

2019  
ANNUAL REPORT

KHYBER TOBACCO  
COMPANY LIMITED



Pursuance of  
Belief

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# FINANCIAL HIGHLIGHTS

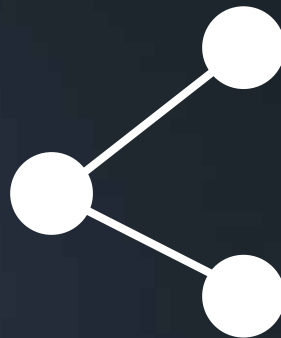
**Rs. 1.26 Billion**  
CONTRIBUTION  
TO NATIONAL  
EXCHEQUER

**Rs. (38.27)**  
**Million**  
PROFIT AFTER TAX  
Rs. 199.86 Million: 2018

**Rs. 1262.99**  
**Million**  
Shareholder's  
Equity  
Rs. 1,343.91 Million : 2018

**Rs. (7.96)**  
Earning Per  
Share  
Rs. 41.57 : 2018

**Rs. 2,337.78**  
**Million**  
SALES REVENUE  
Rs. 2503.56 Million: 2018



**LOCAL SALES**  
Rs. 2102.02 Million - 2019  
Rs. 2,498.12 Million - 2018

**EXPORT SALES**  
Rs. 235.76 Million - 2019  
Rs. 5.43 Million - 2018

**'19 vs '18**

|                             |                     |                  |
|-----------------------------|---------------------|------------------|
| <b>Sales Revenue</b>        | [Rupees in Million] | <b>(165.77)</b>  |
| - Local Sales               | [Rupees in Million] | <b>(396.10 )</b> |
| - Export Sales              | [Rupees in Million] | <b>230.33</b>    |
| <b>Profit After Tax</b>     | [Rupees in Million] | <b>(238.13)</b>  |
| <b>Earning Per Share</b>    | [Rupees per Share]  | <b>(49.53)</b>   |
| <b>Shareholder's Equity</b> | [Rupees in Million] | <b>(80.92)</b>   |
| <b>Return on Equity</b>     | [%]                 | <b>(17.90)</b>   |
| <b>Current Ratio</b>        |                     | <b>(0.30)</b>    |

**(3.03)%**

**Return on  
Equity**

14.87% : 2018

**2.64**

**Current  
Ratio**

2.94 : 2018



## OUR VISION

To outperform Nationally and Internationally and be on top through Teamwork, Quality, Brand Recognition and Customer Service.



## OUR MISSION

To expand the presence of our brands and operations globally through a network of reliable partners, suppliers and distributors.

# CORE VALUES



## Trust

- We build confidence in our people, principals, customers and brands by fulfilling commitments.
- We believe our people work best when they are empowered.
- We value the capabilities and intentions of all stakeholders.
- We ensure consistent quality of service at all ends.
- We encourage fairness and respect the opinion and emotions of others.



## Integrity

- Be honest and straightforward to everyone.
- Always try to do the right things.
- Our respect to individuals drives success.
- We help our communities live a better life.
- We operate within the spirit of law and encourage transparency.



## Leadership

- We lead from the front and have a clear vision where we are going.
- Our leaders are role models who listen, coach, develop and recognize talent.
- We promote an open and diverse culture where individuals are empowered to contribute to the best of their potential.
- We believe in setting trends rather than following the conventional methods of business.
- We work together to achieve collective results.





## Passion to Win

- We are determined to deliver the best.
- We dare our people to take risks and accept challenges.
- We have a compelling desire to excel with knowledge, experience and dedication.
- We combine our spirit and energy to continuously raise our expectations.



## Ownership

- We are one family.
- We take charge of responsibilities towards our principals, business, customers and communities.
- We hold ourselves accountable for whatever we do.
- Our processes, systems and decisions are based on input from concerned stakeholders.

# CORPORATE INFORMATION

## Board of Directors

Mr. Waseem Ur Rehman  
Mr. Rahat Ullah  
Mr. Pir Waris Shah  
Mr. Pir Farhan Shah  
Mr. Shafiq Afzal Khan  
Mr. Hazrat Bilal  
Mr. Khalil Ur Rehman

Chief Executive/ Executive Director  
Chairman/Non-Executive Director  
Non-Executive Director  
Executive Director  
Non-Executive Director  
Non-Executive Director  
Non-Executive Director

## Audit Committee

Mr. Shafiq Afzal Khan  
Mr. Rahat Ullah  
Mr. Khalil Ur Rehman

Chairman  
Member  
Member

## Human Resource Committee

Mr. Pir Waris Shah  
Mr. Pir Farhan Shah  
Mr. Shafiq Afzal Khan

Chairman  
Member  
Secretary

## Senior Management

Mr. Waseem Ur Rehman

Chief Executive

## Company Secretary

Mr. Pir Farhan Shah

## Share Registrar

Central Depository Company  
Share Registrar Services Limited  
CDC House, 99-B, Block B  
S.M.C.H.S., Main Shahreh e Faisal  
Karachi

## Bankers

National Bank of Pakistan  
MCB Bank Limited  
Askari Bank Limited  
Samba Bank Limited  
Habib Bank Limited

## External Auditors

Deloitte Yousuf Adil & Co.  
Chartered Accountants

## Internal Auditors

Shahid Ahmad & Co.  
Chartered Accountants

## Registered Office

Khyber Tobacco Company Limited  
Nowshera Road, Mardan  
Telephone: +92-937-844668,844639  
Fax: +92-937-843329



KHYBER TOBACCO COMPANY LTD

# STATEMENT OF ETHICS & BUSINESS PRACTICES

All employees of Khyber Tobacco Company Limited, hereinafter called KTC, shall:-



## Abidance of Laws / Rules

- Conform to and abide by the KTC rules and obey all lawful orders and directives which may from time to time be given by any person or persons under whose jurisdiction, superintendence or control they may for the time being, be placed. They shall comply with and observe all applicable laws, regulations and KTC policies.
- Not bring or attempt to bring any political or other pressure / influence directly or indirectly to bear on the authorities / superior officers or indulge in derogatory pamphleteering, contribute or write letters to the news papers, anonymously or in their own name with an intent to induce the authority / superior officers to act in a manner inconsistent with rules, in respect of any matter relating to appointment, promotion, transfer, punishment, retirement or for any other conditions of service of employment.



## Integrity

- Conduct themselves with the highest standards of ethics, professional integrity and dignity in all dealings with the public, clients, employees, and not engage in acts discreditable to KTC, the profession and the nation. If they become aware of any irregularity that might affect the interests of KTC, they shall inform the senior management immediately.
- Maintain all books, data, information and records with scrupulous integrity, reporting in an accurate and timely manner all transactions / reports.
- Avoid all such circumstances in which there is conflict of personal interest, or may appear to be in conflict, with the interests of KTC or its stakeholders.
- Not use their employment status to seek personal gain from those doing business or seeking to do business with KTC, nor accept any such gain if offered. They shall not accept any gift, favor, entertainment or other benefits the size or frequency of which exceeds normal business contacts from a constituent or a subordinate employee of KTC or from persons likely to have dealings with KTC and candidates for employment in KTC.



## Confidentiality

- Maintain the privacy and confidentiality of all the information acquired during the course of professional activities and refrain from disclosing the same unless otherwise required by statutory authorities / law. All such information will remain as a trust and will only be used for the purpose for which it is intended and will not be used for the personal benefits of any individual[s]. Inside information about KTC's customers / affairs shall not be used for their own gain or for that of others either directly or indirectly.



## Professionalism

- Serve KTC honestly and faithfully and shall strictly serve KTC's affairs and the affairs of its constituents. They shall endeavor to promote the interest and goodwill of KTC and shall show courtesy and attention in all transactions / correspondence with officers of the Government, Banks & Financial Institutions, other establishments dealing with KTC, KTC's constituents and the general public.
- Disclose and assign to KTC all interests in any invention, improvement, discovery or work of authorship that they may make or conceive and which may arise out of their employment with KTC. If their employment is terminated, all rights to the property and information generated or obtained as part of their employment relationship will remain the exclusive property of KTC.



## Business / Work Ethics

- Respect fellow colleagues and work as a team. They shall at all times be courteous and not let any personal differences affect their work. They will treat every customer of KTC with respect and courtesy.
- Ensure good attendance and punctuality. For any absence during working hours, they shall obtain written permission of their immediate supervisor. They shall not absent themselves from their duties, nor leave their station over night, without having first obtained the permission of the competent authority.
- Maintain a standard of personal hygiene and dress appropriately for attendance at work. Their appearance must inspire confidence and convey a sense of professionalism.
- As personal responsibility, safeguard both the tangible and intangible assets of KTC that are under their personal control and shall not use KTC assets for their personal benefits except where permitted by KTC. They shall not use any KTC facilities including a telephone to promote trade union activities, or carry weapons into KTC premises unless authorized by the management, or carry on trade union activities during office hours, or subject KTC officials to physical harassment.
- Fulfill their responsibilities to fellow employees, by helping in maintaining a healthy and productive work environment and shall not engage in the selling, manufacturing, distributing and using any illegal substance or being under the influence of illegal drugs while at work.
- Ensure strict adherence to all health and safety policies as may be implemented from time to time by KTC.
- Intimate the Human Resource department of any changes in the personal circumstances relating to their employment or benefits.
- Guarantee in their private capacity the pecuniary obligation of another person or agree to indemnify in such capacity any person from loss.

# HR POLICY

KTC Corporate policy on human resources is to attain the highest standards of professionalism throughout the organization by recognizing and revealing individual capabilities, productivity, commitment and contribution. KTC believes that the continued progress and success of the Company depends upon to a great extent on its personnel – that only with a carefully selected, well trained, achievement oriented and dedicated employee force, can the Company maintain its Leadership in the Local Cigarette Manufacturing industry. And because the most valuable asset of the Company is its personnel, KTC has the following human resource policies:

1. Employ the best-qualified persons available, recognizing each person as an individual thus affording equal opportunity.
2. Pay just and responsible compensation in line with the industry standards, job requirements and work force.
3. Help employees to attain their maximum efficiency and effectiveness through a wellrounded training and development program. Human Resource Policy.
4. Provide and maintain comfortable, peaceful and orderly working conditions.
5. Promote from within whenever possible and provide opportunities for growth and promotion to the employees.
6. Treat each employee with fairness and respect and in return expect from him service marked by dedication, devotion, commitment and loyalty.
7. Encourage each employee to improve and develop him/herself and thereby prepare him/her for positions of higher responsibility.
8. Recognize and reward efficiency, team work, discipline and dedication to duty and responsibility.
9. Try to resolve Labor-Management differences, if any, promptly and amicably and employ satisfied workforce.
10. Provide a wholesome and friendly atmosphere for harmonious Labor-Management relations.





## ENERGY POLICY

Khyber Tobacco Company Limited [KTC] is conscious that natural energy resources are not only scarce but also very precious and need to be optimally utilized. Ever-increasing environmental consciousness as well as market competition demands enhancement of energy efficiency and energy conservation where possible.

Energy conservation positively impacts environment and goes a long way in reducing greenhouse gases and other hazardous emissions. KTC is committed to produce quality products by employing economical energy efficient processes and equipment.

It is our goal to reduce energy consumption where possible by regular monitoring and up gradation. In our economic and development strategies, we focus on initiatives that will use energy resources more efficiently. KTC believes in setting realistic targets pertaining Energy Policy to energy efficiency and conservation and review them periodically to ensure sustainable growth.

KTC is committed to comply with all applicable legal requirements in respect of energy efficiency, conservation and its reporting.



# WHISTLEBLOWER POLICY

Suspected or actual occurrence[s] of illegal, unethical or inappropriate events [behaviors or practices] without retribution.

1. The Whistleblower should promptly report the suspected or actual event to his/her supervisor.
2. If the Whistleblower would be uncomfortable or otherwise reluctant to report to his/her supervisor, then the Whistleblower could report the event to the next highest or another level of management, including to an appropriate Board committee or member.
3. The Whistleblower can report the event with his/her identity or anonymously.
4. The Whistleblower shall receive no retaliation or retribution for a report that was provided in good faith – that was not done primarily with malice to damage another or the organization.
5. A Whistleblower who makes a report that is not done in good faith is subject to discipline, including termination of the Board or employee relationship, or other legal means to protect the reputation of the organization and members of its Board and staff.
6. Anyone who retaliates against the Whistleblower [who reported an event in good faith] will be subject to discipline, including termination of Board or employee status.
7. Crimes against person or property, such as assault, rape, burglary, etc., should immediately be reported to local law enforcement personnel.
8. Supervisors, managers and/or Board members who receive the reports must promptly act to investigate and/or resolve the issue.
9. The Whistleblower shall receive a report within five business days of the initial report, regarding the investigation, disposition or resolution of the issue.
10. If the investigation of a report, that was done in good faith and investigated by internal personnel, is not to the Whistleblower's satisfaction, then he/she has the right to report the event to the appropriate legal or investigative agency.
11. The identity of the Whistleblower, if known, shall remain confidential to those persons directly involved in applying this policy, unless the issue requires investigation by law enforcement, in which case members of the organization are subject to subpoena.



# REMUNERATION POLICY

## FOR THE BOARD OF DIRECTORS, BOARD COMMITTEES, EXECUTIVE DIRECTORS, BOARD APPOINTEES AND SENIOR MANAGEMENT

### Objective:

This policy aims to set out the requirements and methodology of the determination of remuneration of the Board of Directors, the Board Committees, the Executive Directors, the

Board Appointees and members of the Senior Management.

### 1. REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

The Board of Directors ["BoD"] shall, from time to time, determine and approve

the remuneration of the members of the BoD for attending Board Meetings.

Such level of remuneration shall be appropriate and commensurate with the

level of responsibility and expertise offered by the members of the BoD, and

shall be aimed at attracting and retaining members needed to govern the

Company successfully, and creating value addition.

The BoD shall ensure that the prevailing level of remuneration of the BoD does not any time compromise the independence of independent members of the BoD.

Members of the BoD may also be paid all travel/hotel/ancillary expenses related to:

- a) attendance of Board Meeting(s);
- b) attendance of General Body Meetings; and/or
- c) business of the Company.

No single member of the BoD shall determine his/her own remuneration.

### 2. REMUNERATION OF THE BOARD COMMITTEES MEMBERS

The Board of Directors [BoD] may, from time to time, determine and approve the remuneration of the members of the Board Committees for attending Board

Committee meetings. Such level of remuneration shall be appropriate and commensurate with the level of responsibility and expertise offered by the members of the Board Committees, and shall be aimed at attracting and retaining members needed to govern the Board Committees successfully, and creating value addition.

The BoD shall ensure that the prevailing level of remuneration of the Board Committee members does not any time compromise the independence of independent members of the Board Committees.

Members of the Board Committees may also be paid all travel/hotel/ancillary expenses related to their attendance of Board Committee meetings.

The BoD may further determine and approve additional remuneration for any member of the Board Committees for performing additional services, including holding of office of Chairman of a Board Committee.

### 3. REMUNERATION OF THE EXECUTIVE DIRECTORS

#### Chief Executive Officer

The remuneration of the Chief Executive Officer ["CEO"], in addition to ancillary benefits, and any amendments thereof, shall be determined and approved by the BoD, on the recommendation of the HRRC.

