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REPORT AND ACCOUNTS 2009

KHYBER TOBACCO COMPANY LIMITED

CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS

WALI-UR-REHMAN ——— Managing Director/Chief Executive
SAMI-UR-REHMAN
WASIM-UR-REHMAN
MUHAMMAD SIAL
SAJJAD KHAN
MUHAMMAD FARIDOON REHMAN
FAZL E MABOOD

SECRETARY

LIAQAT ALI KHAN

AUDITORS

TARIQ AYUB, ANWAR & CO
CHARTERED ACCOUNTANS

C.F.O

MUHAMMAD SHAMS-UD-DIN

REGISTERED OFFICE

KHYBER TOBACCO COMPANY LIMITED
NOWSHERA MALAKAND ROAD
P.O.BOX NO-12
MARDAN (N.W.F.P)
PAKISTAN

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 54th Annual General Meeting of Khyber Tobacco Company Limited shall be held at the Registered Office of the Company at Nowshera Malakand Road on Saturday October 31, 2009 at 11:00 A.M to transact the following business:-

1. To confirm the minutes of the last Annual General Meeting held on 30.10.2008.
2. To receive, consider and adopt the accounts for the year ended June 30, 2009 together with the report of the Directors and Auditors thereon.
3. To appoint auditors of the Company for the year ending June 30, 2010 and fix their remuneration.
4. To transact any other business which may be brought forward with the permission of the Chair.

By Order of the Board

LIAQAT ALI KHAN
SECRETARY

Dated: October 02, 2009

Notes:

1) The Share Transfer book of the Company will be closed from October 22, 2009 to October 31, 2009 both days inclusive.
2) A member entitled to attend and vote at the General Meeting is entitled to appoint a proxy to attend instead of him/her and such proxy will have right to speak and vote in place of the member. A proxy need not be a member of the Company.
3) Forms of proxy must be deposited at the company's Registered Office not later than 72 hours before the time appointed for the Meeting and in default, forms of proxy will not be treated as valid.
4) Shareholders are requested to notify the Company promptly of any change in their address.

DIRECTORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2009

Members of the Board of Directors of Khyber Tobacco Company Limited take great pleasure in presenting the audited financial statements along with the auditors' report thereon and this report by the directors of the company for the year ended June 30, 2009.
The company has earned a pre-tax profit of Rs 9,157,889/- during the year and the directors recommend appropriations and disposal of the profit as under:

	(Rupees)
Profit before Taxation	9,157,889
Less: Provision for Taxation:	2,852,358
Profit available for appropriation:	6,305,531

1. **OPERATIONAL PERFORMANCE**

(I) Due to continufng financial stringency the company could not afford launching of its own brands of cigarettes for marketing. However, the company was able to secure franchise rights for the production and marketing/export of some locally owned brands like HERO and GOLD STREET etc which had a ready goodwill in the market. This enabled the company to gain advantage of direct access to the local cigarette market and for the first time in many years the company was able to generate revenue of Rs. 37,236,175/- from direct sale of cigarettes in the local market during the year under review. On the cigarettes exports front also, the company was able to increase its export sale of cigarettes from Rs. 4,538,017/- last year to Rs. 14,815,946/- during the current year.

(II) In view of manufacturing and marketing of franchise brands, the revenue generation involving contract manufacturing of cigarettes for outside parties was restricted to Rs. 1,128,050 during the current year as against Rs. 2,139,550 during the corresponding period last year.

(III) The finance act 2008 subjected green leaf threshing for outside partics to heavy taxation/excise duty. This discouraged outside parties to get their green leaf stocks threshed at our facilities depriving the company of a big source of revenue.

(IV) Export of un-manufactured cut tobacco rag shrank to Rs. 3,542,070/- during the year under review as against Rs. 22,568,989/- last year due to difficult tobacco market locally.

(V) The directors see good prospect in improvement in business due to franchise operations and exports of cigarettes in the future.

(VI) The company's efforts in further diversifying its operations in to tobacco trading have started bearing fruits and the revenue from tobacco trading improved to Rs. 65,429,936/- during the year under review as compared to Rs. 34,018,997/- during the last year however as stated earlier export of tobacco suffered a set back during the year on account of the fact that rising local pricing are placing Pakistan tobacco at a competitive disadvantage in the international market.

(VII) The directors take pride in reporting that despite the difficulties created by the shortfall in tobacco production during the 2008 tobacco season and the result and steep rise in tobacco prices, rise in energy costs and all other inputs, the company was able to earn a gross profit of Rs. 12,420,411/- during the year ended June 30, 2009 as compared to Rs. 8,722,826/- earned during the year ended June 30, 2008.

