,650,824	81%	1,472,057	85%

(c) Investments out of provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for the purpose.

Notes to the Financial Statements

for the year ended December 31, 2016

32. Share capital

32.1 Authorized share capital

	2016	2015		2016	2015
	Number of Shares			Rs '000	Rs '000
	300,000,000	300,000,000	Ordinary shares of Rs 10 each	3,000,000	3,000,000

32.2 Issued, subscribed and paid-up capital

	2016	2015		2016	2015
	Number of Shares			Rs '000	Rs '000
	230,357,068	230,357,068	Cash	2,303,571	2,303,571
	25,136,724	25,136,724	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 (2015: 241,045,141) ordinary shares at the year end.

	2016	2015
	Rs '000	Rs '000

33 Contingencies and commitments

33.1 Contingencies

(a) Claims and guarantees

(i) Claims against the Company not acknowledged as debt	69,450	131,800
(ii) Guarantees issued by banks on behalf of the Company	241,451	233,152

(b) Litigation

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have any material impact on the financial statements.

33.2 Commitments

(a) All property rentals are under cancellable operating lease arrangements and are due as follows:

	2016	2015
	Rs '000	Rs '000
Not later than one year	21,900	91,775
Later than one year and not later than five years	421,411	458,544
Later than five years	–	53,803

(b) Letters of credit outstanding at December 31, 2016 were Rs 151,299 thousand (2015: Rs 444,070 thousand).

Notes to the Financial Statements

for the year ended December 31, 2016

34. FINANCIAL INSTRUMENTS - Fair values and risk management

34.1 Accounting classification and fair value

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Note	31 December 2016			31 December 2015		
		Loans and receivables	Other financial liabilities	Total	Loans and receivables	Other financial liabilities	Total
		Rs '000			Rs '000		
Financial assets measured at fair value							
Financial assets not measured at fair value							
Deposits	19	25,053	-	25,053	26,199	-	26,199
Trade debts	22	1,839	-	1,839	906	-	906
Other receivables	24	1,049,248	-	1,049,248	446,622	-	446,622
Short-term investment	25	979,903	-	979,903	-	-	-
Cash and bank balances	26	147,324	-	147,324	53,089	-	53,089
		2,203,367	-	2,203,367	526,816	-	526,816
Financial liabilities measured at fair value							
Financial liabilities not measured at fair value							
Trade and other payables	27	-	(6,239,628)	(6,239,628)	-	(6,829,447)	(6,829,447)
Short-term financing finance	28	-	(95,339)	(95,339)	-	(1,219,501)	(1,219,501)
Finance lease obligation	29	-	(479,333)	(479,333)	-	(569,488)	(569,488)
Accrued interest/mark-up		-	(3,438)	(3,438)	-	(11,807)	(11,807)
		-	(6,817,738)	(6,817,738)	-	(8,630,243)	(8,630,243)

The Company has not disclosed the fair values of financial assets and financial liabilities as these are for short-term or repriced over short-term. Therefore, the carrying amounts are reasonable approximation of their values.

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 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 Sub-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.

Notes to the Financial Statements

for the year ended December 31, 2016

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 and deposits with banks. 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.

Loans and advances, trade debts and other receivables amounting to Rs 1,249 million (2015: Rs 649 million) do not include any amounts which are past due or impaired. The table below shows bank balances held with counterparties at the balance sheet date.

Counterparty	Rating		Rating Agency	(Rs in million)	
	Short term	Long term		2016	2015
Deutsche Bank AG	P-2	BAA2	Moody's	70.98	32.30
Habib Bank Ltd	A-1+	AAA	JCR-VIS	37.66	–
MCB Bank Ltd	A-1+	AAA	PACRA	29.53	20.00
MCB Islamic Bank	A-1	A	PACRA	3.29	–
National Bank	A1+	AAA	PACRA	3.28	–
Citibank N.A.	P-1	A1	Moody's	0.33	0.02
Standard Chartered Bank	A1+	AAA	PACRA	0.13	0.26
				145.20	52.58

As at December 31, 2016, all deposits, trade debts, short-term investments and bank balances are held in Pakistan whereas maximum exposure to credit risk for other receivables by geographic was as follows:

	Carrying amount	
	2016 Rs '000	2015 Rs '000
Pakistan	986,040	434,787
United Kingdom	11,799	1,873
Asia	51,409	9,962
	1,049,248	446,622

	Carrying amount	
	2016 Rs '000	2015 Rs '000
Not past due	1,015,761	405,770
Past due 1-30 days	13,281	–
Past due 31-90 days	120	–
Past due 90 days	20,086	40,852
	1,049,248	446,622

Notes to the Financial Statements

for the year ended December 31, 2016

34.2.3 Liquidity risk

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

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

	Carrying amount Rs '000	Contractual cash flows		
		Total Rs '000	12 months or less Rs '000	1 to 5 years Rs '000
31 December 2016				
Financial liabilities				
Trade and other payables	6,239,628	(6,239,628)	(6,239,628)	–
Short-term financing finance	95,339	(95,339)	(95,339)	–
Finance lease obligation	479,333	(525,825)	(194,720)	(331,105)
Accrued interest/mark-up	3,438	(3,438)	(3,438)	–
	6,817,738	(6,864,230)	(6,533,125)	(331,105)
31 December 2015				
Financial liabilities				
Trade and other payables	6,829,447	(6,829,447)	–	–
Short-term financing finance	1,219,501	(1,219,501)	–	–
Finance lease obligation	569,488	(681,934)	(248,422)	(433,512)
Accrued interest/mark-up	11,807	(11,807)	–	–
	8,630,243	(8,742,689)	(248,422)	(433,512)

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

The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the functional currency (Pak Rs.). The currencies in which these transactions are primarily denominated are euro, sterling and US dollars.

Notes to the Financial Statements

for the year ended December 31, 2016

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

	31 December 2016			31 December 2015		
	Euro	Sterling	US dollars	Euro	Sterling	US dollars
Other receivables	-	360,979	70,486	11,372	-	72,563
Cash and bank balances	-	-	530,743	-	-	236,834
Trade and other payables	(6,767)	(3,495,178)	(10,331,470)	(1,201)	(652,814)	(8,051,607)
Net exposure	(6,767)	(3,134,199)	(9,730,241)	10,171	(652,814)	(7,742,210)

The following significant exchange rates have been applied:

	Average rate		Year-end spot rate	
	2016	2015	2016	2015
Discount rate				
Euro 1	115.89	114.05	110.09	113.77
Sterling 1	141.85	157.05	128.97	154.37
US dollar 1	104.68	102.75	104.38	104.74

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 2016				
Euro	90	(90)	61	(61)
Sterling	62,544	(62,544)	42,530	(42,530)
US dollar	118,970	(118,970)	80,900	(80,900)
31 December 2015				
Euro	129	(129)	88	(88)
Sterling	26,144	(26,144)	17,778	(17,778)
US dollar	103,703	(103,703)	70,518	(70,518)

Interest rate risk

This represents the risk that the fair value or 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. 574,672 thousand (2015: Rs 1,788,989 thousand) which are subject to interest rate risk. Applicable interest rates for these financial liabilities have been indicated in respective notes.

At balance sheet date, if interest rates had been 1% higher/lower, with all other variables remain constant, profit for the year would have been Rs. 4 million (2015: Rs. 13 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Notes to the Financial Statements

for the year ended December 31, 2016

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			
	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000
Managerial remuneration	59,801	64,040	37,578	39,471	274,135	276,211	899,474	819,300	1,270,988	1,199,022
Corporate bonus	30,396	27,166	50,367	39,136	260,252	195,208	165,938	240,625	506,953	502,135
Leave fare assistance	1,966	5,767	2,914	2,289	5,013	5,401	519	1,790	10,412	15,247
Housing and utilities	19,302	12,492	9,312	10,909	74,797	75,664	357,587	320,406	460,998	419,471
Medical expenses	103	-	1,697	1,601	10,216	9,449	54,316	45,238	66,332	56,288
Post employment benefits	5,433	2,752	7,869	5,656	39,241	46,752	223,995	188,057	276,538	243,217
	117,001	112,217	109,737	99,062	663,654	608,685	1,701,829	1,615,416	2,592,221	2,435,380
Number of persons	1	1	2	2	31	35	640	513	674	551

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 six (2015: six) non-executive directors of the Company amounted to Rs 4,335 thousand (2015: Rs 6,271 thousand).

36. Transactions with related parties

British American Tobacco (Investments) Limited (BAT-IL) holds 94.34% (2015: 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.

As MCB Bank Limited is an associated company under the Companies Ordinance 1984 due to common directorship, yet does not fall under the definition of related party as interpreted from IAS 24 "Related Party Disclosures". Accordingly, transactions and balances with MCB Bank Limited and its subsidiary company that includes transactions and balances relating to leasing, short term running finance and bank accounts have not been disclosed in the related party disclosure.

Notes to the Financial Statements

for the year ended December 31, 2016

	2016 Rs '000	2015 Rs '000
Purchase of goods and services from		
Holding company	662,216	749,141
Associated companies	1,452,875	1,495,442
Sale of goods and services to		
Holding company	51,807	4,540
Associated companies	387,700	78,491
Dividend paid		
Holding company	7,739,310	4,353,362
Royalty charge		
Holding company	565,657	587,797
Expenses reimbursed to		
Holding company	17,306	6,689
Associated companies	2,963	4,817
Expenses reimbursed by		
Holding company	17,390	1,862
Associated companies	82,475	50,027
Payment under employee incentive schemes		
Key management personnel	35,594	32,083
Other income		
Associated company:		
-Recharges written back	295,225	-

37. Post balance sheet event

In respect of the year ended December 31, 2016 final dividend of Rs 11.00 (2015: Rs 18.00) per share amounting to a total dividend of Rs 2,810,432 thousand (2015: Rs 4,598,888 thousand) has been proposed at the Board of Directors meeting held on February 20, 2017. These financial statements do not reflect this proposed dividend.

38. General

38.1 Capacity and production

Against an estimated manufacturing capacity of 50,700 million cigarettes (2015: 54,000 million cigarettes) actual production was 33,243 million cigarettes (2015: 43,540 million cigarettes). Actual production has decreased because of decline in market demand.

38.2 Number of employees

Total number of employees as at December 31, 2016 were 1,205 (2015: 1,237). Average number of employees during the year were 1,209 (2015 : 1,222)

38.3 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 20, 2017.



Syed Javed Iqbal
Managing Director & CEO



Wael Sabra
Finance & IT Director

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PAKISTAN TOBACCO COMPANY LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016



Auditors' Report to the Members on Consolidated Financial Statements

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of Pakistan Tobacco Company Limited (the Company) and its subsidiary company as at 31 December 2016 and the related consolidated Profit and Loss Account, consolidated statement of Comprehensive Income, consolidated Cash Flow Statement and consolidated Statement of Changes in Equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of the Holding Company and its subsidiary company. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of the Company and its subsidiary company as at 31 December 2016 and the results of their operations for the year then ended.

The consolidated financial statement for the year ended 31 December 2015, were audited by another auditor whose report dated 19 February 2016 expressed an unmodified opinion on those statements.

KPMG Taseer Hadi & Co

KPMG Taseer Hadi & Co.

Chartered Accountants

Atif Zamurrad Malik

Islamabad

20 February 2017

Consolidated Profit & Loss Account

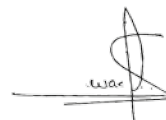
for the year ended December 31, 2016

	Note	2016 Rs '000	2015 Rs '000
Gross turnover		129,278,304	125,012,583
Excise duties		(64,976,204)	(63,290,222)
Sales tax		(19,435,596)	(18,815,170)
Net turnover		44,866,504	42,907,191
Cost of sales	8	(22,092,836)	(24,351,991)
Gross profit		22,773,668	18,555,200
Selling and distribution costs	9	(4,743,638)	(4,854,542)
Administrative expenses	10	(2,185,061)	(2,434,574)
Other operating expenses	11	(1,198,205)	(1,068,191)
Other income	12	353,070	137,176
		(7,773,834)	(8,220,131)
Operating profit		14,999,834	10,335,069
Finance income		428,143	315,866
Finance cost	13	(45,829)	(71,862)
Net finance income		382,314	244,004
Profit before income tax		15,382,148	10,579,073
Income tax expense	14	(5,020,796)	(3,532,639)
Profit for the year		10,361,352	7,046,434

The annexed notes 1 to 36 form an integral part of these consolidated financial statements.



Syed Javed Iqbal
Managing Director & CEO



Wael Sabra
Finance & IT Director

Statement of Consolidated Comprehensive Income

for the year ended December 31, 2016

	Note	2016 Rs '000	2015 Rs '000
Profit for the year		10,361,352	7,046,434
Other comprehensive income for the year:			
Items that will not be reclassified to profit and loss account			
- Remeasurement gain / (loss) on defined benefit pension and gratuity plans	29	806,722	(132,723)
- Tax (charge) / credit related to remeasurement gain on defined benefit pension and gratuity plans	14.3	(381,802)	39,973
Items that may be subsequently reclassified to profit and loss account			
Other comprehensive income / (loss) for the year - net of tax		424,920	(92,750)
Total comprehensive income for the year - net of tax		10,786,272	6,953,684

The annexed notes 1 to 36 form an integral part of these consolidated financial statements.