#### Other Executive Directors

The remuneration of the Executive Directors, in addition to ancillary benefits, and any amendments thereof, shall be determined and approved by the BoD, on the recommendation of the HRRC and the CEO.



# OTHER CORPORATE GOVERNANCE

## Stakeholders' Engagement

At KTC, engage to understand and respond to our legitimate stakeholder concerns. Our key stakeholders are:

- Shareholders
- Customers
- Suppliers
- Banks
- Employees
- General public
- Government and Regulatory Authorities

The frequency of engagements is based on business needs and corporate requirements as specified by the Code of Corporate Governance, or as contracted, under defined procedures.

## Issues Raised At Last AGM

Apart from general clarifications requested by the shareholders about the Company's financial performance and published financial statements during the 63rd Annual General Meeting held on December 05, 2018, no significant issue was raised.

## Addressing Investors Grievances

The interest of small investors and minority shareholders is of prime importance to the Company. In order to keep a vigilant eye and to provide a platform to the investors for voicing their concerns, a team under corporate section has been designated to ensure that grievances/ complaints of the investors are heard and redressed, in a quick and efficient manner. Mechanism of lodging any complaint/issues is detailed on the website of the Company. Designated contact numbers and email address of the Company / Regulator is disseminated among investor through company broadcasts.

## Board Members' Conflict of Interest

Following the guidelines of the code of conduct, every Director on the Board is required to disclose about his interest in any contract, agreement or appointment etc [if any]. Any conflict of interest relating to members of Board of directors is dealt as per provisions of Companies Act, 2017 and rules and regulations of SECP and Pakistan Stock Exchange. However, no conflict among the members was raised during the year.

## Directors Training Programme

The Company ensures that it congregates requirements of Securities & Exchange Commission of Pakistan (SECP) and meets the terms of criteria of Directors' Training Program (DTP) by attaining certification.

## Safeguarding Of Records Of The Company

KTC effectively ensures the safety of records. All records are retained as long as they are required to meet legal, administrative, operational and other requirements of the Company. Furthermore, the Company keeps systematic backup of the record on daily basis for protection of data and its recovery in case of any catastrophe.

## Information Technology (IT) Governance Policy

KTC has implemented an IT Governance Policy. The Policy forms the operating guidelines for securing the Company's IT resources and also reduces Company's exposure to information practices that may compromise data availability, confidentiality and integrity.

## Related Party Transactions

All transactions with related parties are reviewed and approved by the Board on quarterly basis fulfilling the

requirements of section 208 of the Companies Act, 2017.

## Access Of Shareholders On Company's Website

All our shareholders and general public can visit the Company's website [www.khybertobacco.com](http://www.khybertobacco.com) which has dedicated section for investors containing information related to annual, half yearly and quarterly financial statements and to have a glance on shareholders' related information.

## Share Price Sensitivity

The Company disseminates all material and price sensitive information to the Pakistan Stock Exchange (PSX) through Pakistan Unified Corporate Action Reporting System (PUCARS).

## Operating Segments

The financial statements have been prepared on the basis of a single reportable segment.

## Capital Management Policy

The Company's policy is to maintain a strong capital base so as to maintain investor, creditors and market confidence and to sustain future development of the business. The Board of Directors of the Company monitors the return on capital, which the Company defines as net profit after tax divided by the total shareholders' equity. The Board of Directors also determines the level of dividends to ordinary shareholders.

There were no changes to the Company's approach to capital management during the year and the Company was not subject to externally imposed capital requirements.

# CODE OF CONDUCT

Khyber Tobacco Company Ltd. is committed to a quality business and reputation that values integrity, respect and truthfulness, and a strong commitment to the highest ethical standards.

This Code is not a comprehensive guide of all ethical issues that employees may face, but merely highlights specific problems. In dealing with ethical problems not detailed in this Code, employees are expected to use common sense and their best moral judgment. This policy may be modified or updated at any time.

## Objective:

Khyber Tobacco Company Ltd. is committed to ensure that its business is conducted, in all respects and all the times, according to rigorous ethical, professional and legal standards, which prevail from time to time, in the same industrial sector in which Company conducts its normal business. The Company is also committed to create a workplace, at all of its working locations, that, all the times, is free from harassment and discrimination, where co-workers are respected, and provided an appropriate environment so as to encourage good performance and conduct.

- To achieve this goal all employees are expected to:
- adhere to this Policy in their professional as well as personal conduct
- treat co-workers with respect, courtesy, honesty and fairness
- respect different values, beliefs, cultures and religions

- value the contribution of the people they work with, and work co-operatively
- not bully, intimidate, harass or discriminate against other co-workers

Moreover Khyber tobacco Company Ltd. is keen to provide a work environment that meets or exceeds applicable standards for occupational safety and health. Providing competitive compensation and work hours, in compliance with applicable laws. Recognizing and respecting the right of employees to associate freely and bargain collectively. Ensuring that child labor and forced labor are not used.

## Scope:

This policy is applicable to employee's conduct that the company has determined to be complied. Employees shall be aware of these standards and the conduct required of their as an individual and as a member of work teams.

## Purpose:

This "Code of Conduct" has been formulated in order to foster and maintain Employee trust and confidence in the professionalism and the integrity of the Employees of the Company by ensuring that all Employees adhere to appropriate standards of conduct as set out in this Policy that maintains and enhances the reputation of the Company.

This Policy aims to provide guidance to all Employees of the Company on how and in which manner should the conduct of Employees be when

they are undertaking business on behalf of the Company. The circumstances of conducts as set out below in this Policy, although not exhaustive, are intended to cover those situations, which are most likely perceived to be encountered by Employees. In case any Employee encounters any circumstance which is not covered hereunder or in case of any doubt, Employees should seek guidance from the Reporting Manager/ Reviewing Manager and/or from the Human Resource Department and act accordingly.

## COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

Khyber Tobacco Company Ltd. has a policy to observe all laws, rules, and regulations of government agencies and authorities.

## EMPLOYMENT PRACTICES/ ACTIVITIES:

### Conflicts of Interest:

All employees shall perform their duties conscientiously, honestly and in accordance with the best interests of the organization.

Employees must not use their positions or the knowledge gained as a result of their positions for private or personal advantage.

## RELATIONSHIPS WITH CLIENTS AND SUPPLIERS:

Employees should avoid investing in or acquiring a financial interest for their own accounts in any business



organization, that has a contractual relationship with Khyber Tobacco Company Ltd. or that provides goods and services, or both, or indirect business (sub vendors) to the Company.

**Forced Labor:**

There shall not be any use of forced labor, whether in the form of prison labor, indentured labor, bonded labor or otherwise.

**Child Labor:**

No person shall be employed at an age younger than 18 or younger than the age for completing compulsory education in the country of manufacture where such age is higher than 18.

**Harassment, Abuse And Violence:**

Every employee shall be treated with respect and dignity. No employee shall be subject to any physical, sexual, psychological or verbal harassment or abuse. Khyber Tobacco Company Ltd. will not, under any circumstances, condone or tolerate conduct which may constitute harassment on the part of its management, supervisors or non-management personnel.

It is our policy that all employees have the right to work in an environment free from any type of illegal discrimination, including harassment. Any employee found to be engaged in such conduct will be subject to

immediate disciplinary action up to and including termination.

**Non-Discrimination:**

No person shall be subject to any discrimination in employment, including hiring, salary, benefits, advancement, discipline, termination or retirement, on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, veteran status, marital status, or social or ethnic origin.

**Health and Safety:**

Employers shall provide a safe and healthy working environment to prevent accidents and injury to health arising out of, linked with, or occurring in the course of work or as a result of the operation and employer facilities.

# CODE OF CONDUCT

The employer shall take a proactive approach to health and safety by including policies, systems and training designed to help prevent accidents, injuries and protect worker health.

## **Wages and Benefits:**

Khyber Tobacco Company Ltd. shall recognize that wages are essential to meeting employees' basic needs. Employees shall be paid at least the minimum wage required by local law. Employers shall provide mandated benefits as directed by the laws of the country.

## **Hours of Work:**

Except in extraordinary business circumstances, employees shall not be required to work more than the lesser of 48 hours per week or the limits on regular and overtime hours allowed by the law of the country of manufacture. Except in extraordinary circumstances, employees shall be entitled to at least one day of rest in every 7-day period.

## **Women's, Disabled, Ethnic Minorities:**

Company will ensure that workers who are women, disabled, or an ethnic minority receive equal treatment in all aspects of employment.

## **Gifts, Entertainment and Favors:**

Employees must not accept entertainment, gifts or personal favors that could, in any way, influence, or appear to influence, business decisions in favor of any person or organization with whom or with which Khyber Tobacco Company has, or is likely to have, business dealings.

## **Use of Company Property:**

Company has provided necessary equipment to the employees to perform their jobs. Employee shall not use any of this equipment for personal use, nor removed from the physical confines of the company unless it is approved.



# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 64<sup>th</sup> Annual General Meeting of the members of Khyber Tobacco Company Limited will be held on Monday, 28<sup>th</sup> October 2019 at 11.00 a.m. at Company registered office, Nowshera Road, Mardan to transact the following business;

## ORDINARY BUSINESS

1. To confirm the minutes of the 63<sup>rd</sup> Annual General Meeting held on 05<sup>th</sup> December 2019.
2. To receive, consider and adopt the audited financial statements of the Company for the year ended 30 June, 2019 together with the Directors' and Auditors' Reports thereon.
3. To appoint Auditors for the year ending 30 June 2020 and to fix their remuneration. The Audit Committee and the Board of Directors have recommended M/S Deloitte Yousaf Adil & Co, Chartered Accountants to be appointed as auditors of the Company till the next Annual General Meeting.

## SPECIAL BUSINESS

4. To consider and adopt new Articles of Association of the Company to replace the existing Articles of Association so as to comply with Companies Act, 2017, SECP Regulations and PSX Regulations and pass the following Special Resolution.

**RESOLVED THAT** new Articles of Association of the Company, be and are hereby adopted to replace the existing Articles of Association so as to comply with Companies Act, 2017, SECP Regulations and PSX Regulations

**FURTHER RESOLVED THAT** the Chief Executive and the Company Secretary be and are hereby authorized, jointly and severally, to take necessary steps to give effect to this resolution.

5. To transact any other business with the permission of the Chairman.

Statement of Material Facts under section 134(3) of the Companies Act, 2017 is attached. Copies of existing Articles of Association and new set of Articles of Association will be available at the meeting for review by the members

Mardan  
06 October, 2019

By Order of the Board



Pir Farhan Shah  
Company Secretary

# NOTICE OF ANNUAL GENERAL MEETING

## Notes:

### 1. Closure of Share Transfer books:

The Share Transfer Books of the Company will remain closed from 21<sup>st</sup> October 2019 to 28<sup>th</sup> October 2019 [both days inclusive]. Transfers received in order at the office of the Company's Share Registrar, Central Depository Company of Pakistan Limited, CDC House, 99-B, Block 'B', S.M.C.H.S. Main Shahrah-e-Faisal, Karachi, at the close of business on 21<sup>st</sup> October, 2019, will be in time to determine the above mentioned entitlement.

### 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 lodged with the Secretary of the Company at the registered office of the Company not less than 48 hours before the time of the Meeting.

### 3. Guidelines for CDC Accountholders:

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

#### a) For attending the meeting:

- i) In case of individuals, the account holder or subaccount holder and/or the person whose securities are in group account and their registration details are uploaded as per regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity Card [CNIC] or original passport at the time of attending the meeting.
- ii) In case of corporate entities, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced [unless it has been provided earlier] at the time of the meeting.

#### b) For appointing proxies:

- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per regulations, shall submit the proxy form as per the above requirement.
- ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- iii) Attested copies of CNIC or the passport of the beneficial owner and of the proxy shall be furnished with the proxy form.
- iv) The proxy shall produce his/her original CNIC or original passport at the time of meeting.
- v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity shall be submitted [unless it has been provided earlier] along with proxy form to the Company.

### 4. Change of Address:

Members are requested to promptly notify any change in their addresses to our Share Registrar, M/s Central Depository Company of Pakistan Limited, CDC House, 99-B, Block 'B', S.M.C.H.S. Main Shahrah-e-Faisal, Karachi.

### 5. Placement of Accounts on website.

The financial statements of the Company for the year ended June 30, 2019 along with reports have been placed at the website of the Company and can be downloaded from [www.khybertobacco.com](http://www.khybertobacco.com).

### 6. Transmission of Annual Financial Statements electronically.

The Company law allows transmission of annual audited financial statement



together with various reports along with notice of annual general meeting to its members electronically. Members who wish to avail this facility may convey their email addresses.

**PARTICIPATION THROUGH VIDEO CONFERENCE**

7. If the Company receives consent from members holding 10% or more shareholding, residing in geographical location to participate in the meeting through video conference at least 10 days prior to the date of meeting, the Company will arrange video conference facility. Format of the request form may be down loaded from Company website mentioned above.

# STATEMENT OF MATERIAL FACT

## UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017

In order to comply with the provisions of the Companies Act, 2017, SECP Regulations and PSX Regulations, the Articles of Association of the company need comprehensive changes. It is being proposed to adopt complete new set of Articles of Association to meet various requirements.

It is proposed to place the following Special Resolutions as mentioned at Agenda No. 5 of the Annual General Meeting Notice for approval of members.

**RESOLVED THAT** new Articles of Association of the Company, be and are hereby adopted to replace the existing Articles of Association so as to comply with requirements of Companies Act, 2017, SECP Regulations and PSX Regulations.

**FURTHER RESOLVED THAT** the Chief Executive and the Company Secretary, be and are hereby authorized, jointly and severally, to take necessary steps to give effect to this resolution.

Existing Articles and new set of Articles of Association have been kept at the registered office of the Company which can be inspected on any working day during usual business hours till the date of meeting. These documents will also be available for inspection at the meeting.



**Pir Farhan Shah**  
**Company Secretary**

# STATEMENT OF COMPLIANCE

## WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017 FOR THE YEAR ENDED 30 JUNE 2019

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

1. The total number of directors are as per the following:

Male: Seven  
Female: None

2. The composition of board is as follows:

| Category               | Names   |
|------------------------|---|
| Independent Directors  | 1) Mr. Rahat Ullah<br>2) Mr. Pir Wairs Shah<br>3) Mr. Khalil Ur Rehman  |
| Executive Directors    | 1) Mr. Waseem Ur Rehman<br>2) Mr. Pir Farhan Shah   |
| Non-executive Director | 1) Mr. Khalil Ur Rehman<br>2) Mr. Hazrat Bilal<br>3) Mr. Rahat Ullah<br>4) Mr. Shafique Afzal Khan<br>5) Mr. Pir Waris Shah |

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company [excluding the listed subsidiaries of listed holding companies where applicable].
4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. These documents, except for the significant accounting policies, have been approved by the board and record of such approvals and amendments have been maintained.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board / shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. The board of Directors did not arrange directors training program since three out of seven directors have attended the approved directors training programme. The board will ensure compliance of seventy-five percent limit in the upcoming year.
10. Position of Chief Financial Officer (CFO) remained vacant during the year. The board has approved appointment of Head of Internal Audit and terms and conditions of employment, including remuneration and complied with relevant requirements of the Regulations.
11. The financial statements of the Company were duly endorsed by the CEO and Company Secretary in place of CFO, before approval of the Board.

