

THE SPIRIT OF **EXCELLENCE**

ANNUAL REPORT 2015



PAKISTAN TOBACCO
COMPANY

THE SPIRIT OF **EXCELLENCE**

We are part of the British American Tobacco Group with presence in over 180 markets. Pakistan Tobacco Company Limited is a forward-looking organisation with a commitment to delivering value for our shareholders. We are confident that the BAT Way underpins our success and will continue to make headway for sustainable growth in the future.



PAKISTAN TOBACCO
COMPANY

"OUR SUCCESS IS DRIVEN
BY THE RIGHT STRATEGY
BASED ON OUR STRONG
BRANDS AND MADE
POSSIBLE BY OUR
PASSIONATE PEOPLE"

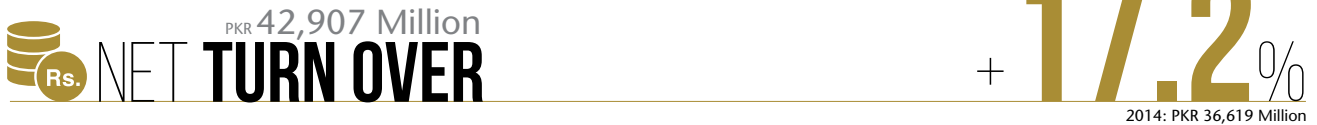
GRAEME DOUGLAS AMEY
MANAGING DIRECTOR & CHIEF EXECUTIVE

CONTENTS

Our Year in Numbers	04	Notice of Annual General Meeting.....	36
Chairman’s Message	05	Financial Highlights	38
Directors’ Review	06	Horizontal and Vertical Analysis.....	40
The Challenge	12	Summary of Cash Flows.....	42
Our Vision and Strategy	14	Financial Calendar	42
Our Guiding Principles.....	16	Analysis of Quarterly Results.....	43
Our Legacy.....	18	Statement of Value Generated and Distributed	44
Geographical Spread	21	Board Committees.....	45
Our Business Model	22	Pattern of Shareholding	46
We are a Winning Organisation	24	Statement of Compliance with the	
We are Sustainable.....	30	Code of Corporate Governance	48
Our CSR Footprint	32	Review Report to Members.....	50
Recognition	33	Financial Statements	51
Corporate Information	34	Consolidated Financial Statements.....	91
		Form of Proxy.....	131



OUR YEAR IN NUMBERS



CHAIRMAN'S MESSAGE

WELCOME TO OUR ANNUAL REPORT FOR 2015. THE COMPANY CONTINUED TO PERFORM EXTREMELY WELL DESPITE A CHALLENGING MARKET LANDSCAPE.

True to its resilient nature, the company improved business results across all areas of its operations. We owe this success to our strong brand portfolio, the strategy that underpins our business and most importantly to the métier of our people.

WE ARE INVESTING IN A SUSTAINABLE FUTURE

The Company's strong underlying performance was achieved through continued investments in sustaining our business in areas like operational efficiencies, brand portfolio management and developing quality human capital. We are making good progress in implementing global manufacturing standards and processes that make us more efficient, effective and agile. We also continue to invest in retaining and developing people who will lead the successful delivery of the BAT Way today and in the future.


WE ARE OUTPERFORMING COMPETITION

Over the past year, we have improved corporate share, maintaining our market leadership status. We have also delivered on our strategic objectives and are reporting Net Turnover, Operating Profit, and Earnings per share growth in 2015. Our key competitors, on the other hand, have all lost share over the same period while we have outperformed them despite the tough external environment.

WE ARE CONFIDENT OF THE FUTURE

Sustainability is one of the key pillars of our strategy. Our commitment to delivering long-term value to our shareholders and those whose livelihoods depend on us through our extensive supply chain and ensuring a sustainable future underpins many of our business activities.

We are confident of the future of the Company and more so in the resilience of its processes and agility of its people to take challenges head on. We are investing significantly to secure the long term future of the business while continuing to deliver great results today.



MUEEN AFZAL
CHAIRMAN

DIRECTORS' REVIEW

THE DIRECTORS PRESENT THE 69TH ANNUAL REPORT ALONG WITH THE AUDITED FINANCIAL STATEMENTS OF THE COMPANY FOR THE YEAR ENDED DECEMBER 31, 2015.

In the face of multiple challenges like the uncertain security situation, consumers down trading to cheap duty evaded cigarettes, power shortages and socio political instability, the Company has shown resilience in 2015 by improving business results in all operational areas. As a result of this sustained performance, driven by significant investments behind brand building and smart cost management, the Company was able to deliver improved legitimate market share during 2015 vs. SPLY.

INDUSTRY OUTLOOK : VALUE FOR MONEY (VFM)

The legitimate tobacco industry remains under pressure due to the exponential growth in the duty evaded segment, led largely by excise driven price increases in June 2015 and December 2015. These price increases have further widened the gap between the low priced legitimate brands and duty evaded products. The minimum excise duty on a pack of 20 cigarettes is Rs.28.4,

Provided below are the key financial indicators for the year 2015:

	Rs. (million)	
	Jan - Dec, 2015	Jan - Dec, 2014
Gross Turnover	125,013	107,218
Net Turnover	42,907	36,619
Cost of Sales	24,352	22,772
Gross Profit	18,555	13,847
Operating Profit	10,335	7,087
Profit Before Tax – PBT	10,579	7,188
Profit After Tax – PAT	7,046	4,850
Earnings Per Share – EPS (Rs.)	27.58	18.98

yet the duty evaded cigarettes are selling at lower than the minimum excise duty. This price gap is promoting down trading and causing substantial loss of Government revenues. In addition to this, economic pressures also continue to impact consumers' purchasing power encouraging down trading.

In the face of these challenges, Pakistan Tobacco Company Ltd. continued with its strategy of strengthening its brand portfolio to

arrest volume decline and increase market share in the legitimate sector. Significant investments were made in its brands in the form of innovative products, new brand launches and pack changes in Premium & Value for Money (VFM) segments. These investments helped mitigate the risk of further volume decline while the portfolio wide excise driven price increase led to improvement in Gross Turnover.

BRANDS PERFORMANCE

Pakistan Tobacco Company Ltd.'s brands continue to outperform the competition, in both Premium and VFM segments. John Player Gold Leaf (JPGL), the flagship brand in the premium segment, continues to deliver value to its consumers.

In the VFM segment, Capstan by Pall Mall Original (CbPMO) has continued its success story by outperforming the competition to sustain its position as the biggest tobacco brand in the industry. The launch of Pall Mall Plus was another milestone in the journey of the VFM segment.

CONTRIBUTION TO THE NATIONAL EXCHEQUER

Pakistan Tobacco Company Ltd. is one of the largest tax contributors in the private sector in Pakistan. During 2015 Pakistan Tobacco Company Ltd. contributed over Rs. 86 billion, an increase of Rs. 12.8 billion, 17% vs SPLY to Government revenues in the form of Excise Duty, Sales Tax, Income Tax & Custom duties. This increase came despite the numerous pressures the legitimate sector is facing from the illegal sector.

Pakistan Tobacco Company Ltd. continuously stresses upon the detrimental impact of the growing sales of duty-evaded cigarettes. The illegal segment primarily consists of local duty evaded products and has exponentially grown during the last few years while the legal industry has been under immense pressure

from numerous sources. According to our estimates, currently every fourth cigarette sold in the Pakistan market is duty evaded. This alarming trend has denied the legitimate players their right to a level playing field. The Government is strongly urged to undertake strict enforcement of the regulatory regime to curtail the alarming growth of the duty-evaded sector.

COST OF SALES

Pakistan Tobacco Company Ltd.'s input costs were under pressure primarily due to inflation coupled with currency devaluation and an energy crisis. The Company continued to incur high security expenses to safeguard its people and assets, due to the vulnerable security situation in the country. Furthermore, the Company also invested behind product improvements including blend and packaging enhancements to add value to its brands. All these cost escalations were managed through strict cost controls and productivity improvements throughout the operations. These initiatives resulted in improved gross margin for the business. Pakistan Tobacco Company Ltd. continues to focus on cost optimisation and process efficiencies to ensure business sustainability.

OPERATING & OTHER COSTS

Selling and distribution expenses focused on further enhancing the Company's brands image and availability. Alongside the investments

in the brands, investments were also made in capacity and capability building of the field force. The trade team's competency was also enhanced through focused trainings. In addition to these, Pakistan Tobacco Company Ltd. actively worked with its retail partners, carrying out capability building exercises to embed modern retail sales practices.

Pakistan Tobacco Company Ltd. 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 talent for the future.

As a result of the focus on brands and people supported by smart cost management, Pakistan Tobacco Company Ltd. has been able to show improved profitability vs. SPLY.

CASH FLOWS

The overall cash position of the business remained good throughout the year. However, due to higher excise and sales tax payments and higher interim dividend, the end result has been a decrease in cash and cash equivalents by Rs. 753 million.

MANUFACTURING EXCELLENCE

In 2015, Pakistan Tobacco Company Ltd. continued to streamline its manufacturing capability to

DIRECTORS' REVIEW

improve product quality and productivity. The Company's aim is to constantly modernise its operations by introducing innovative concepts, optimal processes and latest technology. Pakistan Tobacco Company Ltd. is focused on providing learning and development opportunities to its shop-floor employees in order to enhance their capability and capacity and thus improve overall productivity.

DIVIDEND

In the light of the Company financials and ground realities we have decided to declare a final dividend of Rs. 18.00 per share for the year ended December 31, 2015 (2014: Rs. 12.00 per share), bringing the full year dividend to Rs. 24.00 (2014: Rs. 15.00).

This shall be subject to the approval of the shareholders in their meeting scheduled for April 20, 2016.

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 accounting estimates are based on reasonable and prudent judgment

d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of all financial statements

e) The system of internal control, which is sound in design has been effectively implemented and is being continuously reviewed

f) There are no 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, 2015 have been cleared subsequent to the year-end

i) Key operating and financial data for last six years in summarised form is annexed

j) Values of investments in employees retirement fund based on audited accounts for the year ended December 31, 2014 are as follows:

(Rs. in million)	
• Staff Pension Funds	4,014
• Employees' Gratuity Fund	1,253
• Management Provident Fund	807
• Pakistan Tobacco Company Limited Provident Fund	732
• Staff Defined Contribution Pension Fund	153

THE BOARD

The Board comprises 6 non-executive directors and 3 executive directors. The positions of Chairman and 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:

Brendan Brady has resigned from the Board of the Company effective March 18, 2015. The casual vacancy created by his resignation was filled in by Hae In KIM w.e.f April 15, 2015.

BOARD OF DIRECTORS MEETING

During the year 2015, five meetings of the Board of Directors were held on 23rd February, 20th April, 22nd July, 19th October and 10th December. Attendances are detailed below:

Name of Director	No. of meetings attended
1. Mr. Mueen Afzal <i>Chairman and Non-Executive Director</i>	05
2. Mr. Graeme Douglas Amey <i>Managing Director & Chief Executive</i>	05
3. Mr. Syed Javed Iqbal <i>Finance & IT Director</i>	05
4. Mr. Tajamal Shah <i>Legal Director</i>	04
5. Lt. Gen. (Retd.) Ali Kuli Khan Khattak <i>(Non-Executive Director)</i>	04
6. Mr. Abid Niaz Hasan <i>(Non-Executive Director)</i>	03
7. Mr. Felicio Ferraz Junior <i>(Non-Executive Director)</i>	03
8. Mr. Brendan Brady <i>(Non-Executive Director) Resigned on 18th March, 2015</i>	-
9. Mr. Syed Asif Shah <i>(Non-Executive Director)</i>	02
10. Ms. Hae in KIM <i>(Non-Executive Director) Joined the Board on 15th April, 2015</i>	03

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

While the External Auditors independently determine their plan of audit, the Committee is informed

BOARD COMMITTEE

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

AUDIT COMMITTEE

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

Our Audit Committee comprises of the following three Non-Executive Directors:

- Abid Niaz Hasan (Chairman)
- Lt. Gen. (Retd.) Ali Kuli Khan Khattak
- Syed Asif Shah

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 Committee held four meetings during the year in which the External Auditors were present to assist the Committee on matters relating to financial accounts and reporting. The Audit Committee functions within the scope of the terms of reference approved by the Board, which determine the roles and responsibilities of the Committee and reflect the requirements of the Code of Corporate Governance. The role and responsibilities of the Audit Committee include:

DIRECTORS' REVIEW

of their progress and especially in regard to issues stated in their letters to management and 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, 2015 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 A. F. Ferguson and Co. shall retire at the conclusion of the annual general meeting, and the Auditors Messers KPMG Taseer Hadi & Co. will be appointed as auditors for the next year. The audit committee has recommended the appointment of the new auditors in view of good corporate governance. 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, 2016 on the recommendation of the Audit Committee.

SHAREHOLDING

The pattern of shareholding as at December 31, 2015 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 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 (Pvt.) Ltd., are submitted herewith.

ENVIRONMENT, HEALTH AND SAFETY

True to its reputation, Pakistan Tobacco Company Ltd. 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 its environmental impact. Regular monitoring of wastage and emissions is ensured to remain compliant with all national regulations and environmental standards.

CORPORATE SOCIAL RESPONSIBILITY

Pakistan Tobacco Company Ltd.'s CSR portfolio is built on the firm belief of giving back to the communities we operate in. Our CSR projects are aimed at developing sustainable agriculture and livelihoods for the people of Pakistan.

Key highlights from 2015 are:

- 1. AFFORESTATION:** Our legacy project under which we have distributed over 69 Million trees since 1981. In 2015 alone, we distributed over 4 Million trees and entered into an MoU with the Ministry of Climate Change to significantly expand forest cover in the coming years.
- 2. MOBILE DISPENSARY UNITS:** Our MDU's operate in leaf-growing areas providing free health care services to over 80,000 patients annually.
- 3. DISASTER RELIEF SERVICES:** Following the October earthquake, Pakistan Tobacco Company Ltd. partnered

with Federal and Provincial Governments for rehabilitation of affected areas.

4. CLEAN WATER PROVISION:

Pakistan Tobacco Company Ltd. in partnership with the provincial Governments of Punjab and KPK, has installed water filtration plants in areas where there was no clean drinking water. The Company further plans to expand this project in the coming years.

5. SOLAR ENERGY:

Pakistan Tobacco Company Ltd. in partnership with the Provincial Government of KPK, donated home-based solar kits to an off-grid village of 300 families, bringing electricity for the first-time ever to this area. Following this pilot, Solar Energy has become a regular addition to the CSR portfolio of the organisation.

BUSINESS CHALLENGES AND FUTURE OUTLOOK

2015 delivery was driven by committed and passionate employees, a holistic and balanced brand portfolio, the right marketing initiatives supported by a very strong trade marketing team and continuous process improvements in the supply chain. This gives Pakistan Tobacco Company Ltd. a solid foundation to build on and to tackle the challenges that it faces.

The primary challenge facing the tobacco industry in Pakistan is that of locally manufactured cheap duty evaded cigarettes. The local tax evaded sector has grown at an alarming rate and is now becoming a serious threat to the legitimate industry. The growth not only puts pressure on the legitimate sector but also results in huge revenue losses for the Government. These cheap

cigarettes are widely and easily available throughout the country and in addition to tax evasion, many of these illegal cigarette packs also do not follow the numerous other regulatory requirements presented by the laws of the country. Pakistan Tobacco Company Ltd. strongly urges the Government to intensify law enforcement to curb the duty evaded sector. If the growth of illegal sector is not addressed it can lead to further deterioration of the market for the legitimate sector which will impact both business delivery and Government revenue collection.

In summary, the operating environment poses numerous challenges, however, Pakistan Tobacco Company Ltd. remains committed to enhance shareholder value and is confident that it will continue to do so through continuous productivity initiatives, a strong brand portfolio and its people.


MUEEN AFZAL
CHAIRMAN


GRAEME DOUGLAS AMEY
MANAGING DIRECTOR AND CHIEF EXECUTIVE

THE CHALLENGE

CIGARETTE MARKET

The local tobacco industry sells around 80.2 billion cigarettes each year, the value of which is estimated at PKR 220.1 billion.

The two legitimate players in the industry Pakistan Tobacco Company Ltd. and Philip Morris (Pakistan) Limited account for 72.3% of the market.

TOBACCO TRAFFICKING AND ILLEGAL CIGARETTE TRADE

Pakistan faces a huge challenge of illegal trade in cigarettes. In 2015, the share of illegal cigarettes in the total market amounted to 27.7% which is amongst the highest in the region. The share of illegal cigarettes has grown by 43.5% over six years. Around 89% of the illegal cigarettes comprise of locally produced duty-evaded cigarettes which are primarily manufactured in KPK and AJK regions.

There are over 50 manufacturers producing various duty evaded brands. These locally manufactured duty evaded cigarettes combined with billions of smuggled cigarettes brought into the country from bordering states create a non-level playing field for the tax compliant

industry and cause a significant dent in national revenue. In 2015 alone, illegal cigarettes caused an estimated loss of more than Rs. 24 billion to the Government in duties and taxes.

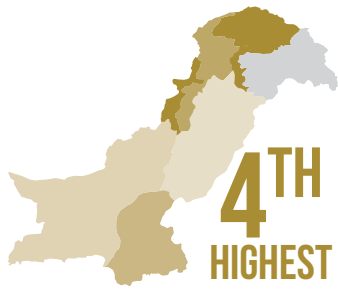
The annual tax led price increases coupled with lax enforcement are the main drivers of the growth of illegal trade in cigarettes. By not paying duties and taxes, the price at which the local manufactured duty evaded cigarettes packets are sold, in some cases, is even lower than the minimum excise tax payable per pack.

Illegal cigarettes also undermine the health agenda of the country. Smuggled cigarettes, in particular, blatantly violate the health warning laws and are sold openly without the Government mandated pictorial and textual health warnings. Thus, illegal cigarettes not only have a negative impact on the Government and the industry but also adversely impact the consumer.

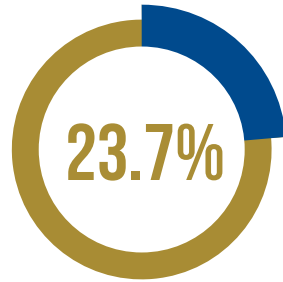
While a comprehensive regulatory regime exists, effective enforcement remains a cause of concern. The Government has recently stepped up its efforts on the issue and is not only pursuing a mass awareness campaign

to educate the public on the issue but is also carrying out raids to deter those involved in this menace. However, in addition to sensible excise and regulatory policies, and active enforcement, an effective outcome in the battle against illegal cigarette trade can only be won if the industry, regulators and enforcement authorities join hands.

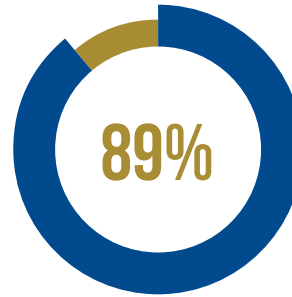
ILLEGAL TRADE



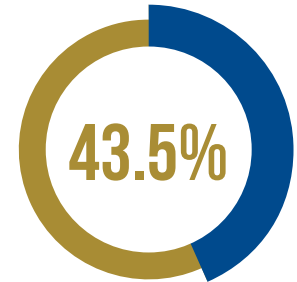
Pakistan's Ranking on
Illegal Cigarette Trade in
Asia



Cigarettes sold in
Pakistan are illegal



Illegal cigarettes sold
in Pakistan are local
duty-evaded



Growth in illegal trade in last
6 years in Pakistan

DAMAGE TO ECONOMY



Annual Government Revenue lost due to illegal trade in cigarettes



Local tax-evaded cigarettes sold in Pakistan (2014)



Cigarettes smuggled
into Pakistan annually

LACK OF ENFORCEMENT



Empowered in Pakistan
to curtail illegal trade



Regulating every step of the
cigarette industry supply chain



Decline in overall smoking
incidence (2008-2013) in Pakistan

Source: *The Challenge of Illegal Trade in Cigarettes; Impact and Solutions for Pakistan (2014 data)*

OUR VISION AND STRATEGY 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 minimising 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 ORGANISATION

Great people, great teams, great place to work.



OUR GUIDING PRINCIPLES

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.

FREEDOM THROUGH RESPONSIBILITY



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.

STRENGTH FROM DIVERSITY



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.

OPEN MINDED



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.

ENTERPRISING SPIRIT





OUR LEGACY

“AS PAKISTAN’S FIRST
MULTINATIONAL, WE ARE
PROUD OF OUR LEGACY AND
STRIVE FOR CONTINUOUS
IMPROVEMENT”

SYED JAVED IQBAL
FINANCE & IT DIRECTOR



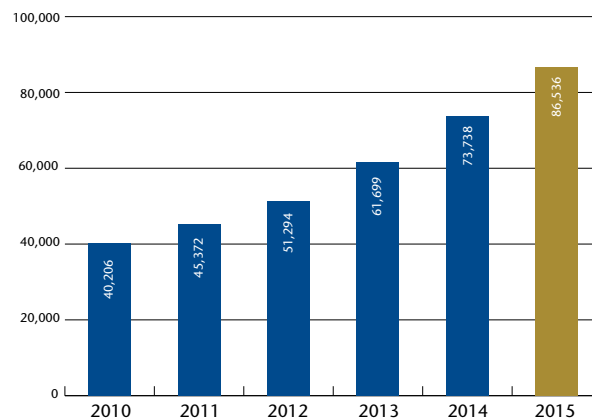
OUR LEGACY

WE ARE VALUE CREATORS

FROM GENERATING INCOME AND EMPLOYMENT OPPORTUNITIES TO CONTINUOUS INVESTMENT, AND BEING ONE OF THE BIGGEST TAX GENERATORS IN PAKISTAN, PAKISTAN TOBACCO COMPANY LTD. HAS CONTRIBUTED TO THE ECONOMIC, SOCIAL, AND HUMAN RESOURCE DEVELOPMENT OF THE COUNTRY SINCE 1947.