Syed Javed Iqbal
Managing Director & CEO



Wael Sabra
Finance & IT Director

Consolidated Balance Sheet

as at December 31, 2016

	Note	2016 Rs '000	2015 Rs '000
Non current assets			
Property, plant and equipment	15	8,654,483	9,210,019
Long term loans	16	–	–
Long term deposits and prepayments	17	33,571	29,072
		8,688,054	9,239,091
Current assets			
Stock-in-trade	18	13,618,530	14,007,537
Stores and spares	19	570,224	675,564
Trade debts	20	1,839	906
Loans and advances	21	178,561	181,594
Short term prepayments		183,858	170,298
Other receivables	22	1,029,227	426,601
Short term investment	23	979,903	–
Cash and bank balances	24	147,324	53,089
		16,709,466	15,515,589
Current liabilities			
Trade and other payables	25	9,095,009	10,417,067
Short term running finance	26	95,339	1,219,501
Finance lease obligation	27	164,383	154,365
Accrued interest / mark-up		3,438	11,807
Current income tax liabilities		1,615,308	1,131,661
		(10,973,477)	(12,934,401)
Net current assets		5,735,989	2,581,188
Non current liabilities			
Finance lease obligation	27	(314,950)	(415,123)
Deferred income tax liabilities	28	(1,132,463)	(1,038,997)
		(1,447,413)	(1,454,120)
Net assets		12,976,630	10,366,159
Share capital and reserves			
Share capital	30	2,554,938	2,554,938
Revenue reserves		10,421,692	7,811,221
		12,976,630	10,366,159

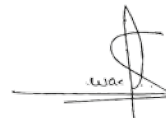
Contingencies and commitments

31

The annexed notes 1 to 36 form an integral part of these consolidated financial statements.



Syed Javed Iqbal
Managing Director & CEO



Wael Sabra
Finance & IT Director

Consolidated Statement of Changes in Equity

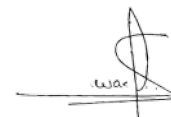
for the year ended December 31, 2016

	Share capital Rs '000	Revenue reserves Rs '000	Total Rs '000
Balance at January 1, 2015	2,554,938	5,456,425	8,011,363
Comprehensive income:			
Profit for the year	–	7,046,434	7,046,434
Other comprehensive loss for the year	–	(92,750)	(92,750)
Total Comprehensive income for the year	–	6,953,684	6,953,684
Transactions with owners:			
Final dividend of Rs 12.00 per share relating to the year ended December 31, 2014	–	(3,065,925)	(3,065,925)
Interim dividend of Rs 6.00 per share relating to the year ended December 31, 2015	–	(1,532,963)	(1,532,963)
Total transactions with owners	–	(4,598,888)	(4,598,888)
Balance at December 31, 2015	2,554,938	7,811,221	10,366,159
Balance at January 1, 2016	2,554,938	7,811,221	10,366,159
Comprehensive income:			
Profit for the year	–	10,361,352	10,361,352
Other comprehensive income for the year	–	424,920	424,920
Total Comprehensive income for the year	–	10,786,272	10,786,272
Transactions with owners:			
Final dividend of Rs 18.00 per share relating to the year ended December 31, 2015	–	(4,598,888)	(4,598,888)
1st Interim dividend of Rs 6.00 per share relating to the year ended December 31, 2016	–	(1,532,963)	(1,532,963)
2nd Interim dividend of Rs 8.00 per share relating to the year ended December 31, 2016	–	(2,043,950)	(2,043,950)
Total transactions with owners	–	(8,175,801)	(8,175,801)
Balance at December 31, 2016	2,554,938	10,421,692	12,976,630

The annexed notes 1 to 36 form an integral part of these consolidated financial statements.



Syed Javed Iqbal
Managing Director & CEO



Wael Sabra
Finance & IT Director

Consolidated Cash Flow Statement

for the year ended December 31, 2016

	2016 Rs '000	2015 Rs '000
Cash flows from operating activities		
Cash receipts from customers	129,017,298	125,292,870
Cash paid to Government for Federal excise duty, sales tax and other levies	(86,124,222)	(86,059,817)
Cash paid to suppliers	(21,920,913)	(25,270,750)
Cash paid to employees and retirement funds	(4,818,697)	(4,558,127)
Interest paid	(54,199)	(84,221)
Cash paid as royalty	(567,289)	(563,022)
Income tax paid	(4,575,401)	(2,908,123)
Other cash payments	(471,338)	(669,580)
	10,485,239	5,179,230
Cash flows from investing activities		
Purchase of property, plant and equipment	(579,413)	(1,490,676)
Proceeds from sale of property, plant and equipment	264,691	159,919
Interest received	427,843	315,866
	113,121	(1,014,891)
Cash flows from financing activities		
Dividends paid	(8,153,675)	(4,620,059)
Finance lease payments	(246,385)	(297,395)
	(8,400,060)	(4,917,454)
Increase / (decrease) in cash and cash equivalents	2,198,300	(753,115)
Cash and cash equivalents at beginning of year	(1,166,412)	(413,297)
Cash and cash equivalents at end of year	1,031,888	(1,166,412)
Cash and cash equivalents comprise:		
Cash and bank balances	147,324	53,089
Short term investment	979,903	-
Short term running finance	(95,339)	(1,219,501)
	1,031,888	(1,166,412)

The annexed notes 1 to 36 form an integral part of these consolidated financial statements.



Syed Javed Iqbal
Managing Director & CEO



Wael Sabra
Finance & IT Director

Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

1. THE GROUP AND ITS OPERATIONS

Pakistan Tobacco Company Limited (the Company) is a public listed company incorporated in Pakistan on 18 November 1947 under the Companies Act, 1913 (now the Companies Ordinance, 1984) and its shares are quoted on the Pakistan Stock Exchange (formerly the Karachi, Lahore and Islamabad stock exchanges of Pakistan). 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 manufacturing and sale of cigarettes.

The registered office of the Company is situated at Serena Business Complex, Khayaban-e-Suharwardy, Islamabad.

Phoenix (Private) Limited (PPL) is a private limited company incorporated on March 9, 1992 in Azad Jammu and Kashmir under the Companies Ordinance, 1984. 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.

2. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board as are notified under the Companies Ordinance, 1984 (the Ordinance), and provisions of and directives issued under the Ordinance. In case requirements differ, the provisions or directives of the Ordinance shall prevail.

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 recognised prospectively.

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

- Note 15 – useful lives of property, plant and equipment
- Note 18 and 19 – Provision for obsolescence of stock in trade and stores and spares
- Notes 14 and 28 – provision for income tax and calculation of deferred tax
- Note 29 – retirement benefits
- Note 32 – financial instruments – fair values
- Note 31 – contingencies
- Notes 7.10 and 7.13(d) – impairment of financial and non-financial assets

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

Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

The management regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the 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 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 that are observable 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 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 standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2017:

- Amendments to IAS 12 Income Taxes are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on Group's consolidated financial statements.
- Amendments to IAS 7 Statement of Cash Flows are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of consolidated financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.
- Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have a significant impact on Group's consolidated financial statements.
- Transfers of Investment Property (Amendments to IAS 40 Investment Property - effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Group's consolidated financial statements.
- Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:
 - Amendments to IFRS 12 Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The amendments are not likely to have an impact on Group's consolidated financial statements.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

- Amendments to IAS 28 Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2018) clarify that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Group's consolidated financial statements.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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.

Subsidiaries

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

7.2 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods; stated net of discounts, in the ordinary course of the Group's activities.

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue, and the associated cost incurred or to be incurred, can be measured reliably and when specific criteria have been met for each of the Group's activities as described below.

(a) Sale of goods

The Group manufactures and sells cigarettes to its appointed distributors. Sale of goods is recognized when the Group has delivered products to the distributor and there is no unfulfilled obligation that could affect the distributor's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the distributor, and either the distributor has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) Income on bank deposits/investments

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

Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

(c) **Others**

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

7.3 Income tax

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

(a) **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.

(b) **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 consolidated financial statements.

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

Deferred income tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

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 balance sheet date and adjusted to reflect current best estimate.

7.5 Contingent assets

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

7.6 Contingent liabilities

Contingent liability is disclosed when the Group has a possible obligation as a result of past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or the Group has a present legal or constructive obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of obligation cannot be measured with sufficient reliability.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

7.7 Employee benefits

(a) Retirement benefit plans

The Group operates various retirement benefit schemes. The schemes are generally funded through payments to trustee-administered funds, determined by periodic actuarial calculations or upto the limit allowed in terms of 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 legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee 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 approved pension scheme. The liability recognized in the balance sheet in respect of pension and gratuity plans is the present value of the defined benefit obligation 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 that are denominated in Pakistani 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 pensioners and their respective spouses. The Group contributes premium to the policy annually. Such premium is recognised as an expense in the profit and loss account.

(d) Bonus plans

Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

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

(e) Share-based payments

The Group has cash-settled share-based compensation plans. Share options are granted to employees in the grades 37 and above which vest over a period of 3 years. For cash-settled share-based payments, a liability equals to the portion of the services received is recognised at its current fair value determined at each balance sheet date.

(f) Long Term Incentive Plan (LTIP)

Nil-cost options exercisable after three years from date of grant. Payout is subject to performance conditions based on earnings per share relative to inflation and total shareholder return, combining the share price and dividend performance of the British American Tobacco Group. Cash-settled LTIPs are granted in March each year.

(g) Deferred Share Bonus Scheme (DSBS)

The number of deferred shares awarded is calculated by converting the portion of the incentive payment to be delivered as shares to Sterling (using an average year to date exchange rate) and by dividing this Sterling value by the British American Tobacco share price on the award date. These shares are transferable to the participant on the third anniversary (i.e. after three years), on condition that the individual is still in the employment of the Group in the British American Tobacco group. 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-year holding period. Cash-settled deferred shares are granted in March each year.

7.8 Leases

(a) Finance leases

Leases that transfer substantially all the risks and rewards incidental to ownership of an asset are classified as finance leases. Assets on finance lease are capitalized at the commencement of the lease term at the lower of fair value of leased assets and the present value of minimum lease payments, each determined at the inception of the lease. Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long term payables. The finance cost is charged to profit and loss account and is included under finance costs. The assets acquired under finance lease are depreciated over the shorter of the useful life of the asset or the lease term. The Group has entered into Ijarah arrangements with a financial institution in respect of vehicles. Islamic Financial Accounting Standard (IFAS) No.2 "Ijarah" was notified by SECP vide S.R.O 431 (I) /2007 on 22 May 2007. This said IFAS requires Ijarah payments under such arrangements to be recognised as an expense over the Ijarah terms. Since the arrangement of the Group with the financial institutions in substance comply with the conditions under international accounting standard – 17 "Leases" for finance lease, it is classified as finance lease accordingly.

(b) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit and loss account on a straight-line basis over the period of the lease.

7.9 Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the 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

Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

are recognized in profit and loss account 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:

Depreciation on additions and deletions during the year is charged on a pro rata basis from the month when 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 profit and loss account.

7.10 Impairment of non-financial asset

Assets that have an indefinite useful life, for example land, are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment at each balance sheet 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 asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no new impairment losses had been recognised. An impairment loss or reversal of impairment loss is recognised in the profit and loss account.

7.11 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.

7.12 Stores and spares

Stores and spares are stated at cost less allowance for obsolete and slow moving items. Cost is determined using weighted average method. Items in transit are valued at cost comprising invoice value and other related charges incurred upto the balance sheet date.

7.13 Financial assets

(a) Classification

The Group classifies non-derivative financial assets into loans and receivable category and financial liabilities into other financial liabilities category.

(b) Recognition and de-recognition

The Group initially recognises loans and receivables 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.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers

Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

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.

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.

(c) Measurement

Financial assets categorised as loans and receivables are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method. Financial liabilities categorised as other financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

(d) Impairment of financial assets

Financial assets, categorised as loans and receivables, are assessed at each reporting date to determine whether there is objective evidence of impairment. Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indication that a debtor or issuer will enter bankruptcy, adverse changes in the payment status, the disappearance of an active market for a security because of financial difficulties or observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets. For financial assets measured at amortised cost, the Group considers evidence of impairment at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical information on the timings of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in the income statement and reflected in an allowance account. When the Group considers that there is no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through the income statement.

7.14 Trade debts

Trade debts are recognised initially at fair value and subsequently measured at cost less provision for doubtful debts. A provision for doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the trade debts. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade debt is doubtful. The provision is recognised in the profit and loss account. When a trade debt is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the profit and loss account.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

7.15 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

7.16 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 profit and loss account over the period of the borrowings using the effective interest method.

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. All other borrowing costs are charged to profit and loss account.

7.17 Dividend distribution

Final dividend distribution to the shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividend is approved by the 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.

7.18 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Short term finance facilities availed by the Group, which are payable on demand and form an integral part of the Group's cash management are included as part of cash and cash equivalents for the purpose of statement of cash flows.

7.19 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 balance sheet 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 profit and loss account. All other foreign exchange gains and losses are presented in the profit and loss account within other operating expenses.