2. FINANCIAL RESULTS

(Rupees in Million)

	2009	2008
Sales	117.149	69.874
Cost of Sales	(104.729)	(61.151)
Gross Profit	12.420	8.723
Administrative Expenses	(3.213)	(2.637)
	9.207	6.86
Other Operating Income	0.70	1.232
Operating Profit	9.277	7.318
Financial Charges	(0.119)	(0.101)
Net profit for the year	9.158	7.217
Provision for taxation	(2.852)	(1.457)
Net profit after taxes	6.306	5.760

3. KEY OPERATING AND FINANCIAL DATA OF LAST SIX YEARS

	2009	2008	2007	2006	2005	2004
Turnover (Rs.In Million)	117.15	69.89	25.71	11.51	7.12	6.45
Net Profit (Rs.In Million)	6.31	5.76	9.94	1.86	1.26	0.64
Dividend (Rs.In Million)	0	0.59	0	0.59	0	0
Share-holders' Equity (Rs.In Million)	(21.98)	(25.72)	(31.48)	(41.42)	(42.68)	(43.94)

4. FUTURE PROSPECTS

Obtaining of franchise rights in respect of manufacturing and direct manufacturing of well established brands in the local market is a step in right direction and your direction are confident that this activity will prove to be the mainstay of the operations of your company and these activities are likely to add substantially to the revenue stream and earning capacity of your company in the future.

The directors are also committed to further strengthen the exports of cigarettes which will not only add to the profitability of the company but will also earn handsome foreign exchange for the country.

However, faster pace of progress in all the promising fields is a bit dampened by the financial position of your company which is not much altered as compared to last year.

5. WORKERS/EMPLOYEES WELFARE SCHEMES

The Financial Statements together with the notes to the accounts of the Company have been qualified by the Auditors on the grounds that the Company neither provided any contribution towards employees' provident scheme nor provided the gratuity for the year of the Financial Statements.

As we know the Company had no operations in the past many years and having no permanent workers. Few workers were kept for whom Employees old age benefits and Employees Social Security have properly been contributed.

6. DEPRECIATION OF FIXED ASSETS

The management has now planned and the Board of Directors of the Company has also approved the revaluation of all the Fixed Assets of the Company and to provide depreciation on the revalued fixed assets in compliance with the International Financial Reporting Standards.

7. AUDITORS

The existing auditors M/S Tariq Ayub, Anwar & Company Chartered Accountants retire and being eligible offer themselves for re-appointment.

8. PATTERN OF SHAREHOLDING

A Statement of the pattern of shareholding as at June 30, 2009 is attached in the prescribed form as required under the Code of Corporate Governance.

9. APPRECIATION

The directors wish to place on record their sincere appreciation of the staff and workers contributions to the company and also thank our customers and clients for their trust and confidence in the long term survival of the company.

STATEMENT OF COMPLIANCE (With the code of corporate Governance)

Name of Company: Khyber Tobacco Company Limited
Year Ended: June 30, 2008

The statement is being presented to comply with the code of corporate governance contained in regulation no. 37 of the listing regulation of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is manage 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 and Directors representing minority on its Board of Directors. At present the board includes seven directors of whom five are independent nominated non-executive directors representing minority shareholders.

2. None of the directors is serving as director in more than ten listed companies, including this company.

3. All the resident directors of the company are not registered taxpayers; however 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 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 powers of the board have been duly exercised and decisions on material transaction.

8. The meetings of the board were presided over 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. Once orientation course for its directors was arranged to apprise them of their duties and responsibilities. Three directors attended the course.

10. The board has approved the appointment of internal audit after the balance sheet date.

11. 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.

12. Chief Executive before approval of the board duly endorsed the financial statements of the company.

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

14. The company has complied with all the corporate and financial reporting requirements of the code.

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

16. 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. The terms of the reference of the committee have been formed and advised to the committee for compliance.

17. The board has set up effective internal audit functions that are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company however they are not involved in the internal audit function on full time basis.

18. 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.

19. The statutory auditors or persons associated with them have not been appointed to provide other services except in accordance with the listing regulation and the auditors have confirmed that they have observed IFAC guidelines in this regard.

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

CHIEF EXECUTIVE
September 29, 2008

KHYBER TOBACCO COMPANY LIMITED

PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDER AS AT JUNE 30, 2009

NO OF SHARE HOLDER	SHAREHOLDING FROM	TO		TOTAL SHAREHELD
323	1	100	SHARES	9,482
247	101	500	SHARES	67,451
57	501	1000	SHARES	41,307
81	1001	5000	SHARES	176,787
5	5001	10000	SHARES	29,582
2	10001	15000	SHARES	23,947
1	30001	35000	SHARES	32,127
1	40001	45000	SHARES	42,958
2	100001	105000	SHARES	209,133
2	255001	310000	SHARES	569,067
721				1,201,841

Categories of Shareholder	Numbers	Share Hold	Percentage
1. Individual	713	1,144,136	95.19
2. Investment Company	1	1,191	0.12
3. Insurance Companies	3	56,327	4.69
4. Join Stock Companies	1	121	0.01
5. Government Organization	3	66	0.01
	721	1,201,841	100.00

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of **KHYBER TOBACCO COMPANY LIMITED** as at **30th June, 2009**, and the related Profit & Loss Account, Cash Flow Statement, 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 purpose 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 used 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:

1 The company neither operates a contributory provident scheme or provides gratuity, for all of its permanent employees. In the absence of the required information, we have not been able to quantify the effect in these Financial Statements.

2 The Company has adopted a depreciation policy (Note 4.3) which is not in compliance with the requirements of of IAS-16 "Property, Plant & Equipment" IAS-36 "Impairrment of Assets" read with TR-II (reformatted 2004). In the absence of the required information, we have not been able to quantify the effect in these Financial Statements.