OUR GOVERNMENT REVENUE CONTRIBUTION

Rs (million)



318 BILLION

Generated in the form of Tax and Duties for the Government of Pakistan in the last 5 years

86 BILLION

Generated in the form of excise duty, sales tax, income tax and custom duties for the Government in 2015



WE GENERATE EMPLOYMENT

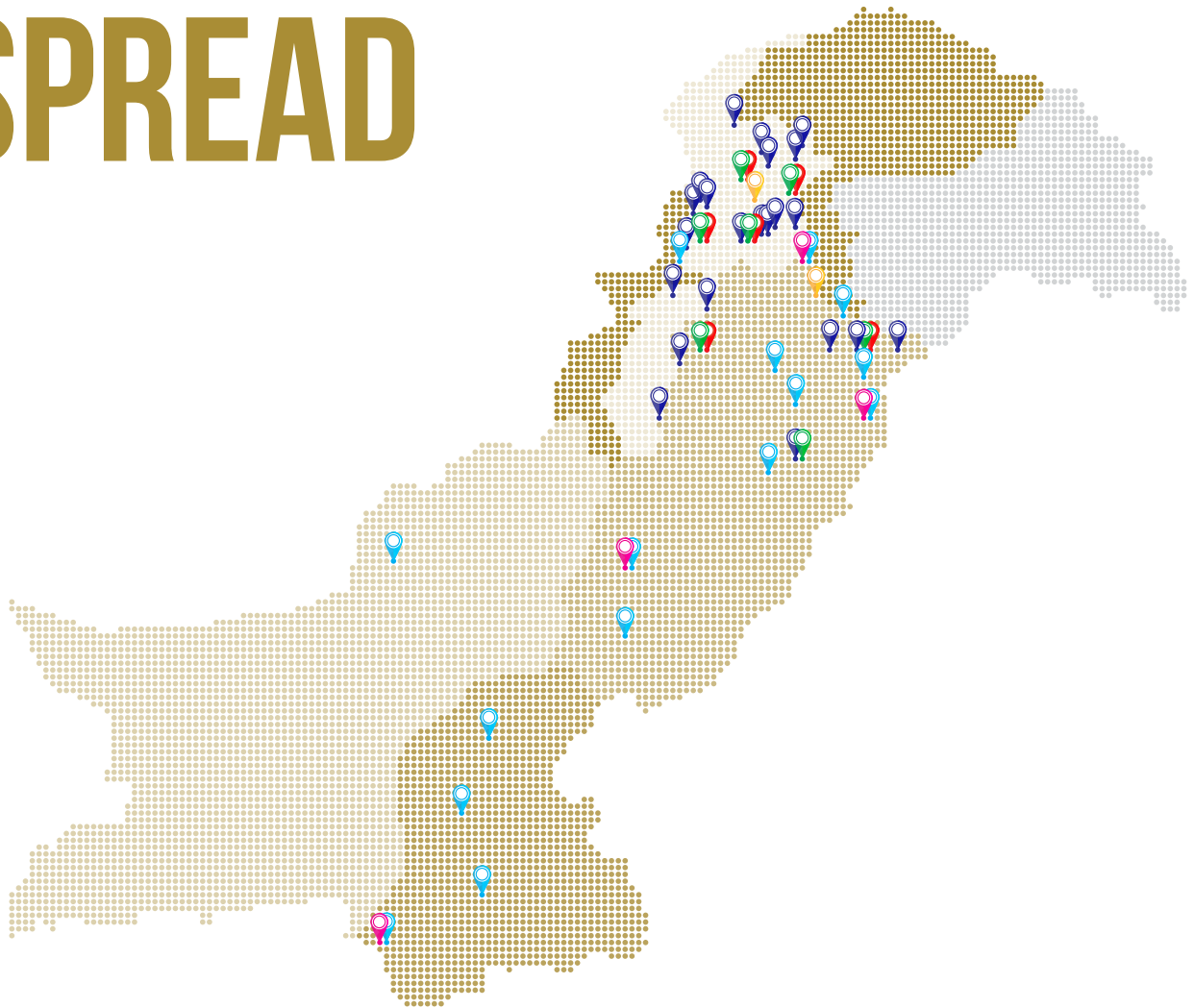
Since 1947, Pakistan Tobacco Company Ltd.'s operations have directly employed thousands of people thus supporting the livelihood of millions of people in Pakistan.



WE INCREASE INVESTMENT

Each year, we invest in our people and the supply chain. The focus of such ongoing investments in our people and processes is to enhance the capabilities of our people, to enable them to grow and be leaders of the future.

GEOGRAPHICAL SPREAD



02 FACTORIES

04 REGIONAL TRADE OFFICES

15 SALES OFFICES

22 LEAF DEPOTS

06 REGIONAL LEAF OFFICES

07 WAREHOUSES

OUR BUSINESS MODEL

OUR BUSINESS MODEL DESCRIBES WHAT WE DO AND HOW WE USE OUR UNIQUE STRENGTHS AND EMPLOY OUR RESOURCES AND RELATIONSHIPS TO DELIVER SUSTAINABLE VALUE FOR OUR SHAREHOLDERS AND STAKEHOLDERS. IT IS BUILT AROUND MEETING OUR CONSUMERS' EVOLVING NEEDS AND IS DRIVEN BY OUR STRATEGY TO ENSURE THAT WE ARE DELIVERING GREAT RESULTS TODAY AND INVESTING IN OUR LONG-TERM FUTURE.

WHAT WE DO

We have been manufacturing high quality cigarettes for close to seventy years. Our sustainable approach to sourcing, production and distribution helps us to create value for a wide group of stakeholders, from crop to consumer. These include farmers and their communities, other suppliers, retail and wholesale trade partners, NGOs, governments and regulators.

SOURCE



We have a significant interest in tobacco growing and we have expert technicians out in the field who support over 40,000 farmers. We manage our whole supply chain responsibly, including the sourcing of leaf and other materials, and work with suppliers to create a long-term shared understanding of our social, environmental and economic impacts.

We aim to secure our long-term supply chain and bring real benefits to local communities, from promoting good agricultural practices to investing in community projects.

PRODUCE



Manufacturing tobacco products is a large scale operation and we have state-of-the-art manufacturing facilities in the country. We work to ensure that our costs are competitive and that we use our resources as effectively as possible. Our production facilities are designed to meet the needs of an agile and flexible supply chain – providing a world-class operational base that is fit for the future.

Ensuring leaf and products are in the right place at the right time in our manufacturing process is a major logistical exercise. The nature of our business allows us to pool resources and maximise efficiency.

DISTRIBUTE



Our well-developed distribution channels are critical enablers of our growth strategy, allowing us to roll out innovations on a national scale. We continuously review our route to market, including our relationships with wholesalers, distributors and logistics providers.

CONSUMERS



We place consumers at the heart of our business. We invest in world-class research to understand changing consumer needs and buying behaviour. This drives our supply chain, product development, innovations, brands and trade activities. We aim to satisfy consumers while addressing expectations about how we should market our products.

We are developing innovative solutions to evolve our portfolio with more differentiated tobacco products as well as next-generation nicotine products. This supports our aim to champion consumer choice by providing a range of products across the risk continuum.



WE ARE A **WINNING** **ORGANISATION**

“THE QUALITY OF
OUR PEOPLE IS THE
KEY REASON WHY
WE CONTINUE TO
OUTPERFORM”

SANZID AHMED
AREA HEAD OF HR



WE ARE A **WINNING ORGANISATION**

OUR AIM IS TO MAINTAIN A HIGH-PERFORMING ORGANISATION THAT ATTRACTS, DEVELOPS AND RETAINS TALENTED PEOPLE. WE CONTINUE TO INVEST IN PROVIDING OUR PEOPLE WITH A GREAT PLACE TO WORK.



WE NURTURE **LEADERSHIP**

We are committed to ensuring the Company continues to develop high-performing managers who will lead the delivery of our strategy both now and in the future. BAT's new 'leadership capabilities' provide our people with clarity on what we believe defines good business and people management.

The capabilities centre around the expectation that our leaders are 'passionate owners, inspiring people to deliver outstanding results'.

They are designed to guide all aspects of our talent development lifecycle, including the qualities we look for in people when we recruit, plus how we develop leaders' skills, assess their performance and manage succession

planning. We are keen to develop our leaders from within our business. We want to provide talented people with rewarding career progression and, in doing so, retain valuable expertise and knowledge.



WE ARE **TALENT EXPORTERS**

We provide our talent with exposure that is at par with international standards. Majority of our leadership roles are occupied by local talent. Not only is our talent excelling in Pakistan but we are also one of the key talent export hubs for BAT Group companies. We take immense pride in the fact that PTC developed talent is coveted both within and outside the Company.

In 2015 alone, 5,000 man hours were invested in training and development of our employees.



WE PROVIDE **CORPORATE EXPOSURE**

Additionally through our flagship program called Battle of Minds we provide an excellent platform to prospective graduates of universities nation-wide to connect with the corporate world. Through this enriching process, students are also trained on what it takes to succeed. The participants include top engineering and business schools of Pakistan.

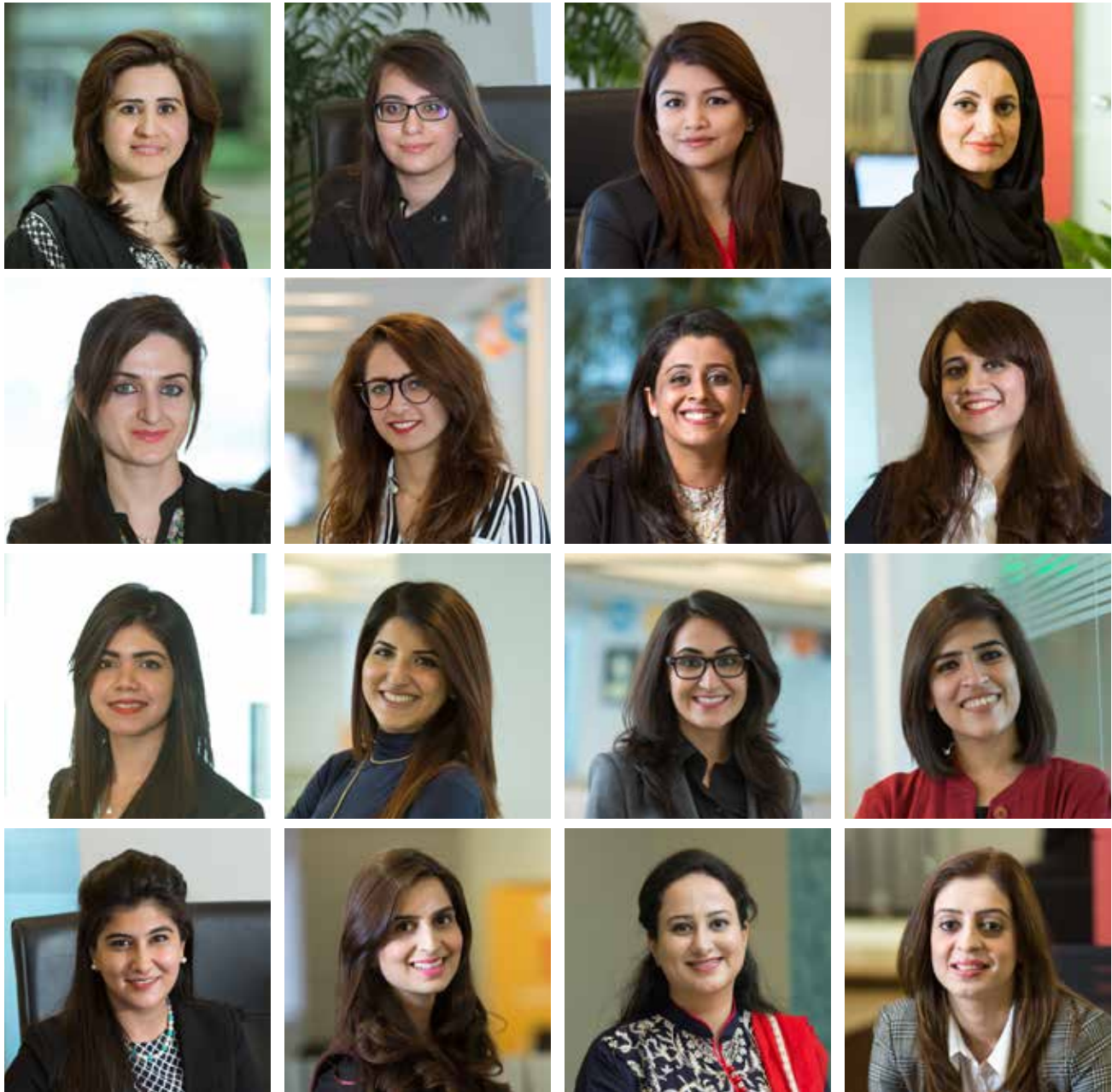


WE PROVIDE A **SAFE PLACE TO WORK**

Our people work in a diverse range of environments and conditions, from city offices to remote farms. Thousands also work in distribution and sales, often spending long periods on the road where they are vulnerable to road traffic accidents, particularly in remote areas where the transport infrastructure can be poor.

To reduce the main causes of accidents and serious injuries, we focus on risk management and assessments, and in 2015 we further refined our EH&S processes. Where there is also a security risk, our personnel may also be escorted by trained security teams when out on the road.

WE VALUE GENDER DIVERSITY



WE WANT TO PROMOTE A GENDER INCLUSIVE CULTURE AND FOR THAT WE HAVE AN EXCELLENT STRATEGY IN PLACE.

We believe having a gender inclusive culture is not just good-to-have but absolutely essential for our success. Our strategy has evolved significantly to ensure that we not only hire equitably but also that our workplace enables women at work.

With the right focus on developing water-tight policies and an inclusive work culture, we have increased our gender diversity numbers by 29%. PTC is one of the pioneers in developing a formal structure to support the diversity cause and is proud to contribute to the nations female empowerment goals as a whole.

OUR PEOPLE AT WORK



WE ARE SUSTAINABLE

SUSTAINABLE AGRICULTURE **AND FARMER LIVELIHOODS**

WE ARE COMMITTED TO WORKING TO ENABLE PROSPEROUS LIVELIHOODS FOR ALL FARMERS WHO SUPPLY OUR TOBACCO LEAF, BENEFITING RURAL COMMUNITIES AND THE ENVIRONMENT.

The farmers we work with are our Valued Business Partners (VBP's) and are crucial to the success of our business – if they do well, we do well. We are committed to a future where all our farmers have the resources they need to be successful and farming communities thrive.

If our farmers are prosperous, they can encourage future generations to continue to farm and support their local communities and the environment. For our business, this is a pragmatic and commercial approach that secures our supply chain and ensures the integrity and quality of our products to satisfy our consumers.

OUR **APPROACH**



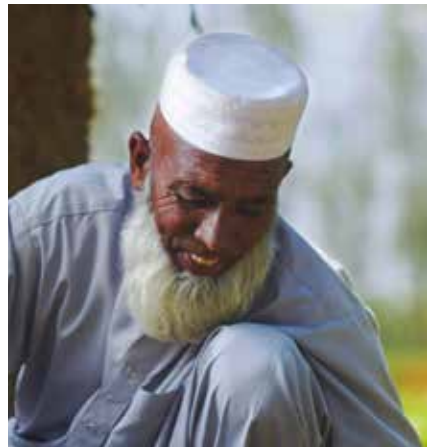
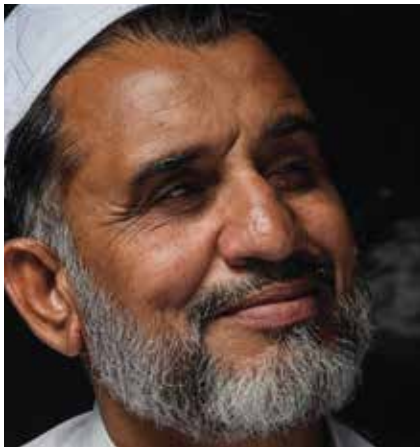
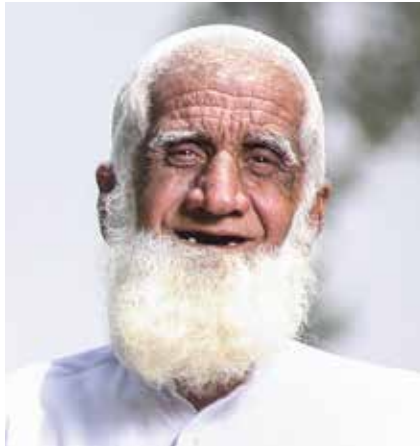
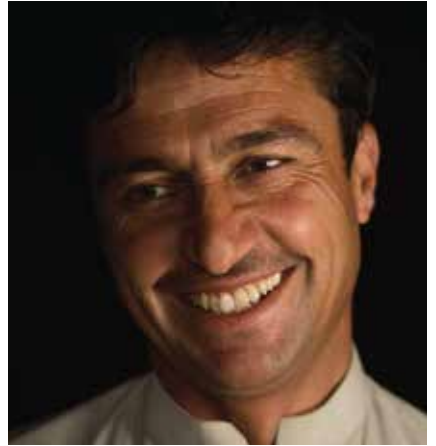
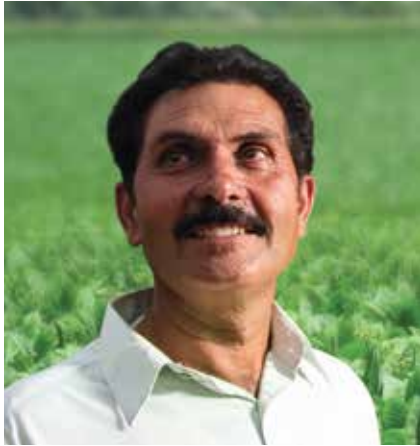
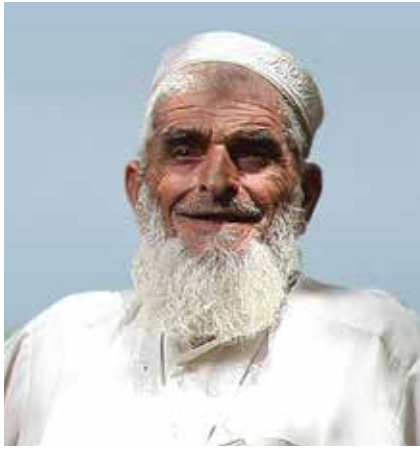
SUPPORTING FARMERS' LIVELIHOODS across five key areas including improvement of farm income, preserving natural resources, developing infrastructure, helping strengthen community networks and building skills.



STRENGTHENING INDUSTRY-WIDE SUPPLIER STANDARDS and driving continuous improvement.



TACKLING AGRICULTURE'S SOCIAL AND ENVIRONMENTAL CHALLENGES through global and local initiatives and stakeholder partnerships.



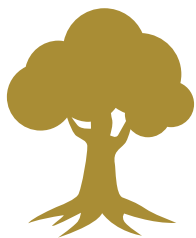
OUR CSR FOOTPRINT

WE ARE **SOCIALLY RESPONSIBLE**

SUSTAINABILITY IS NOT A CHOICE FOR US, IT IS A KEY BUSINESS IMPERATIVE. WE TRULY BELIEVE IN THE CONCEPT OF SHARED VALUE AND THAT HAS BEEN THE BASIS OF OUR APPROACH FOR MANY YEARS.

It is not a recent priority – as a market leader in our sector, we have long been aware of our responsibilities and our ability to address issues on a national scale. Indeed, in our long history of focusing on sustainability and corporate responsibility, we have made significant progress – our strong market performance is delivering value for our shareholders, while we have also embedded more effective sustainability practices into our day-to-day business. These include strengthening our afforestation portfolio, advancing sustainable agricultural practices among our farmers and introducing solar energy solutions to our CSR portfolio.

2015 **HIGHLIGHTS**



AFFORESTATION:

MOU signed with Ministry of Climate Change to reforest 641 acres of land over a period of 10 years



MOBILE DISPENSARY UNITS:

80,000 beneficiaries of our mobile dispensary units nursing in KPK.



CLEAN WATER PROVISION:

Water filtration plants with the capacity to give 40,000 litres of water everyday installed in KPK and Punjab.



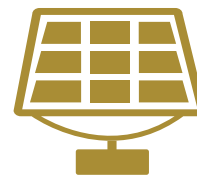
EMPLOYEE VOLUNTEERISM PROGRAM:

10,000+ hours of volunteer work by PTC employees.



DISASTER RELIEF SERVICES:

Following the October earthquake, Pakistan Tobacco Company Ltd. donated Rs. 20 Million to the National and Provincial Disaster Management Funds.



SOLAR ENERGY:

In partnership with the Provincial Government of KPK, home-based solar kits donated to an off-grid village of 300 families.

RECOGNITION



- 1 Best Tree Plantation Award and shield – 2015 , presented by NFEH
- 2 Sustainability initiative Award and shield – 2015, presented by NFEH
- 3 Business Ethics Award and shield – 2015, presented by NFEH
- 4 Human Resource and Diversity Award – 2015, presented by NFEH
- 5 Environment Award – 2015, presented by NFEH
- 6 Green/Environment Stewardship shield, presented by The Professional Network
- 7 Public Health/Safety Initiative shield, presented by The Professional Network
- 8 Employee Health/Safety Program shield, presented by The Professional Network

CORPORATE INFORMATION

REGISTERED OFFICE

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

FACTORIES

AKORA KHATTAK FACTORY

P.O Akora Khattak
Tehsil and District Nowshera
Khyber Pakhtunkhwa
T: +92 (923) 630901-11
F: +92 (923) 510792

JHELUM FACTORY

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

REGIONAL AND AREA OFFICES

CENTRAL PUNJAB

128, G Block, Commercial Area
Phase-I DHA, Lahore
T: +92 (42) 35899351-5

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. 1-C, Rashid Minhas Road,
Model Town A, Near TCS office
Bahawalpur
C: +92 (300) 8509914

House No. 52, Satluj Block, Main Road
Shadman Town, Sahiwal.
T: +92 (40) 4401118-9

NORTH

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

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

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

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

SIND & 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/46, 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

Ayesha Rafique
T: +92 (51) 2083200

BANKERS

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

AUDITORS

A.F. Ferguson & Co. Chartered
Accountants
3rd Floor, PIA Building
49 Blue Area, P.O. Box 3021
Islamabad 44000
T: +92 (51) 2273457-60
F: +92 (51) 2277924

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



NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE SIXTY NINTH ANNUAL GENERAL MEETING (AGM) OF PAKISTAN TOBACCO COMPANY LIMITED ("THE COMPANY") WILL BE HELD AT THE SERENA HOTEL, KHAYABAN-E-SUHRWARDY, ISLAMABAD ON WEDNESDAY, 20TH APRIL, 2016 AT 10.30 A.M. TO TRANSACT THE FOLLOWING BUSINESS:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Accounts for the year ended 31st December, 2015, and the Report of the Directors and Auditors thereon.
2. To approve the Final Dividend as recommended by the Board.
3. To appoint Auditors and to fix their remuneration.
4. To elect 9 directors as fixed by the Board, for a period of three years commencing 20th April, 2016 (close of business). The names of the retiring directors are Mr. Mueen Afzal, Mr. Graeme Douglas Amey, Mr. Syed Javed Iqbal, Mr. Felicio Ferraz Junior, Ms. Hae In KIM, Mr. Tajamal Shah, Lt. Gen. (Retd.) Ali Kuli Khan Khattak, Mr. Abid Niaz Hasan and Mr. Syed Asif Shah.

By order of the Board

Ayesha Rafique
Company Secretary

Islamabad: March 27, 2016

NOTES:

1. **Closure of Share Transfer Books**
The Share Transfer Books of the Company will be closed from 14th April, 2016 to 20th April, 2016 both days inclusive. Transfers received in order 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 at the close of business on 13th April, 2016, 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 and such proxy will have the right to attend, speak and vote in place

of that member. Forms of proxy must be deposited at the office of the Company's Share Registrar not less than 48 hours before the time appointed for the Meeting and in default, forms of proxy 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:-

A) In Person:

- i) Individuals 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 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 the proxy form as per the requirement notified in Note 2 above.
- ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be stated on the form.
- iii) Attested copies of CNIC or the passport of the beneficial owners and 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 / NTN 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).

Henceforth, issuance of dividend warrant(s) will be subject to submission of CNIC (individuals) / NTN (corporate entities) by shareholders

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

- i) Pursuant to the provisions of the Finance Act 2015 effective July 1, 2015, 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 17.5%

To enable the company to make tax deduction on the amount of cash dividend @ 12.5% instead of 17.5%, 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 @ 17.5% instead of 12.5%

- (ii) Withholding Tax exemption from the dividend income, shall only be allowed if 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 desires 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 shareholder 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 immediately notify the Company's Share Registrar of any changes in their addresses.