# STATEMENT OF COMPLIANCE

## WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017 FOR THE YEAR ENDED 30 JUNE 2019

12. The board has formed committees comprising of members given below:

| Audit Committee                   | HR and Remuneration Committee    |
|-----------------------------------|----------------------------------|
| Mr. Shafque Afzal Khan [Chairman] | Mr. Pir Wasir Shah [Chairman]    |
| Mr. Rahat Ullah [Member]          | Mr. Pir Farhan Shah [Secretary]  |
| Mr. Khalil Ur Rehman [Members]    | Mr. Shafique Afzal Khan [Member] |

13. The terms of reference of the Audit and HR and Remunerations Committees have been formed, documented and advised to the committees.

14. The Audit Committee meetings were held once every quarter and HR and Remuneration Committee meeting was held once during the year.

15. The board has outsourced the internal audit function to Shahid Ahmed & CO who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board 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 the ICAP.

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

18. We confirm that all other requirements of the Regulations have been complied with, except for the following:

As required under Regulation 10 [2], the Board of directors is responsible for the governance of risk and for determining the Company's level of risk tolerance by establishing risk management policies. Further the board is also required to undertake at least annually, an overall review of business risks to ensure that the management maintains a sound system of risk identification, risk management and related systemic and internal controls to safeguard assets, resources, reputation and interest of the Company and shareholders. The Board has implemented a mechanism for the governance and annual review of aforementioned risks and related measures and the annual review process will commence from the coming year.

- As required under Regulation 14 [ii], the Board has not considered the annual business plan, cash flow projections, forecasts and strategic plan; and
- As required under Regulation 14 [iii], the Board has not considered the budgets including capital, manpower and overhead budgets, along with variance analysis.



Rahat Ullah

Chairman

01 October 2019

# INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF KHYBER TOBACCO COMPANY LIMITED

## REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES [CODE OF CORPORATE GOVERNANCE] REGULATIONS, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies [Code of Corporate Governance] Regulations, 2017 [the Regulations] prepared by the Board of Directors of **Khyber Tobacco Company Limited** for the year ended June 30, 2019 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2019.

Further, we highlight below instances of non-compliance with the requirements of the Regulations as reflected in the note reference where these are stated in the Statement of Compliance.

| Note Reference | Description  |
|----------------|--|
| 09             | Three out of seven of the Directors have acquired the prescribed certification under approved director training programs.  |
| 10             | The position of Chief Financial Officer has remained vacant during the year and the board has not made appointment there against as required by the Regulations. |
| 11             | In the absence of Chief Financial Officer the financial statements of the Company were endorsed by Chief Executive Office and the Company Secretary.             |
| 18             | The Company is in non-compliance with Regulations 10(2), 14 (ii) and 14 (iii).   |

*Deloitte Young & Rubicam*

**Chartered Accountants**

**Engagement Partner:**

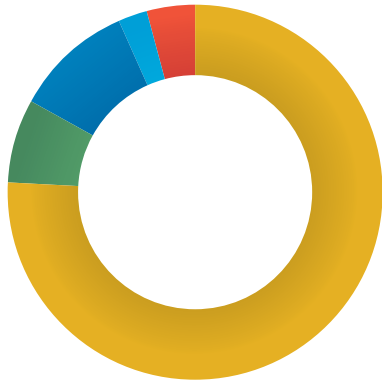
Rana M. Usman Khan

Lahore

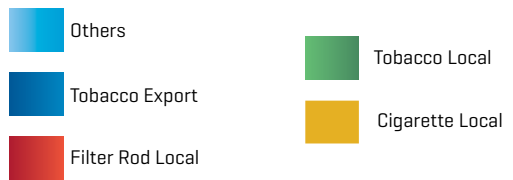
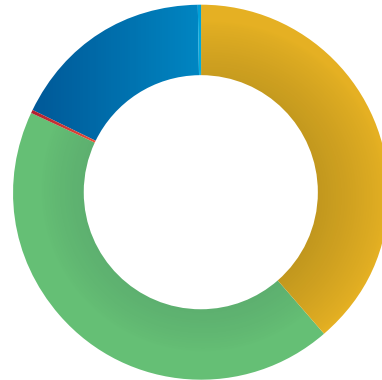
Date: 02 October 2019

# GRAPHICAL ANALYSIS

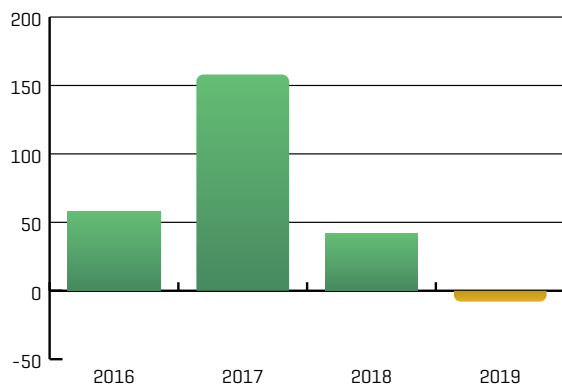
**Breakup of Costs**  
[Rupees in Millions]



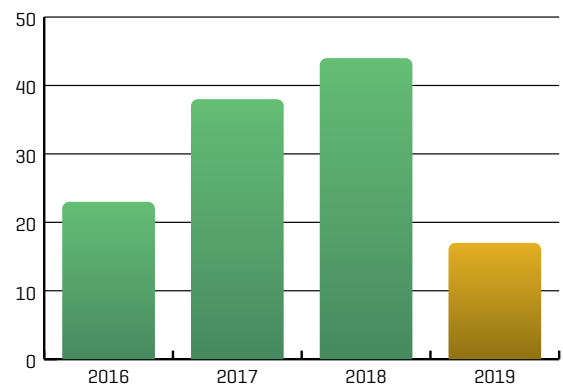
**Breakup of Sales**  
[Percentage]



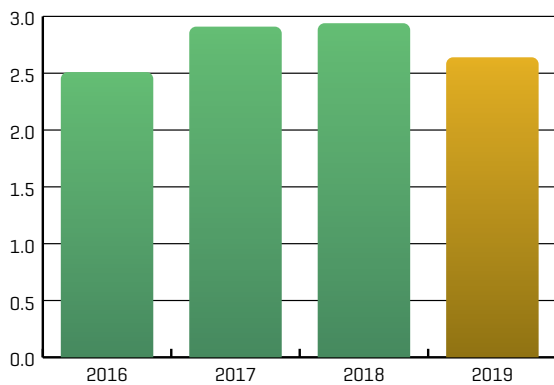
**Earning Per Share after tax**  
[Rupees]



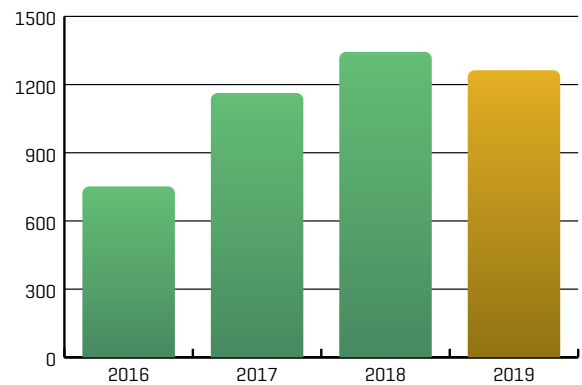
**Gross Profit Margin**  
[Rupees]



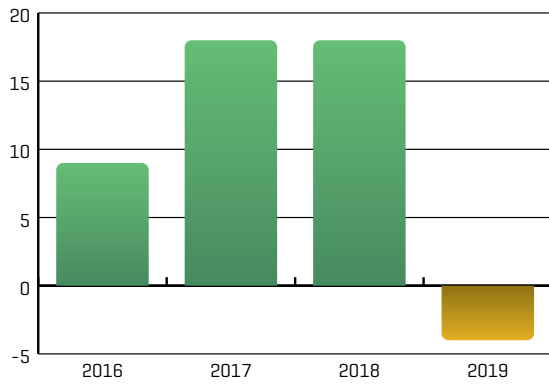
**Current Ratio**  
[Times]



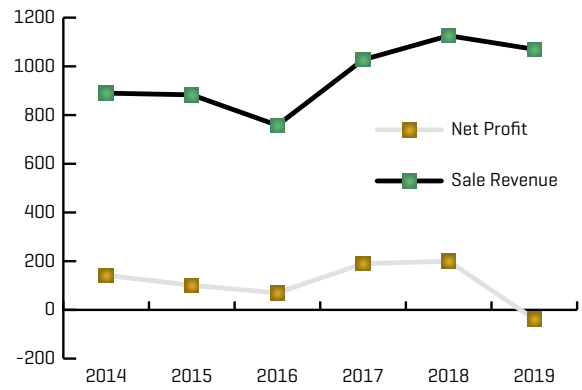
**Shareholder's Equity**  
[Rs. In Million]



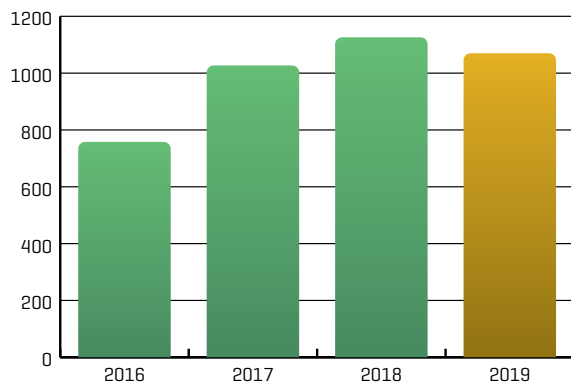
**Net Profit Margin**  
(Rupees)



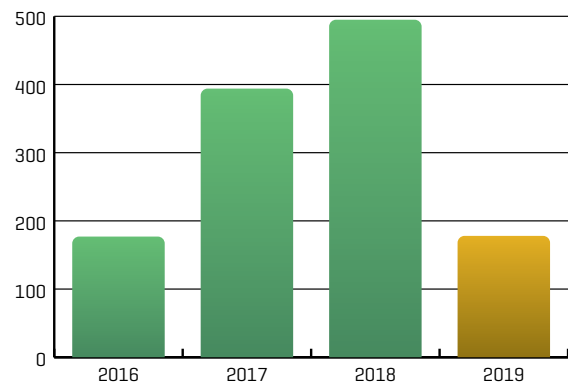
**Sales Revenue vs Profit for the Year**  
(Rs. In Million)



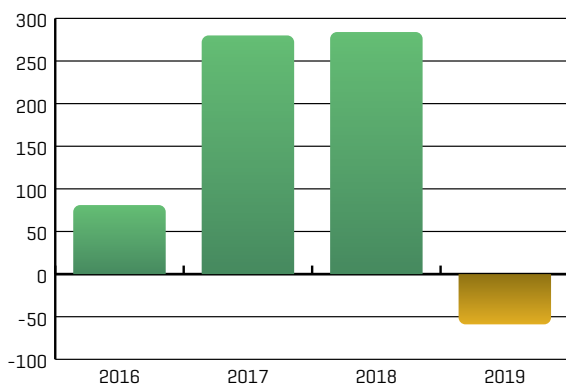
**Earning Per Share after tax**  
(Rupees)



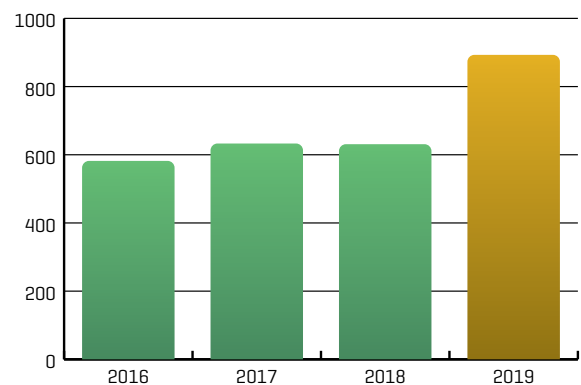
**Gross Profit**  
(Rs. In Million)



**Profit before tax**  
(Rs. In Million)

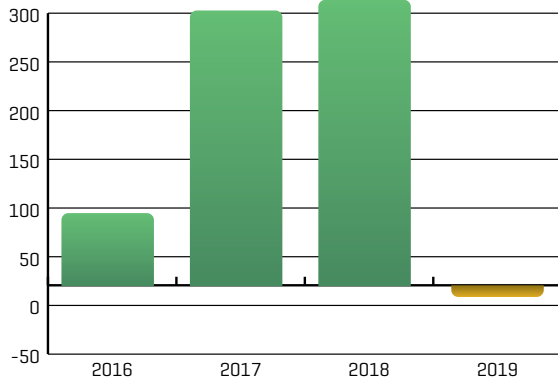


**Cost of Sales**  
(Rs. In Million)

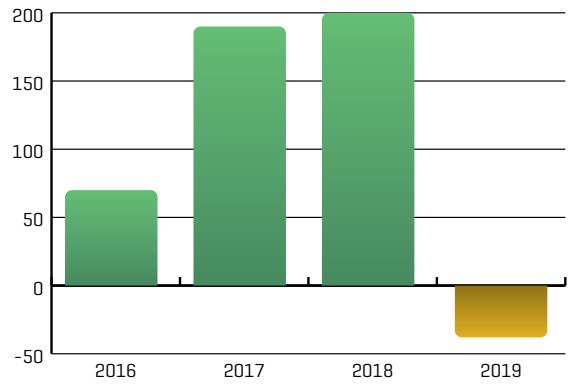


# GRAPHICAL ANALYSIS

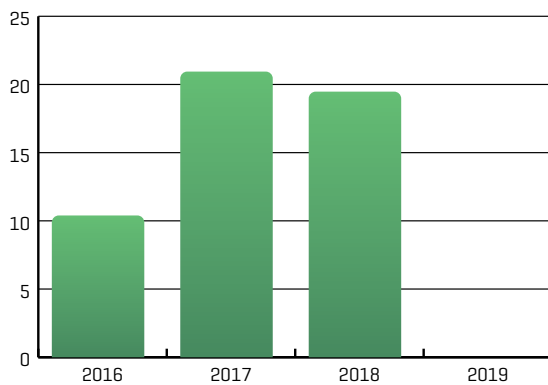
**Operating Profit**  
(Rs. In Million)



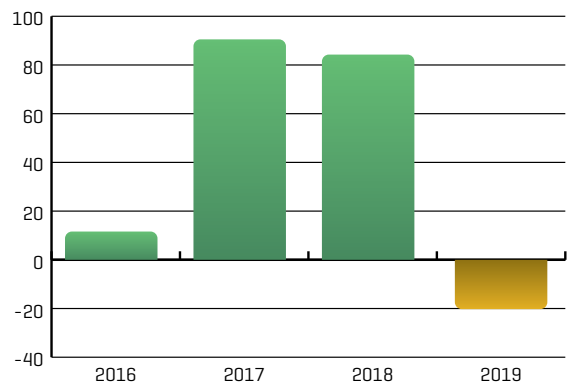
**Profit after tax**  
(Rs. in Million)