Except for the contents of the paragraphs from 1 to 2 and the extent to which they effect the annexed financial statements, 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 the Profit & 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, except for the changes referred to in Note 4.1 to the Financial Statements with which we concur. However, the Company has not changed this policy in the period of its initial effectiveness;

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 & Loss Account, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan and, give the information required by the Companies Ordinance, 1984, in the manner so required and except for remarks stated in paragraphs 1 to 2 and to the extent whether these may effect the annexed financial statements, respectively give a true and fair view of the state of the Company's affairs as at 30th June, 2009 and of the Profit, its cash flows and changes in equity for the Year then ended; and

(d) In our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in Central Zakat Fund established under section 7 of this Ordinance.;

(e) without qualifying our opinion, we draw your attention to the matter that Karachi and Lahore Stock Exchanges have put the name of the Company on "Defaulting Companies List" due to non-registration with the Central Depository Company.

PESHAWAR:
KHYBER BAZAR,
Dated:

TARIQ AYUB, ANWAR & CO.
CHARTERED ACCOUNTANTS.

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLAINCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the statement of compliance (with code of corporate governance) as applicable to the company for the year ended June 30, 2009 prepared by the Board of Directors of Khyber Tobacco Company Limited Mardan, to comply with the listing Registration of Karachi stock exchange (grantee) Limited where the Company is listed.

The responsibility of the compliance with the code of corporate governance is that of the Board of Directors of the Company, are responsibility is to review, to the extant where such compliances can be objectively verified, whether the statement of compliance reflects the status of the Company's compliance with the provisions of code of corporate governance and to report if it does not. A review is primarily limited to inquires of the company's personnel and review of various documents prepared by the company to comply with the code.

As a part of an audit of financial statements, we are required to obtain an undertaking of the accounting and internal control system sufficient to plan the audit and develop an effective audit approach. We have not carries out any special review of the internal control system to enable us to express an opinion as to whether the Boards statement on internal control covers all controls and effectiveness of such internal control. We draw attention to the following areas where the code is not fully complied.

S.No.3 All Directors are not Tax Payers

S.No.17 No internal audit report was available as the internal audit did not find any discrepancy to report.

Except the above matter nothing has come to our attention which comes us to believe that the statements of compliance does not appropriately reflect the company's compliance, in all material respect with best practices contained in the code of corporate governance as applicable to the company for the year ended June 30, 2009 except the matter statement above.

TARIQ AYUB ANWAR & CO
CHARTERD ACCOUNTANTS
KHYBRE BAZZAR PESHAWAR

DATE: September 29, 2009

KHYBER TOBACCO COMPANY LIMITED

BALANCE SHEET AS AT 30TH JUNE, 2009

	NOTE	2009 RUPEES	2008 RUPEES
ASSETS			
NON-CURRENT ASSETS			
Operating Property, Plant & Equipment	5	3,903,286	3,921,013
Long Term Deposits	6	955,230	31,730
		4,858,516	3,952,743
CURRENT ASSETS			
Stock in Trade	7	10,726,675	25,453,657
Sundry Debtors		23,710,653	-
Loans & Advances	8	3,980,411	1,591,625
Trade Deposits & Short Term Prepayments	9	4,815,458	1,171,829
Cash and Bank Balances	10	5,589,211	3,147,389
		48,822,408	31,364,500
TOTAL ASSETS		53,680,924	35,317,243
EQUITY & LIABILITIES			
SHARE CAPITAL & RESERVES			
Authorized Capital:			
2,000,000 Ordinary Shares of Rs. 10 each		20,000,000	20,000,000
Issued, Subscribed and Paid Up Capital	11	12,018,410	12,018,410
General Reserve		3,312,465	3,312,465
Accumulated Losses		(35,339,463)	(41,050,782)
		(20,008,588)	(25,719,907)
NON-CURRENT LIABILITIES			
Due to Associated Undertakings	12	11,999,643	11,999,643
Securities from Customers		9,982,285	9,982,285
		21,981,928	21,981,928
CURRENT LIABILITIES AND PROVISIONS			
Trade & Other Payables	13	37,464,785	22,197,297
Current/Overdue Portion of Long Term Financing	14	-	431,093
Sales Tax & FED Payable		10,573,959	5,256,108
Provision for Taxation	15	3,668,840	11,170,724
		51,707,584	39,055,222
CONTINGENCIES & COMMITMENTS	16	-	-
TOTAL EQUITY & LIABILITIES		53,680,924	35,317,243

The annexed Notes from 1 to 30 form an integral part of these Financial Statements

MARDAN
Dated:

DIRECTOR **CHIEF EXECUTIVE**

KHYBER TOBACCO COMPANY LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2009

	NOTE	2009 RUPEES	2008 RUPEES
SALES	17	117,149,638	69,874,324
COST OF SALES	18	104,729,227	61,151,498
GROSS PROFIT FROM PROCESSING ACTIVITY		12,420,411	8,722,826
ADMINISTRATIVE EXPENSES	19	2,415,716	2,076,176
OTHER OPERATING EXPENSES	20	587,711	560,914
SELLING & DISTRIBUTION EXPENSES	21	209,950	-
		3,213,377	2,637,090
		9,207,034	6,085,736
OTHER OPERATING INCOME	22	70,000	1,232,469
OPERATING PROFIT		9,277,034	7,318,205
FINANCE COST	23	119,145	100,756
NET PROFIT FOR THE YEAR before Taxation		9,157,889	7,217,449
TAXATION	24	(2,852,358)	(1,457,564)
NET PROFIT FOR THE YEAR after Taxation		6,305,531	5,759,885
EARNING PER SHARE - Basic		5.25	4.79