7. Contact Details:

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

Share Registrar:

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

FINANCIAL HIGHLIGHTS

		2015	2014	2013	2012	2011	2010
PROFIT & LOSS							
Volume	Million Sticks	42,716	44,006	42,872	40,615	39,795	36,831
Gross Turnover	Rs million	125,013	107,218	89,929	75,531	67,492	60,196
Excise & Sales Tax	Rs million	82,105	70,599	59,306	49,651	44,542	39,243
Net Turnover	Rs million	42,907	36,619	30,623	25,880	22,950	20,953
Gross Profit	Rs million	18,555	13,847	10,610	8,446	6,241	6,205
Operating Profit	Rs million	10,335	7,087	4,602	2,729	661	1,531
Profit Before Tax	Rs million	10,579	7,188	4,667	2,655	559	1,418
Profit After Tax	Rs million	7,046	4,850	3,124	1,728	364	925
EBITDA	Rs million	11,324	7,921	5,415	3,514	1,435	2,276
Dividends	Rs million	4,599	2,299	1,852	1,035	537	1,533

		2015	2014	2013	2012	2011	2010
BALANCE SHEET							
Paid up capital	Rs million	2,555	2,555	2,555	2,555	2,555	2,555
Shareholders' Funds	Rs million	10,366	8,011	5,412	4,107	3,334	3,602
Reserves	Rs million	7,811	5,456	2,857	1,552	779	1,047
Property, Plant & Equipment	Rs million	9,185	8,713	7,085	5,695	6,100	5,824
Net Current Assets / (Liabilities)	Rs million	2,601	761	(392)	(426)	(1,713)	(1,108)
Capital Employed	Rs million	11,820	9,512	6,719	5,294	4,416	4,740
Capital Expenditure during the year	Rs million	1,491	2,249	1,887	421	1,167	646
Long Term / Deferred Liabilities	Rs million	1,454	1,501	1,307	1,187	1,082	1,138

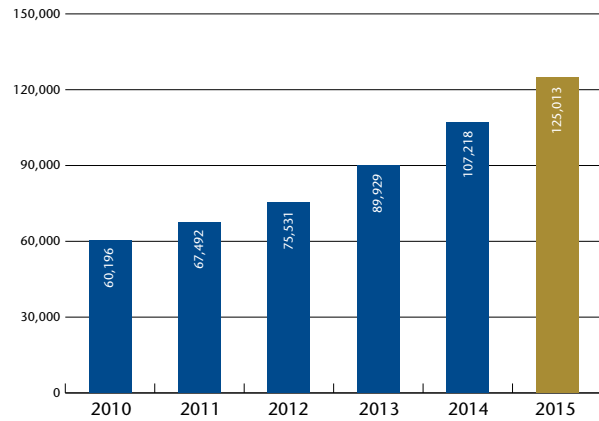
		2015	2014	2013	2012	2011	2010
INVESTOR INFORMATION							
Return on Assets	%	30.18	24.64	19.95	12.74	2.84	7.52
Return on Equity	%	67.98	60.54	57.73	42.08	10.91	25.68
Return on Capital Employed	%	59.61	50.99	46.50	32.65	8.24	19.52
Earnings per share After Tax	Rs	27.58	18.98	12.23	6.77	1.42	3.62
Price-Earning Ratio	Rs	40.39	55.82	46.02	9.99	38.98	30.44
Dividend yield ratio	%	1.62	0.85	1.29	6.00	3.79	5.44
Dividend payout ratio	%	65.27	47.40	59.28	59.88	147.61	165.71
Break-up value per share	Rs	40.57	31.36	21.18	16.08	13.05	14.10
Market value per share at year end	Rs	1,114.0	1,059.7	562.7	67.6	55.5	110.23
Highest Market value per share during the year	Rs	1,169.0	1,539.0	562.7	72.6	116.0	119.9
Lowest Market value per share during the year	Rs	742.9	567.8	55.5	46.0	55.5	100.58
Gross profit ratio	%	43.24	37.81	34.65	32.63	27.19	29.61
EBITDA Margin	%	9.06	7.39	6.02	4.65	2.13	3.78
Net Profit Margin	%	16.42	13.24	10.20	6.68	1.59	4.42
Inventory Turnover Ratio		1.74	1.91	2.18	2.41	2.59	2.46
Creditor Turnover		3.13	4.19	7.14	6.97	4.65	8.42
Operating Cycle		93	103	116	99	63	105
Total Assets Turnover Ratio		5.05	4.89	5.16	5.44	5.10	4.87
Fixed Assets Turnover Ratio		13.61	12.30	12.69	13.26	11.06	10.34
Current Ratio		1.20	1.06	0.96	0.95	0.81	0.85
Quick / Acid Test Ratio		0.12	0.10	0.11	0.11	0.07	0.07
Dividend Per Share	Rs	18.00	9.00	7.25	4.05	2.10	6.00
Dividend Cover Ratio		1.53	2.11	1.69	1.67	0.68	0.60
Debt to Equity Ratio		0.12	0.07	0.45	0.30	0.53	0.63
Interest Cover Ratio		148.21	73.56	65.80	20.17	4.98	10.47
Govt levies as a percentage of turnover	%	69.22	68.77	68.61	67.91	67.23	66.79

		2015	2014	2013	2012	2011	2010
GOVERNMENT LEVIES							
Customs, Excise Duties & Sales Tax	Rs million	82,690	71,273	59,930	50,167	45,036	39,652
Local Taxes and Other Duties	Rs million	243	226	175	143	137	116
Income Tax	Rs million	3,603	2,239	1,594	984	199	438

GRAPHS

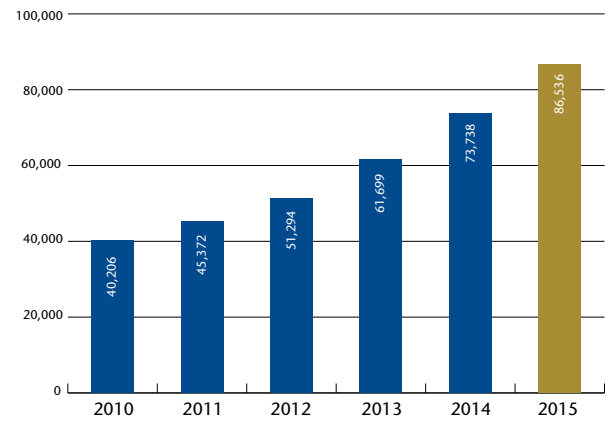
GROSS TURNOVER

Rs (million)



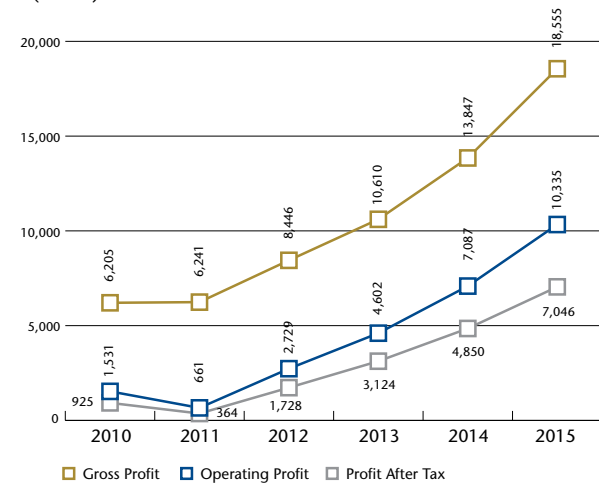
GOVERNMENT LEVIES

Rs (million)

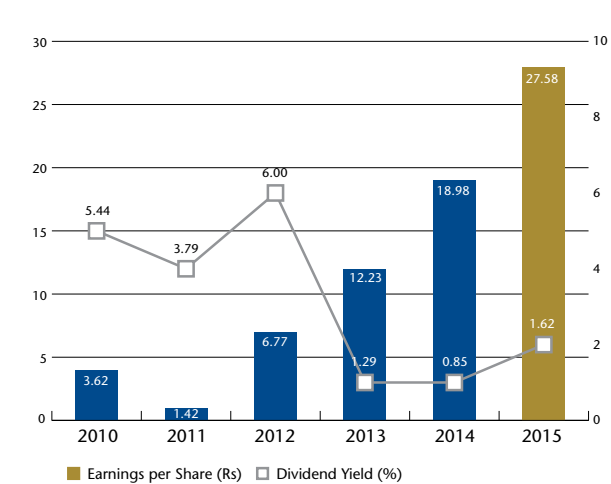


GROSS, OPERATING AND PROFIT AFTER TAX

Rs (million)

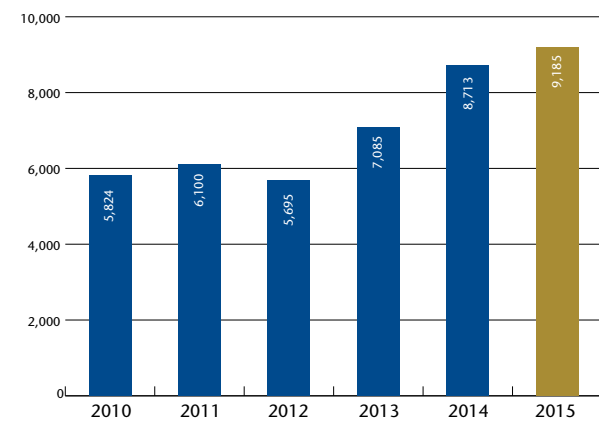


EARNINGS PER SHARE AND DIVIDEND YIELD



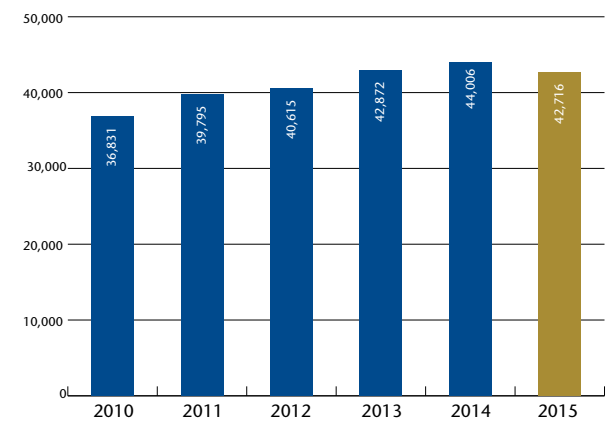
PROPERTY, PLANT AND EQUIPMENT

Rs (million)



VOLUME

Sticks (million)



HORIZONTAL & VERTICAL ANALYSIS

SOURCE DATA

	2010	2011	2012	2013	2014	2015
	(RS. '000)					
BALANCE SHEET						
Non Current Assets						
Property Plant And Equipment	5,823,688	6,099,879	5,694,961	7,084,521	8,713,477	9,184,971
Investment in Subsidiary Company at Cost	5,000	5,000	5,000	5,000	5,000	5,000
Long Term Loans	3,417	1,260	457	75	19	-
Long Term Deposits and Prepayments	15,375	22,640	20,286	21,478	32,453	29,072
	5,847,480	6,128,779	5,720,704	7,111,074	8,750,949	9,219,043
Current Assets						
Stocks in trade	6,002,824	6,462,330	7,225,301	9,166,367	11,894,508	14,007,537
Stores and spares	199,208	190,110	341,855	488,213	472,029	675,564
Trade debts	1,597	1,202	1,073	764	3,225	906
Loans and advances	48,267	64,310	68,632	89,579	66,692	181,594
Short term prepayments	118,329	94,052	99,509	78,889	183,145	170,298
Other receivables	93,546	196,249	287,696	435,055	425,467	446,622
Cash and bank balances	51,945	109,631	139,030	60,128	149,573	53,089
	6,515,716	7,117,884	8,163,096	10,318,995	13,194,639	15,535,610
	12,363,196	13,246,663	13,883,800	17,430,069	21,945,588	24,754,653
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	1,047,151	778,997	1,552,462	2,857,270	5,456,425	7,811,221
	3,602,089	3,333,935	4,107,400	5,412,208	8,011,363	10,366,159
Non Current Liabilities						
Retirement Benefits	-	-	-	-	-	-
Deferred Taxation	1,137,581	1,082,038	1,090,892	1,014,118	1,100,229	1,038,997
Deferred liabilities	-	-	96,024	293,044	400,354	415,123
	1,137,581	1,082,038	1,186,916	1,307,162	1,500,583	1,454,120
Current Liabilities						
Trade and other payables	5,339,725	7,075,299	6,991,911	7,724,746	11,266,499	10,417,040
Accrued interest / mark-up accrued	46,789	51,187	40,880	27,048	24,166	11,807
Short term finances	2,252,218	1,783,623	1,237,772	2,436,445	562,870	1,219,501
Lease liability	-	-	50,009	92,559	119,375	154,365
Income tax payable	(15,206)	(79,419)	268,912	429,901	460,732	1,131,661
	7,623,526	8,830,690	8,539,475	10,710,699	12,433,642	12,934,374
	12,363,196	13,246,663	13,833,791	17,430,069	21,945,588	24,754,653
PROFIT & LOSS ACCOUNT						
Gross turnover	60,195,535	67,491,816	75,531,228	89,928,975	107,217,617	125,012,583
Excise duties	30,476,421	34,719,661	38,854,830	46,110,971	54,447,161	63,290,222
Sales tax	8,766,485	9,822,181	10,796,089	13,195,201	16,151,379	18,815,170
Net turnover	20,952,629	22,949,974	25,880,309	30,622,803	36,619,077	42,907,191
Cost of sales	14,747,717	16,709,273	17,434,790	20,012,587	22,771,684	24,351,991
Gross Profit	6,204,912	6,240,701	8,445,519	10,610,216	13,847,393	18,555,200
Selling and distribution expenses	3,279,390	3,129,938	3,516,601	4,022,635	3,877,112	4,854,542
Administration expenses	1,233,165	1,321,713	1,381,918	1,716,314	2,398,881	2,434,574
Other operating income	46,610	53,967	90,400	129,129	166,415	137,176
Other operating expenses	208,211	1,182,363	908,888	397,959	650,753	1,068,191
Operating profit	1,530,756	660,654	2,728,512	4,602,437	7,087,062	10,335,069
Finance income	36,933	39,160	65,057	136,487	199,795	315,866
Finance cost	149,680	140,539	138,533	72,019	99,056	71,862
Profit before taxation	1,418,009	559,275	2,655,036	4,666,905	7,187,801	10,579,073
Taxation	492,909	195,490	926,578	1,542,596	2,337,656	3,532,639
Profit for the year	925,100	363,785	1,728,458	3,124,309	4,850,145	7,046,434
Earnings per Share - basic and diluted (Rupees)	3.62	1.42	6.77	12.23	18.98	27.58

HORIZONTAL ANALYSIS

VERTICAL ANALYSIS

2010	11 VS 10	12 VS 11	13 VS 12	14 VS 13	15 VS 14	2010	2011	2012	2013	2014	2015
VARIANCE (%)						PERCENTAGE					
100.00	4.74	(6.64)	24.40	22.99	5.41	47.11	46.05	41.02	40.65	39.70	37.10
100.00	-	-	-	-	-	0.04	0.04	0.04	0.03	0.02	0.02
100.00	(63.13)	(63.73)	(83.59)	(74.67)	(100.00)	0.03	0.01	0.00	0.00	0.00	0.00
100.00	47.25	(10.40)	5.88	51.10	(10.42)	0.12	0.17	0.15	0.12	0.15	0.12
100	4.81	(6.66)	24.30	23.06	5.35	47.30	46.27	41.20	40.80	39.88	37.24
100.00	7.65	11.81	26.86	29.76	17.76	48.55	48.78	52.04	52.59	54.20	56.59
100.00	(4.57)	79.82	42.81	(3.31)	43.12	1.61	1.44	2.46	2.80	2.15	2.73
100.00	(24.73)	(10.73)	(28.80)	322.12	(71.91)	0.01	0.01	0.01	0.00	0.01	0.00
100.00	33.24	6.72	30.52	(25.55)	172.29	0.39	0.49	0.49	0.51	0.30	0.73
100.00	(20.52)	5.80	(20.72)	132.16	(7.01)	0.96	0.71	0.72	0.45	0.83	0.69
100.00	109.79	46.60	51.22	(2.20)	4.97	0.76	1.48	2.07	2.50	1.94	1.80
100.00	111.05	26.82	(56.75)	148.76	(64.51)	0.42	0.83	1.00	0.34	0.68	0.21
100.00	9.24	14.68	26.41	27.87	17.74	52.70	53.73	58.80	59.20	60.12	62.76
100.00	7.15	4.81	25.54	25.91	12.80	100	100	100	100	100	100
100.00	-	-	-	-	-	20.67	19.29	18.40	14.66	11.64	10.32
100.00	(25.61)	99.29	84.05	90.97	43.16	8.47	5.88	11.18	16.39	24.86	31.55
100.00	(7.44)	23.20	31.77	48.02	29.39	29.14	25.17	29.58	31.05	36.51	41.88
100.00	-	-	-	-	-	0.00	0.00	0.69	0.00	0.00	0.00
100.00	(4.88)	0.82	(7.04)	8.49	(5.57)	9.20	8.17	7.86	5.82	5.01	4.20
100.00	-	-	205.18	36.62	3.69	-	-	-	1.68	1.82	1.68
100.00	(4.88)	9.69	10.13	14.80	(3.10)	9.20	8.17	8.55	7.50	6.84	5.87
100.00	32.50	(1.18)	10.48	45.85	(7.54)	43.19	53.41	50.36	44.32	51.34	42.08
100.00	9.40	(20.14)	(33.84)	(10.66)	(51.14)	0.38	0.39	0.29	0.16	0.11	0.05
100.00	(20.81)	(30.60)	96.84	(76.90)	116.66	18.22	13.46	8.92	13.98	2.56	4.93
100.00	-	-	-	28.97	29.31	-	-	0.36	0.53	0.54	0.62
100.00	422.29	(438.60)	59.87	7.17	145.62	(0.12)	(0.60)	1.94	2.47	2.10	4.57
100.00	15.83	(2.73)	24.70	16.09	4.03	61.66	66.66	61.87	61.45	56.66	52.25
100.00	7.15	4.81	25.54	25.91	12.80	100	100	100	100	100	100
100.00	12.12	11.91	19.06	19.22	16.60	-	-	-	-	-	-
100.00	13.92	11.91	18.68	18.08	16.24	-	-	-	-	-	-
100.00	12.04	9.92	22.22	22.40	16.49	-	-	-	-	-	-
100.00	9.53	12.77	18.32	19.58	17.17	100	100	100	100	100	100
100.00	13.30	4.34	14.79	13.79	6.94	70.39	72.81	67.37	65.35	62.10	56.76
100.00	0.58	35.33	25.63	30.51	34.00	29.61	27.19	32.63	34.65	37.81	43.24
100.00	(4.56)	12.35	14.39	(3.62)	25.21	15.65	13.64	13.59	13.14	10.59	11.31
100.00	7.18	4.56	24.20	39.77	1.49	5.89	5.76	5.34	5.60	6.55	5.67
100.00	15.78	67.51	42.84	28.88	(17.57)	0.22	0.24	0.35	0.42	0.45	0.32
100.00	467.87	(23.13)	(56.21)	63.52	64.15	0.99	5.15	3.51	1.30	1.78	2.49
100.00	(56.84)	313.00	68.68	53.98	45.83	7.31	2.88	10.54	15.03	19.35	24.09
100.00	6.03	66.13	109.80	46.38	58.10	0.18	0.17	0.25	0.45	0.55	0.74
100.00	(6.11)	(1.43)	(48.01)	37.54	(27.45)	0.71	0.61	0.54	0.24	0.27	0.17
100.00	(60.56)	374.73	75.78	54.02	47.18	6.77	2.44	10.26	15.24	19.63	24.66
100.00	(60.34)	373.98	66.48	51.54	51.12	2.35	0.85	3.58	5.04	6.38	8.23
100.00	(60.68)	375.13	80.76	55.24	45.28	4.42	1.59	6.68	10.20	13.24	16.42
100.00	(60.78)	376.76	80.65	55.19	45.31	-	-	-	-	-	-

SUMMARY OF CASH FLOWS

(RS IN MILLION)	2015	2014	2013	2012	2011	2010
Cash flow from Operating Activities	5,179	6,375	2,373	1,775	2,151	1,149
Cash flow from Investing Activities	(1,015)	(1,982)	(1,665)	(119)	(1,089)	(565)
Cash flow from Financing Activities	(4,917)	(2,430)	(1,985)	(1,081)	(536)	(1,531)
Net Change in Cash and Cash Equivalents	(753)	1,963	(1,278)	575	526	(947)
Beginning Cash and Cash Equivalents	(413)	(2,376)	(1,099)	(1,674)	(2,200)	(1,253)
Ending Cash and Cash Equivalents	(1,166)	(413)	(2,376)	(1,099)	(1,674)	(2,200)
Cash and Cash Equivalents comprise						
Cash and Bank Balances	53	150	60	139	110	52
Short Term Borrowings	(1,220)	(563)	(2,436)	(1,238)	(1,784)	(2,252)
	(1,166)	(413)	(2,376)	(1,099)	(1,674)	(2,200)

FINANCIAL CALENDAR

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 scheduled for	April 20, 2016

2014

1st Quarter Results issued on	April 21, 2014
2nd Quarter Results issued on	August 19, 2014
3rd Quarter Results issued on	October 22, 2014
Recommendation of Annual Results by the BOD	February 23, 2015
68th Annual General Meeting held on	April 20, 2015

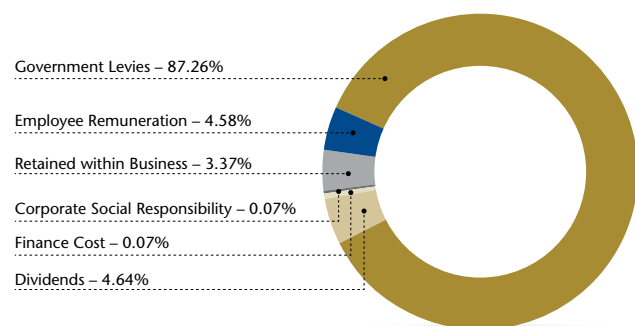
ANALYSIS OF QUARTERLY RESULTS

(RS IN MILLION)	2015				2014			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
BALANCE SHEET								
Non Current Assets								
Property Plant And Equipment	8,605	8,701	8,796	9,185	7,020	7,649	7,678	8,713
Investment in Subsidiary Company at Cost	5	5	5	5	5	5	5	5
Long Term Loans	-	-	-	-	-	-	-	-
Long Term Deposits and Prepayments	26	26	26	29	33	34	36	20
Current Assets								
Stocks in trade	9,632	6,145	13,560	14,008	7,893	5,221	11,643	11,895
Stores and spares	533	541	537	676	555	581	578	472
Trade debts	3	4	1	1	1	1	5	3
Loans, advances, short term prepayments and other receivables	736	1,365	733	799	676	797	1,069	675
Short Term Deposits	-	-	-	-	-	-	-	-
Cash and bank balances	4,810	762	4,465	53	3,257	53	1,791	150
	15,713	8,816	19,296	15,536	12,382	6,653	15,086	13,195
CURRENT LIABILITIES								
Trade and other payables	11,299	4,653	13,577	10,417	10,698	4,091	12,346	11,266
Accrued interest / mark-up	14	8	6	12	20	6	26	24
Liability against assets subject to finance lease	119	120	116	154	93	89	94	119
Short term finances	466	31	25	1,220	-	1,167	-	563
Income tax payable	811	1,535	1,632	1,132	664	1,016	1,155	461
	12,709	6,347	15,357	12,934	11,475	6,369	13,620	12,434
Net Current Assets / (Liabilities)	3,005	2,469	3,938	2,601	907	283	1,465	761
Non Current Liabilities								
Retirement Benefits	-	-	-	-	-	-	-	-
Liability against assets subject to finance lease	407	475	463	415	299	273	255	400
Deferred Taxation	1,140	1,044	1,025	1,039	1,011	971	944	1,100
	1,547	1,519	1,488	1,454	1,310	1,244	1,199	1,501
Net Assets	10,095	9,682	11,278	10,366	6,656	6,727	7,975	8,011
Share Capital & Reserves								
Share Capital	2,555	2,555	2,555	2,555	2,555	2,555	2,555	2,555
Revenue Reserves	7,540	7,127	8,723	7,811	4,101	4,172	5,420	5,456
	10,095	9,682	11,278	10,366	6,656	6,727	7,975	8,011
PROFIT & LOSS ACCOUNT								
Gross Turnover	32,861	38,020	25,153	28,979	26,883	31,592	22,427	26,316
Excise Duties	16,569	19,051	12,909	14,761	13,643	16,083	11,331	13,390
Sales tax	4,946	5,723	3,785	4,361	4,050	4,759	3,372	3,970
Net Turnover	11,346	13,245	8,459	9,857	9,190	10,750	7,723	8,956
Cost of sales	6,622	7,881	4,510	5,339	6,045	6,798	4,554	5,375
Gross Profit	4,724	5,365	3,949	4,517	3,145	3,952	3,169	3,581
Selling and distribution expenses	919	780	822	2,333	686	802	699	1,691
Administration expenses	485	370	633	947	449	320	359	1,271
Other operating expenses	246	361	205	257	150	696	245	(440)
Other operating income	26	51	22	39	37	65	2	63
	1,624	1,460	1,638	3,498	1,248	1,753	1,301	2,459
Operating profit	3,100	3,904	2,311	1,019	1,897	2,199	1,868	1,122
Finance income	48	183	38	47	18	140	23	20
Finance cost	21	15	15	21	31	14	35	19
Finance (cost)/income - net	26	168	23	26	(13)	126	(13)	1
Profit before taxation	3,126	4,072	2,335	1,046	1,884	2,326	1,855	1,123
Taxation	1,043	1,419	739	332	640	722	607	369
Profit for the year	2,083	2,654	1,596	714	1,243	1,604	1,249	754

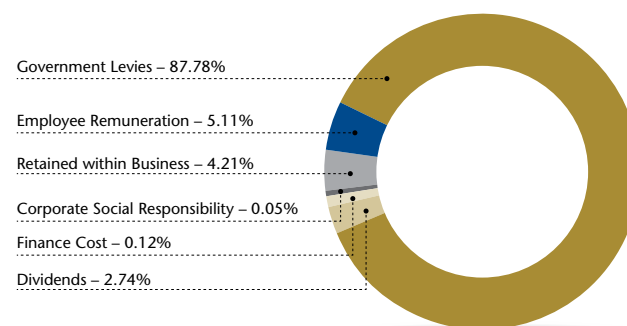
STATEMENT OF VALUE GENERATED AND DISTRIBUTED

	(RS IN MILLION) 2015	%	(RS IN MILLION) 2014	%
VALUE ADDITION (RS. MN)				
Gross Revenues	125,466		107,584	
Material, Services and Other Costs	26,300		23,581	
Value added	99,166		84,003	
VALUE DISTRIBUTION (RS. MN)				
Employee Remuneration	4,544	4.58	4,290	5.11
Government Levies	86,536	87.26	73,738	87.78
Dividends	4,599	4.64	2,299	2.74
Finance Cost	72	0.07	99	0.12
Corporate Social Responsibility	71	0.07	44	0.05
Retained within Business	3,344	3.37	3,533	4.21
	99,166	100.00	84,003	100.00

VALUE DISTRIBUTION 2015



VALUE DISTRIBUTION 2014



BOARD COMMITTEES

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

EXECUTIVE COMMITTEE OF THE BOARD (ExCo)

1. Graeme Douglas Amey
(Member & Chairman)
2. Syed Javed Iqbal
(Member)
3. Mustanser Ali Khan
(Member)
4. Asim Imdad Ali
(Member)
5. Tajamal Shah
(Member)
6. Sanzid Ahmed Alvi
(Member)
8. Sacha Cotting
(Member)
9. Ayesha Rafique
(Secretary)

AUDIT COMMITTEE

1. Mr. Abid Niaz Hasan
(Chairman)
2. Lt. Gen.(Retd) Ali Kuli Khan Khattak
(Member)
3. Syed Asif Shah
(Member)
4. Umar Mansoor
(Secretary)

SHARES TRANSFER COMMITTEE

1. Graeme Douglas Amey
(Member & Chairman)
2. Syed Javed Iqbal
(Member)
3. Tajamal Shah
(Member)
4. Ayesha Rafique
(Secretary)

HUMAN RESOURCES & REMUNERATION COMMITTEE

1. Lt. Gen.(Retd) Ali Kuli Khan Khattak
(Member & Chairman)
2. Graeme Douglas Amey
(Member)
3. Syed Asif Shah
(Independent Director)
4. Sanzid Ahmed Alvi
(Secretary)

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 Statement of Business Principles.
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 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 CEO on such matters for key management positions who report directly to 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.

