Statement of Compliance
(With the Code of Corporate Governance)

Name of Company : Khyber Tobacco Company Limited
Year Ended : June 30, 2011

This statement is being presented to comply with the Code of corporate governance (Code) as per the Listing Regulations of Karachi and Lahore Stock Exchanges 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 Code in following manner:

1. The Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes five independent non-executive directors out of the total strength of seven directors.

2. The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

3. All the resident directors of the Company are registered taxpayers and none of them has defaulted in payment of loan to banking Company, a DFI or NBFI or, being a member of a stock exchange, has been declared as defaulter by that stock exchange.

4. No casual vacancy has occurred during the year and all directors of the Company are elected for a term of three years.

5. The Company has prepared a “Statement of Ethics and Business Practices” which all the directors and employees of the Company have signed.

6. The Board has developed a draft of vision/mission statement, overall corporate strategy and significant policies of the Company. These documents are being finalized and the Board expects to formally approve these documents during the year 2011-12.

7. All powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of Internal Auditors have been taken by the Board.

8. 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 meeting were appropriately recorded and circulated.

9. In house orientations conducted for the directors to apprise them of their duties and responsibilities and to brief them regarding the amendments in the Companies Ordinance/Corporate Law. Five directors attended the course.

10. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

11. The financial statements of the Company were duly endorsed by the CEO and Senior Finance Manager in place of CFO, before approval of the Board.

12. The directors and CEO do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

13. The Company has complied with all the corporate and financial reporting requirements of the Code.

14. The Board has formed an audit committee. It comprises 3 members, all non-executive directors including the chairman of the committee.

15. The meeting of 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 Code.

16. The Board outsourced its internal audit function to M/s Shahid Waheed Younas Jamil & Co (SWYJ), Chartered Accountants who conducted the internal audit of the Company from July 1, 2010 December 31, 2010. Considering the satisfactory work conducted by SWYJ the Board approved their appointment as the Company's internal auditor for the year 2011-12.

17. The statutory auditors for the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, 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 Institute of Chartered Accountants of Pakistan.

18. The statutory auditors or 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.

19. All related party transactions entered during the year were at arm's length basis and these have been placed before the Audit Committee and Board of Directors. These transactions are duly reviewed and approved by Audit Committee and Board of Directors.

20. All material information as required under the relevant rules has been provided to the Stock Exchanges and to the Securities and Exchange Commission of Pakistan.

21. Company did not file Secretarial Compliance Certificate to the Securities and Exchange Commission of Pakistan during the year. However, the Board has asked the Company Secretary to file the Secretarial Compliance Certificate of the Company.

22. Terms of Reference of Audit Committee are being finalized and the Board of Directors expects to formally approve the same during 2011-12.

23. During the year the CFO of the Company has resigned and the Company is in the process of appointing new CFO.

24. We confirm that all other material principles contained in the Code have been duly complied with.

For & on behalf of the Board of Directors

WALI UR REHMAN
Chief Executive

KPMG Taseer Hadi & Co.
Chartered Accountants
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Islamabad, Pakistan

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Review Report to the Members

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

We have reviewed the Statement of Compliance with the Best Practices ("the Statement") contained in the Code of Corporate Governance prepared by the Board of Directors of Khyber Tobacco Company Limited, ("the Company") to comply with the Listing Regulations No. 35 of Karachi Stock Exchange (Guarantee) Limited where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance 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 of Corporate Governance and report if it does not. 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 covers all risks or controls, or to form an opinion on the effectiveness of such internal control, the Company's corporate governance procedures and risks.

Further, Sub-Regulation (xiii a) of Listing Regulation 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/ N-269 dated January 19, 2009 requires the Company to place before the Board of Director for their consideration and approval 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 recording proper justification for using such alternative pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedure 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 does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2011.

Islamabad
08 October 2011

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Co. Chartered Accountants
Engagement Partner: Riaz Pesnani

KPMG

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Auditors' Report to the Members

We have audited the annexed balance sheet of Khyber Tobacco Company Limited ("the Company") as at 30 June 2011 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion-

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting polices consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the Company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with 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 30 June 2011 and of the profit, its cash flows and changes in equity for the year then ended; and

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

(d) in our opinion no Zakat was deductible at source under Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The financial statements of the Company for the year ended 30 June 2010 were audited by another auditor whose report dated 25 November 2010, expressed a qualified opinion on not recognizing a liability against staff retirement benefits and depreciation policy for property, plant and equipment.

As part of our audit of financial statements for the year ended 30 June 2011, we also audited the adjustments described in note 24 that were applied to amend the financial statements for the years ended 30 June 2009 and 30 June 2010. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the financial statements for the years ended 30 June 2009 and 30 June 2010 of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the financial statements for the years ended 30 June 2009 and 30 June 2010 taken as a whole.

KPMG Taseer Hadi & Co.