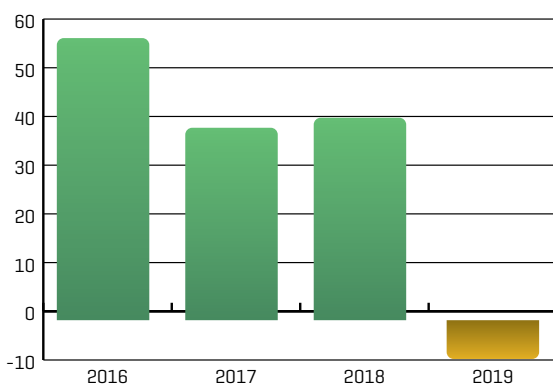
**Return on Capital employed**  
(Rs. In Million)



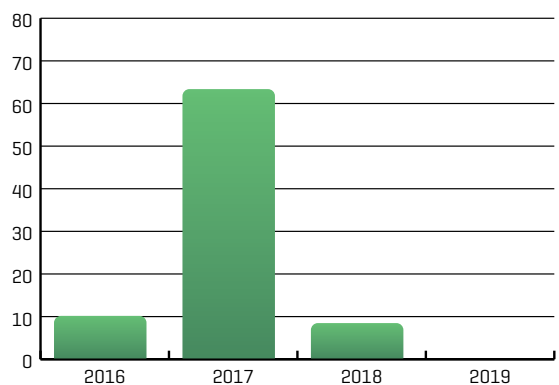
**Taxation**  
(Rs. In Million)



**Earning Per Share**  
(Rs. In Million)

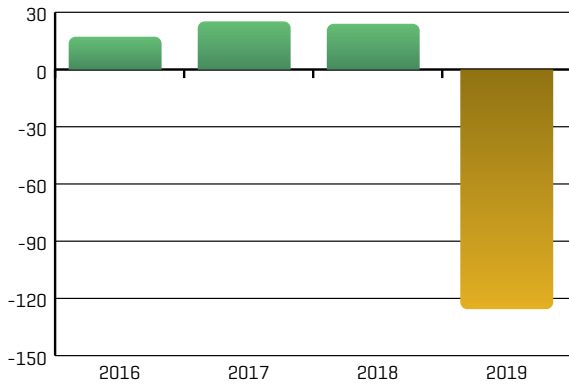


**Dividend Per Share**  
(Rupees)

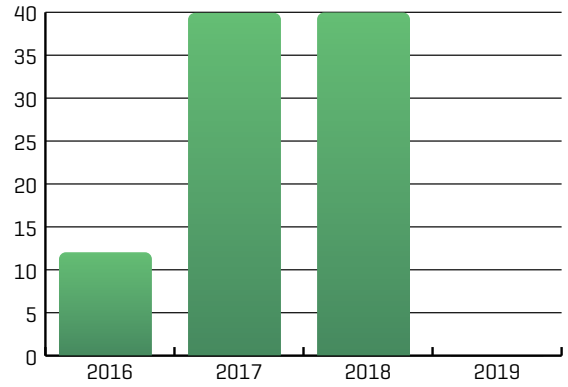




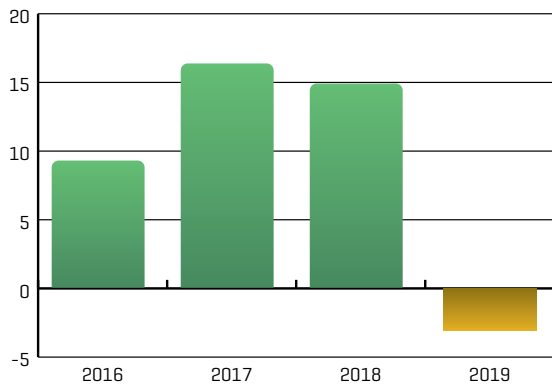
Price Earning Ratio  
(Percentage)



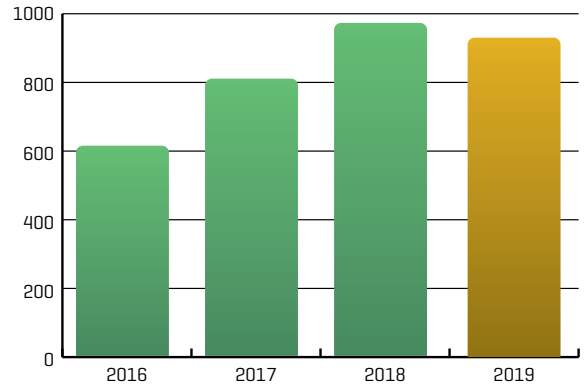
Cash Dividend Pay Out  
(Rs. In Million)



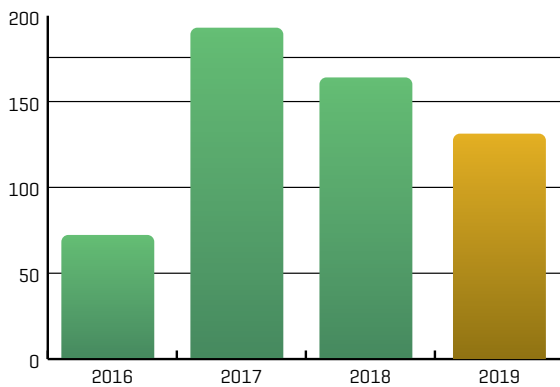
Return on Equity  
(Percentage)



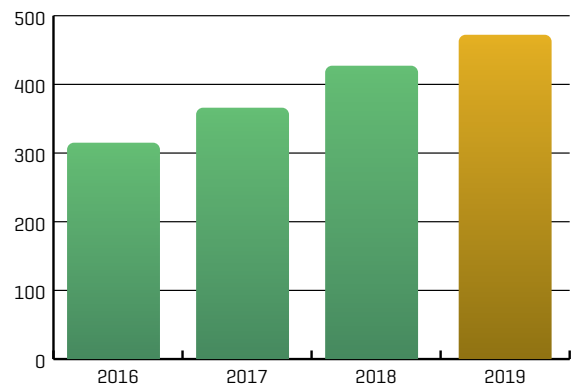
Reserves  
(Rupees in Million)



Long Term Liabilities  
(Rupees in Million)

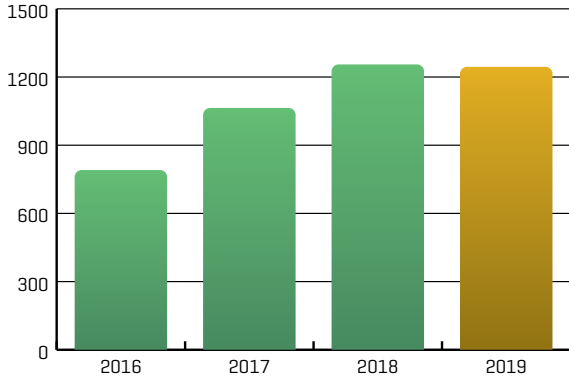


Current Liabilities  
(Rupees in Million)

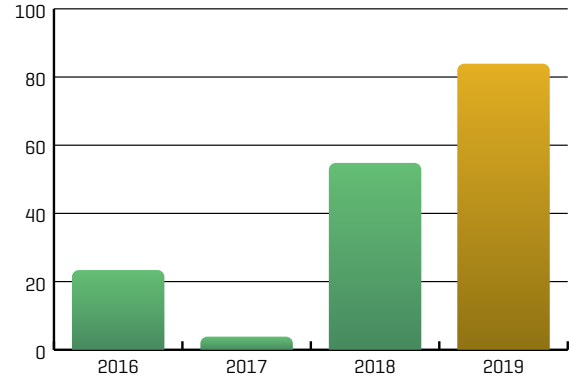


# GRAPHICAL ANALYSIS

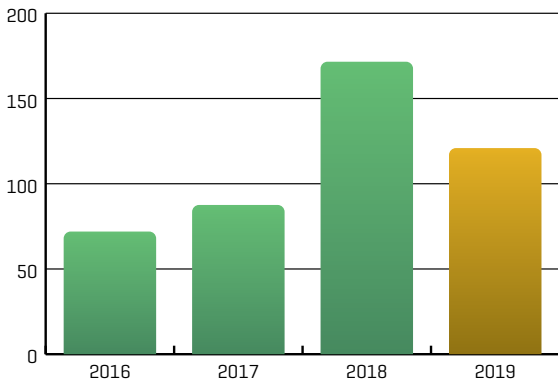
Current Assets  
(Rupees in Million)



Selling & Distribution Expense  
(Rupees in Million)



Administrative Expense  
(Rupees in Million)



A central white circle with a shadow contains the text "Calendar of Major Events". A yellow clock icon is positioned above the circle. Five colorful, curved shapes radiate from the center, each containing text about a meeting. The shapes are: a green one (top-left), a blue one (bottom-left), a purple one (bottom), a red one (right), and an orange one (top-right).

## Calendar of Major Events

3rd  
Quarterly  
Board of Directors  
Meeting  
April 2019

ANNUAL  
GENERAL  
MEETING  
December 2018

Annual  
Accounts Board  
of Directors Meeting  
November 2018

2nd  
Quarterly  
Board of  
Directors Meeting  
February 2019

1st  
Quarterly  
Board of  
Directors Meeting  
December 2018



# CHAIRMAN'S REVIEW

I am pleased to present to you the review on Annual Report of Khyber Tobacco Company Limited ("the Company") for the year ended June 30, 2019.

The Financial Year 2018-19 has been a year of low performance and growth for the Company because during the first six months the company faced extensive loss due to drastic legal changes in the cigarette manufacturing sector. The rate of Federal Excise Duty has increased by 56.25% on cigarettes and by 2900% in the case of tobacco remained effective for most part of the year. During the first half of the financial year the sales remained low due to the market condition prevailing at the time, but during the second half of the year the situation has improved significantly. We are hopeful that during the next financial year the situation will considerably improve as the market condition has improved favorably.

The Company in the year under review contributed an amount of Rs. 1.264 billion in the form of Federal Excise Duty, Sales tax, Income tax and other levies.

## Future Outlook:

The management is certain that the situation will turn around in the near future. Local cigarette and tobacco sales have improved significantly prior to period end and I am confident that the results of the next year will show visible improvement. It is also important to mention that the company does not face any liquidity problems due to the current period loss and does not require any external financing.

The economic indicators of the Country show promising signs for the future. We believe that the incumbent Government shall take necessary steps on an urgent basis to boost tobacco and cigarette exports, reduce regulatory duties on imports of raw material for the industry to continue and sustain the economic momentum. The Management is closely monitoring the challenges faced by the Company and will take all steps necessary to safeguard the interests of its shareholders as well as to capitalize on growth opportunities through its product line. Your Company is committed to good Corporate Governance.

The Code of Ethics and Business Practices are delineated clearly and each employee is made familiar with the same. Regular checks carried out to confirm the adherence to these codes. Any deviation is strictly dealt with. The Company also has an open-door policy for recruitment of Special Persons. The Company continues to employ number of individuals at suitable positions.

## Acknowledgement

I am pleased to report that the performance of the Board has been par excellence which has helped in effective steering of the Company during the year. The Board acknowledges its responsibility in respect of Corporate & Financial Reporting Framework. The Board is also cognizant of its strategic role in achieving the Company's key objectives and is focused on enriching the returns of its shareholders & other stakeholders and shall continue contributing through sustained supply of premium quality products to its valued Customers.

On behalf of the Board, I express my appreciation for the dedication to duty and professional conduct of the employees of the Company, as well as shareholders and stakeholders for their support. I thank the bankers of the Company for the understanding and the cooperation they have extended and last but not the least gratitude towards our loyal and confident customers.

The combined efforts of all have been instrumental in the healthy growth of the Company against all odds. We all pray for a peaceful, progressive and prosperous Pakistan.

On behalf of the Board



Rahat Ullah  
Chairman

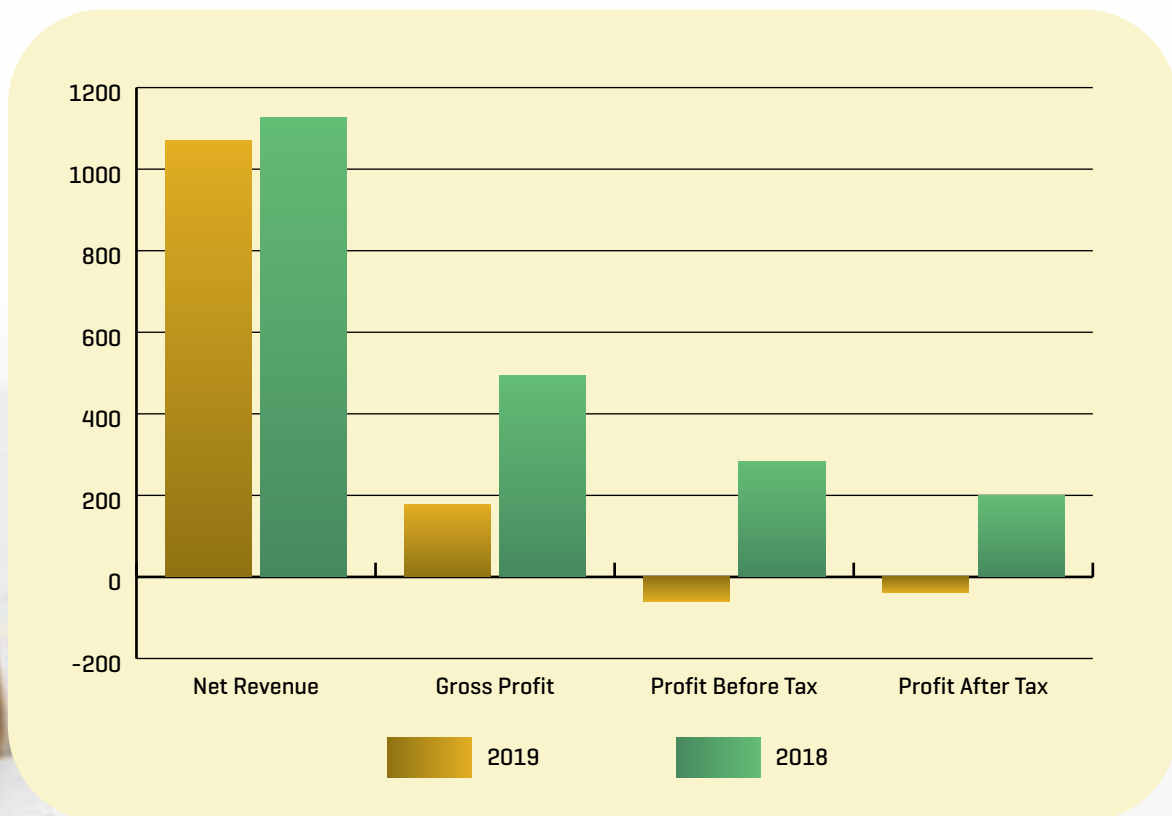


# DIRECTORS' REPORT

I; on behalf of the Board of Directors of Khyber Tobacco Company Limited take great pleasure in presenting the 64<sup>th</sup> Annual Report and the audited financial statements along with the auditors' report thereon for the year ended June 30, 2019.