PATTERN OF SHAREHOLDING

AS AT DECEMBER 31, 2015

No. of Shareholders	Categories				Total Shares
1,417	From	1	To	100	46,071
1,141	From	101	To	500	326,135
390	From	501	To	1,000	275,851
279	From	1,001	To	5,000	584,292
32	From	5,001	To	10,000	218,237
8	From	10,001	To	15,000	97,834
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
1	From	30,001	To	35,000	31,978
2	From	35,001	To	40,000	76,300
3	From	40,001	To	45,000	125,920
1	From	45,001	To	50,000	47,551
3	From	55,001	To	60,000	172,176
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	285,001	To	290,000	288,345
1	From	290,001	To	295,000	291,000
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	1,835,001	To	1,840,000	1,836,093
1	From	7,455,001	To	7,460,000	7,457,544
1	From	241,045,001	To	241,050,000	241,045,141
3,303					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	2,361,094
Individuals	2,631,958
Others	8,644,494
	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	6	1,923,153	0.8
Insurance Companies	4	433,559	0.2
Banks, Development and other Financial Institutions	10	4,382	0.0
Individuals	3,216	2,631,958	1.0
Others	52	8,644,494	3.4
Total	3,303	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
Graeme Douglas Amey	2,500
Syed Javed Iqbal	2,500
Tajamal Shah	2,500
Hae In Kim	1,000
Felecio Ferraz Junior	1,000
Syed Asif Shah	500
Ali Kuli Khan Khattak	100
Abid Niaz Hasan	50
Executives	
Awais Hussain Kazi	15
Mirza Zubair Ahmed	10
Shahid Yamin	9
Shareholders holding 5% 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, 2015

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No 5.19 of listing regulations of Rule Book of Pakistan Stock Exchange Limited (PSX) 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 of directors. At present the Board includes;

Independent Directors

Mr. Syed Asif Shah
Mr. Abid Niaz Hasan

Executive Director

Mr. Graeme Douglas Amey
Mr. Syed Javed Iqbal
Mr. Tajamal Shah

Non-Executive Directors

Mr. Mueen Afzal
Lt Gen. (Retd.) Ali Kuli Khan
Ms. Hae In KIM
Mr. Felicio Ferraz Junior

The independent directors meet the criteria of independence under clause i (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 NBFIs or, being a member of a Stock exchange, has been declared as a defaulter by that Stock exchange.
4. The casual vacancy resulting from the resignation of Mr. Brendan Brady was filled in by Ms. Hae In KIM w.e.f April 15, 2015.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
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. All the meetings of the Board were presided over by the Chairman 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 programs for its directors. Training for all directors will be completed by June 2016.
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 the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of three members, two of whom 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 a Human Resources and Remuneration Committee. It comprises of three members, of whom two are non-executive directors including one independent director and the Chairman of the Committee is a non-executive director.
18. The Board has set up an effective Internal Audit function which is considered suitably qualified and experienced personnel who is conversant with the policies and procedures of the Company and is involved in the internal audit function on a full time basis.
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 Accountants of Pakistan.
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 the directors, employees and Stock exchanges.
22. Material / price sensitive information has been disseminated among all market participants at once through the Stock exchanges.
23. We confirm that all other material principles contained in the Code have been complied with.



GRAEME DOUGLAS AMEY
MANAGING DIRECTOR AND CHIEF EXECUTIVE

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 (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors (the Board) of Pakistan Tobacco Company Limited (the Company) for the year ended December 31, 2015, to comply with the requirements of Regulation No. 5.19 of the Rule Book issued by Pakistan Stock Exchange Limited (PSX).

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 non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of 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's 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 the recommendation of 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 requirement to the extent of approval of 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 December 31, 2015.



Chartered Accountants
Islamabad: February 19, 2016

Engagement partner: S. Haider Abbas

PAKISTAN TOBACCO COMPANY LIMITED

FINANCIAL
STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Pakistan Tobacco Company Limited as at December 31, 2015 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 above said 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 policies 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 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 December 31, 2015 and of the profit, total comprehensive income, 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.



A.F.Ferguson & Co.

Chartered Accountants

Islamabad

Date: February 19, 2016

Engagement partner: S. Haider Abbas

PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	2015 Rs '000	2014 Rs '000
Gross turnover		125,012,583	107,217,617
Excise duties		(63,290,222)	(54,447,161)
Sales tax		(18,815,170)	(16,151,379)
Net turnover		42,907,191	36,619,077
Cost of sales	7	(24,351,991)	(22,771,684)
Gross profit		18,555,200	13,847,393
Selling and distribution costs	8	(4,854,542)	(3,877,112)
Administrative expenses	9	(2,434,574)	(2,398,881)
Other operating expenses	10	(1,068,191)	(650,753)
Other income	11	137,176	166,415
		(8,220,131)	(6,760,331)
Operating profit		10,335,069	7,087,062
Finance income		315,866	199,795
Finance cost	12	(71,862)	(99,056)
Net finance income		244,004	100,739
Profit before income tax		10,579,073	7,187,801
Income tax expense	13	(3,532,639)	(2,337,656)
Profit for the year		7,046,434	4,850,145
Earnings per share - (Rupees)	14	27.58	18.98

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


GRAEME DOUGLAS AMEY
 MANAGING DIRECTOR & CEO


SYED JAVED IQBAL
 FINANCE & IT DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	2015 Rs '000	2014 Rs '000
Profit for the year		7,046,434	4,850,145
Other comprehensive income for the year:			
Items that will not be reclassified to profit & loss account			
Remeasurement (loss) / gain on defined benefit pension and gratuity plans	28	(132,723)	75,389
Tax credit / (charge) related to remeasurement gain on defined benefit pension and gratuity plans	13	39,973	(26,935)
		(92,750)	48,454
Items that may be subsequently reclassified to profit & loss account		-	-
Other comprehensive income for the year - net of tax		(92,750)	48,454
Total comprehensive income for the year - net of tax		6,953,684	4,898,599

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



GRAEME DOUGLAS AMEY
MANAGING DIRECTOR & CEO



SYED JAVED IQBAL
FINANCE & IT DIRECTOR

BALANCE SHEET

AS AT DECEMBER 31, 2015

	Note	2015 Rs '000	2014 Rs '000
Non current assets			
Property, plant and equipment	16	9,184,971	8,713,477
Long term investment in subsidiary company	17	5,000	5,000
Long term loans	18	-	19
Long term deposits and prepayments	19	29,072	32,453
Current assets			
Stock-in-trade	20	14,007,537	11,894,508
Stores and spares	21	675,564	472,029
Trade debts	22	906	3,225
Loans and advances	23	181,594	66,692
Short term prepayments		170,298	183,145
Other receivables	24	446,622	425,467
Cash and bank balances	25	53,089	149,573
		15,535,610	13,194,639
Current liabilities			
Trade and other payables	26	10,417,040	11,266,499
Short term running finance	27	1,219,501	562,870
Finance lease obligation	30	154,365	119,375
Accrued interest / mark-up		11,807	24,166
Current income tax liabilities		1,131,661	460,732
		12,934,374	12,433,642
Net current assets			
		2,601,236	760,997
Non current liabilities			
Deferred income tax liabilities	29	(1,038,997)	(1,100,229)
Finance lease obligation	30	(415,123)	(400,354)
		(1,454,120)	(1,500,583)
Net assets			
		10,366,159	8,011,363
Share capital and reserves			
Share capital	31	2,554,938	2,554,938
Revenue reserves		7,811,221	5,456,425
		10,366,159	8,011,363
Contingencies and commitments	32		

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


GRAEME DOUGLAS AMEY
 MANAGING DIRECTOR & CEO


SYED JAVED IQBAL
 FINANCE & IT DIRECTOR

CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015 Rs '000	2014 Rs '000
Cash flows from operating activities		
Cash receipts from customers	125,292,870	107,216,336
Cash paid to Government for Federal excise duty, sales tax and other levies	(86,059,817)	(69,859,772)
Cash paid to suppliers	(25,270,750)	(23,557,885)
Cash paid to employees and retirement funds	(4,558,127)	(4,227,646)
Interest paid	(84,221)	(101,938)
Cash paid as royalty	(563,022)	(511,637)
Income tax paid	(2,908,123)	(2,284,685)
Other cash payments	(669,580)	(297,302)
	5,179,230	6,375,471
Cash flows from investing activities		
Purchases of property, plant and equipment	(1,490,676)	(2,248,826)
Proceeds from sale of property, plant and equipment	159,919	67,079
Interest received	315,866	199,795
	(1,014,891)	(1,981,952)
Cash flows from financing activities		
Dividends paid	(4,620,059)	(2,259,822)
Finance lease payments	(297,395)	(170,677)
	(4,917,454)	(2,430,499)
(Decrease) / increase in cash and cash equivalents	(753,115)	1,963,020
Cash and cash equivalents at beginning of year	(413,297)	(2,376,317)
Cash and cash equivalents at end of year	(1,166,412)	(413,297)
Cash and cash equivalents comprise:		
Cash and bank balances	53,089	149,573
Short term running finance	(1,219,501)	(562,870)
	(1,166,412)	(413,297)

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



GRAEME DOUGLAS AMEY
MANAGING DIRECTOR & CEO



SYED JAVED IQBAL
FINANCE & IT DIRECTOR

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2015

	Share capital Rs '000	Revenue reserves Rs '000	Total Rs '000
Balance at January 1, 2014	2,554,938	2,857,270	5,412,208
Comprehensive income:			
Profit for the year	–	4,850,145	4,850,145
Other comprehensive income for the year	–	48,454	48,454
Total Comprehensive income for the year	–	4,898,599	4,898,599
Transactions with owners:			
Final dividend of Rs 6.00 per share relating to the year ended December 31, 2013	–	(1,532,963)	(1,532,963)
Interim dividend of Rs 3.00 per share relating to the year ended December 31, 2014	–	(766,481)	(766,481)
Total transactions with owners	–	(2,299,444)	(2,299,444)
Balance at December 31, 2014	2,554,938	5,456,425	8,011,363
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 income 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

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


GRAEME DOUGLAS AMEY
 MANAGING DIRECTOR & CEO


SYED JAVED IQBAL
 FINANCE & IT DIRECTOR

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

1. THE COMPANY AND ITS OPERATIONS

Pakistan Tobacco Company Limited (the Company) is a public listed company incorporated in Pakistan on November 18, 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 registered office of the Company is situated at Serena Business Complex, Khayaban-e-Suharwardy, Islamabad. The Company is engaged in the manufacture and sale of cigarettes.

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.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are described in note 6.

3. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

- a) The following amendments and interpretations to published accounting standards became effective during the year, however, the adoption of these amendments and interpretations did not have any material effect on the financial statements.

		Effective date (annual periods beginning on or after)
IFRS 2	Share-based Payment (Amendments)	July 1, 2014
IFRS 3	Business Combinations (Amendments)	July 1, 2014
IFRS 8	Operating Segments (Amendments)	July 1, 2014
IFRS 9	Financial Instruments	July 1, 2014
IFRS 10	Consolidated Financial Statements	January 1, 2015
IFRS 11	Joint Arrangements	January 1, 2015
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2015
IFRS 13	Fair Value Measurement	July 1, 2014
IAS 1	Presentation of Financial Statements (Amendments)	July 1, 2014
IAS 16	Property, Plant and Equipment (Amendments)	July 1, 2014
IAS 19	Employee Benefits (Amendments)	July 1, 2014
IAS 24	Related Party Disclosures (Amendments)	July 1, 2014
IAS 38	Intangible Assets (Amendments)	July 1, 2014
IAS 27	Separate Financial Statements	January 1, 2015
IAS 28	Investments in Associates and Joint Ventures	January 1, 2015
IAS 37	Provisions, contingent liabilities and contingent assets	July 1, 2014
IAS 39	Financial instruments – Recognition and measurement	July 1, 2014
IAS 40	Investment Property	July 1, 2014

- b) The following standards and amendments to published accounting standards were not effective during the year and have not been early adopted by the Company:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

		Effective date (annual periods beginning on or after)
IAS 1	Presentation of Financial Statements (Amendments)	January 1, 2016
IAS 16	Property, Plant and Equipment (Amendments)	January 1, 2016
IAS 19	Employee Benefits (Amendments)	January 1, 2016
IAS 27	Separate Financial Statements (Amendments)	January 1, 2016
IAS 28	Investment in Associates and Joint Ventures (Amendments)	January 1, 2016
IAS 34	Interim Financial Reporting (Amendments)	January 1, 2016
IAS 38	Intangible Assets (Amendments)	January 1, 2016
IAS 41	Agriculture (Amendments)	January 1, 2016
IFRS 5	Non-Current Assets held for sale and discontinued Operations (Amendments)	January 1, 2016
IFRS 7	Financial Instruments: Disclosures	January 1, 2016
IFRS 9	Financial Instruments	January 1, 2018
IFRS 10	Consolidated financial statements (Amendments)	January 1, 2016
IFRS 11	Joint arrangements (Amendments)	January 1, 2016
IFRS 12	Disclosure of interests in other entities (Amendments)	January 1, 2016
IFRS 14	Regulatory Deferral Accounts	January 1, 2016
IFRS 15	Revenue from Contracts with Customers	January 1, 2018

The management anticipates that the adoption of the above standards and amendments in future periods, will have no material impact on the Company's financial statements other than in presentation / disclosures.

- c) IFRS 1 'First-time adoption of International Financial Reporting standards' effective date (annual periods beginning on or after) has been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purpose of their applicability in Pakistan:
- d) The following interpretations issued by the IASB have been waived off by SECP effective January 16, 2012:
- IFRIC 4 Determining whether an arrangement contains lease
IFRIC 12 Service concession arrangements

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Basis of measurement

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

4.2 Functional and presentation currency

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

4.3 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

4.4 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

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.

4.5 Current and deferred 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

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 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

4.6 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.

4.7 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.

4.8 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.

4.9 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.

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 Pakistan rupee and have terms to maturity approximating to the terms of the related liability.

- (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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

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 recognized 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.

(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 recognized at its current fair value determined at each balance sheet date.

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.

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.

4.10 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.

(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.

4.11 Property, plant and equipment

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

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:

	2015	2014
Buildings on free-hold land and buildings on leasehold land	3%	3%
Plant and machinery	7%	7%
Air conditioners included in plant and machinery	20%	20%
Office and household equipment	20% to 33.33%	20% to 33.33%
Furniture and fittings	10% to 20%	10% to 20%
Vehicles - Owned and leased	20%	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.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An assets carrying amount is written down immediately to its recoverable amount if the assets' carrying amount is greater than its estimated recoverable amount.

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

4.12 Impairment of non-financial assets

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 recognized. An impairment loss or reversal of impairment loss is recognized in the profit and loss account.

4.13 Long term investment in subsidiary company

The investment in subsidiary company is carried at cost less 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.

4.14 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.

4.15 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.

4.16 Financial assets

4.16.1 Classification

The Company classifies its financial assets in four categories: held to maturity, loans and receivables, at fair value through profit or loss and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

i) Held to maturity

A financial asset is classified in this category if acquired by the Company with the intention and ability to hold them upto maturity.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. The Company's loans and receivables comprise trade debts, loans and advances, other receivables, security deposits and cash and bank balances.

(iii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose off the investment within 12 months of the balance sheet date.

4.16.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity financial assets are carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are recognized in the profit and loss account in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the profit and loss account as part of other income when the Company's right to receive payment is established.

4.16.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

4.16.4 Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

4.17 Trade debts

Trade debts are recognized 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 recognized 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.

4.18 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 recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

4.19 Borrowing Costs

Borrowings are recognized 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 recognized 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.

4.20 Dividend distribution

Final dividend distribution to the Company's shareholders is recognized 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 recognized in the period in which the dividends are declared by the Board of Directors.

4.21 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.

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. 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.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollar, Great Britain Pound Sterling, Australian Dollar and the Euro. Currently, the Company's foreign exchange risk exposure is restricted to cash and bank balances and the amounts receivable/payable from/to the foreign entities. The Company enters into forward exchange contracts with banks to hedge the currency risk on letters of credit related to import of goods and equipment.

Financial assets include Rs 36,641 thousand (2014: 37,207 thousand) and financial liabilities include Rs 1,212,483 thousand (2014: 866,152 thousand) which were subject to foreign exchange risk.

At December 31 2015, if the functional currency had weakened/strengthened by 10% against foreign currencies, with all other variables held constant, the profit after taxation for the year would have been lower / higher by Rs 86 million (2014: Rs 56 million).

(ii) Price risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company is not exposed to equity price risk since there are no investments in equity securities. The Company is also not exposed to commodity price risk.

(iii) Cash flow and fair value 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 has no significant long-term interest-bearing assets or liabilities whose fair value or future cash flows will fluctuate because of changes in market interest rates.

Financial liabilities include balances of Rs 1,788,989 thousand (2014: Rs 1,082,599 thousand) which are subject to interest rate risk. Applicable interest rates for financial liabilities have been indicated in respective notes.

At balance sheet date, if interest rates had been 1% higher/lower, with all other variables held constant, profit after taxation for the year would have been Rs 13 million (2014: Rs 8 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from trade debts, loans and advances, other receivables and deposits with banks. The table below shows bank balances held with counterparties at the balance sheet date.

Counterparty	Rating		Rating Agency	Rs (million)	
	Short term	Long term		2015	2014
Deutsche Bank AG	P-2	A3	Moody's	32.30	63
MCB Bank Ltd	A1+	AAA	PACRA	20.00	20
Citibank N.A.	P-1	A2	Moody's	0.02	57
Standard Chartered	A1+	AAA	PACRA	0.26	7
				52.58	147

Loans and advances, trade debts and other receivables amounting to Rs 649 million (2014: Rs 515 million) do not include any amounts which are past due or impaired.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At December 31, 2015, the Company had Rs 5,280 million (2014: Rs 5,937 million) unutilised borrowing facilities from financial institutions and Rs 53 million (2014: Rs 150 million) cash and bank balances. Further, the Company also has strong financial support from its holding company.

The table below summarizes the maturity profile of the Company's financial liabilities as at reporting date. The amounts disclosed are undiscounted cash flows.

	December 31, 2015		
	Amount Rs '000	Within one year Rs '000	Upto five years Rs '000
Finance lease obligation	681,934	248,422	433,512
Trade and other payables	10,136,592	10,136,592	–
Short term running finance	1,219,501	1,219,501	–
Accrued interest / mark-up	11,807	11,807	–
	12,049,834	11,616,322	433,512

	December 31, 2014		
	Amount Rs '000	Within one year Rs '000	Upto five years Rs '000
Finance lease obligation	617,308	172,948	444,360
Trade and other payables	11,263,047	11,263,047	–
Short term running finance	562,870	562,870	–
Accrued interest / mark-up	24,166	24,166	–
	12,467,391	12,023,031	444,360

5.2 Capital management

The Company's objectives when managing capital risks are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

5.3 Fair value estimation

The carrying values of financial instruments approximate their fair values.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Income taxes

The Company recognizes tax liabilities for pending tax assessments using estimates based on expert opinion obtained from tax/legal advisors. Differences, if any, between the income tax provision and the tax liability finally determined is recorded when such liability is so determined. 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 substantially enacted by the balance sheet date.