7.20 Fair value measurement

'Fair value' is the price that would be received to sell 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, for both 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.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

	2016 Rs '000	2015 Rs '000
8 Cost of sales		
Raw material consumed		
Opening stock of raw materials and work in process	11,233,495	9,802,963
Raw material purchases and expenses - note 8.1	15,466,189	19,881,227
Closing stock of raw materials and work in process	(12,449,905)	(11,233,495)
	14,249,779	18,450,695
Government taxes and levies		
Customs duty and surcharges	380,395	525,731
Provincial and municipal taxes and other duties	192,370	242,552
Excise duty on royalty	56,566	58,780
	629,331	827,063
	14,879,110	19,277,758
Royalty	565,657	587,798
Production overheads		
Salaries, wages and benefits	2,155,384	1,742,058
Stores, spares and machine repairs	642,905	602,380
Fuel and power	341,418	545,288
Insurance	32,470	44,183
Repairs and maintenance	597,840	552,621
Postage, telephone and stationery	14,058	13,773
Information technology	53,631	37,066
Depreciation	812,766	719,848
Provision for damaged stocks / stock written off	14,698	15,795
Provision for slow moving items / stores written off	18,391	90,621
Severance benefits	182,000	465,805
Sundries	197,667	269,494
	5,063,228	5,098,932
Cost of goods manufactured	20,507,995	24,964,488
Cost of finished goods		
Opening stock	2,774,042	2,161,545
Closing stock	(1,189,201)	(2,774,042)
	1,584,841	(612,497)
Cost of sales	22,092,836	24,351,991
8.1 Raw material purchases and expenses		
Materials	13,121,741	17,722,013
Salaries, wages and benefits	1,036,385	1,004,951
Stores, spares and machine repairs	261,411	116,911
Fuel and power	350,093	602,993
Property rentals	115,682	145,381
Insurance	21,464	26,412
Repairs and maintenance	135,310	46,803
Postage, telephone and stationery	23,061	11,637
Depreciation	93,740	128,742
Sundries	307,302	75,384
	15,466,189	19,881,227

Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

	2016 Rs '000	2015 Rs '000
9 Selling and distribution costs		
Salaries, wages and benefits	745,957	745,887
Selling expenses	3,439,271	3,580,217
Freight	132,483	103,517
Repairs and maintenance	52,799	40,994
Postage, telephone and stationery	4,483	10,931
Travelling	54,244	91,748
Property rentals	50,993	28,819
Insurance	13,372	16,055
Provision for damaged stocks	9,967	–
Finished goods stock written off	185,737	206,826
Depreciation	54,332	29,548
	4,743,638	4,854,542
10 Administrative expenses		
Salaries, wages and benefits	880,971	1,051,435
Fuel and power	4,839	9,509
Property rentals	125,625	117,055
Insurance	4,630	5,277
Repairs and maintenance	18,762	40,957
Postage, telephone and stationery	11,577	9,625
Legal and professional charges	87,998	50,703
Donations - note 10.1	5,585	20,000
Information technology	823,872	861,545
Travelling	47,230	100,508
Depreciation	126,396	110,491
Auditor's remuneration and expenses - note 10.2	6,008	11,355
Sundries	41,568	46,114
	2,185,061	2,434,574

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

	KPMG Taseer Hadi & Co 2016 Rs '000	A.F Ferguson & Co 2015 Rs '000
10.2 Auditor's remuneration and expenses include:		
- Statutory audit fee	1,832	1,778
- Group reporting, review of half yearly accounts, audit of consolidated accounts, audit of staff retirement benefit funds and special certifications & review of Code of Corporate Governance	3,941	3,779
- Tax services	–	5,209
- Out-of-pocket expenses	235	589
	6,008	11,355

Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

	2016 Rs '000	2015 Rs '000
11 Other operating expenses		
Workers' profit participation fund	826,109	568,196
Workers' welfare fund	313,921	216,644
Bank charges and fees	44,491	50,118
Interest paid to workers' profit participation fund	4,520	892
Loss on disposal of property, plant and equipment	9,164	-
Receivable written off	-	24
Foreign exchange loss	-	232,317
	1,198,205	1,068,191
12 Other income		
Income from an associated company		
BAT SAA Services (Private) Limited, for services rendered	31,339	37,642
Services to BAT Bangladesh / BAT Holdings and BAT Myanmar	3,229	6,224
Sale of stem tobacco	5,990	17,402
Recharges payable to associated companies written back:		
BAT Australia Ltd	1,375	-
BAT Asia-Pacific Region Ltd - Hong Kong	161,093	-
BAT ASPAC Service Center Sdn Bhd - Malaysia	132,757	-
Foreign exchange gain	15,286	-
Gain on disposal of property, plant and equipment	-	70,219
Income recognised on sale and lease back of vehicles	-	972
Miscellaneous	2,001	4,717
	353,070	137,176
13 Finance cost		
Interest expense on		
Bank borrowings	7,218	16,685
Finance lease	38,611	55,177
	45,829	71,862
14 Income tax expense		
Current		
For the year	4,741,676	3,350,985
For prior years - 14.1	317,372	205,475
	5,059,048	3,556,460
Deferred	(38,252)	(23,821)
	5,020,796	3,532,639

14.1 This represents super tax @ 3% of taxable income levied through Finance Act, 2016 and its levy is sub judice at various fora.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

14.2 Effective tax rate reconciliation:

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

	2016 %	2015 %
Applicable tax rate	31.00	32.00
Tax effect of:		
Prior year charge	2.06	1.94
Change in applicable tax rate	(0.25)	(0.32)
Income taxed at different rate	(0.13)	(0.03)
Others	(0.04)	(0.20)
Average effective tax rate	32.64	33.39

The applicable income tax rate was reduced from 32% to 31% during the year on account of the changes made to Income tax Ordinance, 2001 in 2016.

	2016 Rs '000	2015 Rs '000
14.3 Tax on items directly credited to statement of other comprehensive income		
Current tax charge / (credit) on defined benefit plans	250,084	(2,562)
Deferred tax charge / (credit) on defined benefit plans	131,718	(37,411)
	381,802	(39,973)

	2016 Rs '000	2015 Rs '000
15 Property, plant and equipment		
Operating assets - note 15.1	8,286,265	8,069,387
Capital work in progress - note 15.2	368,218	1,140,632
	8,654,483	9,210,019

Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

15.1 Operating assets

	Free-hold land Rs '000	Building on free-hold land Rs '000	Building on leasehold land Rs '000	Plant and machinery Rs '000	Office and household equipment Rs '000	Furniture and fittings Rs '000	Vehicles owned Rs '000	Vehicles under finance lease Rs '000	Total Rs '000
At January 1, 2015									
Cost	33,934	849,171	20,011	11,090,485	880,031	361,319	317,526	603,886	14,156,363
Accumulated Depreciation	-	(215,643)	(10,756)	(5,271,138)	(558,174)	(76,458)	(239,706)	(132,513)	(6,504,388)
Net book amount at January 1, 2015	33,934	633,528	9,255	5,819,347	321,857	284,861	77,820	471,373	7,651,975
Year ended December 31, 2015									
Net book amount at January 1, 2015	33,934	633,528	9,255	5,819,347	321,857	284,861	77,820	471,373	7,651,975
Additions	-	74,919	-	602,250	383,884	13,251	1,388	420,049	1,495,741
Disposals	-	(794)	-	(409)	(468)	(1,258)	(17,411)	(69,360)	(89,700)
Depreciation charge	-	(21,532)	(410)	(680,227)	(130,492)	(50,212)	(4,860)	(100,896)	(988,629)
Net book amount at December 31, 2015	33,934	686,121	8,845	5,740,961	574,781	246,642	56,937	721,166	8,069,387
At December 31, 2015									
Cost	33,934	922,242	20,004	11,795,892	1,246,226	369,460	197,280	916,403	15,501,441
Accumulated depreciation	-	(236,121)	(11,159)	(6,054,931)	(671,445)	(122,818)	(140,343)	(195,237)	(7,432,054)
Net book amount at December 31, 2015	33,934	686,121	8,845	5,740,961	574,781	246,642	56,937	721,166	8,069,387
At January 1, 2016									
Cost	33,934	922,242	20,004	11,795,892	1,246,226	369,460	197,280	916,403	15,501,441
Accumulated Depreciation	-	(236,121)	(11,159)	(6,054,931)	(671,445)	(122,818)	(140,343)	(195,237)	(7,432,054)
Net book amount at January 1, 2016	33,934	686,121	8,845	5,740,961	574,781	246,642	56,937	721,166	8,069,387
Year ended December 31, 2016									
Net book amount at January 1, 2016	33,934	686,121	8,845	5,740,961	574,781	246,642	56,937	721,166	8,069,387
Additions	-	10,593	-	1,157,844	267,380	12,385	60	129,704	1,577,966
Disposals	-	-	-	(175,681)	(107)	(253)	(6,026)	(91,787)	(273,854)
Depreciation charge	-	(23,280)	(410)	(711,055)	(178,563)	(50,639)	(4,674)	(118,613)	(1,087,234)
Net book amount at December 31, 2016	33,934	673,434	8,435	6,012,069	663,491	208,135	46,297	640,470	8,286,265
At December 31, 2016									
Cost	33,934	932,835	20,004	12,664,827	1,516,248	379,266	175,994	915,696	16,638,804
Accumulated depreciation	-	(259,401)	(11,569)	(6,652,758)	(852,757)	(171,131)	(129,697)	(275,226)	(8,352,539)
Net book amount at December 31, 2016	33,934	673,434	8,435	6,012,069	663,491	208,135	46,297	640,470	8,286,265

Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

	2016 Rs '000	2015 Rs '000
15.2 Capital work in progress		
Carrying value at the beginning of the year	1,140,632	1,086,550
Additions during the year	334,295	1,124,947
	1,474,927	2,211,497
Transferred to operating fixed assets	(1,106,709)	(1,070,865)
Carrying value at the end of the year - note 15.2.1	368,218	1,140,632
15.2.1 Plant and machinery - 15.2.2	337,394	1,014,202
Advances to suppliers	30,824	126,430
	368,218	1,140,632

15.2.2 CWIP includes capital expenditure on projects relating to enhancement of already installed machinery.

	2016 Rs '000	2015 Rs '000
15.3 Depreciation charge has been allocated as follows:		
Cost of sales	812,766	719,848
Raw material purchases and expenses	93,740	128,742
Selling and distribution expenses	54,332	29,548
Administrative expenses	126,396	110,491
	1,087,234	988,629

15.4 Details of property, plant and equipment disposed off during the year, having book value of Rs 50,000 or more are as follows:

	Cost Rs '000	Book Value Rs '000	Sale Proceeds less selling expenses Rs '000	Particulars of Buyers
Plant & machinery - by negotiation	143,997	124,537	140,303	BAT Bangladesh - Associate Co.
Vehicles - as per Company's policy	1,260	600	589	Mazhar Mahboob - executive
	1,350	653	486	Usama Bin Shabbir- executive
	1,350	600	401	Usman Akbar - executive
	1,440	645	442	Farhan Bashir - executive
	1,691	940	847	Ahmed Raza - ex executive
	1,691	894	854	Nasir Khattak - executive
	2,007	1,485	1,440	Amra Mubashir- ex executive
	2,047	1,825	1,653	Ahsen Altaf - executive
	2,047	1,737	1,740	Rahiba Rafael - ex executive
	2,047	1,581	1,297	Faisal Iqbal - executive
	2,047	1,603	1,761	Shadman Safdar - executive
	2,067	1,955	1,846	Hammad Nawaz - ex executive
	2,106	1,295	1,068	Arif Bilal- ex executive
	2,162	1,394	1,256	Sami Zaman - executive
	2,322	1,844	1,627	Waqas Bhatti - executive

Notes to the Consolidated Financial Statements

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	Cost	Book Value	Sale Proceeds less selling expenses	Particulars of Buyers
	Rs '000	Rs '000	Rs '000	
	4,950	2,161	1,355	Asim Imdad - ex executive
	5,031	4,105	3,622	Hasan Zulfiqar - ex executive
	5,031	3,995	3,022	Ayesha Rafique - ex executive
	11,500	9,133	7,205	Syed Javed Iqbal - executive
	12,320	11,252	5,995	Asim Imdad - ex executive
- auction	619	217	501	Noor Hassan - Karachi
	659	178	440	Ch. Asif Ali - Rawalpindi
	659	178	445	Usman Alvi - Islamabad
	659	178	431	Mutahir Shah - Mardan
	659	178	457	Khurram Mehboob - Rawalpindi
	674	183	495	Imdad Awan - Islamabad
	683	100	545	Amir Sardar - Islamabad
	683	100	448	Hamid Usman - executive
	701	245	515	M. Yaseen - Rawalpindi
	701	245	530	Nasir Iftikhar - Islamabad
	702	246	517	S. Asif Iqbal - Multan
	702	246	530	M. Haroon - Swabi
	702	246	550	Raja Ihtasham - Haripur
	702	246	494	Manzoor Ahmed - Karachi
	702	246	440	Cornell Fernandes - Karachi
	702	246	500	Ahsen Bin Asim - Karachi
	702	246	475	Imran Ahmed - Karachi
	702	246	565	Munir Sohail - Rawalpindi
	702	246	585	Kamran Gul - Islamabad
	702	246	500	Kamran Gul - Islamabad
	702	246	580	Rizwan Mazhar - Rawalpindi
	737	336	585	Abdul Rauf - Rawalpindi
	771	311	631	M. Hussain Khan - Islamabad
	1,103	539	970	Khurram Malik - Islamabad
	1,200	586	1,035	M. Altaf - Islamabad
	1,240	284	1,100	Nadeem Hayat - Chakwal
	1,305	611	1,027	Liaqat Ali - Rawalpindi
	1,305	590	1,110	Sujawal Khan - Islamabad
	1,320	666	1,146	Ch. Naghman - Rawalpindi
	1,328	194	1,070	Sujawal Khan - Islamabad
	1,477	690	1,150	Jawed Khan - Abbottabad
	1,500	700	1,275	Liaqat Hussain - Islamabad
	1,620	860	1,330	M. Shareef - Wah
	1,900	190	1,250	Ch. Asif Ali - Rawalpindi
	1,939	1,212	1,462	Iftikhar Ahmed - Islamabad
	2,041	891	1,400	Abdul Islam - Rawalpindi
	2,047	1,825	1,910	Mohammad Faizan - Lahore
	2,107	497	1,620	M. Shareef - Wah
	2,125	1,182	1,420	M. Shareef - Wah
	2,162	1,439	1,465	Abdul Islam - Rawalpindi
	2,197	1,412	1,545	S. Nazar Abbas - Islamabad
	2,197	1,412	1,475	Abdul Islam - Rawalpindi
	2,322	1,718	1,800	Munir Sohail - Rawalpindi
	2,322	553	1,840	Shadman Safdar - executive
	2,342	2,215	2,100	Mohammad Faizan - Lahore
	5,760	2,333	4,105	Shadman Safdar - executive
	5,774	3,687	3,230	Wali Khan - Haripur

Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

	Cost	Book Value	Sale Proceeds less selling expenses	Particulars of Buyers
	Rs '000	Rs '000	Rs '000	
	5,774	4,210	3,550	Ch. M Shafique - Rawalpindi
- by insurance claim	101	66	85	EFU General Insurance Ltd
	1,691	962	1,691	EFU General Insurance Ltd
	2,047	1,892	1,950	EFU General Insurance Ltd
	2,047	1,626	1,800	EFU General Insurance Ltd
	2,047	1,759	1,900	EFU General Insurance Ltd
	2,067	1,955	2,067	EFU General Insurance Ltd
	2,106	1,114	1,950	EFU General Insurance Ltd

	2016 Rs '000	2015 Rs '000
16 Long term loans - unsecured, considered good		
Related parties		
Key management personnel	-	5
Others		
Other executives	-	10
	-	15
Receivable within one year	-	(15)
	-	-

16.1 Reconciliation of loans:

	Executives				Total	
	Key management personnel		Other executives		2016 Rs'000	2015 Rs'000
	2016 Rs'000	2015 Rs'000	2016 Rs'000	2015 Rs'000		
Balance as at January 1	5	23	10	48	15	71
Repayments	(5)	(18)	(10)	(38)	(15)	(56)
Balance as at December 31	-	5	-	10	-	15

The above comprises interest free loans for purchase of household furniture, appliances, cars and motorcycles and are repayable over 5 to 10 years in equal monthly instalments. The Group has discontinued this facility. Further no new loans were disbursed to employees during the year.