## THE COMPANY'S FINANCIAL RESULTS

Following is a brief of the Company's financial performance for the year ended 30 June 2019 as compared to the year ended 30 June 2018; [Amounts are presented as Rs. in Millions]



## Production and Sales

| PRODUCT          | UNIT OF MEASUREMENT | PRODUCTION |           | SALE      |         |
|------------------|---------------------|------------|-----------|-----------|---------|
|                  |                     | 2019       | 2018      | 2019      | 2018    |
| RE-DRIED TOBACCO | KGS                 | 1,634,548  | 1,940,936 | 1,420,764 | 166,325 |
| CUT TOBACCO      | KGS                 | 590,950    | 1,021,863 | 5,400     | 126,200 |
| CIGARETTES       | STICKS [In Million] | 661.31     | 1,015.00  | 666.88    | 998.57  |

During the year under review, the company re-dried 1.6 million Kgs tobacco at its Green Leaf Threshing plant as compared to 1.9 million Kgs in the financial year 2018. Local sale of re-dried tobacco has increased to 1.42M Kgs in the year under review compared to local sale of 0.166M Kgs in the year 2018 showing an increase which is mainly attributed to the extensive marketing of FCV resulting into increased local sales and export sales.

# DIRECTORS' REPORT

The production of cut tobacco has decreased to 0.590 million Kgs in the current year under review compared to 1.021 million Kgs in the last financial year.

During the year, the production of cigarettes has decreased from 1,015 million sticks in the last financial year to 661.31 million sticks in the year under review. The sale of cigarettes has decreased from 998.57 million sticks in 2018 to 666.88 million sticks in the year under review.

## Operating Highlights

Export of re-dried tobacco has been the main source of profitability of the Company in the past. However the Company's exports had stopped due to low demand of Pakistani Tobacco in the International Market, but during the year under review the company was able to start export of re-dried tobacco. Management of the company focused on local sales of cigarettes and succeeded quite a lot in their endeavors to recover from the effects of low sales during the first half of the year; mainly due to already reduced demand due to severe competition in the market and production of counterfeit cigarettes of our high performing brands. Despite the recovery in sales in the second half of the year; the overall local sales of cigarettes remained low as compared to the corresponding year. This is evident from Net sales of Rs. 1.07 Billion during the period under review as compared to Net Sales of Rs. 1.13 Billion last year. Management is continuously endeavoring to expand its local market by adding new customers to its existing customer base.

Loss before taxation for the year ended 30 June 2019 stood at Rs. 58.20 million compared to profit before tax of Rs. 284.1 million in the previous year. Loss after taxation for the year ended 30 June 2019 amounted to Rs.32.86 million compared to profit of Rs.199.86 million in the last financial year. The ability of the company to increase its local customers' base is the main reason of the increase in profit this year compared to Financial Year 2017.

Loss per share of the Company for the year ended 30 June 2019 on its paid up capital stood at Rs.7.96 as compared to last year's earnings per share of Rs. Rs.41.6.

## Balance Sheet

The capital and reserves of the Company have decreased to Rs.971 million as compared to Rs.1018 million at the end of the last financial year. This decrease in the capital reserves of the company is mainly due to loss during the current period.

## Plants' performance

The company's management has been striving to upgrade the installed plant & Machinery with the passage of time at all departments. However the installed plant & Machinery is not operated at the optimum level because of the fact that most of the installed plant and machinery is too old and is not running at optimum capacity. Still management is actively involved in continuous up-gradation and efficient maintenance of the installed plant and machinery in all departments and has initiated significant improvement in the Primary Production Department for improving the quality of tobacco for internal consumption.

In spite of the facts mentioned above, during the year under review, the installed plant and machinery operated satisfactorily.

## Quality Assurance

Khyber Tobacco Company Limited is a company driven by efficiency and quality consciousness. Strict quality control procedures are applied to ensure that these aims are achieved. Quality standards are being improved continuously with the passage of time to keep abreast with the prevailing quality standards.



## **Marketing**

The Company is facing stiff competition in both local and international market. However management is striving continuously for the development of its brands in both the local and international markets. The Company's management is striving to boost its export sales and management has been able to succeed to some extent. However management is hopeful that these efforts will be more successful in near future and the Company will again be able to earn lucrative revenues from exports.

Stiff competition in the export market coupled with the inability of the company to meet the quality requirements of the export market has been the main hurdle in the Company's ability to export. The Company, thus, has been dependent mainly upon the export of re-dried and cut tobacco and has captured a good market for its re-dried and cut tobacco in the United Arab Emirates, South Africa, Germany, Belgium, Turkey, Egypt and the Philippines.

## **Health, Safety and Environment**

The Company attaches highest priority to the health and safety of its personnel who are an essential and valuable component of its operations. Initiatives including safety meetings, incident reporting, safety audits, good housekeeping and hygiene controls are actively and consistently pursued to instill safe behavior in all personnel.

The Company actively pursues protection of the environment by ensuring that its plant continues to comply with established environmental quality standards at all times. Management is also focusing on meeting the stringent environmental quality standards prescribed by the 'Environment Protection Authority of Pakistan'.

## **Social Responsibility**

The Company regards itself as a responsible corporate citizen. With the resumption of operating activities, the Company has taken its social responsibilities, particularly towards the local community, very seriously and takes pride in its active participation in the development and welfare of the under-privileged. In the badly affected area of the country both by the energy crisis and the law and order situation, the management prefers to provide job opportunities to the local people of the area which greatly helps in the social up gradation of the local masses.

## **KEY OPERATING AND FINANCIAL DATA**

A Summary of key operating and financial data of the company for the last six years is annexed to these financial statements.

## **DIVIDEND**

The Directors have not recommended any dividend for the year under review.

## **HUMAN CAPITAL**

The Company's human resource strategy focuses on maximizing return on investment in the organization's human capital to minimize financial risk. We seek to achieve this by aligning the supply of skilled and qualified individuals and the capabilities of the current workforce with the organization's ongoing and future business plans and requirements to maximize return and to secure future survival and success.

## **EMPLOYEE RETIREMENT BENEFITS**

The Company is running an unfunded gratuity scheme for all the permanent employees of the company. A provision of Rs.4.89 million was created in the current year's financial statements for employee benefits.

# DIRECTORS' REPORT

## CORPORATE GOVERNANCE

We ensure best practices of Corporate Governance by adopting a set of processes, customs and policies, to help us direct and control management activities with good business sense, objectivity, accountability and integrity.

We have made corporate governance a system of structuring, operating and controlling the Company with a view to achieve long term strategic goals to satisfy shareholders, creditors, employees, customers and suppliers. We adhere to the best ethical practices and comply with applicable legal and regulatory requirements.

The Statement on Compliance with Code of Corporate Governance is annexed to these financial statements.

## THE BOARD

The Board comprises of seven members, of which five are non-executive directors while the remaining two are executive directors. The position of Chairman and Chief Executive Officer are kept separate in line with good governance practices.

The Directors are fully aware of the level of trust that shareholders have in them and the immense responsibility that they have bestowed on them for smooth running of the Company and safe guarding its assets.

For the purpose of ensuring consistency and standardization, the Board has devised formal policies for conducting business and ensures their monitoring through an independent Internal Audit, which continuously ensures adherence to Company policies and reports any deviations observed to the Audit Committee.

## BOARD OF DIRECTORS MEETINGS

Legally, the Board is required to meet at least once in each quarter to monitor the Company's performance aimed at effective and timely accountability of its management.

Four (04) meetings of the Board of Directors were held during the year and the attendance of each director is given below. The Directors of the Company did not have any personal interest in decisions taken by the Board in these meetings.

| S.No. | Name   | No. of Meetings Attended |
|-------|--|--------------------------|
| 1     | <b>Mr. Waseem ur Rehman</b><br>Chief Executive         | 3                        |
| 2     | <b>Mr. Rahat Ullah</b><br>Non-Executive Director       | 4                        |
| 3     | <b>Mr. Pir Farhan Shah</b><br>Executive Director       | 4                        |
| 4     | <b>Mr. Pir Waris Shah</b><br>Non-Executive Director    | 3                        |
| 5     | <b>Mr. Shafiq Afzal Khan</b><br>Non-Executive Director | 4                        |
| 6     | <b>Mr. Hazrat Bilal</b><br>Non-Executive Director      | 4                        |
| 7     | <b>Mr. Khalil ur Rahman</b><br>Non-Executive Director  | 4                        |

## **Committees of the Board**

In order to ensure effective implementation of a sound internal control system and compliance with the Code of Corporate Governance, the Board has constituted various committees. Composition of these committees is annexed with this report.

## **Corporate Governance**

The company is committed to high standards of corporate governance to ensure business integrity and upholding the confidence of all the stakeholders. The Board of Directors is accountable to the shareholders for good corporate governance and management of the company is continuing to comply with the provisions of best practices set out in the Code of Corporate Governance particularly with regard to independence of non-executive directors. The Company remains committed to conduct its business in line with the listing regulations of Pakistan Stock Exchange, which clearly define the role and responsibilities of the Board of Directors and management. Vision & Mission statements, Core values and Statement of Ethics & Business Practices have been prepared and approved by the Board. Significant policies as required under the Code of Corporate Governance have been framed and reviewed by the Board and shall be approved shortly.

The following specific statements are being given to comply with the requirements of the Code of Corporate Governance;

There has been no transaction in the shares of the Company by the, Directors, Company Secretary and their spouses and minor children during the year under review.

The financial statements prepared by the management of the Company fairly present its state of affairs, the results of its operations, cash flows and changes in equity.

The Company has maintained proper books of account. Appropriate accounting policies have been adopted and consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements. The system of internal control is sound in design and has been effectively implemented. The system itself is also subject to continuous review for enhancement wherever and whenever necessary.

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

There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

Key operating and financial data of the last six (06) years in summarized form is annexed to this report.

## **AUDITORS**

The Auditors Messrs KPMG TaseerHadi& Co, Chartered Accountants retired at the conclusion of the 63rd Annual General Meeting. The Audit Committee and the Board of Directors had recommended M/S Deloitte Yousuf Adil & Co. Chartered Accountants to be appointed as auditors of the Company till the next Annual General Meeting and the same was approved by the shareholders in the aforementioned Annual General Meeting.

## **PATTERN OF SHAREHOLDING**

The pattern of shareholding as at June 30, 2019 along with disclosure as required under the Code of Corporate Governance is annexed to these financial statements.

The Directors, Chief Executive, Chief Financial Officer, the Secretary and their spouses and minor children have reportedly carried out no trading in the shares of the Company.

## **FUTURE PROSPECTS**

As mentioned earlier, management is focusing on local as well foreign markets for both cigarettes and tobacco, especially re-dried tobacco. The Company expects a good performance in both the tobacco export and cigarette sector in the coming financial year which will enable the Company to earn handsome profits.

Export of Pakistani Tobacco is faced with numerous problems in the Export market mainly increasing costs,

# DIRECTORS' REPORT

cultivation of non-recommended varieties of Tobacco by Pakistani Farmers and increased ratio of Non-Tobacco Related Material (NTRM) in the Tobacco. The company is endeavoring to overcome these hurdles in export of Pakistani Tobacco and the efforts by the Company have finally started to reap benefits. We are hopeful that in the upcoming year, the Company will achieve its targets to enhance the level of its export sales.

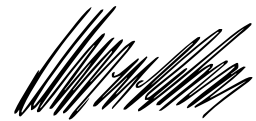
Management is continuously endeavoring to improve quality of processing; for this purpose the management has up-graded the Primary Production Department (PPD); a new line has been installed to further improve the quality of cigarettes. The ability to produce quality product will also enable the Company to expand local sales by working on brand recognition and further developing customer loyalty.

## Acknowledgements

At the end, I on behalf of the Board would like to thank our valued customers for their continued trust in our products. We are making all out efforts to widen the range of our brands with the highest of quality standards. We also thank our vendors, distributors and the financial institutions for their extended cooperation.

This would not have been possible without unwavering support of our shareholders and all the stakeholders; our suppliers, customers, local community and our dedicated and hardworking employees. I would also like to mention here the tireless efforts of the Company's management, members of the Board of Directors and staff at all levels, without their dedication and hard work, the financial and operational results mentioned in this report would not have been accomplished.

01 October 2019



**Waseem Ur Rehman**  
Chief Executive

# ڈائریکٹرز رپورٹ

برائے اختتامی سال 30 جون، 2019ء

شیئر ہولڈنگ کا طریقہ کار:

30 جون 2019ء کے مطابق کمپنی ہذا کے شیئر ہولڈنگ کا طریقہ کار، ربع کارپوریٹ گورننس کے قانون کے مطابق مطلوبات اس ملیاتی گوشوارے کے ساتھ لف ہذا ہے۔

ڈائریکٹرز، چیف ایگزیکٹو، چیف فنانشل آفیسر، سیکرٹری اور ان کی بیویاں اور نابالغ بچے کا کمپنی ہذا میں کسی قسم کا کوئی ٹریڈنگ شیئر نہیں ہے۔ مستقبل کا نقطہ نظر:

جیسا کہ پہلے بیان کیا گیا ہے کہ انتظامیہ سگریٹ اور تمباکو، خاص طور پر دوبارہ خشک کیے گئے تمباکو کیلئے مقامی مارکیٹ کے ساتھ ساتھ بین الاقوامی مارکیٹ پر بھی اپنی توجہ مرکوز کیے ہوئے ہے۔ کمپنی آئندہ مالیاتی سال کے دوران تمباکو اور سگریٹ کے برآمدات کے شعبے میں اچھی کارکردگی کی توقع رکھتی ہے جس سے کمپنی ایک اچھا منافع حاصل کر سکے گی۔

پاکستانی تمباکو کی برآمد کو مختلف قسم کے مسائل کا سامنا ہے جن میں سے اہم، لاگت میں اضافہ، پاکستانی کسانوں کا غیر سفارشی تمباکو کی اقسام کی کاشت اور تمباکو میں غیر تمباکو سے متعلقہ مواد / میٹریل (NTRM) کے تناسب میں اضافہ ہے۔ کمپنی پاکستان تمباکو کی برآمدات میں ان رکاوٹوں کو دور کرنے کی پوری سعی کر رہی ہے، اور کمپنی کی کوششوں نے آخر کار فوائد حاصل کرنا شروع کر دیئے، ہمیں امید ہے کہ آنے والے سال میں کمپنی برآمدات کی فروخت کو بڑھانے سے اپنی اہداف حاصل کرے گی۔

انتظامیہ کو اٹی کے مراحل کو بہتر بنانے کی مسلسل کوشش کر رہی ہے اس مقصد کیلئے انتظامیہ نے پرائیمری پروڈکشن ڈیپارٹمنٹ (پی پی ڈی) کو بہتر کیا ہے۔ سگریٹ کے معیار کو مدید بہتر بنانے کیلئے ایک اور لائن لگادی گئی ہے معیاری مصنوعات تیار کرنے کی صلاحیت کمپنی کو برانڈ کی پہچان پر کام کر کے مقامی فروخت میں توسیع کرنے کے بنائے گی اور مزید صارفین کی وفاداری کو فروغ دیں گے۔ اظہار تشکر:

آخر میں، میں بورڈ ہذا کی جانب سے اپنے معزز صارفین کی ہمارے مصنوعات پر مسلسل اعتماد کرنے پر شکر گزار ہوں۔ ہم اپنی مصنوعات کی رینج کو بہترین معیار کی خوبی کے ساتھ توسیع دینے کی ہمہ جہت کوشش کر رہے ہیں۔ ہم اپنے فروخت کنندہ گان (ونڈرز)، ڈسٹری بیوٹرز (تقسیم کنندہ گان) اور مالیاتی اداروں کے پیش بہا تعاون کے بھی شکر گزار ہیں۔

یہ تمام امور ہمارے شیئر ہولڈرز، سپلائرز، صارفین، مقامی کمیونٹی اور مخلص و محنتی ملازمین کی غیر متزلزل تعاون کے بغیر ممکن نہیں۔ کمپنی انتظامیہ، بورڈ آف ڈائریکٹرز کے ممبران اور تمام سٹاف کی ان تھک کاوشوں کا بھی ذکر کروں گا کیونکہ ان کی لگن اور سخت محنت کے بغیر، اس رپورٹ میں درج مالیاتی اور آپریشن نتائج کو تیار کرنا ممکن نہ تھا۔



وسیم الرحمن

چیف ایگزیکٹو

# ڈائریکٹرز رپورٹ

برائے اختتامی سال 30 جون، 2019ء

طور پر نان۔ ایگزیکٹو ڈائریکٹرز کے آزادانہ رویے کے سلسلہ میں (مخاطب ہے) کمپنی ہذا پاکستان اسٹاک ایکسچینج کے قوانین کے فہرست کے مطابق اپنا کاروبار کرنے کے عہد پر قائم ہے جس میں واضح طور پر بورڈ آف ڈائریکٹرز اور انتظامیہ کی ذمہ داریاں بیان کی گئی ہیں۔ نقطہ نظر اور مشن سٹیٹمنٹ، بنیادی اقدار، اخلاقیات اور کاروباری طریقہ کار کے بارے میں بیانات تیار کیے گئے ہیں جو بورڈ ہذا سے منظور شدہ ہے۔ کارپوریٹ گورننس کے قانون کے تحت مطلوب اہم پالیسیاں تشکیل دی گئی ہے جس کا بورڈ نے جائزہ لیا ہے اور جلد ہی اسکی منظوری دی جائیگی۔ کارپوریٹ گورننس کے قانون کے مطلوبات کے مطابق درج ذیل مخصوص بیانات دیئے گئے ہیں:

زیر جائزہ سال کے دوران کمپنی ہذا کے حصص میں چیف ایگزیکٹو آفیسر، ڈائریکٹرز، کمپنی سیکریٹری اور ان کی بیویاں اور نابالغ بچے کی طرف سے کوئی لین دین نہ ہے۔

کمپنی ہذا کے انتظامیہ نے جو مالیاتی گوشوارہ تیار کیا ہے وہ اس کے معاملات، اس کے آپریشن کے نتائج، کیش فلوز، اور ایکویٹی میں تبدیلی کو شفاف طریقے سے پیش کرتا ہے۔

مناسب اکاؤنٹنگ پالیسیاں اختیار کی گئی ہیں جنہیں مالیاتی گوشوارے تیار کرنے میں باقاعدگی سے لاگو کیا جا رہا ہے۔ اکاؤنٹنگ تخمینے مناسب اور ٹھوس فیصلے پر مبنی ہیں۔

بین الاقوامی اکاؤنٹنگ معیارات جیسا کہ پاکستان میں لاگو ہے، ان کے مالیاتی گوشوارے تیار کرنے میں پیروی کی جاتی ہے۔ انٹرنل کنٹرولز کا نظام ڈیزائن کے لحاظ سے مضبوط ہے اور اس پر موثر طریقے سے عمل درآمد اور نگرانی کی گئی ہے۔ مذکورہ نظام بہتری کیلئے ضرورت کے مطابق مسلسل جائزہ لیا جاتا ہے۔

موجودہ صورت حال میں کمپنی ہذا کی جاری صلاحیت پر کسی قسم کا کوئی شعبہ نہیں ہے۔ قواعد و ضوابط کی فہرست میں درج تفصیل کے مطابق، کارپوریٹ گورننس کے بہترین قوانین میں سے کسی قسم کے کوئی میٹرل بے ضابطگی نہیں کی گئی۔

کمپنی ہذا کی گزشتہ چھ سالوں کی اہم آپرینٹنگ اور مالیاتی اعداد و شمار کا خلاصہ اس رپورٹ کے ساتھ لف ہے۔

آڈیٹرز:

آڈیٹرز ایم/ایس کے پی ایم جی ہادی اینڈ کو، چارٹرڈ اکاؤنٹنٹس 63 ویں سالانہ جنرل میٹنگ کے اختتام پر ریٹائر ہو گئے ہیں اور بورڈ آف ڈائریکٹرز اور آڈیٹ کمیٹی نے ایم ایس ڈیلوٹ یوسف عادل اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کو اگلے سالانہ جنرل میٹنگ تک آڈیٹ مقرر کرنے کی سفارش کی تھی اور مذکورہ آڈیٹ کمیٹی کو گزشتہ سالانہ جنرل میٹنگ میں شیئر ہولڈرز نے منظوری دی تھی۔

# ڈائریکٹرز رپورٹ

برائے اختتامی سال 30 جون، 2019ء

اجلاس میں بورڈ کی جانب سے کئے گئے فیصلوں میں کمپنی ہذا کے ڈائریکٹرز کا کوئی بھی ذاتی مفاد شامل نہیں ہے۔

| ڈائریکٹرز کی شمولیت / حاضری | ڈائریکٹر کا نام                              | شامل ہونے والے اجلاس کی تعداد |
|-----------------------------|--|-------------------------------|
| (1)                         | جناب وسیم الرحمان<br>چیف ایگزیکٹو            | 03                            |
| (2)                         | جناب پیر فرحان شاہ<br>ایگزیکٹو ڈائریکٹر      | 04                            |
| (3)                         | جناب پیر وارث شاہ<br>نان۔ ایگزیکٹو ڈائریکٹر  | 03                            |
| (4)                         | جناب راحت اللہ<br>نان۔ ایگزیکٹو ڈائریکٹر     | 04                            |
| (5)                         | جناب شفیق افضل خان<br>نان۔ ایگزیکٹو ڈائریکٹر | 04                            |
| (6)                         | جناب حضرت بلال<br>نان۔ ایگزیکٹو ڈائریکٹر     | 04                            |
| (7)                         | جناب خلیل الرحمن<br>نان۔ ایگزیکٹو ڈائریکٹر   | 04                            |

بورڈ کمیٹی:

ٹھوس داخلی کنٹرول سسٹم پر موزوں عمل درآمد کو یقینی بنانے اور کارپوریٹ گورننس کے قانون پر عمل درآمد کیلئے، بورڈ ہذا نے مختلف کمیٹیاں تشکیل دی ہیں۔ ان کمیٹیوں کی درجہ بندی / تفصیل اس رپورٹ کے ساتھ لف ہے۔

کارپوریٹ گورننس:-

کمپنی ہذا نے عہد کیا ہے کہ وہ کارپوریٹ گورننس کا ایک اعلیٰ معیار قائم کرے گا تاکہ کاروباری سالمیت / راست بازی کو یقینی بنائے اور تمام سٹیک ہولڈرز کے اعتماد کو قائم رکھے۔ بورڈ آف ڈائریکٹرز، کمپنی کی اچھی کارپوریٹ گورننس اور نظم و نسق کے سلسلہ میں سٹیک ہولڈرز کے سامنے جواب دہ ہیں اس لئے وہ کارپوریٹ گورننس کے قانون میں درج بہترین پریکٹس کے شرائط پر باقاعدگی سے عمل پیرا ہیں، خاص

# ڈائریکٹرز رپورٹ

برائے اختتامی سال 30 جون، 2019ء

سہولیات برائے ریٹائرڈ ملازمین:

کمپنی ہذا، کمپنی کے تمام مستقل ملازمین کیلئے ایک نان فنڈ گریجویٹ اسکیم چلا رہی ہے۔ ملازمین کی سہولیات کیلئے حالیہ سال کے مالیاتی گوشوارے میں مبلغ 4.89 ملین روپے فراہم کیے گئے ہیں۔

کارپوریٹ گورننس:

ہم طریقہ کار کے ایک شیڈول / مراحل کے ایک سیٹ، روایات اور پالیسیوں کو اختیار کر کے کارپوریٹ گورننس کی بہترین پریکٹس کو یقینی بنا رہے ہیں تاکہ یہ ایک اچھے کاروباری احساس، بامقصد، قابل احتساب اور دیانت داری سے براہ راست اور کنٹرول انتظامی سرگرمیوں میں ہماری مدد کر سکیں۔

ہم نے کارپوریٹ گورننس کو کمپنی کی ایک ساختی نظام کی تشکیل، آپریٹنگ اور کنٹرولنگ کیلئے اس نظریے کی تحت بنایا ہے تاکہ لمبی مدت کی حکمت عملی کے اہداف حاصل کر کے شیئر ہولڈرز، کریڈیٹرز، ملازمین، صارفین اور سپلائرز کو مطمئن کیا جاسکے، ہم بہترین اخلاقی طریقہ کار سے وابستہ ہیں اور قابل عمل قانونی اور ریگولیٹری مطلوبات پر عمل پیرا ہیں۔

بورڈ ہذا:

بورڈ ہذا ساتھ (07) ممبران پر مشتمل ہے جس میں سے پانچ نان ایگزیکٹو ڈائریکٹرز ہیں جبکہ باقی دو ایگزیکٹو ڈائریکٹرز ہیں۔ چیئرمین اور چیف ایگزیکٹو آفیسر کا عہدہ اچھی انتظامی امور کی بنا پر الگ سے بیان کیا گیا ہے۔ ڈائریکٹرز حضرات اس اعتماد کی سطح سے پوری طرح آگاہ ہیں جو شیئر ہولڈرز ان پر رکھتے ہیں اور یہ وہ عظیم ذمہ داری جو انہوں نے کمپنی ہذا کو شفاف طریقے سے چلنے اور اس کے اثاثہ جات کی تحفظ کی بابت انہیں تفویض کی ہے۔

ہم آہنگی اور معیار کے مقاصد کو یقینی بنانے کیلئے، بورڈ ہذا نے کاروبار کرنے کیلئے باقاعدہ سی پالیسیاں ترتیب دی ہیں اور ایک آزاد داخلی آڈٹ (نظام) کے ذریعہ سے اس کی نگرانی کو یقینی بنایا ہے جو مسلسل کمپنی پالیسیوں کی استواری کو یقینی بناتا ہے اور اس سلسلہ میں کسی قسم کے انحراف پر آڈٹ کمیٹی کو رپورٹ کرتا ہے۔

بورڈ آف ڈائریکٹرز کا اجلاس / میٹنگ

قانونی طور پر، بورڈ ہذا کیلئے ضروری ہے کہ وہ ہر سہ ماہی میں ایک مرتبہ اجلاس منعقد کریں تاکہ وہ اپنی انتظامیہ کی موثر اور بروقت احتساب کیلئے کمپنی کی کارکردگی کی نگرانی کر سکے۔

اس سال کے دوران بورڈ آف ڈائریکٹرز کے چار (04) اجلاس منعقد ہوئے اور ہر ڈائریکٹر کی حاضری / شمولیت درج ذیل ہے۔ ان



# ڈائریکٹرز رپورٹ

برائے اختتامی سال 30 جون، 2019ء

(کمپنی کی اچھے طریقے سے دیکھ بھال کرنا، حفظانِ صحت کا کنٹرول جیسے امور کو بھرپور اور باقاعدگی سے اپنے تمام اہلکاروں کے تحفظ کیلئے ان پر عمل کیا جاتا ہے۔

کمپنی ہذا اس امر کی یقین دہانی کے ساتھ بھرپور انداز سے ماحول کی تحفظ کیلئے کوشاں ہیں کہ اس کے پلانٹس ہمہ وقت مجوزہ ماحولیاتی کوالٹی معیار پر پورا اترتے ہیں۔ انتظامیہ نے "پاکستان اتھارٹی برائے تحفظ ماحولیات" کی مقرر کردہ سخت ماحولیاتی کوالٹی معیارات کو بھی پورا کرنے پر اپنی توجہ مرکوز کی ہوئی ہے۔

سماجی ذمہ داریاں:

کمپنی خود بھی اپنی ذات کو ایک ذمہ دار کارپوریٹ شہری سمجھتا ہے۔ آپریٹنگ سرگرمیوں کی از سر نو آغاز کے ساتھ، کمپنی ہذا نے اپنی سماجی ذمہ داریاں بھی سنبھال لی ہیں، خاص طور پر مقامی کمیونٹی کیلئے اس ذمہ داری کو بہت سنجیدگی سے لیا ہے اور پسے ہوئے طبقے کی فلاح و بہبود کیلئے اپنی شرکت کو باعثِ فخر سمجھتا ہے۔ اور "صاف اور سبز پاکستان" کی قومی مہم میں بھرپور شرکت کی، توانائی کے بحران اور امن و امان کی صورت حال سے بری طرح متاثرہ ملک کے علاقوں کیلئے، انتظامیہ ہذا اُن علاقوں کے مقامی لوگوں کو نوکری کے مواقع فراہم کرنے کو ترجیح دیتی ہے جس سے مقامی افراد کے سماجی بھلائی میں بہت مدد ملتی ہے۔

اہم آپریٹنگ اور مالیاتی اعداد و شمار:

ان مالیاتی گوشواروں کے ساتھ گزشتہ چھ سالوں کے کمپنی کی اہم آپریٹنگ اور مالیاتی اعداد و شمار کا ایک خلاصہ لف ہذا ہے

ڈیوڈنڈ:

ڈائریکٹرز نے زیر جائزہ سال کیلئے کسی بھی منافع کی سفارش نہیں کی ہے۔

انسانی وسائل / سرمایہ:

کمپنی ہذا کی انسانی وسائل کی حکمت عملی نے مالیاتی خسارے کو کم سے کم کرنے کے سلسلہ میں انسانی وسائل کو منظم کرنے کیلئے زیادہ سے زیادہ سرمایہ کاری کی ہے۔ ہم اس ہدف کو ہنرمند اور قابل افراد کی فراہمی اور موجودہ انسانی وسائل کی قابلیتوں کو اداروں کے موجودہ اور مستقبل کے کاروباری منصوبوں اور مطلوبات کے ساتھ ہم آہنگ کر کے حاصل کرنے میں کوشاں ہیں تاکہ زیادہ سے زیادہ فوائد حاصل کیے جاسکے اور مستقبل کی بقا اور سلامتی کو محفوظ بنایا جاسکے۔

# ڈائریکٹرز رپورٹ

برائے اختتامی سال 30 جون، 2019ء

ہے۔ کمپنی کے سرمایے کے ذخائر میں کمی کی بنیادی وجہ موجودہ مدت کے دوران ہونے والا نقصان ہے۔