(b) Employee benefits

Retirement benefit plans (note 4.9a)

Employees' termination benefits (note 4.9b)

Bonus plans (note 4.9d)

(c) Property, plant and equipment

The Company reviews useful life and residual value of property, plant and equipment (note 4.11) on regular basis. Any change in estimates may affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015 Rs '000	2014 Rs '000
7. COST OF SALES		
Raw material consumed		
Opening stock of raw materials and work in process	9,802,963	7,558,214
Raw material purchases and expenses - note 7.1	19,881,227	19,627,913
Closing stock of raw materials and work in process	(11,233,495)	(9,802,963)
	18,450,695	17,383,164
Government taxes and levies		
Customs duty and surcharges	525,731	623,263
Provincial and municipal taxes and other duties	242,552	226,156
Excise duty on royalty	58,780	51,610
	827,063	901,029
	19,277,758	18,284,193
Royalty	587,798	516,103
Production overheads		
Salaries, wages and benefits	1,742,058	1,708,308
Stores, spares and machine repairs	602,380	627,626
Fuel and power	545,288	614,863
Insurance	44,183	45,433
Repairs and maintenance	552,621	376,925
Postage, telephone and stationery	13,773	8,792
Information technology	37,066	65,092
Depreciation	719,848	621,312
Provision for damaged stocks / stock written off	15,795	76,048
Provision for slow moving items / stores written off	90,621	78,000
Severance benefits	465,805	-
Sundries	269,494	302,381
	5,098,932	4,524,780
Cost of goods manufactured	24,964,488	23,325,076
Cost of finished goods		
Opening stock	2,161,545	1,608,153
Closing stock	(2,774,042)	(2,161,545)
	(612,497)	(553,392)
Cost of sales	24,351,991	22,771,684
7.1 Raw material purchases and expenses		
Materials	17,722,013	17,080,383
Salaries, wages and benefits	1,004,951	907,889
Stores, spares and machine repairs	116,911	232,784
Fuel and power	602,993	837,065
Property rentals	145,381	107,818
Insurance	26,412	21,470
Repairs and maintenance	46,803	68,110
Postage, telephone and stationery	11,637	10,866
Depreciation	128,742	113,099
Sundries	75,384	248,429
	19,881,227	19,627,913

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015 Rs '000	2014 Rs '000
8. SELLING AND DISTRIBUTION COSTS		
Salaries, wages and benefits	745,887	654,105
Selling expenses	3,580,217	2,958,059
Freight	103,517	76,319
Repairs and maintenance	40,994	80,237
Postage, telephone and stationery	10,931	13,808
Travelling	91,748	37,409
Property rentals	28,819	15,452
Insurance	16,055	11,219
Finished goods stock written off	206,826	-
Depreciation	29,548	30,504
	4,854,542	3,877,112
9. ADMINISTRATIVE EXPENSES		
Salaries, wages and benefits	1,051,435	1,019,552
Fuel and power	9,509	16,856
Property rentals	117,055	131,489
Insurance	5,277	6,219
Repairs and maintenance	40,957	37,716
Postage, telephone and stationery	9,625	18,221
Legal and professional charges	50,703	41,893
Donations - note 9.1	20,000	10,100
Information technology	861,545	914,205
Travelling	100,508	82,357
Depreciation	110,491	68,882
Auditor's remuneration and expenses - note 9.2	11,355	9,756
Sundries	46,114	41,635
	2,434,574	2,398,881
9.1	There were no donations in which the directors, or their spouses, had any interest.	
	2015 Rs '000	2014 Rs '000
9.2 Auditor's remuneration and expenses include:		
- Statutory audit fee	1,778	1,628
- Group reporting, review of half yearly accounts, audit of consolidated accounts, audit of staff retirement benefit funds and special certifications	3,779	3,379
- Tax services	5,209	4,209
- Out-of-pocket expenses	589	540
	11,355	9,756
10. OTHER OPERATING EXPENSES		
Workers' profit participation fund	568,196	386,026
Workers' welfare fund	216,644	146,690
Bank charges and fees	50,118	32,952
Loss on disposal of property, plant and equipment	-	18,536
Receivable written off	24	-
Interest paid to workers' profit participation fund	892	517
Foreign exchange loss	232,317	66,032
	1,068,191	650,753

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015 Rs '000	2014 Rs '000
11. OTHER INCOME		
Income from an associated company		
- BAT SAA Services (Private) Limited, for services rendered	37,642	34,502
Services to BAT Holding & BAT Bangladesh	6,224	-
Sale of stem tobacco	17,402	-
Gain on disposal of property, plant and equipment	70,219	-
Recharges payable written back	-	94,810
Vehicle rental from marketing agencies	-	17,081
Adjustment for federal excise duty	-	11,814
Income recognized on sale and leaseback of vehicles - note 26.5	972	5,872
Miscellaneous	4,717	2,336
	137,176	166,415
12. FINANCE COST		
Interest expense on:		
Bank borrowings	16,685	53,989
Finance lease	55,177	45,067
	71,862	99,056
13. INCOME TAX EXPENSE		
Current		
For the year	3,373,577	2,239,017
For prior years - 13.1	205,475	-
	3,579,052	2,239,017
Deferred	(46,413)	98,639
	3,532,639	2,337,656

13.1 This represents super tax @ 3% of taxable income levied through Finance Act, 2015 and its levy is sub judice at various fora.

13.2 Effective tax rate reconciliation:

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

	2015 (%)	2014 (%)
Applicable tax rate	32.00	33.00
Tax effect of:		
Prior year charge	1.94	-
Change in applicable tax rate	(0.32)	-
Income taxed at different rate	(0.03)	(0.12)
Inadmissible expenses	-	0.35
Others	(0.20)	(0.71)
Average effective tax rate	33.39	32.52

The applicable income tax rate was reduced from 33% to 32% during the year on account of the changes made to Income tax Ordinance, 2001 in 2015.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015 Rs '000	2014 Rs '000
13.3 Tax on items directly credited to statement of comprehensive income		
Current tax (credit) / charge on defined benefit plans	(2,562)	39,463
Deferred tax credit on defined benefit plans	(37,411)	(12,528)
	(39,973)	26,935
14. EARNINGS PER SHARE		
Profit after tax (Rs '000)	7,046,434	4,850,145
Number of fully paid weighted average ordinary shares ('000)	255,494	255,494
Earnings per share - Basic (Rs)	27.58	18.98

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

15. 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	
	2015 Rs '000	2014 Rs '000	2015 Rs '000	2014 Rs '000	Key management personnel		Other executives		2015 Rs '000	2014 Rs '000
					2015 Rs '000	2014 Rs '000	2015 Rs '000	2014 Rs '000		
Managerial remuneration	64,040	74,722	39,471	44,941	276,211	257,896	819,300	747,115	1,199,022	1,124,674
Corporate bonus	27,166	19,320	39,136	47,252	195,208	224,341	240,625	225,571	502,135	516,484
Leave fare assistance	5,767	4,036	2,289	3,330	5,401	11,078	1,790	3,324	15,247	21,768
Housing and utilities	12,492	12,309	10,909	13,468	75,664	69,770	320,406	301,289	419,471	396,836
Medical expenses	-	-	1,601	1,667	9,449	18,597	45,238	42,697	56,288	62,961
Post employment benefits	2,752	5,604	5,656	6,029	46,752	38,572	188,057	155,981	243,217	206,186
	112,217	115,991	99,062	116,687	608,685	620,254	1,615,416	1,475,977	2,435,380	2,328,909
Number of persons	1	1	2	2	35	37	513	495	551	535

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

15.2 The aggregate amounts charged in the financial statements of the year for remuneration including all benefits to six (2014: six) non-executive directors of the Company amounted to Rs 6,271 thousand (2014: Rs 6,519 thousand).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015 Rs '000	2014 Rs '000
16. PROPERTY, PLANT AND EQUIPMENT		
Operating assets - note 16.1	8,066,023	7,648,611
Capital work in progress - note 16.2	1,118,948	1,064,866
	9,184,971	8,713,477

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, 2014									
Cost	30,570	802,628	22,149	9,314,801	742,444	100,760	425,229	514,442	11,953,023
Accumulated depreciation	-	(195,938)	(13,323)	(4,721,467)	(474,620)	(59,808)	(338,341)	(79,173)	(5,882,670)
Net book amount at January 1, 2014	30,570	606,690	8,826	4,593,334	267,824	40,952	86,888	435,269	6,070,353
Year ended December 31, 2014									
Net book amount at January 1, 2014	30,570	606,690	8,826	4,593,334	267,824	40,952	86,888	435,269	6,070,353
Additions	-	48,340	1,081	1,869,111	165,289	262,987	20,907	129,955	2,497,670
Disposals	-	(774)	(258)	(28,089)	(601)	(1,102)	(26,276)	(28,514)	(85,615)
Depreciation charge	-	(20,728)	(394)	(615,009)	(110,655)	(17,976)	(3,699)	(65,337)	(833,797)
Net book amount at December 31, 2014	30,570	633,528	9,255	5,819,347	321,857	284,861	77,820	471,373	7,648,611
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 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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015 Rs '000	2014 Rs '000
16.2 Capital work in progress		
Plant and machinery	992,518	775,716
Advances to suppliers	126,430	289,150
	1,118,948	1,064,866
16.3 Depreciation charge has been allocated as follows:		
Cost of sales	719,848	621,312
Raw material purchases and expenses	128,742	113,099
Selling and distribution expenses	29,548	30,504
Administrative expenses	110,491	68,882
	988,629	833,797

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
Computer equipment				
- by insurance claim	131	77	131	EFU General Insurance Co.
Vehicles				
- as per Company's policy	1,193	614	518	Mian Waqar-ud-din - employee
	1,305	744	261	Shadman Safdar - employee
	1,305	683	645	Mirza Zubair - employee
	1,384	346	277	Nadeem Aqeel - employee
	1,395	741	615	Manzar Ijaz - employee
	1,395	752	652	S.Asad Abbas - ex- employee
	1,418	775	737	Basit Ali - ex-employee
	1,575	774	606	Syed Hammad - employee
	1,646	1,116	1,039	Farhan Rafique - employee
	1,691	1,002	1,128	Usman A.Khan - employee
	1,691	1,050	1,017	Mona Qaemi - ex-employee
	1,809	339	181	M.Uzair - employee
	3,600	1,770	1,675	Mustanser Ali - employee
	4,500	450	450	Ayesha Rafique - employee
	5,004	500	510	Tajamal Shah - employee
	5,204	3,571	3,007	Ch.Aftab Ahmed - ex-employee
- by auction	422	62	500	Shahdab - Peshawar
	518	52	480	Shahid Ali - Rawalpindi
	526	53	480	Qaramat Hussain - Islamabad
	651	65	500	M.Nasir Khan - Karachi
	651	65	536	Gul Dad - Karachi
	651	65	455	Raja M.Tasneem - Karachi
	651	65	461	Nusrat Iqbal - Karachi
	651	65	530	Nusrat Iqbal - Karachi
	651	65	509	Zahid Qadri - Karachi
	651	65	522	Shah Bagh Khan - Karachi
	651	65	502	Nusrat Iqbal - Karachi

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

Cost	Book Value	Sale Proceeds less selling expenses	Particulars of Buyers
Rs '000	Rs '000	Rs '000	
651	65	516	Gul Dad - Karachi
651	65	501	Nazar Wali - Karachi
651	65	451	M.Hanif Tahir - Karachi
651	65	501	Sardar Wali - Karachi
654	177	520	Adam Khan - Karachi
656	66	420	M.Siddique - Mohmand Agency
656	66	380	Abdul Wajid - Islamabad
656	66	395	M. Shareef - Wah
656	66	380	Shah Hussain - Rawalpindi
656	66	405	Manzoor Ahmed - Islamabad
656	66	460	Malik Anwar - Islamabad
656	66	460	Khanzada - Islamabad
656	66	490	Rashid Mehmood - Kohat
656	66	495	Nazakat Ali - Bannu
656	66	515	Mohammadi Gul - Charsadda
656	66	360	Tanweer Ahmed - Rawalpindi
657	66	545	Nadeem Hayat - Chakwal
678	99	525	M.Nasir Khan - Karachi
678	99	520	M.Nasir Khan - Karachi
678	99	505	Ali Asghar - Lahore
678	99	460	Raees Ahmed - Karachi
678	99	536	S.M.Saeed - Karachi
678	99	527	Nusrat Iqbal - Karachi
678	99	520	Said Faqeer - Karachi
678	99	456	Khalid Anwar - Karachi
678	99	511	Nusrat Iqbal - Karachi
678	99	502	Nusrat Iqbal - Karachi
683	100	470	Hamid Usman - Islamabad
683	100	405	Nadeem Hayat - Chakwal
683	100	435	M.Siddique - Mohmand Agency
683	100	400	Masood Ahmed - Islamabad
683	100	535	Haqdad - Rawalpindi
683	100	530	Zahir Mohammad - Mardan
683	100	530	Malik Amir Iqbal - Islamabad
683	100	530	Malik Amir Iqbal - Islamabad
683	100	475	Ali Asghar - Lahore
683	100	470	Nazakat Ali - Bannu
683	100	525	Sajid Hussain - Rawalpindi
683	100	560	Nouman Abbas - Chakwal
683	100	525	Ahmed Nawaz - Chakwal
683	100	530	M.Huzaifa Khan - Haripur
683	100	515	Asif Mehmood - Islamabad
683	100	485	Mujeeb-Ur-Rehman - Islamabad
683	100	505	Ali Asghar - Lahore
683	100	520	Khizar Khan - Haripur
683	100	425	Inam Ali - Rawalpindi
683	100	555	Malik Amir Iqbal - Islamabad
683	100	485	Mutahir Shah - Mardan
683	100	550	Malik Amir Iqbal - Islamabad
683	100	555	Nadeem Hayat - Chakwal
683	100	410	M.Mohsin - Multan
683	100	485	Anwar-Ul-Haq - Rawalpindi

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

Cost	Book Value	Sale Proceeds less selling expenses	Particulars of Buyers
Rs '000	Rs '000	Rs '000	
683	100	460	Abid Hussain - Rawalpindi
683	100	455	Mohammad Umair - Islamabad
683	100	455	Sultan Qamar - Chakwal
683	100	495	Abdul Waheed - Rawalpindi
683	100	500	Mutahir Shah - Mardan
683	100	560	Shahid Yamin - Jhelum
683	100	490	Shehzad Ahmed - Chakwal
683	100	515	Shahid Baig - Rawalpindi
860	86	415	Aatif Hayat - Chakwal
890	89	810	Nusrat Iqbal - Karachi
902	90	950	Raja Zahoor - Rawalpindi
902	90	770	Sujawal Khan - Islamabad
902	90	780	Abrar Hussain - Islamabad
981	98	925	Adil Mehmood - Rawalpindi
1,103	625	1,030	Amtul Hai - Jhelum
1,232	282	1,030	Hazrat Wali - Karam Agency
1,240	284	1,055	M. Karim - Karam Agency
1,240	284	1,015	M.Siddique - Mohmand Agency
1,246	286	1,030	Allah Yaar - Chakwal
1,248	286	1,045	Nisar Ahmed - Rawalpindi
1,250	708	955	Waseem Mirza - Karachi
1,251	287	1,006	M.Islam Khan - Karachi
1,293	431	1,033	Hassan Ali Warsi - Karachi
1,300	737	991	Said Faqeer - Karachi
1,305	744	1,170	Shahnawaz - Chakwal
1,350	770	1,230	Sheikh Nadeem - Kalar Syedan
1,350	779	1,225	Alamgir Khan - Rawalpindi
1,354	282	1,040	Mohammad Amin - Chakwal
1,354	226	1,120	Sujawal Khan - Islamabad
1,389	139	1,090	Mian Farmanullah - Charsadda
1,395	796	1,110	Sujawal Khan - Islamabad
1,395	730	1,275	Malik Aftab - Rawalpindi
1,395	730	1,255	M.Niaz Khan - Muree
1,439	144	1,450	Malik Anwar - Islamabad
1,440	821	1,190	Aurangzeb Khan - Islamabad
1,440	753	1,360	M.Siddique - Mohmand Agency
1,575	898	1,400	Tufail Ahmed - Rawalpindi
1,587	496	1,056	Mohammad Jawed - Karachi
1,626	980	1,260	Qaiser Iqbal - Mianwali
1,691	1,019	1,330	Khanzada - Islamabad
1,691	1,156	1,375	Zale Khan - Dera Ismail Khan
1,691	1,205	1,250	Masood Ahmed - Islamabad
1,724	287	1,100	Raja M. Farooq - Rawalpindi
1,724	287	1,175	Sujawal Khan - Islamabad
1,728	1,082	1,460	Sheryar Khan - Peshawar
2,106	1,564	1,650	Khanzada - Islamabad
2,106	1,257	1,380	S.Muhammad Ali - Islamabad
2,106	1,194	1,415	M.Jaffar - Rawalpindi
2,373	237	1,030	Alam Zaib - Islamabad
2,373	237	1,050	Khurram Mehboob - Rawalpindi
2,691	269	1,780	Shahid Baig - Rawalpindi
3,000	300	1,405	Asad Habib - Rawalpindi

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

	Cost	Book Value	Sale Proceeds less selling expenses	Particulars of Buyers
	Rs '000	Rs '000	Rs '000	
	3,000	300	1,575	Khurram Mehboob - Rawalpindi
	3,565	356	2,290	Malik M.Yasin - Rawalpindi
	3,798	2,483	2,800	M.Uzair - Islamabad
	4,259	2,266	2,830	Tahir Mehmood - Islamabad
	4,363	2,473	3,000	Abdul Ghafoor - Islamabad
	4,429	443	1,800	Tahir Mehmood - Islamabad
	4,604	1,355	2,876	Abrar Hussain - Islamabad
	5,774	4,354	3,450	Habib ur Rehman - Rawalpindi
	7,200	3,767	6,910	Shadman Safdar - Islamabad
	9,060	6,052	7,000	S.Asad Ali - Islamabad
- by insurance claim	890	89	1,200	New Hampshire Insurance Company
	2,106	1,248	2,000	-do-
	2,047	1,803	2,024	-do-
	2,047	1,803	2,024	-do-
	2,047	1,803	2,024	-do-
	2,047	2,047	2,047	-do-
	2,047	1,958	2,024	-do-
	2,047	1,870	2,024	-do-
	3,303	2,551	3,303	-do-

17. LONG TERM INVESTMENT IN SUBSIDIARY COMPANY - AT COST

This represents 500,001 (2014: 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 (2014: Rs 10 per share) based on audited accounts for the year ended December 31, 2015.

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

	2015 Rs '000	2014 Rs '000
18. LONG TERM LOANS - UNSECURED, CONSIDERED GOOD		
Related parties		
Key management personnel	5	23
Others		
Other executives	10	48
	15	71
Receivable within one year	(15)	(52)
	-	19

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

18.1 Reconciliation of loans:

	Executives				Total	
	Key management personnel		Other executives		2015 Rs'000	2014 Rs'000
	2015 Rs'000	2014 Rs'000	2015 Rs'000	2014 Rs'000		
Balance as at January 1	23	45	48	279	71	324
Repayments	(18)	(22)	(38)	(231)	(56)	(253)
Balance as at December 31	5	23	10	48	15	71

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 installments. 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:

	2015 Rs '000	2014 Rs '000
Key management personnel	22	43
Other executives	44	236
	66	279

19. LONG TERM DEPOSITS AND PREPAYMENTS

Security deposits	26,199	25,958
Prepayments	2,873	6,495
	29,072	32,453

20. STOCK-IN-TRADE

Raw materials	10,473,398	9,469,323
Raw materials in transit	680,659	252,569
Work in process	79,438	81,071
Finished goods	2,774,042	2,161,545
	14,007,537	11,964,508
Provision for damaged raw material	-	(70,000)
	14,007,537	11,894,508

21. STORES AND SPARES

Stores and spares	829,175	542,629
Provision for slow moving items - 21.1	(153,611)	(70,600)
	675,564	472,029
21.1 Provision for slow moving items		
Balance as at January 1	70,600	-
Charge for the year	90,621	70,600
Written off during the year	(7,610)	-
Balance as at December 31	153,611	70,600

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015 Rs '000	2014 Rs '000
22. TRADE DEBTS		
These are unsecured, considered good.		
23. LOANS AND ADVANCES		
Related parties		
Loans to key management personnel	5	15
Advances to key management personnel for house rent and expenses	5,469	6,037
Others		
Loans to executives and other employees	25	37
Advances to executives for house rent and expenses	44,054	40,650
Advances to other parties	132,041	19,953
	181,594	66,692
These loans and advances are unsecured and considered good.		
24. OTHER RECEIVABLES		
Related parties - unsecured		
Due from holding company / associated companies - note 24.1	49,477	45,979
Due from subsidiary company	20,021	20,021
Unbilled receivable from related parties	23,477	28,089
Staff pension fund - note 28	346,701	319,535
Others		
Claims against suppliers	6,576	7,977
Others	370	3,866
	446,622	425,467
24.1 The amount due from holding company / associated companies comprises:		
Holding Company		
British American Tobacco p.l.c. - UK	1,808	-
Associated Companies		
BAT SAA Services (Private) Limited - Pakistan	37,642	34,502
PT Bentoel Prima - Indonesia	1,325	1,335
BAT ASPAC Service Center Sdn Bhd - Malaysia	3,756	-
BAT Pars, Iran	1,294	-
Commercial Marketers & Distributors, Malaysia	1,223	-
BAT Cambodia	777	-
BAT Marketing (Singapore) Pte Ltd	712	-
BAT Korea Manufacturing - South Korea	615	-
BAT Asia-Pacific Region Ltd - Hong Kong	260	-
BAT GLP Ltd - UK	65	-
BAT Nigeria Ltd - Nigeria	-	7,750
BAT Tutun Mamulleri - Turkey	-	2,392
	49,477	45,979

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015 Rs '000	2014 Rs '000
25. CASH AND BANK BALANCES		
Deposit account	15,142	18,282
Current accounts		
Local currency	12,815	104,138
Foreign currency	24,806	24,520
	52,763	146,940
Cash in hand	326	2,633
	53,089	149,573
26. TRADE AND OTHER PAYABLES		
Related parties - unsecured		
Due to holding company / associated companies - note 26.1	1,276,466	1,007,494
Others		
Creditors	3,459,164	2,500,689
Federal excise duty - note 26.2	2,273,427	4,610,181
Sales tax	361,735	1,216,746
Tobacco excise duty / Tobacco development cess - note 26.3	187,143	122,329
Employee incentive schemes - note 26.4	148,538	98,046
Employees' gratuity fund - note 28	415,493	308,042
Staff pension fund - defined contribution	34	8,999
Management provident fund	150	2,998
Employees' provident fund	68	7,861
Workers' profit participation fund	268,196	386,026
Workers' welfare fund	216,644	146,690
Other accrued liabilities	1,458,343	751,444
Advances from customers	280,448	2,480
Security deposits	15,142	18,282
Dividend payable / unclaimed dividend	56,049	77,220
Deferred income on sale and leaseback of vehicles - note 26.5	-	972
	10,417,040	11,266,499
26.1 The amount due to holding company / associated companies comprises:		
Holding Company		
British American Tobacco p.l.c. - UK	216,404	185,610
Associated Companies		
BAT ASPAC Service Center Sdn Bhd - Malaysia	364,878	235,073
BAT Marketing (Singapore) Pte Ltd	164,869	168,787
BAT GLP Ltd - UK	100,405	134,368
BAT Singapore (Pte) Ltd - Singapore	236,949	92,603
BAT Bangladesh Co. Ltd	-	71,529
BAT Asia-Pacific Region Ltd - Hong Kong	129,743	53,523
BAT GSD Ltd. - UK	43,094	47,853
BAT Suisse - Switzerland	-	12,039
Ceylon Tobacco Company Plc - Sri Lanka	4,434	4,256
BAT Australia	13,343	1,268
Tobacco Importers & Manufacturers, Malaysia	1,826	-
BAT Romania Investment	384	-
BAT SCWE Ltd. - UK	137	585

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

	1,276,466	1,007,494
	2015 Rs '000	2014 Rs '000
26.2 Federal excise duty		
Balance as at January 1	4,610,181	3,518,345
Charge for the year	63,290,222	54,447,161
Payment to the Government during the year	(65,626,976)	(53,355,325)
Balance as at December 31	2,273,427	4,610,181
26.3 Tobacco excise duty / Tobacco development cess:		
Balance as at January 1	122,329	99,218
Charge for the year	154,509	152,795
Payment to the Government during the year	(89,695)	(129,684)
Balance as at December 31	187,143	122,329

26.4 Employee incentive schemes

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

	2015 Rs '000	2014 Rs '000
Long Term Incentive Plan (LTIP) - note 26.4.1		
Balance as at January 1	33,943	78,815
Charge / (reversal) for the year	15,987	(24,200)
Payment to employees	-	(20,672)
Balance as at December 31	49,930	33,943
Deferred Share Bonus Scheme (DSBS) - note 26.4.2		
Balance as at January 1	64,103	84,956
Charge for the year	38,458	59,389
Payment to employees	(32,083)	(80,242)
Balance as at December 31	70,478	64,103
Other employee benefit	28,130	-
	148,538	98,046

26.4.1 Long Term Incentive Plan

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

	2015 Number of options	2014
Outstanding as at January 1	12,356	19,788
Granted during the year	9,703	10,129
Exercised during the year	(3,845)	(17,561)
Outstanding as at December 31	18,214	12,356

There are no exercisable options at end of the year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

26.4.2 Deferred Share Bonus Scheme (DSBS)

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

	2015	2014
	Number of options	
Outstanding as at January 1	22,166	24,324
Granted during the year	8,651	12,705
Exercised during the year	(5,959)	(14,863)
Reversals during the year	(2,762)	-
Outstanding as at December 31	22,096	22,166

There are no exercisable options at end of the year.