16.2 The maximum amount due from the key management personnel and other executives at the end of any month during the year was:

Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

	2016 Rs '000	2015 Rs '000
Key management personnel	5	22
Other executives	6	44
	11	66
17 Long term deposits and prepayments		
Security deposits	25,053	26,199
Prepayments	8,518	2,873
	33,571	29,072
18 Stock-in-trade		
Raw materials	12,088,273	10,473,398
Raw materials in transit	293,102	680,659
Work in process	68,530	79,438
Finished goods	1,189,201	2,774,042
	13,639,106	14,007,537
Provision for damaged stocks	(20,576)	-
	13,618,530	14,007,537
19 Stores and spares		
Stores and spares	735,605	829,175
Provision for slow moving items - 19.1	(165,381)	(153,611)
	570,224	675,564
19.1 Provision for slow moving items		
Balance as at January 1	153,611	70,600
Charge for the year	18,391	90,621
Written off during the year	(6,621)	(7,610)
Balance as at December 31	165,381	153,611
20 Trade debts		
These are unsecured, considered good.		
21 Loans and advances		
Related parties		
Loans to key management personnel	-	5
Advances to key management personnel for house rent and expenses	2,848	5,469
Others		
Loans to executives and other employees	15	25
Advances to executives for house rent and expenses	42,709	44,054
Advances to other parties	132,989	132,041
	178,561	181,594

These loans and advances are unsecured and considered good.

Notes to the Consolidated Financial Statements

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	2016 Rs '000	2015 Rs '000
22 Other receivables		
Related parties - unsecured		
Due from holding company / associated companies - note 22.1	76,349	49,477
Unbilled receivable from related parties	35,595	23,477
Staff pension fund - note 29	855,329	346,701
Employees' gratuity fund - note 29	52,951	-
Others		
Claims against suppliers	6,576	6,576
Others	2,427	370
	1,029,227	426,601
22.1 The amount due from holding company / associated companies comprises:		
Holding Company		
British American Tobacco p.l.c. - UK	11,734	1,808
Associated Companies		
BAT SAA Services (Private) Limited - Pakistan	13,141	37,642
BAT Bangladesh - Bangladesh	34,822	-
BAT Myanmar - Myanmar	6,449	-
BAT Marketing (Singapore) Pte Ltd	5,105	712
BAT (Singapore) Pte Ltd	3,377	-
BAT Cambodia	843	777
BAT JV HCMC - Vietnam	813	-
BAT GLP Ltd - UK	65	65
BAT ASPAC Service Center Sdn Bhd - Malaysia	-	3,756
PT Bentoel Prima - Indonesia	-	1,325
BAT Pars, Iran	-	1,294
Commercial Marketers & Distributors - Malaysia	-	1,223
BAT Korea Manufacturing - South Korea	-	615
BAT Asia-Pacific Region Ltd - Hong Kong	-	260
	76,349	49,477
23 Short term investment		
This represents short term investment in treasury bills issued by the Government of Pakistan. Treasury bills carries effective interest rate 5.86% per annum. These have been disposed off subsequent to the year-end.		
	2016 Rs '000	2015 Rs '000
24 Cash and bank balances		
Deposit account	27,314	15,142
Current accounts		
Local currency	62,487	12,815
Foreign currency	55,399	24,806
	145,200	52,763
Cash in hand	2,124	326
	147,324	53,089

Notes to the Consolidated Financial Statements

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	2016 Rs '000	2015 Rs '000
25 Trade and other payables		
Related parties - unsecured		
Due to holding company / associated companies - note 25.1	1,744,070	1,276,466
Others		
Creditors	2,347,681	3,459,191
Federal excise duty - note 25.2	1,016,718	2,273,427
Sales tax	523,989	361,735
Tobacco excise duty / Tobacco development cess - note 25.3	154,242	187,143
Employee incentive schemes - note 25.4	290,114	148,538
Employees' gratuity fund - note 29	-	415,493
Staff pension fund - defined contribution	-	34
Management provident fund	-	150
Employees' provident fund	-	68
Workers' profit participation fund	826,109	268,196
Workers' welfare fund	313,921	216,644
Other accrued liabilities	1,752,297	1,458,343
Advances from customers	20,375	280,448
Security deposits	27,314	15,142
Dividend payable / unclaimed dividend	78,179	56,049
	9,095,009	10,417,067
25.1 The amount due to holding company / associated companies comprises:		
Holding Company		
British American Tobacco p.l.c. - UK	228,410	216,404
Associated Companies		
BAT Singapore (Pte) Ltd - Singapore	463,602	236,949
BAT GSD Ltd. - UK	385,165	43,094
BAT ASPAC Service Center Sdn Bhd - Malaysia	304,636	364,878
BAT Marketing (Singapore) Pte Ltd	158,006	164,869
BAT GLP Ltd - UK	137,138	100,405
BAT Myanmar - Myanmar	31,957	-
BAT Australia Ltd	11,572	13,343
BAT Asia-Pacific Region Ltd - Hong Kong	9,675	129,743
Tobacco Importers & Manufacturers - Malaysia	6,588	1,826
Ceylon Tobacco Company Plc - Sri Lanka	4,419	4,434
BAT Korea Manufacturing - South Korea	1,257	-
BAT Germany GmbH - Germany	393	-
BAT Romania Investment	373	384
BAT Chile Tobacco - Chile	263	-
BAT Tutun Mamulleri - Turkey	220	-
BAT Suisse - Switzerland	158	-
BAT SCWE Ltd. - UK	132	137
BAT Kenya Ltd - Kenya	47	-
BAT PNG Ltd - Papua New Guinea	39	-
BAT PECSI Dohanygyar - Hungary	20	-
	1,744,070	1,276,466

Notes to the Consolidated Financial Statements

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	2016 Rs '000	2015 Rs '000
25.2 Federal excise duty		
Balance as at January 1	2,273,427	4,610,181
Charge for the year	65,032,770	63,290,222
Payment to the Government during the year	(66,289,479)	(65,626,976)
Balance as at December 31	1,016,718	2,273,427
25.3 Tobacco excise duty / tobacco development cess		
Balance as at January 1	187,143	122,329
Charge for the year	120,584	154,509
Payment to the Government during the year	(153,485)	(89,695)
Balance as at December 31	154,242	187,143

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 Group to pay the intrinsic value of these share based payments to the employee at the vesting date.

	2016 Rs '000	2015 Rs '000
Long Term Incentive Plan (LTIP) - note 25.4.1		
Balance as at January 1	49,930	33,943
Charge for the year	66,121	15,987
Payment to employees	(1,913)	-
Balance as at December 31	114,138	49,930
Deferred Share Bonus Scheme (DSBS) - note 25.4.2		
Balance as at January 1	70,478	64,103
Charge for the year	74,304	38,458
Payment to employees	(33,681)	(32,083)
Balance as at December 31	111,101	70,478
Other employee benefit	64,875	28,130
	290,114	148,538

25.4.1 Long Term Incentive Plan

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

	2016 Rs '000	2015 Rs '000
Outstanding as at January 1	18,214	12,356
Granted during the year	8,945	9,703
Exercised during the year	(3,199)	(2,964)
Reversed during the year	(3,263)	(881)
Outstanding as at December 31	20,697	18,214

There are no exercisable options at end of the year.

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25.4.2 Deferred Share Bonus Scheme

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

	2016	2015
	Number of options	
Outstanding as at January 1	22,096	22,166
Granted during the year	9,957	8,651
Exercised during the year	(5,468)	(5,959)
Reversed during the year	(3,100)	(2,762)
Outstanding as at December 31	23,485	22,096

There are no exercisable options at end of the year.

	2016	2015
	Rs '000	
25.5 Deferred income on sale and leaseback of vehicles		
Deferred income	-	972
Income recognised during the year	-	(972)
	-	-

The Parent Company entered in a transaction of sale and lease back of vehicles resulting in finance lease. Profit on this transaction has been deferred and is being recognised as income over the lease term of 2 to 4 years.

26 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 (2015: Rs 6,500 million), out of which the amount unavailed at the year end was Rs 6,405 million (2015: Rs 5,280 million). These facilities are secured by hypothecation of stock in trade and plant & machinery amounting to Rs 7,222 million (2015: Rs 7,222 million). The mark-up ranges between 6.39% and 6.77% (2015: 6.71% and 10.34%) per annum and is payable quarterly. The facilities are renewable on annual basis.

(b) Non-funded finance facilities

The Parent 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 (2015: Rs 2,500 million) and Rs 420 million (2015: 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 151 million (2015: Rs 444 million) and Rs 241 million (2015: Rs 233 million). The letter of credit and guarantee facility is secured by second ranking hypothecation charge over stock-in-trade amounting to Rs 670 million (2015: Rs 670 million).

27 Liability against assets subject to finance lease

This represents finance lease agreements entered into with a leasing company for vehicles. Total lease rentals due under various lease agreements aggregate to Rs 525,825 thousand (2015:Rs 681,934) thousand and are payable in equal monthly installments latest by December 2021. Taxes, repairs, replacement and insurance costs are to be borne by the Group. Financing rates of 7.19% to 7.58% (2015: 7.64% to 10.75%) per annum have been used as discounting factor.

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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:

	2016 Rs '000	2015 Rs '000
Present value of minimum lease payments	479,333	569,488
Current maturity shown under current liabilities	(164,383)	(154,365)
	314,950	415,123
Minimum lease payments		
Not later than one year	194,720	248,422
Later than one year and not later than five years	331,105	433,512
	525,825	681,934
Future finance charges on finance leases	(46,492)	(112,446)
Present value of finance lease liabilities	479,333	569,488
Present value of finance lease liabilities		
Not later than one year	164,383	154,365
Later than one year and not later than five years	314,950	415,123
	479,333	569,488
28 Deferred income tax liability		
Deferred tax liability is in respect of		
Accelerated tax depreciation	1,107,235	1,106,300
Leased assets	76,498	90,980
	1,183,733	1,197,280
Deferred tax asset is in respect of		
Remeasurement loss arising on employees' retirement benefit	-	(131,718)
Provision for stock and stores	(51,270)	(26,565)
	1,132,463	1,038,997
The gross movement on deferred income tax account is as follows:		
At January 1	1,038,997	1,100,229
Credit for the year - profit and loss account	(38,252)	(23,821)
Charge / (credit) for the year - statement of other comprehensive income	131,718	(37,411)
At December 31	1,132,463	1,038,997

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	2016 Rs '000	2015 Rs '000
29 Retirement benefits		
Staff pension fund - asset - note 22	(855,329)	(346,701)
Employees' gratuity fund - (asset) / liability - note 22 and 25	(52,951)	415,493

The latest actuarial valuation of the defined benefit plans was conducted at December 31, 2016 using the projected unit credit method. Details of the defined benefit plans are:

	Defined benefit pension plan		Defined benefit gratuity plan	
	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000
(a) The amounts recognised in the balance sheet:				
Present value of defined benefit obligations	4,654,000	4,506,581	1,433,183	1,458,102
Fair value of plan assets	(5,509,329)	(4,853,282)	(1,486,134)	(1,042,609)
Net (assets) / liability	(855,329)	(346,701)	(52,951)	415,493
(b) Movement in the liability recognized in the balance sheet is as follow:				
Balance as at January 1	(346,701)	(319,535)	415,493	308,042
Charge for the year - profit & loss	41,909	13,631	116,805	108,606
Employer's contribution during the year	53,091	(48,804)	(382,154)	(125,871)
Remeasurement (gain)/loss recognized in Other Comprehensive Income (OCI) during the year	(603,628)	8,007	(203,095)	124,716
Balance as at December 31	(855,329)	(346,701)	(52,951)	415,493
(c) The amounts recognized in the profit and loss account:				
Current service cost	127,772	130,223	86,182	83,269
Interest cost	447,849	452,573	145,043	142,411
Expected return on plan assets	(480,906)	(486,654)	(105,427)	(109,556)
Net interest	(33,057)	(34,081)	39,616	32,855
Past service cost	-	(31,416)	-	-
Members' own contribution	(30,073)	(30,960)	-	-
Secondees' own contribution	(7,442)	(7,274)	-	-
Contribution by employer in respect of secondees	(15,291)	(12,861)	(8,993)	(7,518)
	41,909	13,631	116,805	108,606
(d) Re-measurements recognized in Other Comprehensive Income (OCI) during the year:				
Actuarial (gain) / loss on obligation	(198,793)	57,040	(85,617)	145,387
Net return on plan assets over interest income	(404,835)	(49,033)	(117,478)	(20,671)
Total remeasurements (gains) / loss recognised in OCI	(603,628)	8,007	(203,095)	124,716

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	Defined benefit pension plan		Defined benefit gratuity plan	
	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000
(e) Movement in the present value of defined benefit obligation:				
Present value of defined benefit obligation at January 1	4,506,581	4,034,421	1,458,102	1,257,137
Current service cost	127,772	130,223	86,182	83,269
Interest cost	447,849	452,573	145,043	142,411
Actual benefits paid during the year	(229,409)	(136,260)	(170,527)	(170,102)
Remeasurements: Actuarial (gain)/loss on obligation	(198,793)	57,040	(85,617)	145,387
Prior service cost	-	(31,416)	-	-
Present value of defined benefit obligation at December 31	4,654,000	4,506,581	1,433,183	1,458,102
(f) Movement in the fair value of plan assets:				
Fair value of plan assets at January 1	4,853,282	4,353,956	1,042,609	949,095
Interest income	480,906	486,654	105,427	109,556
Contribution by employer in respect of members	(53,091)	48,804	382,154	125,871
Members' own contribution	30,073	30,960	-	-
Secondees' own contribution	15,291	12,861	-	-
Contribution by employer in respect of secondees	7,442	7,274	8,993	7,518
Actual benefits paid during the year	(229,409)	(136,260)	(170,527)	(170,102)
Return on plan assets, excluding amounts included in interest income	404,835	49,033	117,478	20,671
Fair value of plan assets at December 31	5,509,329	4,853,282	1,486,134	1,042,609
Actual return on plan assets	1,215,664	549,502	287,310	132,686

The Group expects to credit Rs 17 million for pension plan and charge Rs 70 million for gratuity plan for the year ending December 31, 2017.