پلانٹ کی کارگزاری کارکردگی:

کمپنی انتظامیہ وقت گزرنے کے ساتھ ساتھ تمام شعبوں میں نصب شدہ پلانٹ اور مشینری کو آپ گریڈ کرنے کی بھرپور سعی کر رہی ہے۔ تاہم، نصب شدہ پلانٹ اور مشینری انتہائی سطح پر آپریٹ (چلایا) نہیں کیا جاتا کیونکہ حقیقت یہ ہے کہ ان میں سے زیادہ تر نصب شدہ پلانٹ اور مشینری بہت پرانی ہیں اور تمام شعبے میں ان نصب شدہ پلانٹ اور مشینری کی مناسب طریقے سے دیکھ بھال / مرمت نہیں کی جاتی، اور اپنی ذاتی استعمال کیلئے تمباکو کے معیار کو بہتر بنانے کیلئے بنیادی پیداوار میں نمایاں بہتری کا آغاز کر دیا ہے، اوپر مذکورہ حقائق کے باوجود، زیر جائزہ سال کے دوران، نصب شدہ پلانٹ اور مشینری تسلی بخش طریقے سے چل رہی ہیں۔

معیاری ضمانت:

خیبر ٹو بیکو کمپنی لمیٹڈ ایک ایسی کمپنی ہے جو مستعد طریقے سے چل رہی ہے اور معیار کے سلسلہ میں یہ بہت محتاط ہے۔ سخت ترین معیاری پیمائش کا طریقہ کار لاگو کیا جاتا ہے تاکہ اس امر کو یقینی بنایا جاسکے کہ یہ مقررہ اہداف حاصل ہو گئے ہیں۔ کوالٹی کے معیار میں وقت کے ساتھ ساتھ بہتری آ رہی ہے تاکہ جدید تقاضوں کے مطابق کوالٹی کے معیار کو آہنگ کیا جاسکے۔

مارکیٹنگ / بازار کاری:

کمپنی ہذا کو مقامی اور بین الاقوامی مارکیٹ میں سخت مقابلے کا سامنا ہے۔ تاہم انتظامیہ مسلسل کوشش کر رہی ہے کہ وہ اپنے برانڈز کو مقامی اور بین الاقوامی مارکیٹس میں فروغ دیتی رہے۔ کمپنی کی انتظامیہ اپنی برآمدات کی فروخت کی ترجیح کر رہی ہے اور انتظامیہ کسی حد تک اس سلسلہ میں کامیاب ہوئی ہے، تاہم انتظامیہ پر امید ہے کہ مستقبل قریب میں کمپنی دوبارہ برآمدات سے منافع بخش آمدنی حاصل کرنے میں کامیاب ہوگی۔

برآمدات مارکیٹ میں سخت مقابلہ اور کمپنی کی برآمدات مارکیٹ کے کوالٹی کے ضروری مطلوبات کو پورا کرنے کی نا اہلیت، کمپنی کی برآمدات کرنے کی صلاحیت میں اہم رکاوٹیں ہیں۔ لہذا کمپنی زیادہ تر دوبارہ خشک کی گئی اور کٹ تمباکو برآمد کرنے پر انحصار کرتی ہے اور متحدہ عرب امارات، جنوبی افریقہ، جرمنی، بلجیم، ترکی، مصر اور فلپائن میں دوبارہ خشک کی گئی اور کٹ تمباکو کی ایک اچھی اوسیع مارکیٹ پر قابض ہے

صحت، تحفظ اور ماحول:

کمپنی اپنے اُن اہلکار کی صحت اور تحفظ کو اولین ترجیح دیتا ہے جو اس کمپنی کو چلانے میں ضروری اور قیمتی معاون کار / جزو ہیں ابتدائی اقدامات میں بشمول سیفٹی میننگ (تحفظ کے بارے میں اجلاس)، حادثے / واقعے کے بارے میں رپورٹ کرنا سیفٹی آڈیٹس، گوڈ ہاؤس کیپنگ

# ڈائریکٹر رپورٹ

برائے اختتامی سال 30 جون، 2019ء

زیر جائزہ سال کے دوران، کمپنی ہڈانے گزشتہ مالیاتی سال 2018 میں 1.9 ملین کلوگرام تمباکو کے مقابلے میں اس سال 1.6 ملین کلوگرام تمباکو اپنے گرین لیف تھریٹنگ پلانٹ میں دوبارہ خشک کیا ہے۔ زیر جائزہ سال میں خشک تمباکو کی سیل میں 1.42 ملین کلوگرام اضافہ دکھایا گیا جو کہ گزشتہ سال 2018 میں مقامی فروخت 0.166 ملین کلوگرام تھا جسکی بنیادی وجہ تمباکو کی مقامی اور برآمدی فروخت میں اضافے کیلئے کمپنی کی کوششوں کو قرار دیا گیا۔

زیر جائزہ مالی سال میں کٹ تمباکو کی پیداوار کم ہو کر 0.590 ملین کلوگرام ہو گئی جبکہ گزشتہ مالی سال کے دوران یہ 1.021 ملین کلوگرام تھی جسکی بنیادی وجہ سگریٹ کی فروخت میں کمی ہے۔ اس سال سگریٹ کی پیداوار 1.015 ملین سٹیٹس سے گھٹ کر 661.3 ملین سٹکس تک رہ گئی ہے۔ زیر جائزہ سال میں سگریٹ کی فروخت پچھلے سال 2018 میں فروخت 998.57 ملین سٹکس سے گھٹ کر 666.88 ملین سٹکس ہو گئی ہے۔

## آپریٹنگ (جاری کاروبار) کا سرسری جائزہ:

ماضی میں کمپنی ہڈا کا سب سے اہم منافع بخش ذریعہ دوبارہ خشک کیے گئے تمباکو کی برآمد پر منحصر رہا ہے۔ تاہم کمپنی کی برآمدات بین الاقوامی مارکیٹ میں پاکستانی تمباکو کی طلب میں کمی کی وجہ سے رک چکی ہیں۔ لیکن زیر جائزہ سال کے دوران کمپنی نے دوبارہ خشک تمباکو کی برآمد شروع کرنے میں کامیاب ہوئی ہے۔ کمپنی ہڈا کی انتظامیہ نے مقامی سطح پر سگریٹ کی فروخت پر توجہ مرکوز کی ہے اور سال کی پہلی نصف حصے کے دوران سگریٹ کے کم فروخت کے اثرات سے نجات پانے کیلئے انکی کوششوں میں کافی حد تک کامیابی حاصل کی ہے، جسکی بنیادی طور پر ہمارے اعلیٰ کارکردگی والے برانڈ کی جعلی سگریٹ پیداوار تھی، یہ کہ سال کے دوسرے نصف حصے میں کافی بہتری آئی ہے مگر پچھلے سال کی نسبت سگریٹ کی فروخت کم رہی ہے، اس کا ثبوت گزشتہ سال مجموعی فروخت مبلغ 1.13 بلین روپے کے مقابلے میں زیر جائزہ مدت کے دوران مجموعی فروخت مبلغ 1.07 بلین روپے ہے انتظامیہ مسلسل کوشش کر رہی ہے کہ اپنے موجودہ صارفین کی بنیاد پر نئے صارفین کے اضافے کے ذریعے سے اپنی مقامی مارکیٹ میں توسیع کریں۔

گزشتہ مالی سال ٹیکس کی کٹوتی سے پہلے منافع مبلغ 284.1 ملین روپے کی نسبت اس سال کے اختتامی مدت 30 جون 2019 میں ٹیکس کی کٹوتی سے پہلے نقصان 58.20 ملین روپے ریکارڈ کیا گیا ہے۔ گزشتہ مالیاتی سال ٹیکس کی کٹوتی کے بعد منافع کی شرح مبلغ 199.86 ملین روپے کے مقابلے میں اس سال کے اختتامی مدت 30 جون 2019 میں ٹیکس کی کٹوتی کے بعد نقصان کی شرح مبلغ 32.86 ملین روپے ہے۔

گزشتہ مالی سال 2018 کی فی حصص منافع 46.6 روپے کی نسبت اس مالی سال 30 جون 2019 میں فی حصص خسارہ 7.96 روپے رہا ہے۔

بیلنس شیٹ :-

کمپنی ہڈا کا سرمایہ اور ذخائر میں گزشتہ مالیاتی سال کے اختتام پر مبلغ 1018 ملین روپے کے مقابلے میں مبلغ 971 ملین روپے کم اضافہ ہوا

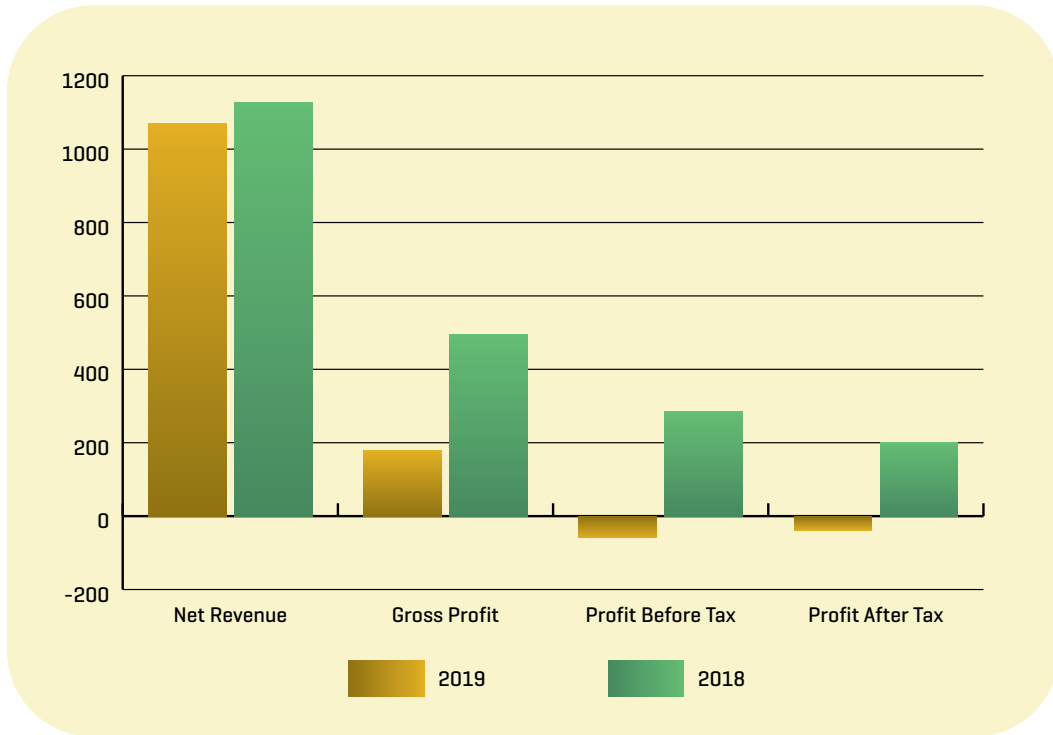
# ڈائریکٹرز رپورٹ

برائے اختتامی سال 30 جون، 2019ء

میرے لئے یہ خوشی کا باعث ہے کہ میں خیبر ٹو بیکولمیٹڈ کے ڈائریکٹرز کی جانب سے 64 ویں سالانہ رپورٹ اور آڈیٹڈ مالیاتی گوشوارہ جمع آڈیٹرز رپورٹ برائے اختتامی مدت 30 جون، 2019ء پیش کر رہا ہوں۔

کمپنی ہذا کے مالیاتی نتائج:

درج ذیل کمپنی ہذا کے گزشتہ اختتامی سال 30 جون 2018 کے مقابلے میں مالیاتی کارکردگی برائے اختتامی سال 30 جون 2019ء کی جامع نتائج پیش کی گئیں ہیں: (رقوم ملین روپے میں دیئے گئے ہیں)



پیداوار اور فروخت:

| فروخت   |           | پیداوار   |           | پیمائش کی اکائی | مصنوعات    |
|---------|-----------|-----------|-----------|-----------------|------------|
| 2018    | 2019      | 2018      | 2019      |                 |            |
| 166,325 | 1,420,764 | 1,940,936 | 1,634,548 | کلوگرام         | خشک تمباکو |
| 126,200 | 5,400     | 1,021,863 | 590,950   | کلوگرام         | کٹ تمباکو  |
| 998.57  | 666.88    | 1015.00   | 661.31    | سیکس            | سگریٹ      |



# VERTICAL ANALYSIS

|                                     | 2019         | 2018         | 2017         | 2016         | 2015         | 2014         |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Profit and Loss Account</b>      |              |              |              |              |              |              |
| Net Sales                           | 100.0        | 100.0        | 100.0        | 100.0        | 100.0        | 100.0        |
| Cost of Sales                       | 83.4         | 56.0         | 61.7         | 76.7         | 77.5         | 73.2         |
| <b>Gross Profit</b>                 | <b>16.6</b>  | <b>44.0</b>  | <b>38.3</b>  | <b>23.3</b>  | <b>22.51</b> | <b>26.8</b>  |
| Administrative Expenses             | 11.3         | 15.2         | 8.5          | 9.5          | 8.51         | 5.2          |
| Distribution Cost                   | 7.8          | 4.9          | 0.4          | 3.1          | 1.02         | 1.1          |
| Other Operating Expenses            | 2.8          | 1.8          | 2.1          | 0.8          | 1.2          | 1.3          |
| <b>Operating Profit</b>             | <b>[5.3]</b> | <b>22.0</b>  | <b>27.4</b>  | <b>9.9</b>   | <b>11.79</b> | <b>19.3</b>  |
| Finance Cost                        | 4.3          | 0.9          | 0.3          | 0.6          | 0.36         | 0.5          |
| Other Operating Income              | 4.1          | 4.1          | 0.3          | 1.4          | 3.0          | 1.1          |
| <b>Profit before Taxation</b>       | <b>[5.5]</b> | <b>25.2</b>  | <b>27.3</b>  | <b>7.9</b>   | <b>8.47</b>  | <b>19.8</b>  |
| Taxation                            | [1.9]        | 7.5          | 8.8          | 1.5          | 4.7          | 3.9          |
| <b>Profit for the Year</b>          | <b>[3.6]</b> | <b>17.8</b>  | <b>18.5</b>  | <b>6.4</b>   | <b>3.8</b>   | <b>16.0</b>  |
| <b>Balance Sheet</b>                |              |              |              |              |              |              |
| Share Capital & Reserves            | 67.7         | 69.5         | 67.6         | 66.0         | 49.2         | 52.3         |
| Non-Current Liabilities             | 7.0          | 8.4          | 11.2         | 6.3          | 18.9         | 25.4         |
| Current Liabilities                 | 25.3         | 22.1         | 21.3         | 27.7         | 31.9         | 22.3         |
| <b>Total Equity and Liabilities</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> |
| Non-Current Assets                  | 33.3         | 35.1         | 38.2         | 30.5         | 33.8         | 44.5         |
| Current Assets                      | 66.7         | 64.9         | 61.8         | 69.5         | 66.2         | 55.5         |
| <b>Total Assets</b>                 | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100</b>   | <b>100.0</b> |