The annexed Notes from 1 to 30 form an integral part of these Financial Statements

MARDAN
Dated:

DIRECTOR

CHIEF EXECUTIVE

KHYBER TOBACCO COMPANY LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2009

	2009 RUPEES	2008 RUPEES
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Taxation	9,157,889	7,217,449
Add: Adjustment for Non-Cash & Other Items:		
Depreciation	17,727	18,181
Financial Cost	119,145	100,756
Liabilites written off	-	(1,232,469)
	136,872	(1,113,532)
Cash Generated from Operations	9,294,761	6,103,917
(Increase)/Decrease in Current Assets		
Stock in Trade	14,726,982	(21,049,629)
Sundry Debtors	(23,710,653)	-
Loans & Advances	(2,388,786)	(1,591,625)
Trade Deposits & Short Term Prepayments	(1,860,100)	(268,300)
Increase/(Decrease) in Current Liabilities		
Trade & Other Payables	15,267,488	16,991,489
Sales Tax & FED Payable	5,317,851	5,032,170
	7,352,782	(885,895)
Net Cash (Outflow)/Inflow from Working Capital Changes	16,647,543	5,218,022
Income Tax Paid	(12,137,771)	(1,196,108)
Finance Cost Paid	(119,145)	(100,756)
NET CASH INFLOW FROM OPERATING ACTIVITIES	4,390,627	3,921,158
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of Long Term Finance	(923,500)	(900,000)
Dividend Paid	(594,212)	-
Current Overdue Portion of Long Term Financing	(431,093)	-
	(1,948,805)	(900,000)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	2,441,822	3,021,158
CASH AND CASH EQUIVALENTS AS AT 30TH JUNE, 2008	3,147,389	126,231
CASH AND CASH EQUIVALENTS AS AT 30TH JUNE, 2009	5,589,211	3,147,389

The annexed Notes from 1 to 30 form an integral part of these Financial Statements

MARDAN
Dated: **DIRECTOR** **CHIEF EXECUTIVE**

KHYBER TOBACCO COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30TH JUNE, 2009

PARTICULARS	SHARE CAPITAL	ACCUMULATED PROFIT/ (LOSS)	GENERAL RESERVES	TOTAL
Balance as at 30th June, 2007	12,018,410	(46,810,667)	3,312,465	(31,479,792)
Final Dividend for the Year ended 30th June, 2006 @ Rs. 1.50 per Share (for the Minority Shareholders Only)	-	-	-	-
Profit for the Year ended 30th June, 2008	-	5,759,885	-	5,759,885
Balance as at 30th June, 2008	12,018,410	(41,050,782)	3,312,465	(25,719,907)
Dividend Proposed for the year ended June 30, 2009	-	(594,212)	-	(594,212)
Profit for the year ended June 2009	-	6,305,531	-	6,305,531
	12,018,410	(35,339,463)	3,312,465	(20,008,588)

The annexed Notes from 1 to 30 form an integral part of these Financial Statements

MARDAN
Dated

DIRECTOR **CHIEF EXECUTIVE**

1 THE COMPANY & ITS OPERATIONS

Khyber Tobacco Company Limited (the Company) was incorporated in Pakistan as a Public Limited Company in 1954 and is listed on Karachi and Lahore Stock Exchanges. The principal activity of the Company is to manufacture cigarattes and redrying of tobacco. The Registered Office of the Company is situated at Nowshera Road, Mardan.

2 STATEMENT OF COMPLIANCE

These Financial Statements have been prepared in accordance with the approved Accounting Standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. The approved Accounting Standards comprise of such International Financial Reporting Standards (IFRs) which are notified under the provisions of Companies Ordinance, 1984. Wherever the requirement of the Companies Ordinance, 1984 or directives issued by the Securities & Exchange Commission of Pakistan differ with the requirements of these standards, the requirement of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following Standards, amendments and interpretation of approved accounting standards effective for the periods beginning on or after 1st July, 2007 are either not relevant to the Company's operation or are not expected to have significant impact on the Financial Statements of the Company, other than certain increased disclosures in certain cases:

IAS 1 'Presentation of Financial Statements - Amendments relating to Capital Disclosures' (effective for accounting periods beginning on or after 1st January, 2007)

IAS 23 'Borrowing Costs' (effective in case of borrowing costs relating to qualifying asset for which the commencement date for capitalization is on or after 1st January, 2009)

IAS 41 'Agriculture' (effective for accounting periods beginning on or after 22nd May, 2006)

IFRS 2 'Share Based Payment' (effective for accounting periods beginning on or after 6th December, 2006)

IFRS 3 'Business Combinations' (effective for business combinations for which agreement date is on or after 6th December, 2006)

IFRS 5 'Non-Current Assets held for Sale and Discontinued Operations' (effective for accounting periods beginning on or after 6th December, 2006)