	Defined benefit pension plan		Defined benefit gratuity plan	
	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000
(g) The major categories of plan assets:				
Investment in listed equities	1,422,468	864,037	355,434	186,555
Investment in bonds	4,061,852	3,959,763	1,122,197	850,221
Cash and other assets	25,009	29,482	8,503	5,833
	5,509,329	4,853,282	1,486,134	1,042,609
(h) Significant actuarial assumptions at the balance sheet date:				
Discount rate	9.25%	10%	9.25%	10%
Pension increase rate	7.50%	9%	-	-
Expected rate of increase in salary				
First year	11%	12%	11%	12%
Second year onwards	8%	9%	8%	9%

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

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

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

(i) Sensitivity Analysis on significant actuarial assumptions

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

	Defined benefit pension plan		Defined benefit gratuity plan	
	1 percent increase Rs '000	1 percent decrease Rs '000	1 percent increase Rs '000	1 percent decrease Rs '000
Discount rate	(604,291)	764,416	(116,705)	97,268
Salary increase	208,345	(186,325)	134,151	(154,628)
Increase in post retirement pension	521,150	(426,431)	-	-

If life expectancy increases by 1 year, the obligation of the Pension Fund increases by Rs 258.684 million.

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	
	2016	2015	2016	2015
Weighted average duration of the PBO (Years)	17.14	15.36	8.25	9.01

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.

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	Defined benefit pension plan		Defined benefit gratuity plan	
	Rs '000	Rs '000	Rs '000	Rs '000
2016	4,842,721	(506,034)	1,481,283	10,129
2015	4,506,581	(346,701)	1,458,102	415,493
2014	4,034,421	(319,535)	1,257,137	308,042
2013	3,582,353	(345,253)	1,082,176	265,349
2012	3,358,267	(182,804)	870,406	91,720

29.1 Salaries, wages and benefits as appearing in note 8, 9 and 10 include amounts in respect of the following:

	2016 Rs '000	2015 Rs '000
Defined Contribution Provident Fund	85,218	82,574
Defined Benefit Pension Fund	41,909	13,631
Defined Contribution Pension Fund	69,514	58,270
Defined Benefit Gratuity Fund	116,805	108,606
	313,446	263,081

29.2 Defined Contribution Plan

Details of the management and employees' provident funds are as follows:

(a) Net assets	2,025,756	1,741,037
Cost of investments made	1,650,824	1,472,057
Percentage of investments made	81%	85%
Fair value of investments made	1,858,893	1,581,659

	2016		2015	
	Rs '000	% age	Rs '000	% age
(b) Breakup of investments at cost				
Treasury bills	105,101	5%	9,998	1%
Pakistan Investment Bonds	507,199	25%	544,008	31%
Investment plus deposit certificates	484,100	24%	447,100	26%
Investment in savings account with bank	62,048	3%	48,280	3%
Investment in securities	298,024	15%	222,328	13%
Accrued interest	194,352	9%	200,343	11%
	1,650,824	81%	1,472,057	85%

(c) Investments out of provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for the purpose.

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30. Share capital

30.1 Authorized share capital

	2016	2015		2016	2015
	Number of Shares			Rs '000	Rs '000
	300,000,000	300,000,000	Ordinary shares of Rs 10 each	3,000,000	3,000,000

30.2 Issued, subscribed and paid-up capital

	2016	2015		2016	2015
	Number of Shares			Rs '000	Rs '000
	230,357,068	230,357,068	Cash	2,303,571	2,303,571
	25,136,724	25,136,724	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 (2015: 241,045,141) ordinary shares at the year end.

	2016	2015
	Rs '000	Rs '000

31 Contingencies and commitments

31.1 Contingencies

(a) Claims and guarantees

(i) Claims against the Parent Company not acknowledged as debt	69,450	131,800
(ii) Guarantees issued by banks on behalf of the Parent Company	241,451	233,152

(b) Litigation

The Parent Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have any material impact on the financial statements.

31.2 Commitments

(a) All property rentals are under cancellable operating lease arrangements and are due as follows:

	2016	2015
	Rs '000	Rs '000
Not later than one year	21,900	91,775
Later than one year and not later than five years	421,411	458,544
Later than five years	–	53,803

(b) Letters of credit outstanding at December 31, 2016 were Rs 151,299 thousand (2015: Rs 444,070 thousand).

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32. FINANCIAL INSTRUMENTS - Fair values and risk management

32.1 Accounting classification and fair value

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Note	31 December 2016			31 December 2015		
		Loans and receivables	Other financial liabilities	Total	Loans and receivables	Other financial liabilities	Total
		Rs '000			Rs '000		
Financial assets measured at fair value							
Financial assets not measured at fair value							
Deposits	17	25,053	-	25,053	26,199	-	26,199
Trade debts	20	1,839	-	1,839	906	-	906
Other receivables	22	1,029,227	-	1,029,227	426,601	-	426,601
Short-term investment	23	979,903	-	979,903	-	-	-
Cash and bank balances	24	147,324	-	147,324	53,089	-	53,089
		2,183,346	-	2,183,346	506,795	-	506,795
Financial liabilities measured at fair value							
Financial liabilities not measured at fair value							
Trade and other payables	25	-	(6,239,655)	(6,239,655)	-	(6,829,474)	(6,829,474)
Short-term financing finance	26	-	(95,339)	(95,339)	-	(1,219,501)	(1,219,501)
Finance lease obligation	27	-	(479,333)	(479,333)	-	(569,488)	(569,488)
Accrued interest/mark-up		-	(3,438)	(3,438)	-	(11,807)	(11,807)
		-	(6,817,765)	(6,817,765)	-	(8,630,270)	(8,630,270)

The Group has not disclosed the fair values of financial assets and financial liabilities as these are for short-term or reprice over short-term. Therefore, the carrying amounts are reasonable approximation of their values.

32.2 Financial risk management

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

- credit risk
- liquidity risk
- market risk

32.2.1 Risk management framework

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Risk management is carried out by the Treasury Sub-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.

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32.2.2 Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations that arise principally from trade debts, other receivables and deposits with banks. The carrying amount of financial assets represents the maximum credit exposure.

Due to the Group's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Group. Accordingly the credit risk is minimal.

Loans and advances, trade debts and other receivables amounting to Rs 1,249 million (2015: Rs 649 million) do not include any amounts which are past due or impaired. The table below shows bank balances held with counterparties at the balance sheet date.

Counterparty	Rating		Rating Agency	(Rs in million)	
	Short term	Long term		2016	2015
Deutsche Bank AG	P-2	BAA2	Moody's	70.98	32.30
Habib Bank Ltd	A-1+	AAA	JCR-VIS	37.66	–
MCB Bank Ltd	A-1+	AAA	PACRA	29.53	20.00
MCB Islamic Bank	A-1	A	PACRA	3.29	–
National Bank	A1+	AAA	PACRA	3.28	–
Citibank N.A.	P-1	A1	Moody's	0.33	0.02
Standard Chartered Bank	A1+	AAA	PACRA	0.13	0.26
				145.20	52.58

As at December 31, 2016, all deposits, trade debts, short-term investments and bank balances are held in Pakistan whereas maximum exposure to credit risk for other receivables by geographic was as follows:

	Carrying amount	
	2016 Rs '000	2015 Rs '000
Pakistan	986,019	414,766
United Kingdom	11,799	1,873
Asia	51,409	9,962
	1,029,227	426,601

	Carrying amount	
	2016 Rs '000	2015 Rs '000
Not past due	1,015,761	405,770
Past due 1-30 days	13,281	–
Past due 31-90 days	120	–
Past due 90 days	65	20,831
	1,029,227	426,601

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32.2.3 Liquidity risk

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

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

	Carrying amount Rs '000	Contractual cash flows		
		Total Rs '000	12 months or less Rs '000	1 to 5 years Rs '000
31 December 2016				
Financial liabilities				
Trade and other payables	6,239,655	(6,239,655)	(6,239,655)	–
Short-term financing finance	95,339	(95,339)	(95,339)	–
Finance lease obligation	479,333	(525,825)	(194,720)	(331,105)
Accrued interest/mark-up	3,438	(3,438)	(3,438)	–
	6,817,765	(6,864,257)	(6,533,152)	(331,105)
31 December 2015				
Financial liabilities				
Trade and other payables	6,829,474	(6,829,474)	–	–
Short-term financing finance	1,219,501	(1,219,501)	–	–
Finance lease obligation	569,488	(681,934)	(248,422)	(433,512)
Accrued interest/mark-up	11,807	(11,807)	–	–
	8,630,270	(8,742,716)	(248,422)	(433,512)

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

32.2.4 Market risk

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

Currency risk

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the functional currency (Pak Rs.). The currencies in which these transactions are primarily denominated are euro, sterling and US dollars.

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The summary of quantitative data about the Group's exposure to currency risk is as follows:

	31 December 2016			31 December 2015		
	Euro	Sterling	US dollars	Euro	Sterling	US dollars
Other receivables	-	360,979	70,486	11,372	-	72,563
Cash and bank balances	-	-	530,743	-	-	236,834
Trade and other payables	6,767	(3,495,178)	(10,331,470)	(1,201)	(652,814)	(8,051,607)
Net exposure	6,767	(3,134,199)	(9,730,241)	10,171	(652,814)	(7,742,210)

The following significant exchange rates have been applied:

	Average rate		Year-end spot rate	
	2016	2015	2016	2015
Discount rate				
Euro 1	115.89	114.05	110.09	113.77
Sterling 1	141.85	157.05	128.97	154.37
US dollar 1	104.68	102.75	104.38	104.74

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 2016				
Euro	90	(90)	61	(61)
Sterling	62,544	(62,544)	42,530	(42,530)
US dollar	118,970	(118,970)	80,900	(80,900)
31 December 2015				
Euro	129	(129)	88	(88)
Sterling	26,144	(26,144)	17,778	(17,778)
US dollar	103,703	(103,703)	70,518	(70,518)

Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is not exposed to fair value interest rate risk as it does not hold any fixed rate instruments. The Group does not have any significant long-term interest-bearing financial assets or financial liabilities whose fair value or future cash flows will fluctuate because of changes in market interest rates.

Financial liabilities include balances of Rs. 574,672 thousand (2015: Rs 1,788,989 thousand) which are subject to interest rate risk. Applicable interest rates for these financial liabilities have been indicated in respective notes.

At balance sheet date, if interest rates had been 1% higher/lower, with all other variables remain constant, profit for the year would have been Rs. 4 million (2015: Rs. 13 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

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33. 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			
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Managerial remuneration	59,801	64,040	37,578	39,471	274,135	276,211	899,474	819,300	1,270,988	1,199,022
Corporate bonus	30,396	27,166	50,367	39,136	260,252	195,208	165,938	240,625	506,953	502,135
Leave fare assistance	1,966	5,767	2,914	2,289	5,013	5,401	519	1,790	10,412	15,247
Housing and utilities	19,302	12,492	9,312	10,909	74,797	75,664	357,587	320,406	460,998	419,471
Medical expenses	103	-	1,697	1,601	10,216	9,449	54,316	45,238	66,332	56,288
Post employment benefits	5,433	2,752	7,869	5,656	39,241	46,752	223,995	188,057	276,538	243,217
	117,001	112,217	109,737	99,062	663,654	608,685	1,701,829	1,615,416	2,592,221	2,435,380
Number of persons	1	1	2	2	31	35	640	513	674	551

33.1 The Parent Company, in certain cases, also provides individuals with the use of company accommodation, cars and household items, in accordance with their entitlements.

33.2 The aggregate amounts charged in the financial statements of the year for remuneration including all benefits to six (2015: six) non-executive directors of the Parent Company amounted to Rs 4,335 thousand (2015: Rs 6,271 thousand).

34. Transactions with related parties

British American Tobacco (Investments) Limited (BAT-IL) holds 94.34% (2015: 94.34%) shares of the Parent 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 Group. 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.

As MCB Bank Limited is an associated company under the Companies Ordinance 1984 due to common directorship, yet does not fall under the definition of related party as interpreted from IAS 24 "Related Party Disclosures". Accordingly, transactions and balances with MCB Bank Limited and its subsidiary company that includes transactions and balances relating to leasing, short term running finance and bank accounts have not been disclosed in the related party disclosure.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

	2016 Rs '000	2015 Rs '000
Purchase of goods and services from		
Holding company	662,216	749,141
Associated companies	1,452,875	1,495,442
Sale of goods and services to		
Holding company	51,807	4,540
Associated companies	387,700	78,491
Dividend paid		
Holding company	7,739,310	4,353,362
Royalty charge		
Holding company	565,657	587,797
Expenses reimbursed to		
Holding company	17,306	6,689
Associated companies	2,963	4,817
Expenses reimbursed by		
Holding company	17,390	1,862
Associated companies	82,475	50,027
Payment under employee incentive schemes		
Key management personnel	35,594	32,083
Other income		
Associated company:		
-Recharges written back	295,225	-

35. Post balance sheet event

In respect of the year ended December 31, 2016 final dividend of Rs 11.00 (2015: Rs 18.00) per share amounting to a total dividend of Rs 2,810,432 thousand (2015: Rs 4,598,888 thousand) has been proposed at the Board of Directors meeting held on February 20, 2017. These financial statements do not reflect this proposed dividend.