	2015	2014
	Rs '000	
26.5 Deferred income on sale and leaseback of vehicles		
Deferred income	972	6,844
Income recognized during the year	(972)	(5,872)
	-	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.

27. SHORT TERM RUNNING FINANCE - SECURED

(a) Short term running finance

Short term running finance facilities available under mark-up arrangements with banks amount to Rs 6,500 million (2014: Rs 6,500 million), out of which the amount unavailed at the year end was Rs 5,280 million (2014: Rs 5,937 million). These facilities are secured by hypothecation of stock in trade and plant & machinery amounting to Rs 7,222 million (2014: Rs 7,222 million). The mark-up ranges between 6.71% and 10.34% (2014: 10.03% and 10.69%) 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 (2014: Rs 2,500 million) and Rs 420 million (2014: 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 444 million (2014: Rs 483 million) and Rs 233 million (2014: Rs 213 million). The letter of credit and guarantee facility is secured by second ranking hypothecation charge over stock-in-trade amounting to Rs 670 million (2014: Rs 670 million).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015 Rs '000	2014 Rs '000
28. RETIREMENT BENEFITS		
Staff pension fund - Asset (note 24)	(346,701)	(319,535)
Employees' gratuity fund - Liability (note 26)	415,493	308,042

The latest actuarial valuation of the defined benefit plans was conducted at December 31, 2015 using the projected unit credit method. Details of the defined benefit plans are:

	Defined benefit pension plan		Defined benefit gratuity plan	
	2015 Rs '000	2014 Rs '000	2015 Rs '000	2014 Rs '000
(a) The amounts recognized in the balance sheet:				
Present value of defined benefit obligations	4,506,581	4,034,421	1,458,102	1,257,137
Fair value of plan assets	(4,853,282)	(4,353,956)	(1,042,609)	(949,095)
Net (assets) / liability	(346,701)	(319,535)	415,493	308,042
(b) Movement in the liability recognized in the balance sheet is as follow:				
Balance as at January 1	(319,535)	(345,253)	308,042	265,349
Charge for the year - profit & loss	13,631	30,456	108,606	78,231
Employer's contribution during the year	(48,804)	126,458	(125,871)	(91,345)
Remeasurement loss / (gain) recognized in Other Comprehensive Income (OCI) during the year	8,007	(131,196)	124,716	55,807
Balance as at December 31	(346,701)	(319,535)	415,493	308,042
(c) The amounts recognized in the profit and loss account:				
Current service cost	130,223	120,171	83,269	52,215
Interest cost	452,573	461,845	142,411	139,199
Expected return on plan assets	(486,654)	(504,067)	(109,556)	(106,749)
Net interest	(34,081)	(42,222)	32,855	32,450
Past service cost	(31,416)	-	-	-
Members' own contribution	(30,960)	(28,607)	-	-
Secondees' own contribution	(7,274)	(7,400)	-	-
Contribution by employer in respect of secondees	(12,861)	(11,486)	(7,518)	(6,434)
	13,631	30,456	108,606	78,231
(d) Re-measurements recognized in Other Comprehensive Income (OCI) during the year:				
Actuarial loss on obligation	57,040	39,883	145,387	98,892
Net return on plan assets over interest income	(49,033)	(171,079)	(20,671)	(43,085)
Total remeasurements (gain) / loss recognized in OCI	8,007	(131,196)	124,716	55,807

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

	Defined benefit pension plan		Defined benefit gratuity plan	
	2015 Rs '000	2014 Rs '000	2015 Rs '000	2014 Rs '000
(e) Movement in the present value of defined benefit obligation:				
Present value of defined benefit obligation at January 1	4,034,421	3,582,353	1,257,137	1,082,176
Current service cost	130,223	120,171	83,269	52,215
Interest cost	452,573	461,845	142,411	139,199
Actual benefits paid during the year	(136,260)	(169,831)	(170,102)	(115,345)
Remeasurements: Actuarial loss/(gain) on obligation	57,040	39,883	145,387	98,892
Prior service cost	(31,416)	-	-	-
Present value of defined benefit obligation at December 31	4,506,581	4,034,421	1,458,102	1,257,137
(f) Movement in the fair value of plan assets:				
Fair value of plan assets at January 1	4,353,956	3,927,606	949,095	816,827
Interest income	486,654	504,067	109,556	106,749
Contribution by employer in respect of members	48,804	(126,458)	125,871	91,345
Members' own contribution	30,960	28,607	-	-
Secondees' own contribution	12,861	7,400	-	-
Contribution by employer in respect of secondees	7,274	11,486	7,518	6,434
Actual benefits paid during the year	(136,260)	(169,831)	(170,102)	(115,345)
Return on plan assets, excluding amounts included in interest income	49,033	171,079	20,671	43,085
Fair value of plan assets at December 31	4,853,282	4,353,956	1,042,609	949,095
Actual return on plan assets	549,502	482,124	132,686	112,609

The Company expects to charge Rs 42 million for pension plan and Rs 117 million for gratuity plan for the year ending December 31, 2016.

	Defined benefit pension plan		Defined benefit gratuity plan	
	2015 Rs '000	2014 Rs '000	2015 Rs '000	2014 Rs '000
(g) The major categories of plan assets:				
Investment in listed equities	864,037	803,341	186,555	169,970
Investment in bonds	3,959,763	3,526,215	850,221	747,082
Cash and other assets	29,482	24,400	5,833	32,043
	4,853,282	4,353,956	1,042,609	949,095
(h) Significant actuarial assumptions at the balance sheet date:				
Discount rate	10.00%	11.25%	10.00%	11.25%
Pension increase rate	9.00%	7.00%	-	-
Expected rate of increase in salary				
First year	12.00%	13.50%	12.00%	13.50%
Second year onwards	9.00%	10.25%	9.00%	10.25%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

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	(608,684)	775,473	(122,187)	140,622
Salary increase	207,294	(184,638)	129,709	(115,044)
Increase in post retirement pension	523,966	427,632	-	-

If life expectancy increases by 1 year, the obligation of the Pension Fund increases by Rs 208.845 million.

28.1 Salaries, wages and benefits as appearing in note 7, 8 and 9 include amounts in respect of the following:

	2015 Rs '000	2014 Rs '000
Defined Contribution Provident Fund	82,574	78,184
Defined Benefit Pension Fund	13,631	30,455
Defined Contribution Pension Fund	58,270	49,098
Defined Benefit Gratuity Fund	108,606	77,214
	263,081	234,951

28.2 Defined Contribution Plan

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

(a) Net Assets	1,741,037	1,546,833
Cost of investments made	1,472,057	1,263,629
Percentage of investments made	85%	82%
Fair value of investments made	1,581,659	1,391,122

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015		2014	
	Rs '000	%age	Rs '000	%age
(b) Breakup of investments at cost				
Treasury bills	9,998	1%	26,722	2%
Pakistan Investment Bonds	544,008	31%	459,541	30%
Investment plus deposit certificates	447,100	26%	447,100	29%
Investment in savings account with bank	48,280	3%	14,833	1%
Investment in securities	222,328	13%	185,243	12%
Accrued interest	200,343	11%	130,190	8%
	1,472,057	85%	1,263,629	82%

(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.

	2015 Rs '000	2014 Rs '000
29. DEFERRED INCOME TAX LIABILITY		
Deferred tax liability is in respect of		
Accelerated tax depreciation	1,106,300	1,151,987
Leased assets	90,980	77,075
	1,197,280	1,229,062
Deferred tax asset is in respect of		
Remeasurement loss / gain arising on employees' retirement benefit	(131,718)	(82,433)
Provision for stock and stores	(49,157)	(46,400)
	1,016,405	1,100,229
The gross movement on deferred income tax account is as follows:		
At January 1	1,100,229	1,014,118
(Credit)/charge for the year - profit and loss account	(46,413)	98,639
Credit for the year - statement of comprehensive income	(37,411)	(12,528)
At December 31	1,016,405	1,100,229

30. 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 681,934 thousand (2014: 617,308) thousand and are payable in equal monthly installments latest by December 2019. Taxes, repairs, replacement and insurance costs are to be borne by the Company. Financing rates of 7.64% to 10.75% (2014: 10.30% to 11.43%) per annum have been used as discounting factor.

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

	2015 Rs '000	2014 Rs '000
Present value of minimum lease payments	569,488	519,728
Current maturity shown under current liabilities	(154,365)	(119,375)
	415,123	400,353

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015 Rs '000	2014 Rs '000
Minimum lease payments		
Not later than one year	248,422	172,948
Later than one year and not later than five years	433,512	444,360
Future finance charges on finance leases	681,934 (112,446)	617,308 (97,580)
Present value of finance lease liabilities	569,488	519,728
Present value of finance lease liabilities		
Not later than one year	154,365	119,375
Later than one year and not later than five years	415,123	400,353
	569,488	519,728

31. SHARE CAPITAL

31.1 Authorized share capital

	2015 Number of Shares	2014 Number of Shares		2015 Rs '000	2014 Rs '000
	300,000,000	300,000,000	Ordinary shares of Rs 10 each	3,000,000	3,000,000

31.2 Issued, subscribed and paid-up capital

	2015 Number of Shares	2014 Number of Shares		2015 Rs '000	2014 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 (2014: 241,045,141) ordinary shares at the year end.

	2015 Rs '000	2014 Rs '000
--	-----------------	-----------------

32. Contingencies and commitments

32.1 Contingencies

(a) Claims and guarantees

(i) Claims against the Company not acknowledged as debt	131,800	131,800
(ii) Guarantees issued by banks on behalf of the Company	233,152	212,455

(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.

32.2 Commitments

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

	2015 Rs '000	2014 Rs '000
Not later than one year	91,775	68,535
Later than one year and not later than five years	458,544	627,265
Later than five years	53,803	65,167

(b) Letters of credit outstanding at December 31, 2015 were Rs 444,070 thousand (2014: Rs 584,891 thousand).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

33. FINANCIAL INSTRUMENTS

33.1 Financial assets and liabilities

	2015 Rs '000	2014 Rs '000
Financial assets		
Loans and receivables		
Maturity up to one year:		
Trade debts	906	3,225
Loans and advances	181,594	66,692
Other receivables		
Local currency	434,787	413,989
Foreign currency	11,835	11,478
	446,622	425,467
Cash and bank balances		
Local currency	28,283	123,844
Foreign currency	24,806	25,729
	53,089	149,573
	682,211	644,957
Maturity after one year:		
Loans	–	19
Security deposits	20,199	19,958
	702,410	664,934
Financial liabilities		
Other financial liabilities		
Maturity up to one year:		
Trade and other payables		
Excise duty and sales tax payable	5,732,591	5,826,927
Others		
Local currency	6,967,658	4,560,545
Foreign currency	1,170,676	866,152
	13,870,925	11,253,624
Short term running finance	1,219,501	562,870
Finance lease obligation	154,365	119,375
Accrued interest / mark-up	11,807	24,166
	15,256,598	11,960,035
Maturity after one year:		
Finance lease obligation	415,123	400,354
	15,671,721	12,360,389

33.2 Forward foreign exchange contracts

The principal amounts of the outstanding forward foreign exchange contracts for hedging of letters of credit amounted to Rs 219,413 thousand at December 31, 2015 (2014: Rs 434,729 thousand).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

34. TRANSACTIONS WITH RELATED PARTIES

British American Tobacco (Investments) Limited (BAT-IL) holds 94.34% (2014: 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 the 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 15 to the financial statements.

	2015 Rs '000	2014 Rs '000
Purchase of goods and services from		
Holding company	749,141	729,250
Associated companies	1,495,442	1,853,760
Sale of goods and services to		
Holding company	4,540	8,766
Associated companies	78,491	61,938
Royalty charge from		
Holding company	587,797	516,103
Expenses reimbursed to		
Holding company	6,689	13,323
Associated companies	4,817	12,574
Expenses reimbursed by		
Holding company	1,862	8,645
Associated companies	50,027	20,773

35. POST BALANCE SHEET EVENT

In respect of the year ended December 31, 2015 final dividend of Rs 18.00 (2014: Rs 12.00) per share amounting to a total dividend of Rs 4,598,888 thousand (2014: 3,065,926 thousand) has been proposed at the Board of Directors meeting held on February 19, 2016. These financial statements do not reflect this proposed dividend.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

36. GENERAL

36.1 Capacity and production

Against an estimated manufacturing capacity of 54,000 million cigarettes (2014: 53,000 million cigarettes) actual production was 43,540 million cigarettes (2014: 44,496 million cigarettes). Actual production was sufficient to meet market demand. There was no production through any outside manufacturing source.

36.2 Number of employees

Total number of employees as at December 31, 2015 were 1,237 (2014: 1,269). Average number of employees during the year were 1,222 (2014 : 1,234)

36.3 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 19, 2016.



GRAEME DOUGLAS AMEY
MANAGING DIRECTOR & CEO



SYED JAVED IQBAL
FINANCE & IT DIRECTOR

PAKISTAN TOBACCO COMPANY LIMITED

CONSOLIDATED
FINANCIAL
STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

AUDITOR'S 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, Phoenix (Private) Limited as at December 31, 2015 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 Company and its subsidiary company. These financial statements are the responsibility of the 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 December 31, 2015 and the results of their operations for the year then ended.



A.F.Ferguson & Co.

Chartered Accountants

Islamabad

Date: February 19, 2016

Engagement partner: S. Haider Abbas

CONSOLIDATED PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	2015 Rs '000	2014 Rs '000
Gross turnover		125,012,583	107,217,617
Excise duties		(63,290,222)	(54,447,161)
Sales tax		(18,815,170)	(16,151,379)
Net turnover		42,907,191	36,619,077
Cost of sales	7	(24,351,991)	(22,771,684)
Gross profit		18,555,200	13,847,393
Selling and distribution costs	8	(4,854,542)	(3,877,112)
Administrative expenses	9	(2,434,574)	(2,398,881)
Other operating expenses	10	(1,068,191)	(650,753)
Other income	11	137,176	166,415
		(8,220,131)	(6,760,331)
Operating profit		10,335,069	7,087,062
Finance income		315,866	199,795
Finance cost	12	(71,862)	(99,056)
Net finance income		244,004	100,739
Profit before income tax		10,579,073	7,187,801
Income tax expense	13	(3,532,639)	(2,337,656)
Profit for the year		7,046,434	4,850,145
Earnings per share - (Rupees)	14	27.58	18.98

The annexed notes 1 to 35 form an integral part of these consolidated financial statements.


GRAEME DOUGLAS AMEY
 MANAGING DIRECTOR & CEO


SYED JAVED IQBAL
 FINANCE & IT DIRECTOR

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	2015 Rs '000	2014 Rs '000
Profit for the year		7,046,434	4,850,145
Other comprehensive income for the year:			
Items that will not be reclassified to profit & loss account			
Remeasurement (loss) / gain on defined benefit pension and gratuity plans	27	(132,723)	75,389
Tax credit / (charge) related to remeasurement gain on defined benefit pension and gratuity plans	13	39,973	(26,935)
		(92,750)	48,454
Items that may be subsequently reclassified to profit & loss account		-	-
Other comprehensive income for the year - net of tax		(92,750)	48,454
Total comprehensive income for the year - net of tax		6,953,684	4,898,599

The annexed notes 1 to 35 form an integral part of these consolidated financial statements.



GRAEME DOUGLAS AMEY
MANAGING DIRECTOR & CEO



SYED JAVED IQBAL
FINANCE & IT DIRECTOR

CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 2015

	Note	2015 Rs '000	2014 Rs '000
Non current assets			
Property, plant and equipment	16	9,210,019	8,738,525
Long term loans	17	-	19
Long term deposits and prepayments	18	29,072	32,453
Current assets			
Stock-in-trade	19	14,007,537	11,894,508
Stores and spares	20	675,564	472,029
Trade debts	21	906	3,225
Loans and advances	22	181,594	66,692
Short term prepayments		170,298	183,145
Other receivables	23	426,601	405,446
Cash and bank balances	24	53,089	149,573
		15,515,589	13,174,618
Current liabilities			
Trade and other payables	25	10,417,067	11,266,526
Short term running finance	26	1,219,501	562,870
Finance lease obligation	29	154,365	119,375
Accrued interest / mark-up		11,807	24,166
Current income tax liabilities		1,131,661	460,732
		12,934,401	12,433,669
Net current assets			
		2,581,188	740,949
Non current liabilities			
Deferred income tax liabilities	28	(1,038,997)	(1,100,229)
Finance lease obligation	29	(415,123)	(400,354)
		(1,454,120)	(1,500,583)
Net assets			
		10,366,159	8,011,363
Share capital and reserves			
Share capital	30	2,554,938	2,554,938
Revenue reserves		7,811,221	5,456,425
		10,366,159	8,011,363
Contingencies and commitments	31		

The annexed notes 1 to 35 form an integral part of these consolidated financial statements.


GRAEME DOUGLAS AMEY
 MANAGING DIRECTOR & CEO


SYED JAVED IQBAL
 FINANCE & IT DIRECTOR

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015 Rs '000	2014 Rs '000
Cash flows from operating activities		
Cash receipts from customers	125,292,870	107,216,336
Cash paid to Government for Federal excise duty, sales tax and other levies	(86,059,817)	(69,859,772)
Cash paid to suppliers	(25,270,750)	(23,557,885)
Cash paid to employees and retirement funds	(4,558,127)	(4,227,646)
Interest paid	(84,221)	(101,938)
Cash paid as royalty	(563,022)	(511,637)
Income tax paid	(2,908,123)	(2,284,685)
Other cash payments	(669,580)	(297,302)
	5,179,230	6,375,471
Cash flows from investing activities		
Purchases of property, plant and equipment	(1,490,676)	(2,248,826)
Proceeds from sale of property, plant and equipment	159,919	67,079
Interest received	315,866	199,795
	(1,014,891)	(1,981,952)
Cash flows from financing activities		
Dividends paid	(4,620,059)	(2,259,822)
Finance lease payments	(297,395)	(170,677)
	(4,917,454)	(2,430,499)
(Decrease) / increase in cash and cash equivalents	(753,115)	1,963,020
Cash and cash equivalents at beginning of year	(413,297)	(2,376,317)
Cash and cash equivalents at end of year	(1,166,412)	(413,297)
Cash and cash equivalents comprise:		
Cash and bank balances	53,089	149,573
Short term running finance	(1,219,501)	(562,870)
	(1,166,412)	(413,297)

The annexed notes 1 to 35 form an integral part of these consolidated financial statements.



GRAEME DOUGLAS AMEY
MANAGING DIRECTOR & CEO



SYED JAVED IQBAL
FINANCE & IT DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2015

	Share capital Rs '000	Revenue reserves Rs '000	Total Rs '000
Balance at January 1, 2014	2,554,938	2,857,270	5,412,208
Comprehensive income:			
Profit for the year	–	4,850,145	4,850,145
Other comprehensive income for the year	–	48,454	48,454
Total Comprehensive income for the year	–	4,898,599	4,898,599
Transactions with owners:			
Final dividend of Rs 6.00 per share relating to the year ended December 31, 2013	–	(1,532,963)	(1,532,963)
Interim dividend of Rs 3.00 per share relating to the year ended December 31, 2014	–	(766,481)	(766,481)
Total transactions with owners	–	(2,299,444)	(2,299,444)
Balance at December 31, 2014	2,554,938	5,456,425	8,011,363
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 income 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

The annexed notes 1 to 35 form an integral part of these consolidated financial statements.


GRAEME DOUGLAS AMEY
 MANAGING DIRECTOR & CEO


SYED JAVED IQBAL
 FINANCE & IT DIRECTOR

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

1. THE GROUP AND ITS OPERATIONS

Pakistan Tobacco company Limited (the company) is a public listed company incorporated in Pakistan on November 18, 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 registered office of the company is situated at Serena Business Complex, Khayaban-e-Suharwardy, Islamabad. The company is engaged in the manufacture and sale of cigarettes.

Phoenix (Private) Limited (PPL) is a private Company incorporated on March 9, 1992 in Azad Jamu and Kashmir under the Companies Ordinance, 1984. The registered office of PPL is situated at Bin Khurma, Chichian Road, Mirpur, AzadJamu and Kashmir. The object for which the PPL has been incorporated is to operate and manage an industrial undertaking in Azad Jamu 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 are Consolidated financial statements of the Group. 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.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are described in note 6.

3. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

- a) The following amendments and interpretations to published accounting standards became effective during the year, however, the adoption of these amendments and interpretations did not have any material effect on the financial statements.

		Effective date (annual periods beginning on or after)
IFRS 2	Share-based Payment (Amendments)	July 1, 2014
IFRS 3	Business Combinations (Amendments)	July 1, 2014
IFRS 8	Operating Segments (Amendments)	July 1, 2014
IFRS 9	Financial Instruments	July 1, 2014
IFRS 10	Consolidated Financial Statements	January 1, 2015
IFRS 11	Joint Arrangements	January 1, 2015
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2015
IFRS 13	Fair Value Measurement	July 1, 2014
IAS 1	Presentation of Financial Statements (Amendments)	July 1, 2014
IAS 16	Property, Plant and Equipment (Amendments)	July 1, 2014
IAS 19	Employee Benefits (Amendments)	July 1, 2014
IAS 24	Related Party Disclosures (Amendments)	July 1, 2014
IAS 38	Intangible Assets (Amendments)	July 1, 2014
IAS 27	Separate Financial Statements	January 1, 2015
IAS 28	Investments in Associates and Joint Ventures	January 1, 2015
IAS 37	Provisions, contingent liabilities and contingent assets	July 1, 2014
IAS 39	Financial instruments – Recognition and measurement	July 1, 2014
IAS 40	Investment Property	July 1, 2014

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

- b) The following standards and amendments to published accounting standards were not effective during the year and have not been early adopted by the Group:

		Effective date (annual periods beginning on or after)
IAS 1	Presentation of Financial Statements (Amendments)	January 1, 2016
IAS 16	Property, Plant and Equipment (Amendments)	January 1, 2016
IAS 19	Employee Benefits (Amendments)	January 1, 2016
IAS 27	Separate Financial Statements (Amendments)	January 1, 2016
IAS 28	Investment in Associates and Joint Ventures (Amendments)	January 1, 2016
IAS 34	Interim Financial Reporting (Amendments)	January 1, 2016
IAS 38	Intangible Assets (Amendments)	January 1, 2016
IAS 41	Agriculture (Amendments)	January 1, 2016
IFRS 5	Non-Current Assets held for sale and discontinued Operations (Amendments)	January 1, 2016
IFRS 7	Financial Instruments: Disclosures	January 1, 2016
IFRS 9	Financial Instruments	January 1, 2018
IFRS 10	Consolidated financial statements (Amendments)	January 1, 2016
IFRS 11	Joint arrangements (Amendments)	January 1, 2016
IFRS 12	Disclosure of interests in other entities (Amendments)	January 1, 2016
IFRS 14	Regulatory Deferral Accounts	January 1, 2016
IFRS 15	Revenue from Contracts with Customers	January 1, 2018

The management anticipates that the adoption of the above standards and amendments in future periods, will have no material impact on the Group's financial statements other than in presentation / disclosures.

- c) IFRS 1 'First-time adoption of International Financial Reporting standards' effective date (annual periods beginning on or after) has been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purpose of their applicability in Pakistan:

- d) The following interpretations issued by the IASB have been waived off by SECP effective January 16, 2012:

IFRIC 4	Determining whether an arrangement contains lease
IFRIC 12	Service concession arrangements

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Basis of measurement

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

4.2 Functional and presentation currency

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

4.3 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.