IFRS 6 'Exploration for and evaluation of Mineral Resources' (effective for accounting periods beginning on or after 6th December, 2006)

IFRS 7 'Financial Instruments: Disclosures' (effective for accounting periods beginning on or after 1st January, 2007)

IFRIC 10 'Interim Financial Reporting and Impairment' (effective for accounting periods beginning on or after 1st November, 2006)

IFRIC 11 'IFRS 2: Group and Treasury Share Transactions' (effective for accounting periods beginning on or after 01 March 2007)

IFRIC 12 'Service Concession Arrangements' (effective for accounting periods beginning on or after 1st January, 2008)

IFRIC 13 'Customer Loyalty Programme' (effective for accounting periods beginning on or after 01

IFRIC 14 'IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' (effective for accounting periods beginning or after 1st January, 2008)

3 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

These Financial Statements are prepared under the historical cost convention with the exception of certain modifications as required by International Accounting Standard, referred to in accounting policies given

(a) The accumulated losses of the Company have been decreased from Rs. 41.05 million as at 30the June, 2008 to Rs. 37.14 as on 30the June, 2009.

(b) The Company has a strong support of the majority stakeholders and has not defaulted in meeting the financial obligations including payment of installments of term loans.

(c) Although the Company's current ratio appears to be frighteningly adverse, the situation is not as bleak as the bulk of the liabilities other than current maturity of long term loans are either due to affiliated concern or old disputed liabilities a portion of which has been written off as per note No. 20. for the year ended June 30, 2008

(d) The Company is not solely dependent on production of its own brand of cigarettes but can also survive on contract manufacturing of cigarettes besides tobacco trading. Moreover cleaning classifying (C & C) and re-drying of tobacco is one of the major operation of the Company and not a side stream

(e) The Company continued contract manufacturing of cigarettes as well as its own brands which has brightened its prospects, significantly.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of Financial Statements in conformity with approved accounting standards require the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimate and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the process of applying the Company's accounting policies, the areas involving a higher degree of judgments or complexity or areas where assumptions & estimates are significant to the financial statements are as follows:

a) Useful Lives & Residual Values of Property, Plant & Equipment (Note 5)
b) Writing Back certain credit balances, not to be repayable any more (Note 22)
c) Provision for Taxation (Note 24)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 CHANGE IN ACCOUNTING POLICY

The SECP substituted the Fourth Schedule to the Companies Ordinance, 1984 with effect from financial year ending on or after 5th July, 2004. This has resulted in the change in accounting policy pertaining to the recognition of dividends proposed subsequent to the year end (Note 13.3).

4.2 TAXATION

Provision for current taxation is based on taxable income at the current rates of Taxation. Deferred tax is accounted for using the Balance Sheet Liability method is respect of all temporary difference arising between the carrying amount of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax Liabilities are recognized for all taxable temporary difference & deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be

Deferred tax is calculated at the rates that are expected to apply to the period when the timing difference reverse, based on the tax rates that have been enacted. Deferred tax is charge or credited to income except in the case of items credited or charged to equity in which case it is included in equity.

4.3 OPERATING PROPERTY, PLANT & EQUIPMENT & DEPRECIATION

These are stated at cost less accumulated depreciation. Depreciation is charged on straight line method at the following rates to write off 90% costs of an asset over its useful life. Plant & Machinery, Vehicles, Furniture & Fitting and Tools & Equipment have already been depreciated up to 90%

Plant & Machinery	0
Furniture & Fittings	0
Motor Vehicles	0
Tools & Equipments	0

In the year of acquisition of assets, depreciation is provided at one- half of the applicable annual rate whereas in the year of deletion, depreciation if provided up to the month in which the assets is deleted. Maintenance and normal repair is charged to profit and loss account as and when incurred. Profit or loss on disposal of fixed assets is included in the current year income. All major improvements and modification are capitalized.

4.4 **STORES, SPARES & LOOSE TOOLS** are valued at cost less allowance for obsolete items.

4,5 **STOCK IN TRADE** is stated at the lower of average cost and net realizable value. In respect of finished stock appropriate overheads are also included in cost.

4.6 STAFF RETIREMENT BENEFITS

The Company does not operate any Staff Retirement benefit plan.

4.7 **DEFERRED COST** are amortized using the straight line method over a period of five years.

4.8 **FOREIGN EXCHANGE TRANSACTIONS** are translated into reporting currency at the rates of exchange prevailing on the date of transactions. Monitory assets and liabilities denominated in foreign currency are translated into reporting currency equivalents using exchange rates that existed when the values were determined. Exchange differences on foreign currency transactions are included in profit and loss account.

4.9 **REVENUE RECOGNITION**

Revenue from local sale is recognized on delivery of products ex-factory to the customers while export sales are recognized when the products are shipped to the customers. Interest income is recorded on accrual basis.

4.10 **FINANCIAL INSTRUMENTS**

Consequent to the adoption of IAS-39, "Financial Instrument: recognition and measurement" financial assets are recognized when the Company become a part of contractual provisions of the instrument and de-recognized when the Company loses control of the contractual rights that comprise the financial assets and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired. The particular measurement methods adopted are disclosed in the individual policy statement associated with each items as shown below:

(a) Long Term Loan and Accrued Interest.