36. General

36.1 Capacity and production

Against an estimated manufacturing capacity of 50,700 million cigarettes (2015: 54,000 million cigarettes) actual production was 33,243 million cigarettes (2015: 43,540 million cigarettes). Actual production has decreased because of decline in market demand.

36.2 Number of employees

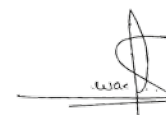
Total number of employees as at December 31, 2016 were 1,205 (2015: 1,237). Average number of employees during the year were 1,209 (2015 : 1,222)

36.3 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 20, 2017.



Syed Javed Iqbal
Managing Director & CEO



Wael Sabra
Finance & IT Director

5- ڈیویڈنڈ مینڈیٹ (اختیاری)

سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کے سرکلر نمبر 18/2012، تاریخ 05 جون 2012 کے مطابق آپ کو مطلع کیا جاتا ہے کہ کمپنی آرڈیننس 1984 کے سیکشن 250 کے تحت، شیئرز ہولڈرز اپنا ڈیویڈنڈ بینک اکاؤنٹ بھی وصول کر سکتا ہے۔ مزید برآں، شیئرز ٹرانسفر کنڈہ تہدیل شدہ 'Form of Transfer Deed' (فارم برائے ٹرانسفر ڈیڈ) استعمال کرتے ہوئے ڈیویڈنڈ مینڈیٹ آپشن بھی استعمال کر سکتا ہے، یہ فارم شیئرز رجسٹرار کی ویب سائٹ www.famco.com.pk سے حاصل کیا جاسکتا ہے۔ ٹرانسفر ڈیڈ کے تہدیل شدہ فارم کے ذریعے ٹرانسفر کنڈہ پیش ڈیویڈنڈ اپنے بینک اکاؤنٹس میں وصول کر سکتے ہیں، بشرطیکہ ٹرانسفر کنڈہ نے اس بینک اکاؤنٹ کی تفصیلات فراہم کی ہوں جن میں کریڈٹ یا گیش ڈیویڈنڈ وصول کرنا مخصوص ہے۔

شیئرز ہولڈرز چاہیں تو معمول کے 'Dividend Mandate Form' (ڈیویڈنڈ مینڈیٹ فارم) کے ذریعے بھی ڈیویڈنڈ مینڈیٹ طلب کر سکتے ہیں، یہ فارم ہمارے شیئرز رجسٹرار کی ویب سائٹ www.famco.com.pk سے حاصل کیا جاسکتا ہے۔

طبیعی شکل (physical form) میں شیئرز رکھنے والے شیئرز ہولڈرز سے درخواست ہے کہ اپنا ڈیویڈنڈ مینڈیٹ فارم ہمارے شیئرز رجسٹرار کو جمع کرائیں، جبکہ سنٹرل ڈیپازٹری کمیٹی میں شیئرز رکھنے والے شیئرز ہولڈرز اپنا ڈیویڈنڈ مینڈیٹ فارم اپنے ٹریڈ انٹرفراز کاؤنٹ سروسز میں جمع کرائیں۔

6- پتے میں تبدیلی

ارکان سے درخواست ہے کہ اپنے پتے میں تبدیلی کی اطلاع فی الفور کمپنی کو دیں۔ پتے میں کسی بھی قسم کی تبدیلی کی صورت میں کمپنی کے شیئرز رجسٹرار کو جلد از جلد مطلع کریں۔

7- رائے کی تفصیلات

کمپنی سے رائے کی تفصیلات: کمپنی سیکرٹری، پاکستان ڈیویڈنڈ مینڈیٹ سربانڈس کمیٹی، خیابان سہروردی، اسلام آباد، فون: (051) 2083200

شیئرز رجسٹرار: FAMCO ایسوسی ایٹس پرائیویٹ لمیٹڈ، F-8، متصل ہوٹل فاران بزمی، بلاک 6، پی ای سی ایچ ایٹس، شاہراہ فیصل، کراچی، فون: (021) 34380101-5، ای میل: info.shares@famco.com.pk

کمپنی آرڈیننس 1984 کے سیکشن 160 کے تحت اعلان

یہ اعلان جمعرات 20 اپریل 2017 کو منظور ہونے والے پاکستان ڈیویڈنڈ مینڈیٹ کے سروس سالانہ اجلاس کے نوٹس سے منسلک ہے جس میں خصوصی کارروائی انجام دی جائے گی۔ اعلان کا مقصد اس خصوصی کارروائی کے بارے میں حقائق سے مطلع کرنا ہے۔

ایجنڈے کی فہرست (5)

کمپنی (ای ڈوگنگ) ریگولیشنز 2016 کے مطابق ای ڈوگنگ نافذ کرنے کی غرض سے ایسوسی ایٹس آف کمپنی کی شتوں میں ترمیم کے لیے شیئرز ہولڈرز سے اجازت طلب کی جائے گی۔

تجکم پورڈ
ایم اورس احمد
کمپنی سیکرٹری

اسلام آباد: 27 مارچ 2017

۲. شجر کاری: سال 2016 میں PTC نے شجر کاری کی موجودہ کوششوں کو آگے بڑھاتے ہوئے وزارت ماحولیاتی تبدیلی کے ساتھ مل کر بارہ کھو، اسلام آباد میں 642 ایکڑ رقبہ تیار کرنے کا آغاز کیا۔ اس وقت بارہ کھو زسری آپریشنل ہو چکی ہے جہاں سے PTC چھوٹے پودے جاری کر رہی ہے۔ اب تک 3.5 ملین پودے مفت تقسیم کیے جا چکے ہیں۔

۳. موبائل ڈسپنری یونٹس (MDU): اس پہل کے ذریعے PTC دیہی آبادیوں میں مفت طبی سہولیات فراہم کرتی ہے۔ اس وقت PTC صوبہ خیبر پختونخواہ کے مختلف علاقوں میں 7 موبائل ڈسپنری یونٹس چلا رہی ہے جہاں اب تک 78,000 افراد کا علاج کیا گیا ہے۔

۴. صاف پانی کی فراہمی: سال 2016 میں PTC نے موجودہ تین واٹر فلٹریشن پلانٹس کے ساتھ چوتھا پلانٹ (گڑھی شاہو) لگایا۔ PTC کے سروے کے مطابق ان چار واٹر فلٹریشن پلانٹس سے صرف سال 2016 کے دوران 2.8 ملین افراد مستفید ہوئے۔

کاروباری چیلنجز اور مستقبل کا منظر نامہ

2016 ڈیپلوری کا محرک مخلص اور پرجوش ملازمین، انڈسٹری کے تبدیل ہوتے منظر نامے کے مطابق ان کے ڈھلنے کی صلاحیت، متوازن برانڈ پورٹ فولیو اور موثر مارکیٹنگ انیشیایوز ہیں۔ اس کے ساتھ ہمیں ایک مضبوط ٹریڈ مارکیٹنگ ٹیم اور سپلائی چین میں مسلسل بہتر سے بہتر ہوتے پراسیسز کی مدد حاصل رہی۔ غیر قانونی تجارت جائز ٹوبیکو انڈسٹری کے استحکام کو لاحق سب سے بڑا خطرہ ہے۔ غیر ڈیوٹی شدہ سگریٹس جائز سیکٹر کے سستے ترین برانڈز کی بھی ایک تہائی قیمت میں فروخت کیے جاتے ہیں۔ اس سے نہ صرف حکومت آمدنی کے ایک بڑے حصے سے محروم رہتی ہے بلکہ یہ سگنٹ ملکی قوانین کی بھی کھلی خلاف ورزی ہے۔ لہذا جائز انڈسٹری سے برابر کھیلنے کا موقع چھین لینے کے بعد، یہ واضح ہے کہ غیر قانونی انڈسٹری کے حوالے سے 2017 ایک چیلنجنگ سال ثابت ہو گا جس میں خطرہ ہے کہ کاروبار کا حجم، منافع اور حکومتی آمدنی شدید دباؤ میں رہیں گے۔

PTC متعلقہ حکام سے پُر زور درخواست کرتی ہے کہ غیر ڈیوٹی شدہ سیکٹر پر قابو پانے کے لیے قانون پر عمل درآمد تیز کیا جائے۔ اس مسئلے پر توجہ نہ دی گئی تو قانونی سیکٹر مستقل گراؤ کا شکار ہو جائے گا جس سے کاروباری استحکام اور مستقبل میں حکومت کی آمدن پر سنجیدہ سوال اٹھنے لگیں گے۔

(Taseer Hadi & Co) سالانہ اجلاس عام کے بعد ریٹائر ہو جائے گی، تاہم کمپنی ہڈا نے PTC کے لیے بطور آڈیٹر خدمات جاری رکھنے پر آمادگی ظاہر کی ہے۔ کے پی ایم جی نے انسٹی ٹیوٹ آف چارٹڈ اکاؤنٹنٹس آف پاکستان (ICAP) سے تسلی بخش ریٹنگ حاصل ہونے اور ICAP کے قبول کردہ انٹرنیشنل فیڈریشن آف اکاؤنٹنٹس (IFAC) کے رہنما اصول برائے ضابطہ اخلاق سے تعمیل کی تصدیق بھی کی ہے۔ بورڈ، آڈٹ کمیٹی کی سفارش پر 31 دسمبر 2017 کو ختم ہونے والے مالی سال کے لیے مذکورہ بالا کمپنی کی بطور آڈیٹر تقرری کی تجویز دیتا ہے۔ تاہم، اس کی حتمی منظوری 20 اپریل 2017 کو شیئر ہولڈرز سالانہ اجلاس عام میں دیں گے۔

شیئر ہولڈنگ

31 دسمبر 2016 تک کا شیئر ہولڈنگ ریکارڈ، ضابطہ برائے کارپوریٹ گورننس کی شرائط کے مطابق انکشافات، اس رپورٹ کے ساتھ منسلک ہیں۔ کمپنی کے ڈائریکٹران، چیف ایگزیکٹو آفیسر، چیف فنانشل آفیسر، کمپنی سیکرٹری، ان کی اہلیان اور بچوں نے، مبینہ طور پر کمپنی کے شیئرز کی خرید و فروخت نہیں کی۔

ہولڈنگ کمپنی

برٹش امریکن ٹوبیکو (انسٹینٹس) لمیٹڈ، برطانیہ، کمپنی کے 94.34 فیصد شیئرز کی مالک ہے۔

جامع فنانشل سٹیٹمنٹس

کمپنی اور اس کی ملکیتی ذیلی کمپنی فینکس پرائیویٹ لمیٹڈ کی جامع فنانشل سٹیٹمنٹس اس رپورٹ کے ہمراہ جمع کرا دی گئی ہیں۔

ماحول، صحت اور تحفظ

اپنی سادگی کو برقرار رکھتے ہوئے، PTC ماحولیات، صحت اور تحفظ (EH&S) کے بین الاقوامی معیارات سے کپلائنس کو اولین ترجیح دیتی ہے۔ فصل سے صارف تک کے تمام مراحل میں ملازمین کا تحفظ ہمارا مطمح نظر ہے اور کمپنی کام کی جگہ پر حادثات کے انداز کے لیے مسلسل مصروف عمل ہے۔ کام کی جگہ پر تحفظ کے ساتھ ساتھ، کمپنی اپنی پالیسی میں ہمیشہ سے ماحول کو مد نظر رکھتی آئی ہے۔ ضائع شدہ مواد اور اخراج پر باقاعدگی سے نظر رکھی جاتی ہے تاکہ قومی قواعد و ضوابط اور ماحولیات سے متعلقہ معیارات سے تعمیل یقینی بنائی جائے۔

کارپوریٹ سماجی ذمہ داری

کمپنی ملک میں کارپوریٹ سماجی ذمہ داری (CSR) پروگرام کے بانیوں میں سے ہے۔ PTC سمجھتی ہے کہ ان پروگراموں کا مقصد اپنے ملک کی کمیونٹیز کی فکر کرنا اور ان کی بہتری کے لیے کام کرنا ہے تاکہ مستحکم زرعی ماحول قائم کیا جائے اور دیہی آبادیوں کا معیار زندگی بلند کیا جائے۔ گزشتہ ایک برس میں ہماری کوششوں کو تسلیم بھی کیا گیا ہے اور ہم نے مختلف کیلنگریز میں 9 سی ہس آر ایورڈ جتے ہیں۔ ذیل میں گزشتہ ایک برس کے دوران ہماری جانب سے شروع کیے گئے اہم پروگراموں کا خلاصہ دیا گیا ہے:

۱. مستحکم زراعت: صوبہ خیبر پختونخواہ (KPK) کے علاقے بونیر میں پانی بنیادی طور پر زیر زمین سے کھینچنا جاتا ہے جس کے لیے بجلی کی ضرورت ہوتی ہے۔ تاہم، بجلی کی اکثر اوقات بندش کے باعث علاقے میں زراعت کے لیے پانی کی قلت رہتی تھی۔ اس مسئلے کو حل کرنے کے لیے PTC نے KPK کے اریگیشن ڈیپارٹمنٹ کے ساتھ ایک یادداشت پر دستخط کیے جس کے تحت پانی کی بلا تعطل دستیابی کے لیے 4 جزیرہ فراہم کیے گئے۔ یہ پراجیکٹ 1,000 ایکڑ سے زائد رقبے کا احاطہ کرتا ہے۔ اس منصوبے سے علاقے کی پیداواری صلاحیت میں خاصہ اضافہ ہوا ہے۔