Islamabad
08 October 2011

KPMG Taseer Hadi & Co.
Co. Chartered Accountants
Engagement Partner: Riaz Pesnani

Balance Sheet
as at 30 June 2011

	Note	2011 Rupees	2010 Rupees (Restated)	2009 Rupees (Restated)
SHARE CAPITAL AND RESERVES				
Authorized share capital				
2,000,000 (2010: 2,000,000) ordinary shares of Rs. 10 each		20,000,000	20,000,000	20,000,000
Issued, subscribed and paid up share capital4	4	12,018,410	12,018,410	12,018,410
General reserve		3,312,465	3,312,465	3,312,465
Unappropriated profit / (accumulated loss)		89,547,415	(4,922,357)	(39,759,017)
		104,878,290	10,408,518	(24,428,142)
NON CURRENT LIABILITIES				
Deferred liabilities	5	4,620,298	-	-
CURRENT LIABILITIES				
Trade and other payables6	6	133,354,093	104,469,886	72,151,406
Provision for taxation - net		2,343,994	-	1,442,982
		135,698,087	104,469,886	73,594,388
		245,196,675	114,878,404	49,166,246
CONTINGENCIES AND COMMITMENTS	7			

The annexed notes 1 to 27 form an integral part of these financial statements.

Chief Executive

Director

Balance Sheet
as at 30 June 2011

	Note	2011 Rupees	2010 Rupees (Restated)	2009 Rupees (Restated)
NON CURRENT ASSETS				
Property, plant and equipment	8	16,710,805	6,072,493	3,903,286
Advances for capital expenditure		-	3,000,000	-
Long term deposits		955,230	955,230	955,230
		17,666,035	10,027,723	4,858,516
CURRENT ASSETS				
Stock in trade	9	120,761,599	43,205,191	10,726,675
Trade debts - considered good	10	59,926,530	44,599,359	21,421,833
Advances to suppliers and contractors - considered good		21,220,554	3,483,421	3,867,070
Advance tax - net		-	488,786	-
Deposits and prepayments		-	27,612	2,702,941
Cash and bank balances	11	25,621,957	13,046,312	5,589,211
		227,530,640	104,850,681	44,307,730
		245,196,675	114,878,404	49,166,246

The annexed notes 1 to 27 form an integral part of these financial statements.

Chief Executive

Director

Profit & Loss Account
as at 30 June 2011

	Note	2011 Rupees	2010 Rupees (Restated)
Turnover - net	12	**424,521,031**	242,451,203
Cost of sales	13	**(276,900,567)**	(174,882,612)
Gross profit		**147,620,464**	67,568,591
Administrative expenses	14	**(14,108,911)**	(6,454,293)
Distribution cost	15	**(18,219,071)**	(15,050,404)
Other operating expenses	16	**(6,208,410)**	(4,561,469)
Finance cost	17	**(2,396,569)**	(716,997)
Other operating income	18	**3,907,133**	120,000
Profit before taxation		**110,594,636**	40,905,428
Taxation	19	**(16,124,864)**	(6,068,768)
Profit for the year		**94,469,772**	34,836,660
Earnings per share - basic and diluted (Rupees)	22	**78.60**	28.99

The annexed notes 1 to 27 form an integral part of these financial statements.

Chief Executive

Director

Statement of Comprehensive Income
as at 30 June 2011

	2011 Rupees	2010 Rupees (Restated)
Profit for the year	**94,469,772**	34,836,660
Other comprehensive income for the year	-	-
Total comprehensive income for the year	**94,469,772**	34,836,660

The annexed notes 1 to 27 an integral part of these financial statements.

Chief Executive

Director

Cash Flow Statement

as at 30 June 2011

	Note	2011 Rupees	2010 Rupees (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		110,594,636	40,905,428
Adjustments for:			
Depreciation		1,611,268	181,859
Liabilities written back		(2,315,492)	-
Finance cost		852,550	424,353
Provision for doubtful debts		1,332,979	-
Provision for gratuity		3,489,411	-
		4,970,716	606,212
		115,565,352	41,511,640
(Increase) / decrease in current assets			
Stock in trade		(77,556,408)	(32,478,516)
Trade debts		(16,660,150)	(23,177,526)
Advances		(17,737,133)	383,649
Deposits and prepayments		27,612	2,675,329
Increase in current liabilities			
Trade and other payables		31,199,699	32,318,480
		(80,726,380)	(20,278,584)
Cash generated from operations		34,838,972	21,233,056
Income tax paid		(12,161,197)	(8,000,536)
Finance cost paid		(852,550)	(424,353)
Net cash generated from operating activities		21,825,225	12,808,167
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(9,249,580)	(2,351,066)
Advance for capital expenditure		-	(3,000,000)
Net cash used in investing activities		(9,249,580)	(5,351,066)
Net increase in cash and cash equivalents		12,575,645	7,457,101
Cash and cash equivalents at beginning of the year		13,046,312	5,589,211
Cash and cash equivalents at end of the year		25,621,957	13,046,312

The annexed notes 1 to 27 form an integral part of these financial statements.