4.4 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

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.

4.5 Current and deferred 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

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 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.

4.6 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.

4.7 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.

4.8 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.

4.9 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 Pakistan rupee and have terms to maturity approximating to the terms of the related liability.

- (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 recognized as an expense in the profit and loss account.

(d) Bonus plans

The Group recognizes a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments and performance targets. The Group recognizes a provision where 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 recognized at its current fair value determined at each balance sheet date.

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.

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.

4.10 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.

(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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

4.11 Property, plant and equipment

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

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

	2015	2014
Buildings on free-hold land and buildings on leasehold land	3%	3%
Plant and machinery	7%	7%
Air conditioners included in plant and machinery	20%	20%
Office and household equipment	20% to 33.33%	20% to 33.33%
Furniture and fittings	10% to 20%	10% to 20%
Vehicles - Owned and leased	20%	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.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An assets carrying amount is written down immediately to its recoverable amount if the assets' carrying amount is greater than its estimated recoverable amount.

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

4.12 Impairment of non-financial assets

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 recognized. An impairment loss or reversal of impairment loss is recognized in the profit and loss account.

4.13 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.

4.14 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.

4.15 Financial assets

4.15.1 Classification

The Group classifies its financial assets in four categories: held to maturity, loans and receivables, at fair value through profit or loss and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

i) Held to maturity

A financial asset is classified in this category if acquired by the Group with the intention and ability to hold them upto maturity.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. The Group's loans and receivables comprise trade debts, loans and advances, other receivables, security deposits and cash and bank balances.

(iii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose off the investment within 12 months of the balance sheet date.

4.15.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognized on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity financial assets are carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are recognized in the profit and loss account in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the profit and loss account as part of other income when the Group's right to receive payment is established.

4.15.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

4.15.4 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

4.16 Trade debts

Trade debts are recognized 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 recognized 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.

4.17 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 recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

4.18 Borrowing Costs

Borrowings are recognized 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 recognized 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.

4.19 Dividend distribution

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

4.20 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.

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. 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.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollar, Great Britain Pound Sterling, Australian Dollar and the Euro. Currently, the Group's foreign exchange risk exposure is restricted to cash and bank balances and the amounts receivable/payable from/to the foreign entities. The Group enters into forward exchange contracts with banks to hedge the currency risk on letters of credit related to import of goods and equipment.

Financial assets include Rs 36,641 thousand (2014: Rs 37,207 thousand) and financial liabilities include Rs 1,212,483 thousand (2014: Rs 866,152 thousand) which were subject to foreign exchange risk.

At December 31 2015, if the functional currency had weakened/strengthened by 10% against foreign currencies, with all other variables held constant, the profit after taxation for the year would have been lower / higher by Rs 86 million (2014: Rs 56 million).

(ii) Price risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group is not exposed to equity price risk since there are no investments in equity securities. The Group is also not exposed to commodity price risk.

(iii) Cash flow and fair value 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 has no significant long-term interest-bearing assets or liabilities whose fair value or future cash flows will fluctuate because of changes in market interest rates.

Financial liabilities include balances of Rs 1,788,989 thousand (2014: Rs 1,082,599 thousand) which are subject to interest rate risk. Applicable interest rates for financial liabilities have been indicated in respective notes.

At balance sheet date, if interest rates had been 1% higher/lower, with all other variables held constant, profit after taxation for the year would have been Rs 13 million (2014: Rs 8 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from trade debts, loans and advances, other receivables and deposits with banks. The table below shows bank balances held with counterparties at the balance sheet date.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

Counterparty	Rating		Rating Agency	Rs (million)	
	Short term	Long term		2015	2014
Deutsche Bank AG	P-2	A3	Moody's	32.30	63
MCB Bank Ltd	A1+	AAA	PACRA	20.00	20
Citibank N.A.	P-1	A2	Moody's	0.02	57
Standard Chartered	A1+	AAA	PACRA	0.26	7
				52.58	147

Loans and advances, trade debts and other receivables amounting to Rs 629 million (2014: Rs 515 million) do not include any amounts which are past due or impaired.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Group manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At December 31, 2015, the Group had Rs 5,280 million (2014: Rs 5,937 million) unutilised borrowing facilities from financial institutions and Rs 53 million (2014: Rs 150 million) cash and bank balances. Further, the Group also has strong financial support from its holding Group.

The table below summarizes the maturity profile of the Group's financial liabilities as at reporting date. The amounts disclosed are undiscounted cash flows.

	December 31, 2015		
	Amount Rs '000	Within one year Rs '000	Upto five years Rs '000
Finance lease obligation	681,934	248,422	433,512
Trade and other payables	10,136,619	10,136,619	–
Short term running finance	1,219,501	1,219,501	–
Accrued interest / mark-up	11,807	11,807	–
	12,049,861	11,616,349	433,512

	December 31, 2014		
	Amount Rs '000	Within one year Rs '000	Upto five years Rs '000
Finance lease obligation	617,308	172,948	444,360
Trade and other payables	11,263,047	11,263,047	–
Short term running finance	562,870	562,870	–
Accrued interest / mark-up	24,166	24,166	–
	12,467,391	12,023,031	444,360

5.2 Capital management

The Group's objectives when managing capital risks are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

5.3 Fair value estimation

The carrying values of financial instruments approximate their fair values.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Income taxes

The Group recognizes tax liabilities for pending tax assessments using estimates based on expert opinion obtained from tax/legal advisors. Differences, if any, between the income tax provision and the tax liability finally determined is recorded when such liability is so determined. 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 substantially enacted by the balance sheet date.

(b) Employee benefits

Retirement benefit plans (note 4.9a)
Employees' termination benefits (note 4.9b)
Bonus plans (note 4.9d)

(c) Property, plant and equipment

The Group reviews useful life and residual value of property, plant and equipment (note 4.11) on regular basis. Any change in estimates may affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015 Rs '000	2014 Rs '000
7. COST OF SALES		
Raw material consumed		
Opening stock of raw materials and work in process	9,802,963	7,558,214
Raw material purchases and expenses - note 7.1	19,881,227	19,627,913
Closing stock of raw materials and work in process	(11,233,495)	(9,802,963)
	18,450,695	17,383,164
Government taxes and levies		
Customs duty and surcharges	525,731	623,263
Provincial and municipal taxes and other duties	242,552	226,156
Excise duty on royalty	58,780	51,610
	827,063	901,029
	19,277,758	18,284,193
Royalty	587,798	516,103
Production overheads		
Salaries, wages and benefits	1,742,058	1,708,308
Stores, spares and machine repairs	602,380	627,626
Fuel and power	545,288	614,863
Insurance	44,183	45,433
Repairs and maintenance	552,621	376,925
Postage, telephone and stationery	13,773	8,792
Information technology	37,066	65,092
Depreciation	719,848	621,312
Provision for damaged stocks / stock written off	15,795	76,048
Provision for slow moving items / stores written off	90,621	78,000
Severance benefits	465,805	-
Sundries	269,494	302,381
	5,098,932	4,524,780
Cost of goods manufactured	24,964,488	23,325,076
Cost of finished goods		
Opening stock	2,161,545	1,608,153
Closing stock	(2,774,042)	(2,161,545)
	(612,497)	(553,392)
Cost of sales	24,351,991	22,771,684
7.1 Raw material purchases and expenses		
Materials	17,722,013	17,080,383
Salaries, wages and benefits	1,004,951	907,889
Stores, spares and machine repairs	116,911	232,784
Fuel and power	602,993	837,065
Property rentals	145,381	107,818
Insurance	26,412	21,470
Repairs and maintenance	46,803	68,110
Postage, telephone and stationery	11,637	10,866
Depreciation	128,742	113,099
Sundries	75,384	248,429
	19,881,227	19,627,913

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015 Rs '000	2014 Rs '000
8. SELLING AND DISTRIBUTION COSTS		
Salaries, wages and benefits	745,887	654,105
Selling expenses	3,580,217	2,958,059
Freight	103,517	76,319
Repairs and maintenance	40,994	80,237
Postage, telephone and stationery	10,931	13,808
Travelling	91,748	37,409
Property rentals	28,819	15,452
Insurance	16,055	11,219
Finished goods stock written off	206,826	–
Depreciation	29,548	30,504
	4,854,542	3,877,112
9. ADMINISTRATIVE EXPENSES		
Salaries, wages and benefits	1,051,435	1,019,552
Fuel and power	9,509	16,856
Property rentals	117,055	131,489
Insurance	5,277	6,219
Repairs and maintenance	40,957	37,716
Postage, telephone and stationery	9,625	18,221
Legal and professional charges	50,703	41,893
Donations - note 9.1	20,000	10,100
Information technology	861,545	914,205
Travelling	100,508	82,357
Depreciation	110,491	68,882
Auditor's remuneration and expenses - note 9.2	11,355	9,756
Sundries	46,114	41,635
	2,434,574	2,398,881
9.1	There were no donations in which the directors, or their spouses, had any interest.	
	2015 Rs '000	2014 Rs '000
9.2 Auditor's remuneration and expenses include:		
- Statutory audit fee	1,778	1,628
- Group reporting, review of half yearly accounts, audit of consolidated accounts, audit of staff retirement benefit funds and special certifications	3,779	3,379
- Tax services	5,209	4,209
- Out-of-pocket expenses	589	540
	11,355	9,756
10. OTHER OPERATING EXPENSES		
Workers' profit participation fund	568,196	386,026
Workers' welfare fund	216,644	146,690
Bank charges and fees	50,118	32,952
Loss on disposal of property, plant and equipment	–	18,536
Receivable written off	24	–
Interest paid to workers' profit participation fund	892	517
Foreign exchange loss	232,317	66,032
	1,068,191	650,753

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015 Rs '000	2014 Rs '000
11. OTHER INCOME		
Income from an associated company		
- BAT SAA Services (Private) Limited, for services rendered	37,642	34,502
Services to BAT Holding & BAT Bangladesh	6,224	-
Sale of stem tobacco	17,402	-
Gain on disposal of property, plant and equipment	70,219	-
Recharges payable written back	-	94,810
Vehicle rental from marketing agencies	-	17,081
Adjustment for federal excise duty	-	11,814
Income recognised on sale and leaseback of vehicles - note 26.5	972	5,872
Miscellaneous	4,717	2,336
	137,176	166,415
12. FINANCE COST		
Interest expense on:		
Bank borrowings	16,685	53,989
Finance lease	55,177	45,067
	71,862	99,056
13. INCOME TAX EXPENSE		
Current		
For the year	3,373,577	2,239,017
For prior years - 13.1	205,475	-
	3,579,052	2,239,017
Deferred	(46,413)	98,639
	3,532,639	2,337,656

13.1 This represents super tax @ 3% of taxable income levied through Finance Act, 2015 and its levy is sub judice at various fora.

13.2 Effective tax rate reconciliation:

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

	2015 (%)	2014 (%)
Applicable tax rate	32.00	33.00
Tax effect of:		
Prior year charge	1.94	-
Change in applicable tax rate	(0.32)	-
Income taxed at different rate	(0.03)	(0.12)
Inadmissible expenses	-	0.35
Others	(0.20)	(0.71)
Average effective tax rate	33.39	32.52

The applicable income tax rate was reduced from 33% to 32% during the year on account of the changes made to Income tax Ordinance, 2001 in 2015.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015 Rs '000	2014 Rs '000
13.3 Tax on items directly credited to statement of comprehensive income		
Current tax (credit) / charge on defined benefit plans	(2,562)	39,463
Deferred tax credit on defined benefit plans	(37,411)	(12,528)
	(39,973)	26,935
14. EARNINGS PER SHARE		
Profit after tax (Rs '000)	7,046,434	4,850,145
Number of fully paid weighted average ordinary shares ('000)	255,494	255,494
Earnings per share - Basic (Rs)	27.58	18.98

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

15. 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	
	2015 Rs '000	2014 Rs '000	2015 Rs '000	2014 Rs '000	Key management personnel		Other executives		2015 Rs '000	2014 Rs '000
					2015 Rs '000	2014 Rs '000	2015 Rs '000	2014 Rs '000		
Managerial remuneration	64,040	74,722	39,471	44,941	276,211	257,896	819,300	747,115	1,199,022	1,124,674
Corporate bonus	27,166	19,320	39,136	47,252	195,208	224,341	240,625	225,571	502,135	516,484
Leave fare assistance	5,767	4,036	2,289	3,330	5,401	11,078	1,790	3,324	15,247	21,768
Housing and utilities	12,492	12,309	10,909	13,468	75,664	69,770	320,406	301,289	419,471	396,836
Medical expenses	-	-	1,601	1,667	9,449	18,597	45,238	42,697	56,288	62,961
Post employment benefits	2,752	5,604	5,656	6,029	46,752	38,572	188,057	155,981	243,217	206,186
	112,217	115,991	99,062	116,687	608,685	620,254	1,615,416	1,475,977	2,435,380	2,328,909
Number of persons	1	1	2	2	35	37	513	495	551	535

15.1 The Group, in certain cases, also provides individuals with the use of Group accommodation, cars and household items, in accordance with their entitlements.

15.2 The aggregate amounts charged in the financial statements of the year for remuneration including all benefits to six (2014: six) non-executive directors of the Group amounted to Rs 6,271 thousand (2014: Rs 6,519 thousand).

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015 Rs '000	2014 Rs '000
16. PROPERTY, PLANT AND EQUIPMENT		
Operating assets - note 16.1	8,069,387	7,651,975
Capital work in progress - note 16.2	1,140,632	1,086,550
	9,210,019	8,738,525

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, 2014									
Cost	33,934	802,628	22,149	9,314,801	742,444	100,760	425,229	514,442	11,956,387
Accumulated depreciation	-	(195,938)	(13,323)	(4,721,467)	(474,620)	(59,808)	(338,341)	(79,173)	(5,882,670)
Net book amount at January 1, 2014	33,934	606,690	8,826	4,593,334	267,824	40,952	86,888	435,269	6,073,717
Year ended December 31, 2014									
Net book amount at January 1, 2014	33,934	606,690	8,826	4,593,334	267,824	40,952	86,888	435,269	6,073,717
Additions	-	48,340	1,081	1,869,111	165,289	262,987	20,907	129,955	2,497,670
Disposals	-	(774)	(258)	(28,089)	(601)	(1,102)	(26,276)	(28,514)	(85,615)
Depreciation charge	-	(20,728)	(394)	(615,009)	(110,655)	(17,976)	(3,699)	(65,337)	(833,797)
Net book amount at December 31, 2014	33,934	633,528	9,255	5,819,347	321,857	284,861	77,820	471,373	7,651,975
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 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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015 Rs '000	2014 Rs '000
16.2 Capital work in progress		
Plant and machinery	1,014,202	797,400
Advances to suppliers	126,430	289,150
	1,140,632	1,086,550
16.3 Depreciation charge has been allocated as follows:		
Cost of sales	719,848	621,312
Raw material purchases and expenses	128,742	113,099
Selling and distribution expenses	29,548	30,504
Administrative expenses	110,491	68,882
	988,629	833,797

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
Computer equipment - by insurance claim	131	77	131	EFU General Insurance Co.
Vehicles - as per Group's policy	1,193	614	518	Mian Waqar-ud-din - employee
	1,305	744	261	Shadman Safdar - employee
	1,305	683	645	Mirza Zubair - employee
	1,384	346	277	Nadeem Aqeel - employee
	1,395	741	615	Manzar Ijaz - employee
	1,395	752	652	S.Asad Abbas - ex- employee
	1,418	775	737	Basit Ali - ex-employee
	1,575	774	606	Syed Hammad - employee
	1,646	1,116	1,039	Farhan Rafique - employee
	1,691	1,002	1,128	Usman A.Khan - employee
	1,691	1,050	1,017	Mona Qaemi - ex-employee
	1,809	339	181	M.Uzair - employee
	3,600	1,770	1,675	Mustanser Ali - employee
	4,500	450	450	Ayesha Rafique - employee
	5,004	500	510	Tajamal Shah - employee
	5,204	3,571	3,007	Ch.Aftab Ahmed - ex-employee
- by auction	422	62	500	Shahdab - Peshawar
	518	52	480	Shahid Ali - Rawalpindi
	526	53	480	Qaramat Hussain - Islamabad
	651	65	500	M.Nasir Khan - Karachi
	651	65	536	Gul Dad - Karachi
	651	65	455	Raja M.Tasneem - Karachi
	651	65	461	Nusrat Iqbal - Karachi
	651	65	530	Nusrat Iqbal - Karachi
	651	65	509	Zahid Qadri - Karachi
	651	65	522	Shah Bagh Khan - Karachi
	651	65	502	Nusrat Iqbal - Karachi

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

Cost	Book Value	Sale Proceeds less selling expenses	Particulars of Buyers
Rs '000	Rs '000	Rs '000	
651	65	516	Gul Dad - Karachi
651	65	501	Nazar Wali - Karachi
651	65	451	M.Hanif Tahir - Karachi
651	65	501	Sardar Wali - Karachi
654	177	520	Adam Khan - Karachi
656	66	420	M.Siddique - Mohmand Agency
656	66	380	Abdul Wajid - Islamabad
656	66	395	M. Shareef - Wah
656	66	380	Shah Hussain - Rawalpindi
656	66	405	Manzoor Ahmed - Islamabad
656	66	460	Malik Anwar - Islamabad
656	66	460	Khanzada - Islamabad
656	66	490	Rashid Mehmood - Kohat
656	66	495	Nazakat Ali - Bannu
656	66	515	Mohammadi Gul - Charsadda
656	66	360	Tanweer Ahmed - Rawalpindi
657	66	545	Nadeem Hayat - Chakwal
678	99	525	M.Nasir Khan - Karachi
678	99	520	M.Nasir Khan - Karachi
678	99	505	Ali Asghar - Lahore
678	99	460	Raees Ahmed - Karachi
678	99	536	S.M.Saeed - Karachi
678	99	527	Nusrat Iqbal - Karachi
678	99	520	Said Faqeer - Karachi
678	99	456	Khalid Anwar - Karachi
678	99	511	Nusrat Iqbal - Karachi
678	99	502	Nusrat Iqbal - Karachi
683	100	470	Hamid Usman - Islamabad
683	100	405	Nadeem Hayat - Chakwal
683	100	435	M.Siddique - Mohmand Agency
683	100	400	Masood Ahmed - Islamabad
683	100	535	Haqdad - Rawalpindi
683	100	530	Zahir Mohammad - Mardan
683	100	530	Malik Amir Iqbal - Islamabad
683	100	530	Malik Amir Iqbal - Islamabad
683	100	475	Ali Asghar - Lahore
683	100	470	Nazakat Ali - Bannu
683	100	525	Sajid Hussain - Rawalpindi
683	100	560	Nouman Abbas - Chakwal
683	100	525	Ahmed Nawaz - Chakwal
683	100	530	M.Huzaifa Khan - Haripur
683	100	515	Asif Mehmood - Islamabad
683	100	485	Mujeeb-Ur-Rehman - Islamabad
683	100	505	Ali Asghar - Lahore
683	100	520	Khizar Khan - Haripur
683	100	425	Inam Ali - Rawalpindi
683	100	555	Malik Amir Iqbal - Islamabad
683	100	485	Mutahir Shah - Mardan
683	100	550	Malik Amir Iqbal - Islamabad
683	100	555	Nadeem Hayat - Chakwal
683	100	410	M.Mohsin - Multan
683	100	485	Anwar-Ul-Haq - Rawalpindi

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

Cost	Book Value	Sale Proceeds less selling expenses	Particulars of Buyers
Rs '000	Rs '000	Rs '000	
683	100	460	Abid Hussain - Rawalpindi
683	100	455	Mohammad Umair - Islamabad
683	100	455	Sultan Qamar - Chakwal
683	100	495	Abdul Waheed - Rawalpindi
683	100	500	Mutahir Shah - Mardan
683	100	560	Shahid Yamin - Jhelum
683	100	490	Shehzad Ahmed - Chakwal
683	100	515	Shahid Baig - Rawalpindi
860	86	415	Aatif Hayat - Chakwal
890	89	810	Nusrat Iqbal - Karachi
902	90	950	Raja Zahoor - Rawalpindi
902	90	770	Sujawal Khan - Islamabad
902	90	780	Abrar Hussain - Islamabad
981	98	925	Adil Mehmood - Rawalpindi
1,103	625	1,030	Amtul Hai - Jhelum
1,232	282	1,030	Hazrat Wali - Karam Agency
1,240	284	1,055	M. Karim - Karam Agency
1,240	284	1,015	M.Siddique - Mohmand Agency
1,246	286	1,030	Allah Yaar - Chakwal
1,248	286	1,045	Nisar Ahmed - Rawalpindi
1,250	708	955	Waseem Mirza - Karachi
1,251	287	1,006	M.Islam Khan - Karachi
1,293	431	1,033	Hassan Ali Warsi - Karachi
1,300	737	991	Said Faqeer - Karachi
1,305	744	1,170	Shahnawaz - Chakwal
1,350	770	1,230	Sheikh Nadeem - Kalar Syedan
1,350	779	1,225	Alamgir Khan - Rawalpindi
1,354	282	1,040	Mohammad Amin - Chakwal
1,354	226	1,120	Sujawal Khan - Islamabad
1,389	139	1,090	Mian Farmanullah - Charsadda
1,395	796	1,110	Sujawal Khan - Islamabad
1,395	730	1,275	Malik Aftab - Rawalpindi
1,395	730	1,255	M.Niaz Khan - Muree
1,439	144	1,450	Malik Anwar - Islamabad
1,440	821	1,190	Aurangzeb Khan - Islamabad
1,440	753	1,360	M.Siddique - Mohmand Agency
1,575	898	1,400	Tufail Ahmed - Rawalpindi
1,587	496	1,056	Mohammad Jawed - Karachi
1,626	980	1,260	Qaiser Iqbal - Mianwali
1,691	1,019	1,330	Khanzada - Islamabad
1,691	1,156	1,375	Zale Khan - Dera Ismail Khan
1,691	1,205	1,250	Masood Ahmed - Islamabad
1,724	287	1,100	Raja M. Farooq - Rawalpindi
1,724	287	1,175	Sujawal Khan - Islamabad
1,728	1,082	1,460	Sheryar Khan - Peshawar
2,106	1,564	1,650	Khanzada - Islamabad
2,106	1,257	1,380	S.Muhammad Ali - Islamabad
2,106	1,194	1,415	M.Jaffar - Rawalpindi
2,373	237	1,030	Alam Zaib - Islamabad
2,373	237	1,050	Khurram Mehboob - Rawalpindi
2,691	269	1,780	Shahid Baig - Rawalpindi
3,000	300	1,405	Asad Habib - Rawalpindi

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

	Cost	Book Value	Sale Proceeds less selling expenses	Particulars of Buyers
	Rs '000	Rs '000	Rs '000	
	3,000	300	1,575	Khurram Mehboob - Rawalpindi
	3,565	356	2,290	Malik M.Yasin - Rawalpindi
	3,798	2,483	2,800	M.Uzair - Islamabad
	4,259	2,266	2,830	Tahir Mehmood - Islamabad
	4,363	2,473	3,000	Abdul Ghafoor - Islamabad
	4,429	443	1,800	Tahir Mehmood - Islamabad
	4,604	1,355	2,876	Abrar Hussain - Islamabad
	5,774	4,354	3,450	Habib ur Rehman - Rawalpindi
	7,200	3,767	6,910	Shadman Safdar - Islamabad
	9,060	6,052	7,000	S.Asad Ali - Islamabad
- by insurance claim	890	89	1,200	New Hampshire Insurance Company
	2,106	1,248	2,000	-do-
	2,047	1,803	2,024	-do-
	2,047	1,803	2,024	-do-
	2,047	1,803	2,024	-do-
	2,047	2,047	2,047	-do-
	2,047	1,958	2,024	-do-
	2,047	1,870	2,024	-do-
	3,303	2,551	3,303	-do-

	2015 Rs '000	2014 Rs '000
17. LONG TERM LOANS - UNSECURED, CONSIDERED GOOD		
Related parties		
Key management personnel	5	23
Others		
Other executives	10	48
	15	71
Receivable within one year	(15)	(52)
	-	19

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

17.1 Reconciliation of loans:

	Executives				Total	
	Key management personnel		Other executives		2015 Rs'000	2014 Rs'000
	2015 Rs'000	2014 Rs'000	2015 Rs'000	2014 Rs'000		
Balance as at January 1	23	45	48	279	71	324
Repayments	(18)	(22)	(38)	(231)	(56)	(253)
Balance as at December 31	5	23	10	48	15	71

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 installments. The Group has discontinued this facility. Further no new loans were disbursed to employees during the year.