All loans are initially recognized at cost. After initial recognition, all loans and accrued interest thereon are subsequently measured at fair value and any gain or loss arising from a change in fair value is included in profit and loss account in the period in which it arises.

(b) Trade and other payable.

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received. Payable to related parties are recognized and carried at cost.

(c) Provisions.

Provision are recognized when a Company has a legal or constructive obligation as a result of past event if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

(d) Trade and other Receivables

Trade and other receivable are recognized and carried at original invoice amount / cost less an allowance for any uncollectible amounts.

(e) Cash and bank balances are carried at fair value.

5 OPERATING PROPERTY, PLANT & EQUIPMENT

5.1 These are made up as follows:

PARTICULARS	COST AS AT			DEPRECIATION			WDV AS AT 30TH JUNE, 2009
	1ST JULY, 2008	30TH JUNE, 2009	RATE %	TO 30TH JUNE, 2008	PROVIDED FOR THE YEAR	TO 30TH JUNE, 2009	
BUILDINGS on Leasehold Land	5,753,436	5,753,436	2.50	5,044,344	17,727	5,062,071	691,365
PLANT & MACHINERY	29.173.179	29.173.179	7	26,255,858	-	26.255.858	2.917.321
FURNITURE & FIXTURE	1,009.248	1.009,248	10	908,320	-	908,320	100,928
TOOLS & EQUIPMENT	1,208,107	1,208,107	10	1,087,296	-	1,087,296	120,811
MOTOR VEHICLES	728,629	728,629	20	655,768	-	655,768	72,861
2009	37,872,599	37,872,599		33,951,586	17,727	33,969,313	3,903,286
2008	37,872,599	37.872,599		33,933,405	18,181	33,951,586	3,921,013

5.2 Plant & machinery, Furniture & Fixture, Tools & Equipments, and Motor Vehicles have already been depreciated up to 90 % under the depreciation policy adopted by the Company. Threrefore no depreciation for the year has been provided for these assets.

5.3 Depreciation provided for the year has been charged to Cost of Sales (Note 18.1)

		2009 RUPEES	2008 RUPEES
6	**LONG TERM DEPOSITS**		
	6.1 These comprises of:		
	Security Deposits - SNGPL	**955,230**	**31,730**
7	**STOCK IN TRADE**		
	Raw Material	5,398,367	20,462,931
	Work in Process	138,047	-
	Finished Goods	3,897,694	2,352,015
	Wrapping Material	1,280,004	2,638,711
	Chemicals	12,563	-
		10,726,675	**25,453,657**
8	**LOANS & ADVANCES** comprise of:		
	Advances to Suppliers	3,867,070	930,775
	Advances for expenses	113,341	660,850
		3,980,411	**1,591,625**
9	**TRADE DEPOSITS & SHORT TERM PREPAYMENTS** comprise of:		
	Trade Deposits		729,500
	Advance Income Tax	2,225,858	442,329
	LC Margin	2,589,600	
		4,815,458	**1,171,829**
10	**CASH & BANK BALANCE**		
	Cash in Hand	161,849	71,199
	In Current Accounts with Banks	5,427,362	3,076,190
		5,589,211	**3,147,389**
11	**ISSUED, SUBSCRIBED & PAID UP SHARE CAPITAL**		
	11.1 This comprises of:		
	Ordinary Shares Issued for Cash :		
	497,500 Ordinary Shares of Rs. 10 each	4,975,000	4,975,000
	Ordinary Shares Issued as fully paid Bonus Shares:		
	704,341 Ordinary Shares of Rs. 10 each	7,043,410	7,043,410
	1,201,841 Ordinary Shares of Rs. 10 each	**12,018,410**	**12,018,410**

11.2 No Shares are held by Khyber Tobacco Company Limited as at 30th June, 2009

		2009 RUPEES	2008 RUPEES
12	**DUE TO ASSOCIATED UNDERTAKINGS**		
	12.1 This relates to Excel Tobacco Company (Private) Limited & is made up as follows:		
	Balance as at 1st July, 2008	11,999,643	11,999,643
	Add: Payments made for Services Utilized by the Company	-	-
		11,999,643	11,999,643
	Less: Payments during the Year	-	-
		11,999,643	**11,999,643**

12.2 The transactions with associated undertakings are made under normal commercial terms and conditions. The repayment period of this balance has not yet been determined. However, this is repayable at the option of the Company.

		2009	2008
13 TRADE & OTHER PAYABLES		**RUPEES**	**RUPEES**
13.1 These comprise of:			
Creditors		9,333,483	9,627,876
Advance from Customers		14,080,900	8,608,355
Growers Vouchers Payable		10,346,634	-
Accrued Liabilities		2,122,986	2,655,598
Unclaimed & Unpaid Dividend	13.2	993,071	744,554
Workers (Profit) Participation Fund		417,475	560,914
Workers welfare fund		170,236	
		37,464,785	22,197,297

13.2 **UNCLAIMED & UNPAID DIVIDENDS** comprise of:

Unclaimed	993,071	744,554
	993,071	744,554

13.3 The Company, effective from the year 2007, has changed its policy to not to recognise the final dividend, proposed subsequent to year end, as a liability to comply with the substituted Fourth Schedule to the Companies Ordinance, 1984 as referred to in Note 4.1. Such a change in policy has been accounted for retrospectively and comparative financial statements have been restated in accordance with the recommended benchmark treatment of IAS-8, Net profit or loss for the period, fundamental errors and changes in accounting policy.