Chief Executive **Director**

Statement of Changes in Equity

as at 30 June 2011

	Share capital	Revenue reserve: General reserve	Revenue reserve: Accumulated (loss) / profit profit	Total
	Rupees			
Balance at 01 July 2009 - as previously reported	12,018,410	3,312,465	(37,470,197)	(22,139,322)
Effect of restatement (Refer note - 24.1)	-	-	(2,288,820)	(2,288,820)
Balance at 01 July 2009 - restated	12,018,410	3,312,465	(39,759,017)	(24,428,142)
Total comprehensive income for the year				
Profit for the year	-	-	34,836,660	34,836,660
Total comprehensive income for the year	-	-	34,836,660	34,836,660
Balance at 30 June 2010 - restated	12,018,410	3,312,465	(4,922,357)	10,408,518
Balance at 30 June 2010 - as previously reported	12,018,410	3,312,465	(1,147,146)	14,183,729
Balance at 01 July 2010 - restated	12,018,410	3,312,465	(4,922,357)	10,408,518
Total comprehensive income for the year				
Profit for the year	-	-	94,469,772	94,469,772
Total comprehensive income for the year	-	-	94,469,772	94,469,772
Balance at 30 June 2011	12,018,410	3,312,465	89,547,415	104,878,290

The annexed notes 1 to 27 form an integral part of these financial statements.

Chief Executive **Director**

Notes to the Financial Statements
as at 30 June 2011

1. THE COMPANY AND ITS OPERATIONS

Khyber Tobacco Company Limited ("the Company") is a public listed company incorporated in Pakistan on 15 October 1954 under the Companies Act, 1913 since repealed and replaced by the Companies Ordinance, 1984 and is listed on the Karachi and Lahore stock exchanges. The Company is engaged in the manufacture and sale of cigarettes and redrying of tobacco. The Company's registered office is situated at Nowshera Malakand Road, Mardan.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis.

2.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistan Rupees which is the Company's functional and presentation currency.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information's about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is discussed in the ensuing paragraph.

2.4.1 Property, plant and equipment

The Company reviews the useful lives and residual value of property, plant and equipment on a regular basis. Any change in estimates in future years which might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment loss.

Notes to the Financial Statements
as at 30 June 2011

2.4.2 Stock in trade

The Company reviews the carrying value of stock in trade to assess any diminution in carrying values. Net realisable value is determined with reference to estimated selling price less estimated expenditures to make the sales.

2.4.3 Provision against trade debts, advances and other receivables

The Company reviews the recoverability of its trade debts, advances and other receivables to assess amount of bad debts and provision required there against on annual basis.

2.4.4 Taxation

The Company takes into account the current income tax law and decisions taken by the taxation authorities. Instances where the Company's views differ from the views taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

The Company also regularly reviews the trend of proportion of incomes between Presumptive Tax Regime income and Normal Tax Regime income and the change in proportions, if significant, is accounted for in the year of change.

2.4.5 Provisions and contingencies

The Company reviews the status of all the legal cases on a regular basis. Based on the expected outcome and lawyers' judgments, appropriate disclosures or provision is made.

2.5 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning from the dates specified below:

IAS 24 Related Party Disclosures (revised 2009) - (effective for annual periods beginning on or after 1 January 2011). The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment would result in certain changes in disclosures.

Amendments to IAS 12 - deferred tax on investment property (effective for annual periods beginning on or after 1 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the Company.

Amendments to IFRIC 14 IAS 19 - The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This amendment has no impact on Company's financial statements.

Notes to the Financial Statements
as at 30 June 2011

Improvements to IFRSs 2010 - In May 2010 the IASB issued improvements to IFRSs 2010 which comprise of 11 amendments to 7 standards. Effective dates, early application and transitional requirements are addressed on a standard by standard basis. The majority of amendments are effective for annual periods beginning on or after 1 January 2011. The amendments include list of events or transactions that require disclosure in the interim financial statements, add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments and fair value of award credits under the customer loyalty programmes to take into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. Certain of these amendments will result in increased disclosures in the financial statements.

IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.

IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendments have no impact on financial statements of the Company.

Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on financial statements of the Company.

Disclosures – Transfers of Financial Assets (Amendments to IFRS 7) - (effective for annual periods beginning on or after 1 July 2011). The amendments introduce new disclosure requirements about transfers of financial assets, including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement. The amendments have no impact on financial statements of the Company.

Notes to the Financial Statements
ast at 30 June 2011

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Taxation

Income tax expense comprises current and deferred tax. Income tax is recognized in profit and loss account except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current

The Company accounts for current taxation on the basis of taxable income at the current rates of taxation after taking into account tax credits and rebates, if any, in accordance with the provisions of the Income Tax Ordinance, 2001.

Deferred

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is recognized using the balance sheet liability method, providing for temporary difference between the carrying value of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary difference when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authorities on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

The effects on deferred taxation of the portion of income expected to fall under presumptive tax regime is adjusted in accordance with the requirement of Accounting Technical Release - 27 of the Institute of Chartered Accountants of Pakistan. Deferred tax is charged or credited to profit and loss.

3.2 Provisions

A provision is recognized in balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

3.3 Property, plant and equipment

These are stated at cost, which includes purchase price, import duties and directly attributable costs less accumulated depreciation and impairment loss, if any.

Normal repairs and maintenance are charged to profit and loss account as and when incurred whereas major improvements and modifications are capitalized.