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

	2015 Rs '000	2014 Rs '000
Key management personnel	22	43
Other executives	44	236
	66	279

18. LONG TERM DEPOSITS AND PREPAYMENTS

Security deposits	26,199	25,958
Prepayments	2,873	6,495
	29,072	32,453

19. STOCK-IN-TRADE

Raw materials	10,473,398	9,469,323
Raw materials in transit	680,659	252,569
Work in process	79,438	81,071
Finished goods	2,774,042	2,161,545
	14,007,537	11,964,508
Provision for damaged raw material	-	(70,000)
	14,007,537	11,894,508

20. STORES AND SPARES

Stores and spares	829,175	542,629
Provision for slow moving items - 20.1	(153,611)	(70,600)
	675,564	472,029

20.1 Provision for slow moving items

Balance as at January 1	70,600	-
Charge for the year	90,621	70,600
Written off during the year	(7,610)	-
Balance as at December 31	153,611	70,600

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

21. TRADE DEBTS

These are unsecured, considered good.

	2015 Rs '000	2014 Rs '000
22. LOANS AND ADVANCES		
Related parties		
Loans to key management personnel	5	15
Advances to key management personnel for house rent and expenses	5,469	6,037
Others		
Loans to executives and other employees	25	37
Advances to executives for house rent and expenses	44,054	40,650
Advances to other parties	132,041	19,953
	181,594	66,692

These loans and advances are unsecured and considered good.

23. OTHER RECEIVABLES

Related parties - unsecured		
Due from holding company / associated companies - note 23.1	49,477	45,979
Unbilled receivable from related parties	23,477	28,089
Staff pension fund - note 27	346,701	319,535
Others		
Claims against suppliers	6,576	7,977
Others	370	3,866
	426,601	405,446

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

Holding Company		
British American Tobacco p.l.c. - UK	1,808	-
Associated Companies		
BAT SAA Services (Private) Limited - Pakistan	37,642	34,502
PT Bentoel Prima - Indonesia	1,325	1,335
BAT ASPAC Service Center Sdn Bhd - Malaysia	3,756	-
BAT Pars, Iran	1,294	-
Commercial Marketers & Distributors, Malaysia	1,223	-
BAT Cambodia	777	-
BAT Marketing (Singapore) Pte Ltd	712	-
BAT Korea Manufacturing - South Korea	615	-
BAT Asia-Pacific Region Ltd - Hong Kong	260	-
BAT GLP Ltd - UK	65	-
BAT Nigeria Ltd - Nigeria	-	7,750
BAT Tutun Mamulleri - Turkey	-	2,392
	49,477	45,979

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015 Rs '000	2014 Rs '000
24. CASH AND BANK BALANCES		
Deposit account	15,142	18,282
Current accounts		
Local currency	12,815	104,138
Foreign currency	24,806	24,520
	52,763	146,940
Cash in hand	326	2,633
	53,089	149,573
25. TRADE AND OTHER PAYABLES		
Related parties - unsecured		
Due to holding company / associated companies - note 25.1	1,276,466	1,007,494
Others		
Creditors	3,459,191	2,500,716
Federal excise duty - note 25.2	2,273,427	4,610,181
Sales tax	361,735	1,216,746
Tobacco excise duty / Tobacco development cess - note 25.3	187,143	122,329
Employee incentive schemes - note 25.4	148,538	98,046
Employees' gratuity fund - note 27	415,493	308,042
Staff pension fund - defined contribution	34	8,999
Management provident fund	150	2,998
Employees' provident fund	68	7,861
Workers' profit participation fund	268,196	386,026
Workers' welfare fund	216,644	146,690
Other accrued liabilities	1,458,343	751,444
Advances from customers	280,448	2,480
Security deposits	15,142	18,282
Dividend payable / unclaimed dividend	56,049	77,220
Deferred income on sale and leaseback of vehicles - note 25.5	-	972
	10,417,067	11,266,526
25.1 The amount due to holding company / associated companies comprises:		
Holding Company		
British American Tobacco p.l.c. - UK	216,404	185,610
Associated Companies		
BAT ASPAC Service Center Sdn Bhd - Malaysia	364,878	235,073
BAT Marketing (Singapore) Pte Ltd	164,869	168,787
BAT GLP Ltd - UK	100,405	134,368
BAT Singapore (Pte) Ltd - Singapore	236,949	92,603
BAT Bangladesh Co. Ltd	-	71,529
BAT Asia-Pacific Region Ltd - Hong Kong	129,743	53,523
BAT GSD Ltd. - UK	43,094	47,853
BAT Suisse - Switzerland	-	12,039
Ceylon Tobacco Company Plc - Sri Lanka	4,434	4,256
BAT Australia	13,343	1,268
Tobacco Importers & Manufacturers, Malaysia	1,826	-
BAT Romania Investment	384	-
BAT SCWE Ltd. - UK	137	585
	1,276,466	1,007,494

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015 Rs '000	2014 Rs '000
25.2 Federal excise duty		
Balance as at January 1	4,610,181	3,518,345
Charge for the year	63,290,222	54,447,161
Payment to the Government during the year	(65,626,976)	(53,355,325)
Balance as at December 31	2,273,427	4,610,181
25.3 Tobacco excise duty / Tobacco development cess:		
Balance as at January 1	122,329	99,218
Charge for the year	154,509	152,795
Payment to the Government during the year	(89,695)	(129,684)
Balance as at December 31	187,143	122,329

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.

	2015 Rs '000	2014 Rs '000
Long Term Incentive Plan (LTIP) - note 25.4.1		
Balance as at January 1	33,943	78,815
Charge / (reversal) for the year	15,987	(24,200)
Payment to employees	-	(20,672)
Balance as at December 31	49,930	33,943
Deferred Share Bonus Scheme (DSBS) - note 25.4.2		
Balance as at January 1	64,103	84,956
Charge for the year	38,458	59,389
Payment to employees	(32,083)	(80,242)
Balance as at December 31	70,478	64,103
Other employee benefit	28,130	-
	148,538	98,046

25.4.1 Long Term Incentive Plan

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

	2015 Number of options	2014 Number of options
Outstanding as at January 1	12,356	19,788
Granted during the year	9,703	10,129
Exercised during the year	(3,845)	(17,561)
Outstanding as at December 31	18,214	12,356

There are no exercisable options at end of the year.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

25.4.2 Deferred Share Bonus Scheme (DSBS)

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

	2015	2014
	Number of options	
Outstanding as at January 1	22,166	24,324
Granted during the year	8,651	12,705
Exercised during the year	(5,959)	(14,863)
Reversals during the year	(2,762)	-
Outstanding as at December 31	22,096	22,166

There are no exercisable options at end of the year.

	2015	2014
	Rs '000	
25.5 Deferred income on sale and leaseback of vehicles		
Deferred income	972	6,844
Income recognized during the year	(972)	(5,872)
	-	972

The Group 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 recognized 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 (2014: Rs 6,500 million), out of which the amount unavailed at the year end was Rs 5,280 million (2014: Rs 5,937 million). These facilities are secured by hypothecation of stock in trade and plant & machinery amounting to Rs 7,222 million (2014: Rs 7,222 million). The mark-up ranges between 6.71% and 10.34% (2014: 10.03% and 10.69%) per annum and is payable quarterly. The facilities are renewable on annual basis.

(b) Non-funded finance facilities

The Group 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 (2014: Rs 2,500 million) and Rs 420 million (2014: 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 444 million (2014: Rs 483 million) and Rs 233 million (2014: Rs 213 million). The letter of credit and guarantee facility is secured by second ranking hypothecation charge over stock-in-trade amounting to Rs 670 million (2014: Rs 670 million).

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015 Rs '000	2014 Rs '000
27. RETIREMENT BENEFITS		
Staff pension fund - Asset (note 23)	(346,701)	(319,535)
Employees' gratuity fund - Liability (note 25)	415,493	308,042

The latest actuarial valuation of the defined benefit plans was conducted at December 31, 2015 using the projected unit credit method. Details of the defined benefit plans are:

	Defined benefit pension plan		Defined benefit gratuity plan	
	2015 Rs '000	2014 Rs '000	2015 Rs '000	2014 Rs '000
(a) The amounts recognized in the balance sheet:				
Present value of defined benefit obligations	4,506,581	4,034,421	1,458,102	1,257,137
Fair value of plan assets	(4,853,282)	(4,353,956)	(1,042,609)	(949,095)
Net (assets) / liability	(346,701)	(319,535)	415,493	308,042
(b) Movement in the liability recognized in the balance sheet is as follow:				
Balance as at January 1	(319,535)	(345,253)	308,042	265,349
Charge for the year - profit & loss	13,631	30,456	108,606	78,231
Employer's contribution during the year	(48,804)	126,458	(125,871)	(91,345)
Remeasurement loss / (gain) recognized in Other Comprehensive Income (OCI) during the year	8,007	(131,196)	124,716	55,807
Balance as at December 31	(346,701)	(319,535)	415,493	308,042
(c) The amounts recognized in the profit and loss account:				
Current service cost	130,223	120,171	83,269	52,215
Interest cost	452,573	461,845	142,411	139,199
Expected return on plan assets	(486,654)	(504,067)	(109,556)	(106,749)
Net interest	(34,081)	(42,222)	32,855	32,450
Past service cost	(31,416)	-	-	-
Members' own contribution	(30,960)	(28,607)	-	-
Secondees' own contribution	(7,274)	(7,400)	-	-
Contribution by employer in respect of secondees	(12,861)	(11,486)	(7,518)	(6,434)
	13,631	30,456	108,606	78,231
(d) Re-measurements recognized in Other Comprehensive Income (OCI) during the year:				
Actuarial loss on obligation	57,040	39,883	145,387	98,892
Net return on plan assets over interest income	(49,033)	(171,079)	(20,671)	(43,085)
Total remeasurements (gain) / loss recognized in OCI	8,007	(131,196)	124,716	55,807

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

	Defined benefit pension plan		Defined benefit gratuity plan	
	2015 Rs '000	2014 Rs '000	2015 Rs '000	2014 Rs '000
(e) Movement in the present value of defined benefit obligation:				
Present value of defined benefit obligation at January 1	4,034,421	3,582,353	1,257,137	1,082,176
Current service cost	130,223	120,171	83,269	52,215
Interest cost	452,573	461,845	142,411	139,199
Actual benefits paid during the year	(136,260)	(169,831)	(170,102)	(115,345)
Remeasurements: Actuarial loss/(gain) on obligation	57,040	39,883	145,387	98,892
Prior service cost	(31,416)	-	-	-
Present value of defined benefit obligation at December 31	4,506,581	4,034,421	1,458,102	1,257,137
(f) Movement in the fair value of plan assets:				
Fair value of plan assets at January 1	4,353,956	3,927,606	949,095	816,827
Interest income	486,654	504,067	109,556	106,749
Contribution by employer in respect of members	48,804	(126,458)	125,871	91,345
Members' own contribution	30,960	28,607	-	-
Secondees' own contribution	12,861	7,400	-	-
Contribution by employer in respect of secondees	7,274	11,486	7,518	6,434
Actual benefits paid during the year	(136,260)	(169,831)	(170,102)	(115,345)
Return on plan assets, excluding amounts included in interest income	49,033	171,079	20,671	43,085
Fair value of plan assets at December 31	4,853,282	4,353,956	1,042,609	949,095
Actual return on plan assets	549,502	482,124	132,686	112,609

The Group expects to charge Rs 42 million for pension plan and Rs 117 million for gratuity plan for the year ending December 31, 2016.

	Defined benefit pension plan		Defined benefit gratuity plan	
	2015 Rs '000	2014 Rs '000	2015 Rs '000	2014 Rs '000
(g) The major categories of plan assets:				
Investment in listed equities	864,037	803,341	186,555	169,970
Investment in bonds	3,959,763	3,526,215	850,221	747,082
Cash and other assets	29,482	24,400	5,833	32,043
	4,853,282	4,353,956	1,042,609	949,095
(h) Significant actuarial assumptions at the balance sheet date:				
Discount rate	10.00%	11.25%	10.00%	11.25%
Pension increase rate	9.00%	7.00%	-	-
Expected rate of increase in salary				
First year	12.00%	13.50%	12.00%	13.50%
Second year onwards	9.00%	10.25%	9.00%	10.25%

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

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	(608,684)	775,473	(122,187)	140,622
Salary increase	207,294	(184,638)	129,709	(115,044)
Increase in post retirement pension	523,966	427,632	-	-

If life expectancy increases by 1 year, the obligation of the Pension Fund increases by Rs 208.845 million.

27.1 Salaries, wages and benefits as appearing in note 7, 8 and 9 include amounts in respect of the following:

	2015 Rs '000	2014 Rs '000
Defined Contribution Provident Fund	82,574	78,184
Defined Benefit Pension Fund	13,631	30,455
Defined Contribution Pension Fund	58,270	49,098
Defined Benefit Gratuity Fund	108,606	77,214
	263,081	234,951

27.2 Defined Contribution Plan

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

(a) Net Assets	1,741,037	1,546,833
Cost of investments made	1,472,057	1,263,629
Percentage of investments made	85%	82%
Fair value of investments made	1,581,659	1,391,122

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015		2014	
	Rs '000	%age	Rs '000	%age
(b) Breakup of investments at cost				
Treasury bills	9,998	1%	26,722	2%
Pakistan Investment Bonds	544,008	31%	459,541	30%
Investment plus deposit certificates	447,100	26%	447,100	29%
Investment in savings account with bank	48,280	3%	14,833	1%
Investment in securities	222,328	13%	185,243	12%
Accrued interest	200,343	11%	130,190	8%
	1,472,057	85%	1,263,629	82%

(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.

	2015 Rs '000	2014 Rs '000
28. DEFERRED INCOME TAX LIABILITY		
Deferred tax liability is in respect of		
Accelerated tax depreciation	1,106,300	1,151,987
Leased assets	90,980	77,075
	1,197,280	1,229,062
Deferred tax asset is in respect of		
Remeasurement loss / gain arising on employees' retirement benefit	(131,718)	(82,433)
Provision for stock and stores	(49,157)	(46,400)
	1,016,405	1,100,229
The gross movement on deferred income tax account is as follows:		
At January 1	1,100,229	1,014,118
(Credit)/charge for the year - profit and loss account	(46,413)	98,639
Credit for the year - statement of comprehensive income	(37,411)	(12,528)
At December 31	1,016,405	1,100,229

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 681,934 thousand (2014: 617,308) thousand and are payable in equal monthly installments latest by December 2019. Taxes, repairs, replacement and insurance costs are to be borne by the Group. Financing rates of 7.64% to 10.75% (2014: 10.30% to 11.43%) per annum have been used as discounting factor.

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

	2015 Rs '000	2014 Rs '000
Present value of minimum lease payments	569,488	519,728
Current maturity shown under current liabilities	(154,365)	(119,375)
	415,123	400,353

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015 Rs '000	2014 Rs '000
Minimum lease payments		
Not later than one year	248,422	172,948
Later than one year and not later than five years	433,512	444,360
Future finance charges on finance leases	681,934 (112,446)	617,308 (97,580)
Present value of finance lease liabilities	569,488	519,728
Present value of finance lease liabilities		
Not later than one year	154,365	119,375
Later than one year and not later than five years	415,123	400,353
	569,488	519,728

30. SHARE CAPITAL

30.1 Authorized share capital

	2015 Number of Shares	2014 Number of Shares	2015 Rs '000	2014 Rs '000
	300,000,000	300,000,000	3,000,000	3,000,000
			Ordinary shares of Rs 10 each	

30.2 Issued, subscribed and paid-up capital

	2015 Number of Shares	2014 Number of Shares	2015 Rs '000	2014 Rs '000
	230,357,068	230,357,068	2,303,571	2,303,571
	25,136,724	25,136,724	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 (2014: 241,045,141) ordinary shares at the year end.

	2015 Rs '000	2014 Rs '000
--	-----------------	-----------------

31. CONTINGENCIES AND COMMITMENTS

31.1 Contingencies

(a) Claims and guarantees

(i) Claims against the Group not acknowledged as debt	131,800	131,800
(ii) Guarantees issued by banks on behalf of the Group	233,152	212,455

(b) Litigation

The Group 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:

	2015 Rs '000	2014 Rs '000
Not later than one year	91,775	68,535
Later than one year and not later than five years	458,544	627,265
Later than five years	53,803	65,167

(b) Letters of credit outstanding at December 31, 2015 were Rs 444,070 thousand (2014: Rs 584,891 thousand).

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

32. FINANCIAL INSTRUMENTS

32.1 Financial assets and liabilities

	2015 Rs '000	2014 Rs '000
Financial assets		
Loans and receivables		
Maturity up to one year:		
Trade debts	906	3,225
Loans and advances	181,594	66,692
Other receivables		
Local currency	414,766	413,989
Foreign currency	11,835	11,478
	426,601	425,467
Cash and bank balances		
Local currency	28,283	123,844
Foreign currency	24,806	25,729
	53,089	149,573
	662,190	644,957
Maturity after one year:		
Loans	–	19
Security deposits	20,199	19,958
	682,389	664,934
Financial liabilities		
Other financial liabilities		
Maturity up to one year:		
Trade and other payables		
Excise duty and sales tax payable	5,732,618	5,826,927
Others		
Local currency	6,967,658	4,560,545
Foreign currency	1,170,676	866,152
	13,870,952	11,253,624
Short term running finance	1,219,501	562,870
Finance lease obligation	154,365	119,375
Accrued interest / mark-up	11,807	24,166
	15,256,625	11,960,035
Maturity after one year:		
Finance lease obligation	415,123	400,354
	15,671,748	12,360,389

32.2 Forward foreign exchange contracts

The principal amounts of the outstanding forward foreign exchange contracts for hedging of letters of credit amounted to Rs 219,413 thousand at December 31, 2015 (2014: Rs 434,729 thousand).

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

33. TRANSACTIONS WITH RELATED PARTIES

British American Tobacco (Investments) Limited (BAT-IL) holds 94.34% (2014: 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 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 the 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 15 to the financial statements.

	2015 Rs '000	2014 Rs '000
Purchase of goods and services from		
Holding company	749,141	729,250
Associated companies	1,495,442	1,853,760
Sale of goods and services to		
Holding company	4,540	8,766
Associated companies	78,491	61,938
Royalty charge from		
Holding company	587,797	516,103
Expenses reimbursed to		
Holding company	6,689	13,323
Associated companies	4,817	12,574
Expenses reimbursed by		
Holding company	1,862	8,645
Associated companies	50,027	20,773

34. POST BALANCE SHEET EVENT

In respect of the year ended December 31, 2015 final dividend of Rs 18.00 (2014: Rs 12.00) per share amounting to a total dividend of Rs 4,598,888 thousand (2014: 3,065,926 thousand) has been proposed at the Board of Directors meeting held on February 19, 2016. These financial statements do not reflect this proposed dividend.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

35. GENERAL

35.1 Capacity and production

Against an estimated manufacturing capacity of 54,000 million cigarettes (2014: 53,000 million cigarettes) actual production was 43,540 million cigarettes (2014: 44,496 million cigarettes). Actual production was sufficient to meet market demand. There was no production through any outside manufacturing source.

35.2 Number of employees

Total number of employees as at December 31, 2015 were 1,237 (2014: 1,269). Average number of employees during the year were 1,222 (2014 : 1,234)

35.3 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 19, 2016.



GRAEME DOUGLAS AMEY
MANAGING DIRECTOR & CEO



SYED JAVED IQBAL
FINANCE & IT DIRECTOR

FORM OF PROXY

PAKISTAN TOBACCO COMPANY LIMITED

I, _____

of _____

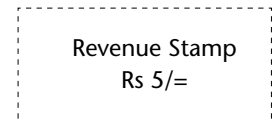
a member of Pakistan Tobacco Company Limited, hereby appoint _____

_____ 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 **69th** Annual General Meeting of the Company to be held on the **20th April, 2016** and at any and every adjournment thereof.

On _____ day of _____ 2016.



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. _____

پراکسی فارم

پاکستان ٹو بیکو کمپنی

تعلق _____ جو کہ پاکستان ٹو بیکو کمپنی لمیٹڈ کی رکن ہے، _____ میں _____
تعلق _____ کو یا فرد مذکورہ کی عدم دستیابی کی صورت میں _____ تعلق _____ کو اپنا نمائندہ مقررہ
کرتا/ کرتی ہوں یا اس کی یادوں کی عدم دستیابی کی صورت میں کسی تیسرے فرد کو 2016 اپریل 20 کو منعقد ہونے والے کمپنی کے 69 ویں سالانہ اجلاس اور اس کے بعد کسی بھی اور کہیں بھی منعقد ہونے
والے دوسرے اجلاس کے لیے اپنا نمائندہ مقررہ کر سکتا/ سکتی ہوں۔

یہ تحریر _____ ماہ _____ 2016 کو ضبط میں لائی گئی۔

ریونیو کی مہر

5 روپے

دستخط _____

شیئر ہولڈر کا فولیو نمبر _____

نوٹ:

- 1۔ دستخط کمپنی کے ریکارڈ میں رجسٹرڈ دستخط سے مشابہ ہونے چاہئیں۔
- 2۔ نمائندے کے لیے کمپنی کا ممبر ہونا لازمی نہیں۔
- 3۔ مکمل شدہ پراکسی فارم کمپنی کے شیئر رجسٹرار FAMCO ایسوسی ایٹس (پرائیویٹ لمیٹڈ)، 8 ایف، نزد ہوٹل فاران، نرسری، بلاک 6، پی ای سی ایچ ایس، شاہراہ فیصل، کراچی میں اجلاس شروع یا منسوخ شدہ اجلاس سے کم از کم 48 گھنٹے قبل پہنچ جانے چاہئیں۔ بصورت دیگر پراکسی کو مسترد تصور کیا جائے گا۔

CDC فہرست کے مطابق تین فیصل مالک کے لیے

مذکورہ بالا شرائط کے ساتھ ساتھ مندرجہ ذیل شرائط پر پورا اترنا بھی لازمی ہے:

- 1۔ مالک اور نمائندے کے CNIC یا پاسپورٹ کی تصدیق شدہ نقول اجلاس سے کم از کم 48 گھنٹے قبل کمپنی کے شیئر رجسٹرار کے پاس جمع کرانا لازمی ہے۔
- 2۔ پراکسی فارم پر دو گواہوں کے نام، پتے اور CNIC نمبر درج ہوں۔
- 3۔ نمائندہ اپنا اصل CNIC یا پاسپورٹ اجلاس کے وقت پیش کرنے کا پابند ہوگا۔
- 4۔ کاروباری ادارہ ہونے کی صورت میں کمپنی کے بورڈ آف ڈائریکٹرز کی ریزولوشن/اپار آف اٹارنی، بمعہ دستخط اور پراکسی فارم کمپنی کے شیئر رجسٹرار کے پاس جمع کرانا لازمی ہے۔

گواہ، بمطابق شق 2:

_____ 1

_____ 2



PAKISTAN TOBACCO COMPANY LIMITED
SERENA BUSINESS COMPLEX, KHAYABAN-E-SUHRWARDY,
ISLAMABAD, PAKISTAN
TEL +92 (51) 2083200-1
FAX +92 (51) 2604516

PTC.COM.PK