14 CURRENT/OVER DUE PORTION OF LONG TERM FINANCING

Balance as at 1st July, 2008	431,093	1,331,093
Less: Payment made during the Year	(431,093)	900,000
Over Due Portion	-	431,093

15 PROVISION FOR TAXATION

15.1 This is made up as follow:

Balance as at 1st July, 2008	11,170,724	11,211,049
Less: Payments made during the Year	9,704,372	1,139,345
	1,466,352	10,071,704
Adjustment of Advance Tax	442,329	-
	1,024,023	10,071,704
Add: Provided for the Year	2,696,266	1,099,020
	3,720,289	11,170,724
Adjustment for:		
Prior years Taxation	(51,449)	
	3,668,840	11,170,724

16 CONTINGENCIES AND COMMITMENTS

16.1 **Contingencies:**

The Company is contingently liable to an Income Tax Liability amounting to Rs. 6,633,713 for the Assessment Year 2001-2002 as per decision of Deputy Commissioner. This decision was challenged by the Company before CIT (A) and have won the case. The department has filled its appeal against this order in I.T.A.I which has set aside the case for denovo assessment.

16.2 **Commitments:**

Rs. Nil (2008: Rs. Nil)	-	-

		2009 RUPEES	2008 RUPEES
17 SALES			
17.1 Comprises of:			
Local			
Manufacturing Receipts		1,128,050	2,139,550
Re-drying Receipts		-	5,685,431
Tobacco Handling Charges		-	923,340
Sale of Tobacco		65,429,936	34,018,997
Sales of Cigaretts		37,236,175	-
		103,794,161	42,767,318
Less: Sales Discount		(5,251,500)	-
		98,542,661	42,767,318
Export			
Sale of Tobacco		3,542,070	22,568,989
Sales of Cigaretts		14,815,946	4,538,017
Sales of Wrapping Material		248,961	-
		18,606,977	27,107,006
			-
		117,149,638	69,874,324

		2009 RUPEES	2008 RUPEES
18 COST OF SALES			
18.1 This comprises of:			
Tobacco Consumed	(Note 18.2)	64,700,766	42,667,640
Fuel, Power & Gas Consumed		14,647,761	12,509,489
Store & Spares Consumed		438,715	384,633
Salaries, Wages & Benefits		4,030,293	2,640,736
Repair & Maintenance		-	167,582
Depreciation	(Note 5.1)	17,727	17,727
Export Expenses		-	547,509
Packing Material		300,000	400,000
Rent of Lease Land		7,676	7,676
Wrapping Material Consume	(Note 18.3)	18,238,089	4,160,067
Chemical Consumed	(Note 18.4)	526,658	-
Tobacco Cess		1,300,000	-
Royalty		1,832,900	-
Special Excise Duty		372,368	-
		-	
		106,412,953	63,503,059
Adjustment of Work-in-Process			
Opening Balance		-	-
Closing Balance		(138,047)	-
		(138,047)	-
Adjustment for Finished goods			
Opening Balance		2,352,015	-
Closing Balance		(3,897,694)	(2,352,015)
		(1,545,679)	(2,352,015)
		104,729,227	61,151,044

	2009 RUPEES	2008 RUPEES
18.2 TOBACCO CONSUMED		
Opening Balance	20,462,931	4,404,028
Purchases	49,636,202	58,726,543
	70,099,133	63,130,571
Balance as at 30th June, 2009	(5,398,367)	(20,462,931)
	64,700,766	**42,667,640**
18.3 WRAPPING MATERIAL CONSUMED		
Opening Balance	2,638,711	-
Purchases	16,879,382	6,798,778
	19,518,093	6,798,778
Balance as at 30th June, 2009	(1,280,004)	(2,638,711)
	18,238,089	**4,160,067**
18.4 CHEMICAL CONSUMED		
Opening Balance	-	-
Purchases	539,221	-
	539,221	-
Balance as at 30th June, 2009	(12,563)	-
	526,658	-

19 ADMINISTRATIVE EXPENSES

	2009 RUPEES	2008 RUPEES
19.1 This comprises of:		
Directors' Remuneration	200,000	-
Salaries and Other Benefits	638,000	570,000
Welfare Expenses	620,384	564,309
Rent and Taxes	304,150	292,710
Postage, Telegram and Telephone	69,818	97,472
Printing and Stationery	96,368	47,943
Legal and Professional	25,000	24,000
General Expenses	-	200,562
Travelling and Conveyance	286,076	-
Auditors' Remuneration (Note 19.2)	130,000	205,000
Advertisement	45,920	74,180
	2,415,716	**2,076,176**
19.2 AUDITORS' REMUNERATION		
19.3 Comprises of:		
Statutory Audit Fee	130,000	200,000
Out of Pocket Expenses	-	5,000
	130,000	**205,000**

20 OTHER OPERATING EXPENSES

	2009 RUPEES	2008 RUPEES
20.1 These comprise of:		
Workers (Profit) Participation Fund	417,475	560,914
Workers welfare fund	170,236	-
	587,711	**560,914**