ڈائریکٹر کا نام	حاضری
ظفر محمود چیئرمین اور ممبر	3/3
لیفٹیننٹ جنرل (ریٹائرڈ) علی ٹلی خان خٹک رکن	3/4
عمران مقبول ممبر	3/3
مائیکل کوکسٹ ممبر	1/3
ہائے ان کم ممبر	2/4
سید آصف شاہ ممبر (مدت کے اختتام پر ریٹائر)	1/1
عابد نیاز حسن ممبر (مدت کے اختتام پر ریٹائر)	0/1

ڈائریکٹر کا نام	حاضری
معین افضل چیئرمین اور نان ایگزیکٹو ڈائریکٹر	5/5
گریم ایبے مینجنگ ڈائریکٹر اور چیف ایگزیکٹو (استعفیٰ بتاریخ 30 جون 2016)	2/2
سید جاوید اقبال مینجنگ ڈائریکٹر اور چیف ایگزیکٹو	5/5
وائل صابرا فنانس و آئی ٹی ڈائریکٹر (بورڈ میں شرکت بتاریخ 25 ستمبر 2016)	2/2
جبل شاہ لیگل اینڈ ایکسٹرنل ایویز ڈائریکٹر	4/5
ہائے ان کم نان ایگزیکٹو ڈائریکٹر	2/5
لیفٹیننٹ جنرل (ریٹائرڈ) علی ٹلی خان خٹک نان ایگزیکٹو ڈائریکٹر	4/5
عمران مقبول نان ایگزیکٹو ڈائریکٹر	3/4
ظفر محمود نان ایگزیکٹو ڈائریکٹر	4/4
مائیکل کوکسٹ نان ایگزیکٹو ڈائریکٹر	1/4
سید آصف شاہ نان ایگزیکٹو ڈائریکٹر (مدت کے اختتام پر ریٹائر)	1/1
قلیشیو فیروز جوینسر نان ایگزیکٹو ڈائریکٹر (مدت کے اختتام پر ریٹائر)	0/1
عابد نیاز حسن نان ایگزیکٹو ڈائریکٹر (مدت کے اختتام پر ریٹائر)	0/1

مینجنگ ڈائریکٹر اور فنانس ڈائریکٹر کمیٹی کی کسی بھی میٹنگ میں شرکت کر سکتے ہیں۔ انٹرنل آڈٹ کا سربراہ کمیٹی کا سیکرٹری ہے اور براہ راست آڈٹ کمیٹی کے چیئرمین کو رپورٹ کرنے کا ذمہ دار ہے۔

آڈٹ کمیٹی بورڈ کی طرف سے منظور کردہ حدود کے اندر رہ کر کام کرتی ہے جن میں کمیٹی کے کردار اور ذمہ داریوں اور کارپوریٹ گورننس کے ضابطے کا تعین کیا گیا ہے۔ آڈٹ کمیٹی کے کردار اور ذمہ داریوں میں شامل ہیں:

- متعلقہ کاروباری خطرات کی نشاندہی، جانچ پرکھ اور ان سے بچنے کے لیے کیے جانے والے اقدامات پر انتظامیہ سے یقین دہانی طلب کرنا؛
 - کمپنی کی سہ ماہی، ششماہی اور سالانہ فنانشل سٹیٹمنٹس کا جائزہ لینا اور بورڈ اور پبلیکیشن کی طرف سے منظوری سے قبل نتائج کا عبوری اعلان کرنا؛
 - بورڈ کی منظوری سے قبل انٹرنل کنٹرول سسٹمز پر کمیٹی کی پالیسی کا جائزہ لینا؛
 - یہ تعین کرنا کہ فنانشل اور آپریشنل کنٹرولز، اکاؤنٹنگ سسٹم اور رپورٹنگ سٹرکچر سمیت انٹرنل کنٹرول سسٹم تسلی بخش اور موثر ہیں؛
 - کارپوریٹ گورننس کے بہترین معمولات سے تعمیل پر نظر رکھنا، خصوصی پراجیکٹس کا آغاز کرنا اور جہاں کمیٹی مناسب سمجھے یا بورڈ مطالبہ کرے، ان معاملات میں تحقیقات کرنا؛
 - انٹرنل آڈٹ، بشمول سالانہ انٹرنل آڈٹ پلان کے دائرہ کار کا جائزہ لینا، اس کی منظوری دینا اور انٹرنل آڈٹ انجینئرز میں پیشرفت پر باقاعدگی سے نظر رکھنا۔
- اگرچہ ایکسٹرنل آڈیٹرز اپنی صوابدید پر آڈٹ پلان ترتیب دیتے ہیں، تاہم کمیٹی کو ان کی پیشرفت سے آگاہ کیا جاتا ہے، بالخصوص ان معاملات پر جن کا ذکر مینجمنٹ کے نام خط میں کیا گیا ہو اور ان پر کیا جواب دیا گیا تھا۔ ایکسٹرنل اور انٹرنل آڈیٹرز پر اثر انداز ہونے بغیر کمیٹی اپنے فرائض انجام دیتے ہوئے دونوں کے درمیان باہمی رابطے پر زور دیتی ہے۔ کمیٹی ایکسٹرنل آڈیٹرز کی کارکردگی اور کمیٹی کو فراہم کردہ خدمات کا جائزہ لینے کے بعد بورڈ کو ایکسٹرنل آڈیٹرز مقرر کرنے کی سفارش کرتی ہے۔

آڈیٹرز

31 دسمبر 2016 کو ختم ہونے والے مالیاتی سال کے لیے کمیٹی کا قانونی آڈٹ مکمل کر لیا گیا ہے اور آڈیٹرز نے کمیٹی کی فنانشل سٹیٹمنٹ، جامع فنانشل سٹیٹمنٹس اور ضابطے برائے کارپوریٹ گورننس سے تعمیل کی سٹیٹمنٹ جاری کر دی ہے۔ آڈیٹرز کمیٹی میسرز کے پی ایم جی تاثیر بادی اینڈ کمپنی (Ms/KPMG)

بورڈ کمیٹیاں

بورڈ میں مختلف کمیٹیاں بھی تشکیل دی گئی ہیں جو ذمہ داریاں نبھانے میں بورڈ کی معاونت کرتی ہیں۔ کمیٹیوں کی فہرست ہمراہ دی گئی ہے۔

آڈٹ کمیٹی

آڈٹ کمیٹی کاروباری خطرات، اندرونی کنٹرولز اور ضابطے برائے کارپوریٹ گورننس کے مطابق کاروبار انجام دینے کے حوالے سے ذمہ داریاں انجام دینے میں بورڈ کی معاونت کرتی ہے۔

سال بھر میں کمیٹی کے چار اجلاس ہوئے جن میں فنانشل اکاؤنٹس اور رپورٹنگ کے حوالے سے کمیٹی کی معاونت کے لیے بیرونی آڈیٹرز بھی موجود تھے۔ 20 اپریل 2016 کو کمیٹی کی تشکیل نو کی گئی۔ سال بھر کے اجلاس میں شرکت کی تفصیل ذیل میں دی جا رہی ہے:

بہترین اور باصلاحیت افراد کو اپنی طرف متوجہ کرنے اور انہیں اپنے ساتھ رکھنے میں کوشاں رہتی ہے۔
 کمپنی کی افرادی قوت ہی اس کا سب سے بڑا ستون ہے۔ لہذا ہم مستقبل کے لیے اپنا ٹیلنٹ آج ہی سے تیار کرنے کے لیے پرعزم ہیں۔

مندرجہ بالا اقدامات کے نتیجے میں PTC گزشتہ برس کی نسبت زیادہ بہتر منافع حاصل کرنے میں کامیاب رہی ہے۔

کیش کا بہاؤ

کمپنی کی مجموعی کیش پوزیشن سال بھر میں مستحکم رہی۔ کمپنی کے آپریشنز سے ہی اس قدر کیش حاصل ہوا کہ ایکسٹرا سٹریٹجی اور منافع کی زیادہ ادائیگیوں کے باوجود سرمایہ کاری اور فنانشنگ کی تمام سرگرمیاں بخوبی انجام پائیں۔

مینوفیکچرنگ میں مہارت

PTC انٹیگریٹڈ ورک سسٹم (IWS) پروگرام کے ذریعے مینوفیکچرنگ میں مہارت و کمال حاصل کرنے کا سفر جاری رکھے ہوئے ہے۔ کمپنی کا مقصد جدید ترین تقورات، پیداواری لحاظ سے بہترین پراسیس اور جدید ترین ٹیکنالوجی متعارف کروا کر اپنے آپریشنز کو مسلسل جدید خطوط پر استوار کرنا ہے۔ مزید برآں، کنٹریولرز کو مد نظر رکھ کر مصنوعات کا معیار قائم کرنے سے گزشتہ برس کی نسبت صارفین کی شکایات میں بھی خاطر خواہ کمی آئی ہے۔ مہارت و کمال حاصل کرنے کی اسی خواہش سے حاصل ہونے والے غیر معمولی نتائج پورے BAT گروپ میں PTC کی پہچان ہیں۔

حصہ داروں کو دیا گیا منافع

کمپنی کی مالیاتی اور حقیقی صورتحال کی بنیاد پر حصہ داروں کو دینے کے لیے ڈائریکٹرز 31 دسمبر 2016 کو ختم ہونے والے سال کے لیے 11.00 روپے فی حصص (2015: 18.00 روپے فی حصص) منافع تجویز کرتے ہیں جس سے پورے سال کا (حصہ داروں کو دیا جانے والا) منافع 25.00 روپے ہو گا (2015: 24.00 روپے)۔

اس کی حتمی منظوری 20 اپریل 2017 کو ہونے والے اجلاس میں حصہ داران دیں گے۔

بہترین کارپوریٹ گورننس

ڈائریکٹرز مندرجہ ذیل حوالوں سے SECP کے ضابطہ برائے کارپوریٹ گورننس کے کارپوریٹ و مالیاتی رپورٹنگ فریم ورک سے تعمیل یقینی بناتے ہیں:

- کمپنی کی مینجمنٹ کی طرف سے تیار کردہ فنانشل سٹیٹمنٹ جس میں کمپنی کی موجودہ حالت، آپریشنز کے نتائج، کیش فلوز اور ایکویٹی میں تبدیلی کا منظر نامہ بیان کیا گیا ہو۔
- کمپنی کی تمام بکس آف اکاؤنٹ تیار رکھی جائیں۔
- فنانشل سٹیٹمنٹ کی تیاری میں باقاعدگی سے موزوں اکاؤنٹنگ پالیسیاں لاگو کی جاتی ہیں اور اکاؤنٹنگ تخمینے معقول اور محتاط فیصلوں پر مبنی ہوتے ہیں۔
- فنانشل سٹیٹمنٹس کی تیاری میں پاکستان میں لاگو فنانشل رپورٹنگ کے بین الاقوامی معیارات پر عمل کیا جاتا ہے اور جہاں کہیں ان سے اجتناب برتا جائے اسے افشا کیا جاتا ہے اور وضاحت دی جاتی ہے۔
- انٹرنل کنٹرولز کا سسٹم مضبوط ہے اور اسے موثر انداز میں لاگو کیا گیا ہے۔

(f) کمپنی کے کاروبار جاری رکھنے کے صلاحیت پر کوئی قابل ذکر شک و شبہ نہیں۔
 (g) لسٹنگ ریگولیشنز میں بیان کردہ کارپوریٹ گورننس کے بہترین معمولات سے دوری اختیار نہیں کی گئی۔

(h) سال بھر میں لاگو ہونے والے تمام اہم سرکاری محصولات، جو کہ 31 دسمبر 2016 تک واجب الادا تھے، ادا کر دیئے گئے ہیں۔

(i) گزشتہ چھ برسوں کے آپریشنز اور فنانشل ڈیٹا کی اہم معلومات کا خلاصہ ضمیمہ کی شکل میں دیا گیا ہے۔

(j) آڈٹ شدہ اکاؤنٹس کی بنیاد پر 31 دسمبر 2016 کو ختم ہونے والے سال میں ملازمین کے لیے مختص ریٹائرمنٹ فنڈ میں سرمایہ کاری کی تفصیل ذیل میں دی گئی ہے:

(روپے۔ ملین میں)	
4,844	• سٹاف پنشن فنڈ
1,027	• ملازمین کا گریجویٹ فنڈ
875	• مینجمنٹ کا پروویڈنٹ فنڈ
855	• ملازمین کا پروویڈنٹ فنڈ
215	• سٹاف کا متعین کردہ کنٹری بیوشن پنشن فنڈ

بورڈ

بورڈ 6 نان ایگزیکٹو ڈائریکٹرز پر مشتمل ہے جس میں ایک آزاد ڈائریکٹر اور 3 ایگزیکٹو ڈائریکٹر شامل ہیں۔ گورننس کے بہترین معمولات کے مطابق چیئرمین اور ایم ڈی / سی ای او کے عہدے علیحدہ رکھے گئے ہیں۔

بورڈ میں تبدیلیاں

ڈائریکٹرز، بورڈ آف ڈائریکٹرز میں مندرجہ ذیل تبدیلیوں سے مطلع کرنا چاہیں گے:

1. 20 اپریل 2016 کو ہونے والے انتخابات کے تحت بورڈ کی تشکیل نو کی گئی۔ منتخب کردہ بورڈ ارکان کے نام مندرجہ ذیل ہیں:

- معین افضل
- لینڈمنٹ جنرل (ریٹائرڈ) علی نگی خان خٹک
- گریم ایسے
- سید جاوید اقبال
- تجمل شاہ
- ہائے ان کم
- عمران مقبول
- مائیکل کوسٹ
- ظفر محمود

2. گریم ایسے نے 30 جون 2016 کو کمپنی کے بورڈ سے استعفیٰ دے دیا۔ ان کے استعفیٰ سے خالی ہونے والی نشست پر، ستاسی (87) ایام (نافذ العمل 25 ستمبر 2016) میں ان کی جگہ وائل صابرا نے ذمہ داریاں سنبھالیں۔

بورڈ آف ڈائریکٹرز کا اجلاس

سال 2016 کے دوران بورڈ آف ڈائریکٹرز کے پانچ اجلاس ہوئے: 19 فروری، 20 اپریل، 27 جولائی، 19 اکتوبر اور 8 دسمبر۔ اجلاس میں شریک ہونے والے ارکان کی تفصیل ذیل میں دی جا رہی ہے:

ڈائریکٹرز کی جانب سے پیش ہے 31 دسمبر 2016 کو ختم ہونے والے سال کے لیے کمپنی کی آڈٹ کردہ فنانشل سٹیٹمنٹس اور کمپنی کی 70 ویں سالانہ رپورٹ

پاکستان ٹوباکو کمپنی لمیٹڈ (PTC) قانونی ٹوکیو انڈسٹری میں اپنی برتری برقرار رکھنے میں کامیاب رہی ہے اور ادارے کی ثابت قدمی اور اس کے لوگوں کی فعالیت کے باعث آپریشنل نتائج کو مسلسل بہتر بنا سکی ہے۔ تاہم، اس برس غیر ڈیوٹی شدہ سگریٹوں کی مارکیٹ میں غیر معمولی اضافہ دیکھنے میں آیا اور 31 دسمبر 2016 تک ان کی شرح 40.6% تک ریکارڈ کی گئی۔

وٹیلو فارمنی (VFM) سگنٹ میں، حجم کی کمی کے باوجود، کیپٹن ہائے مال پال اور بیجبل (CbPMO) پوری انڈسٹری کا سب سے بڑا اور بہترین کارکردگی دکھانے والا برانڈ ہے جس کا قانونی/جائزہ مارکیٹ شیئر مزید بڑھا ہے۔ سال 2016 میں ہماری توجہ جدید خصوصیات متعارف کروانے پر مرکوز رہی تاکہ مستحکم برانڈز کی برتری کو مزید مضبوط کیا جائے۔ دوسری طرف گولڈ فلیک نے ذہنی علاقوں کو مد نظر رکھتے ہوئے کمپن کے ساتھ سال 2016 میں نئے لیوہٹی سٹر کا آغاز کیا تاکہ برانڈ کی کم ہوتی مقبولیت کو سنبھالا جائے اور اس کی آفر مستقبل میں بھی پُرکشش رہے۔

قومی خزانے میں شراکت

نئی شعبے میں PTC پاکستان میں سب سے زیادہ ٹیکس دینے والا ادارہ ہے۔ سال 2016 میں کمپنی نے ایکسائز ڈیوٹی، سیلز ٹیکس، انکم ٹیکس اور سگنٹ ڈیویڈنڈ کی مدد میں قومی خزانے کو 90 ارب روپے سے زائد ادا کیے (گزشتہ برس کی نسبت 4% فیصد زیادہ)۔

PTC ہمیشہ سے غیر ڈیوٹی شدہ سگریٹوں کی فروخت میں اضافے کے حوصلے پر ہونے والے نقصان دہ اثرات کو اجاگر کرتی رہی ہے۔ ہمارے اندازے کے مطابق اس وقت، پاکستان میں فروخت ہونے والے ہر دس میں چار سگریٹ غیر ڈیوٹی شدہ ہیں۔ متعلقہ حکام سے ہماری درخواست ہے کہ ریگولیٹری قوانین پر سختی سے عمل درآمد کیا جائے تاکہ صنعت کو متوازن مارکیٹ فراہم ہو اور یہ یقینی بنایا جائے کہ غیر ڈیوٹی شدہ سگنٹ بھی قانون کے مطابق چلے۔

لاگت برائے فروخت

فروخت پر لاگتیں گزشتہ برس کی نسبت 9% کم رہیں جس کی بڑی وجہ فروخت کے حجم میں کمی ہے۔ مزید برآں یہ لاگتیں خالص فروخت کے 49% تک آگئی ہیں (گزشتہ برس کے مقابلے میں 8% کم) جس سے مجموعی منافع میں اضافہ ہوا ہے۔ ان بہتریوں کا سبب لاگتوں پر سخت قابو اور پوری وٹیلو چین میں پیداواری سطح کو بہتر بنایا جانا ہے۔ طریقہ کار کو نکھارنے، ادارہ جاتی ڈیزائن پر نظر ثانی کرنے اور ٹیکنالوجی کے بھرپور استعمال کے ذریعے کام کرنے کے نئے طریقے وضع کرنے کی خاطر خواہ کوششیں کی گئی ہیں۔ مینوفیکچرنگ فیسیٹیز نے کلیدی پروڈکٹ سے متعلق اقدامات لیتے ہوئے سٹاک کی بروقت دستیابی یقینی بنائی۔ دوسری طرف لاجسٹکس نے ٹرکوں کے بلا تعطل آپریشنز، ٹرک لوڈ کرنے کے عمل کو مزید فعال بنانے، روٹ کی موثر منصوبہ بندی اور ویئر ہاؤسز کی بروقت تنظیم نو کو یقینی بنایا۔

آپریٹنگ اور دیگر لاگتیں

فروخت اور ڈسٹری بیوٹن اخراجات کی توجہ PTC کے برانڈ میج اور دستیابی کو مزید بہتر بنانے پر مرکوز رہی۔ زیادہ تربیت کے ذریعے فیلڈ فورس کی صلاحیت اور اہلیت بہتر بنانے میں سرمایہ کاری کی گئی۔ مزید برآں، PTC اپنے ریٹیل پارٹنرز کے ساتھ مل کر فعال انداز میں ان کی اہلیت سازی انجام دیتی ہے تاکہ فروخت میں ریٹیل سیلز کے جدید ترین طریقے شامل کیے جاسکیں۔

PTC کیریئر میں مسلسل ترقی، بہترین معاوضے کے بیچ اور قومی و بین الاقوامی سطح پر ٹریننگ کے ذریعے

پاکستان ٹوکیو کمپنی لمیٹڈ (PTC) قانونی ٹوکیو انڈسٹری میں اپنی برتری برقرار رکھنے میں کامیاب رہی ہے اور ادارے کی ثابت قدمی اور اس کے لوگوں کی فعالیت کے باعث آپریشنل نتائج کو مسلسل بہتر بنا سکی ہے۔ تاہم، اس برس غیر ڈیوٹی شدہ سگریٹوں کی مارکیٹ میں غیر معمولی اضافہ دیکھنے میں آیا اور 31 دسمبر 2016 تک ان کی شرح 40.6% تک ریکارڈ کی گئی۔

سال 2016 کے اہم مالیاتی اشاریے ذیل میں دیئے جا رہے ہیں:

روپے (ملین)	روپے (ملین)	
جنوری-دسمبر 2016	جنوری-دسمبر 2015	
129,278	125,013	کل وصولیات
44,867	42,907	خالص وصولیات
22,093	24,352	لاگت برائے فروخت
22,774	18,555	مجموعی منافع
15,000	10,335	کاروباری منافع
15,382	10,579	قبل از ٹیکس منافع - PBT
10,361	7,046	بعد از ٹیکس منافع - PAT
40.55	27.58	آمدنی فی حصص - EPS (روپے)

انڈسٹری کا منظر نامہ

غیر ڈیوٹی شدہ سگریٹوں کی فروخت میں غیر معمولی اضافے کے باعث 31 دسمبر 2016 تک تمباکو کی قانونی صنعت کے حصے میں مزید 10% کمی ہو چکی ہے۔ اس کی دو بڑی وجوہات میں ایکسائز ڈیوٹی کے باعث قانونی پروڈکٹس کی قیمتوں میں مسلسل اضافہ (تازہ ترین اضافہ دسمبر 2016 میں کیا گیا) اور قانون نافذ کرنے والے اداروں کی طرف سے قوانین پر موثر عمل درآمد کا فقدان شامل ہیں۔ مجموعی طور پر قومی معیشت کے کلیدی اشاریوں میں بہتری کے باوجود صارف کی قوت خرید دباؤ میں رہی۔ ایکسائز ڈیوٹی کے باعث قیمتوں میں مسلسل اضافے نے صارفین کو مزید دباؤ میں لایا اور دوسری طرف قانونی برانڈز اور غیر ڈیوٹی شدہ سگریٹوں کی قیمتوں میں فرق مسلسل بڑھتا رہا۔ مثال کے طور پر دسمبر 2016 میں 20 سگریٹوں والے پیکٹ پر کم از کم ٹیکس 43 روپے تھا جبکہ غیر ڈیوٹی شدہ سگنٹ اپنی مصنوعات کم از کم ٹیکس سے بھی کم قیمت پر فروخت کر رہا تھا۔ ان وجوہات کے بنا پر غیر ڈیوٹی شدہ سگریٹوں کے مقابلے میں قانونی برانڈز کی فروخت میں تیزی سے گراوٹ آتی گئی جس کا نتیجہ یہ نکلا کہ قانونی سگریٹوں کا حجم کم ہوتا گیا اور حکومت کا ریونیو بھی گرتا رہا۔

ان چیلنجز کے سامنے PTC قانونی ٹوکیو انڈسٹری میں مارکیٹ شیئر بڑھانے اور فروخت کے حجم میں کمی کے باعث مجموعی منافع اور آپریٹنگ منافع میں آنے والی کمی کو بے اثر کرنے کے لیے اپنے پیداواری معیارات بہتر سے بہتر بنانے اور لاگتوں میں کمی کی پالیسی پر عمل پیرا ہے۔

برانڈز کی کارکردگی

PTC اپنے برانڈز کی پوری رینج میں سرمایہ کاری کے ذریعے اپنی برتری قائم رکھنے کے لیے کوشاں ہے۔ اس لیے جدت پر مبنی مصنوعات، نئے برانڈ اور پیکیجنگ میں تبدیلیوں جیسے پرائیویٹس میں بھرپور سرمایہ کاری کی گئی ہے۔

FORM OF PROXY

Form of Proxy

PAKISTAN TOBACCO COMPANY LIMITED

I, _____

of _____

a member of Pakistan Tobacco Company Limited, hereby appoint _____

_____ of _____

or failing him _____ of _____

or failing him, either of them, may in writing appoint any other person to act as my proxy at the **70th** Annual General Meeting of the Company to be held on the **20th April, 2017** and at any and every adjournment thereof.

On _____ day of _____ 2017.

Revenue Stamp
Rs 5/=

Signed _____

Shareholder's folio No. _____

Note:

1. The signature should agree with the specimen signature registered with the Company.
2. A proxy need not be a member of the Company.
3. Proxy Forms properly completed should be deposited at the office of the Company's Share Registrar, **FAMCO Associates (Pvt.) Ltd, 8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahrah-E-Faisal, Karachi**, not later than 48 hours before the time for holding the Meeting or adjourned Meeting and in default the instrument of proxy shall not be treated as valid.

For Beneficial Owners as per CDC List

In addition to the above the following requirements have to be met:

- (i) Attested copies of CNIC or the Passport of the beneficial owners and the proxy shall be submitted with the Company's Share Registrar not less than 48 hours before the Meeting.
- (ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- (iii) The proxy shall produce his original CNIC or Passport at the time of the Meeting.
- (iv) In case of a corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signature shall be submitted along with proxy form to the Company's Share Registrar.

Witness as per (ii) above:

1. _____

2. _____

میں/بم _____ از _____ رکن پاکستان ٹوبیکو کمپنی لمیٹڈ،
ملکیتی _____ عام شیئر (ز)، رجسٹر فولیو نمبر _____، محترم/محترمہ _____،
فولیو نمبر (اگر رکن ہو) _____ از _____ یا بطور متبادل،
محترم/محترمہ _____، فولیو نمبر (اگر رکن ہو) _____ کو
اپنی غیر موجودگی میں ۲۰ اپریل ۲۰۱۷ء اور اس کی کسی بھی اور تمام تبدیل شدہ تاریخ کو ہونے والے کمپنی کے ۷۰ویں سالانہ اجلاس عام میں شرکت
کرنے اور ووٹ دینے کے لیے اپنا نمائندہ مقرر کرتا/کرتی ہوں/کرتے ہیں۔

بتاریخ _____ (دن/مہینہ)، ۲۰۱۷ء کو میرے/ہمارے دستخطوں سے نافذ العمل ہے۔

ٹکٹ
مبلغ ۵,۰۰۰ روپے

دستخط _____

گواہان:

_____ .۱

 _____ .۲

نوٹ:

- a. دستخط کمپنی کے ریکارڈ میں موجود دستخط سے مشابہ ہونے چاہئیں۔
- b. پراکسی کے لیے کمپنی کا رکن ہونا ضروری نہیں۔
- c. مکمل شدہ فارم کمپنی کے شیئر رجسٹرار، FAMCO ایسوسی ایٹس پرائیویٹ لمیٹڈ، F-۸، متصل ہوٹل فاران، نرسری، بلاک ۶، پی ای سی ایچ ایس، شاہراہ فیصل، کراچی میں اجلاس کی مقررہ تاریخ یا التوا کی صورت میں تبدیل شدہ تاریخ سے کم از کم ۴۸ گھنٹے قبل جمع کرائے جائیں، ایسا نہ کرنے کی صورت میں پراکسی فارم قابل قبول نہیں ہوں گے۔

سی ڈی سی فہرست کے مطابق بینیفیشل اونرز کے لیے

مذکورہ بالا شرائط کے ساتھ، ذیل میں دی گئی شرائط پر پورا اترنا بھی لازمی ہے:

- a. بینیفیشل اونر اور پراکسی کے کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ نقول اجلاس سے کم از کم ۴۸ گھنٹے قبل کمپنی کے شیئر رجسٹرار کے پاس جمع کرانا لازمی ہے۔
- b. پراکسی فارم پر دو گواہان کے نام، پتے اور کمپیوٹرائزڈ شناختی کارڈ نمبر درج کریں۔
- c. پراکسی کو اجلاس کے موقع پر اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ دکھانا ہو گا۔
- d. کاروباری ادارہ ہونے کی صورت میں بورڈ آف ڈائریکٹرز کی طرف سے جاری کردہ دستخط شدہ پاور آف اٹارنی پراکسی فارم کے ہمراہ کمپنی کے شیئر رجسٹرار کو جمع کرانا لازمی ہے۔

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