21 SELLING & DISTRIBUTION EXPENSES

	2009 RUPEES	2008 RUPEES
21.1 These comprise of:		
Cartage Expenses	148,000	-
Export Expenses	61,950	-
	209,950	-

	2009 RUPEES	2008 RUPEES

22 **OTHER OPERATING INCOME** represents to credit balances considered not to be payable any more hence written back and comprise of:

	2009 RUPEES	2008 RUPEES
Liabilities written off		1,232,469
Audit fee written off	70,000	
	70,000	**1,232,469**

23 **FINANCE COST** comprise of:

	2009 RUPEES	2008 RUPEES
Bank Charges	**119,145**	**100,756**

24 **TAXATION**

24.1 This relates to Current Year's Current Taxation & comprises of:

	2009 RUPEES	2008 RUPEES
Current	2,696,266	1,099,020
On Export	207,541	358,544
Prior Years' Taxation	(51,449)	-
	2,852,358	**1,457,564**

24.2 No Taxable Temporary Timing Differences are expected to reverse in near forseable future. Therefore, the management has decided not to make any provision for Deferred Taxation.

25 **EARNING PER SHARE**

There is no dilution effect on the basic earning per share of the Company, which is based on:

	2009	2008
Net Profit for the Year after Taxation	**6,305,531**	**5,759,885**
	NUMBER OF SHARES	
No. of Shares	**1,201,841**	**1,201,841**
	RUPEES	
Earning per Share - Basic	5.25	4.79

26 **REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

Payment have been made to Mr. Wasim-ru-Rehman, (Director) while no payment have been made to Chief executive during the year ended June 30, 2009 (2008 : Nil). Number of Directors of the Company are 7

27 **PLANT CAPACITY AND PRODUCTION**

The plant has a determinable annual manufacturing capacity of 4.422 Million cigarettes where as the actual production during the year was 130.40 Million cigarettes (2008: 90.07 Million)

28 **NUMBER OF EMPLOYEES**

The number of employees as at 30th June, 2009 was 38 (2008: 36)

29 **DATE OF AUTHORIZATION**

These Financial Statements were authorized for issue on 29th September, 2009 in accordance with the resolution of the Board of Directors.

30 **GENERAL** figures presented in these Financial Statements are rounded of the nearest Rupee.

MARDAN **DIRECTOR** **CHIEF EXECUTIVE**

Dated:

29 **FINANCIAL INSTRUMENTS** comprise of:

	INTEREST BEARING			NON-INTEREST BEARING			TOTAL
	MATURITY UP TO ONE YEAR	MATURITY AFTER ONE YEAR	SUB-TOTAL	MATURITY UP TO ONE YEAR	MATURITY AFTER ONE YEAR	SUB-TOTAL	
(a) Financial Assets							
Long Term Deposits	-	-	-	-	955,230	955,230	955,230
Loans & Advances	-	-	-	3,980,411	-	3,980,411	3,980,411
Trade Deposits	-	-	-	2,225,858	2,589,600	4,815,458	4,815,458
Cash and Bank Balances	-	-	-	5,589,211		5,589,211	5,589,211
2009:	-	-	-	**11,795,480**	**3,544,830**	**15,340,310**	**15,340,310**
2008:	-	-	-				
(b) Financial Liabilities							
Long Term Financing	-	-	-	-	-	-	-
Due to Associated Undertakings	-	-	-	-	11,999,643	11,999,643	11,999,643
						-	-
Securities from Customers	-	-	-	-	9,982,285	9,982,285	9,982,285
Trade & Other Payables	-	-	-	37,362,235		37,362,235	37,362,235
2009:	-	-	-	**37,362,235**	**21,981,928**	**59,344,163**	**59,344,163**
2008:	-	-	-				
Off Balance Sheet Items							
2009:	-	-	-	-	-	-	-
2008:	-	-	-	-	-	-	-

Fair Value of Financial Assets & Liabilities are estimated to approximate their carrying value reflected in the Financial Statements.

Interest Rate Risk

Interest rate risk is the risk that the value of **financial assts & liabilities** will fluctuate due to changes in market interest rates. As the interest / mark-up bearing financial assets & liabilities of the Company amount to nil as such there is no interest rate risk.

Currency Risk

Currency risk is the risk that the value of financial asset will fluctuate due to changes in foreign exchange rate. As no liabilities of the company is denominated in foreign currency as such the exposure of the company to currency risk is nil.

Credit Risk and Concentration of Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk indicates relative sensitivity of a company's performance to developments effecting a particular industry. The company believes that it has no major credit risk due to the high credit worthiness of corresponding parties. The financial assets exposed to amount to Rs. 14,385,080 (2008: Rs.5,918,607)

KHYBER TOBACCO COMPANY LIMITED
MARDAN

PROXY FORM

1____________________________OF____________________being a member of

KHBER TOBACCO COMPANY LIMITED and holding__________ordinary shares entiteled

to vote or votes hereby appoint______________________of____________________

or falling him__________________________________of____________________

as my proxy, to vote for me and on my behalf at the 54th Annual General Meeting of the Company to be held on the 31st October 2009 and at adjournment thereof.

As witness my hand this____________________day of____________________2009

Signature by Said

In the presence of

Address

Re. 1/- Revenue Stamp

Signature of
Shareholder