# HORIZONTAL ANALYSIS

|                                       | 2019           | 2018           | 2017         | 2016          | 2015          | 2014        |
|---------------------------------------|----------------|----------------|--------------|---------------|---------------|-------------|
| <b><i>Profit and Loss Account</i></b> |                |                |              |               |               |             |
| Net Sales                             | 20.2           | 23.1           | 46.5         | 8.1           | 25.9          | 26.9        |
| Cost of Sales                         | 37.1           | [23.5]         | 28.3         | 17.8          | 38.6          | 32.0        |
| <b>Gross Profit</b>                   | <b>[25.6]</b>  | <b>449.8</b>   | <b>89.6</b>  | <b>[15.0]</b> | <b>[4.4]</b>  | <b>14.9</b> |
| Administrative Expenses               | 162.8          | 403.2          | 265.8        | 200.6         | 169.7         | 92.2        |
| Distribution Cost                     | 750.1          | 234.0          | [87.7]       | [25.4]        | [75.4]        | [68.5]      |
| Other Operating Expenses              | 163.4          | 630.1          | 158.5        | [24.3]        | 9.6           | 36.4        |
| <b>Operating Profit</b>               | <b>[133.1]</b> | <b>576.0</b>   | <b>94.9</b>  | <b>[48.0]</b> | <b>[18.6]</b> | <b>19.0</b> |
| Finance Cost                          | 855.1          | 220.0          | 179.2        | 249.2         | 117.2         | 280.6       |
| Other Operating Income                | 373.1          | 903.5          | 16.1         | 345.6         | 841.6         | 294.4       |
| <b>Profit before Taxation</b>         | <b>[133.2]</b> | <b>642.9</b>   | <b>92.9</b>  | <b>[44.1]</b> | <b>[5.7]</b>  | <b>21.2</b> |
| Taxation                              | [159.6]        | [100.0]        | 764.6        | 10.9          | 240.1         | 224.7       |
| <b>Profit for the Year</b>            | <b>[126.9]</b> | <b>1,207.7</b> | <b>40.8</b>  | <b>[48.4]</b> | <b>[58.0]</b> | <b>5.4</b>  |
| <b><i>Balance Sheet</i></b>           |                |                |              |               |               |             |
| Share Capital & Reserves              | 184.1          | 357.8          | 228.7        | 201.5         | 119.4         | 78.3        |
| Non-Current Liabilities               | 100.0          | 100.0          | 100.0        | 100.0         | 100.0         | 100.0       |
| Current Liabilities                   | 148.7          | 37.1           | 36.5         | 17.5          | 32.1          | [29.2]      |
| <b>Total Equity and Liabilities</b>   | <b>119.6</b>   | <b>132.1</b>   | <b>122.3</b> | <b>47.0</b>   | <b>43.4</b>   | <b>9.7</b>  |
| Non-Current Assets                    | 64.3           | 100.7          | 131.2        | 22.3          | 32.1          | 33.0        |
| Current Assets                        | 164.0          | 153.4          | 117.1        | 61.3          | 50.0          | [3.8]       |
| <b>Total Assets</b>                   | <b>119.6</b>   | <b>132.1</b>   | <b>122.3</b> | <b>47.0</b>   | <b>43.4</b>   | <b>9.7</b>  |

# FINANCIAL PERFORMANCE

|  |      | 2019    | 2018   | 2017   | 2016   | 2015   | 2014   |
|--|------|---------|--------|--------|--------|--------|--------|
| <b>Financial Performance-Profitability</b>       |      |         |        |        |        |        |        |
| Gross Profit Margin                              | %    | 16.59   | 43.96  | 38.34  | 23.29  | 22.51  | 26.82  |
| Net Profit Margin                                | %    | (3.58)  | 17.75  | 18.49  | 9.18   | 11.49  | 15.99  |
| Return on equity                                 | %    | (3.03)  | 14.87  | 16.33  | 9.26   | 18.54  | 32.00  |
| <b>Operating Performance-Liquidity</b>           |      |         |        |        |        |        |        |
| Total Asset Turnover                             | Time | 0.56    | 0.62   | 0.72   | 0.67   | 0.90   | 1.10   |
| Fixed Asset Turnover                             | Time | 1.66    | 1.69   | 2.06   | 2.12   | 2.36   | 2.50   |
| Inventory Turnover                               | Time | 1.32    | 0.99   | 1.18   | 1.16   | 1.77   | 2.45   |
| Inventory Turnover                               | Days | 275.60  | 367.80 | 309.65 | 315.60 | 206.30 | 149.00 |
| Receivable turnover                              | Time | 3.92    | 3.03   | 3.29   | 3.93   | 7.61   | 8.57   |
| Receivable turnover                              | Days | 93.23   | 120.54 | 111.08 | 92.92  | 47.95  | 42.59  |
| Payable Turnover                                 | Time | 6.55    | 5.96   | 3.43   | 2.70   | 4.11   | 3.68   |
| Payable Turnover                                 | Days | 55.73   | 61.24  | 106.43 | 135.06 | 88.74  | 99.00  |
| Current Ratio                                    |      | 2.64    | 2.94   | 2.91   | 2.51   | 2.08   | 2.48   |
| Quick Ratio                                      |      | 1.36    | 1.20   | 1.46   | 0.78   | 0.78   | 0.83   |
| <b>Capital Market/Capital Structure Analysis</b> |      |         |        |        |        |        |        |
| Earning per share (pre tax)                      | Rs   | (12.17) | 59.10  | 58.34  | 67.58  | 114.02 | 146.61 |
| Earning per share (after tax)                    | Rs   | (7.96)  | 41.57  | 39.51  | 57.92  | 84.39  | 118.38 |
| Debt: equity                                     | Rs   | 0.48    | 0.44   | 0.48   | 0.51   | 0.76   | 0.53   |



|   | 2019              | 2018     | 2017     | 2016    | 2015    | 2014     |
|---|-------------------|----------|----------|---------|---------|----------|
|   | Rupees in Million |          |          |         |         |          |
| <b>Summary of Balance sheet</b>         |                   |          |          |         |         |          |
| Share Capital                           | 48.07             | 48.07    | 12.02    | 12.02   | 12.02   | 12.02    |
| Shareholder's funds/Equity              | 1,262.99          | 1,343.91 | 1,163.09 | 751.74  | 547.13  | 444.61   |
| Capital employed                        | 1,262.99          | 1,343.91 | 819.68   | 624.32  | 547.13  | 444.61   |
| Property, plant & Equipment             | 610.79            | 674.44   | 652.72   | 342.28  | 371.67  | 375.70   |
| Long term assets                        | 621.65            | 679.17   | 657.66   | 347.82  | 375.88  | 378.40   |
| Net Current Assets                      | 1,244.92          | 1,255.41 | 697.88   | 475.64  | 380.97  | 281.68   |
| <b>Summary of Profit and Loss</b>       |                   |          |          |         |         |          |
| Sale                                    | 1,070.17          | 1,125.70 | 1,027.26 | 758.26  | 882.72  | 890.00   |
| Gross Profit                            | 177.56            | 494.86   | 393.88   | 176.63  | 198.67  | 238.74   |
| Operating Profit/(Loss)                 | [12.39]           | 293.71   | 281.24   | 75.06   | 117.40  | 181.03   |
| Profit/(Loss) before tax                | [58.52]           | 284.13   | 280.45   | 81.22   | 137.04  | 176.21   |
| Profit/(Loss) after tax                 | [38.27]           | 199.86   | 189.93   | 69.61   | 101.43  | 142.28   |
| <b>Summary of Cash Flows</b>            |                   |          |          |         |         |          |
| Net cash flow from operating activities | 261.76            | 86.44    | 67.64    | [19.07] | [38.06] | 107.40   |
| Net cash flow from investing activities | [60.88]           | [92.34]  | [2.35]   | [14.45] | 62.56   | [138.10] |
| Net cash flow from financing activities | -                 | -        | -        | -       | -       | -        |
| Changes in cash and cash equivalents    | 200.88            | [5.90]   | 65.28    | [33.53] | 24.51   | [30.70]  |
| Cash and cash equivalents- Year end     | 277.92            | 77.04    | 82.95    | 17.67   | 51.19   | 26.69    |

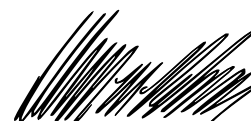
# OTHER STATEMENTS

## STATEMENTS OF FREE FLOAT OF SHARES

|   | 30-09-2018     | 31-12-2018     | 31-03-2019     | 30-06-2019     |
|---|----------------|----------------|----------------|----------------|
| Total Outstanding Shares  | 4,807,364      | 4,807,364      | 4,807,364      | 4,807,364      |
| <b>Less:</b> Government Holdings  | -              | -              | -              | -              |
| <b>Less:</b> Shares held by Directors/Sponsors/Senior Management Officers and their associates-CDC                      | -              | -              | -              | -              |
| <b>Less:</b> Shares in Physical form  | 4,437,190      | 4,426,702      | 4,425,548      | 4,425,548      |
| <b>Less:</b> Shares held by Associate Companies/Group Companies (Cross Holding)   | -              | -              | -              | -              |
| <b>Less:</b> Shares issued under Employees Stock Option Schemes that cannot be sold in the open market in normal course | -              | -              | -              | -              |
| <b>Less:</b> Treasury Shares  | -              | -              | -              | -              |
| <b>Less:</b> Any other category that are barred from selling at the review date   | -              | -              | -              | -              |
| <b>Free Float</b>   | <b>370,174</b> | <b>380,662</b> | <b>381,816</b> | <b>381,816</b> |



Company Secretary



Chief Executive

## FREE CASH FLOW - FOR THE YEAR ENDED JUNE 30, 2019

|   | 2018-19            | 2017-18            | 2016-17           | 2015-16             |
|---|--------------------|--------------------|-------------------|---------------------|
| Net cash provided by operating activities | 261,763,148        | 86,439,035         | 67,635,539        | [19,074,556]        |
| Less: Capital additions & Investment      | [60,884,729]       | [92,342,901]       | [2,354,009]       | [14,454,943]        |
| Add: Net Debt Issued                      | -                  | -                  | -                 | -                   |
| <b>FCF Total</b>                          | <b>200,878,419</b> | <b>[5,903,866]</b> | <b>65,281,530</b> | <b>[33,529,499]</b> |

## SUMMARY OF CASH FLOW STATEMENT FOR LAST 6 YEARS

|   | 2019                | 2018                | 2017               | 2016                | 2015                | 2014                 |
|---|---------------------|---------------------|--------------------|---------------------|---------------------|----------------------|
| Profit / [loss] before taxation                             | [58,520,783]        | 28,413,266          | 280,454,828        | 81,221,506          | 137,037,845         | 176,207,294          |
| <b>Net cash flow from operating activities</b>              | <b>261,763,148</b>  | <b>86,439,035</b>   | <b>67,635,539</b>  | <b>[19,074,556]</b> | <b>[38,056,030]</b> | <b>107,399,204</b>   |
| <b>Net cash flow from investing activities</b>              | <b>[60,884,729]</b> | <b>[92,342,901]</b> | <b>[2,354,009]</b> | <b>[14,454,943]</b> | <b>62,563,576</b>   | <b>[138,102,598]</b> |
| <b>Net increase/[decrease] in cash and cash equivalents</b> | <b>200,878,419</b>  | <b>[5,903,866]</b>  | <b>65,281,530</b>  | <b>[33,529,499]</b> | <b>24,507,546</b>   | <b>[30,703,394]</b>  |
| <b>Cash and cash equivalents at beginning of the period</b> | <b>77,042,866</b>   | <b>82,946,732</b>   | <b>17,665,202</b>  | <b>51,194,701</b>   | <b>26,687,155</b>   | <b>57,390,549</b>    |
| <b>Cash and cash equivalents at end of the period</b>       | <b>277,921,285</b>  | <b>77,042,866</b>   | <b>82,946,732</b>  | <b>17,665,202</b>   | <b>51,194,701</b>   | <b>26,687,155</b>    |

## DUPONT ANALYSIS - FOR JUNE 30, 2019

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$$\text{ROE} = \frac{\text{NET PROFIT}}{\text{REVENUE}} \times \frac{\text{REVENUE}}{\text{TOTAL ASSETS}} \times \frac{\text{SHAREHOLDERS}}{\text{EQUITY}}$$
$$\frac{\text{NET PROFIT}}{\text{REVENUE}} = 0.02$$
$$\frac{\text{REVENUE}}{\text{TOTAL ASSETS}} = 1.25$$
$$\frac{\text{SHAREHOLDERS}}{\text{EQUITY}} = 1.48$$
$$= \text{ROE} = 3.03$$





# FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KHYBER TOBACCO COMPANY LIMITED

## Report on the Audit of the Financial Statements

### Opinion

We have audited the annexed financial statements of Khyber Tobacco Company Limited [the Company], which comprise the statement of financial position as at 30 June 2019, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 [XIX of 2017], in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2019 and of the profit, the comprehensive income, the changes in equity and its cash flows for the year then ended.

### Basis for Opinion

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

### Key Audit Matters

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

Following are the Key audit matter[s]:

| Key audit matter   | How the matter was addressed in our audit   |
|--|---|
| <p><b>Revenue Recognition</b></p> <p>The Company's sales comprise of revenue from the local and export sale of cigarettes and raw tobacco which has been disclosed in note 21 to the financial statements.</p> <p>Revenue from sale of goods is recognized at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods and at transaction price net of trade discounts (note 4.13).</p> <p>We identified revenue recognition as key audit matter as it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not have been recognized based on transfer of control to the customers in line with the accounting policy adopted and may not have been recognized in the appropriate period.</p> | <p>Our audit procedures to evaluate revenue recognition, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of and assessing the design and implementation and operating effectiveness of controls around recognition of revenue ;</li> <li>• Assessing the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards;</li> <li>• Checked on a sample basis whether the recorded local and export sales transactions are based on satisfaction of performance obligation [i.e. dispatch of goods and after issue of gate passes]; and</li> <li>• Testing timeliness of revenue recognition by comparing individual sales transactions before and after the year end to underlying documents.</li> </ul> |

### Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance opinion thereon.

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

### Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KHYBER TOBACCO COMPANY LIMITED

## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

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

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

### **Report on Other Legal and Regulatory Requirements**

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 [XIX of 2017];
- b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 [XIX of 2017] and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 [XVIII of 1980], was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is Rana M. Usman Khan.

### **Others Matter Paragraph**

The annual financial statements of the Company for the year ended June 30, 2018 were audited by another firm of Chartered Accountants who vide their report dated November 06, 2018 expressed an unmodified opinion thereon.

*Deloitte Young & Rubicam*

**Chartered Accountants  
Lahore  
Date: 01 October 2019**

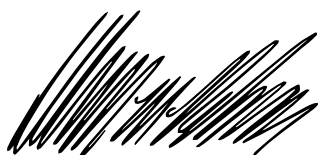
# STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

|   |      | 2019                 | 2018          |
|---|------|----------------------|---------------|
|   | Note | Rupees               | Rupees        |
| <b>EQUITY AND LIABILITIES</b>                       |      |                      |               |
| <b>CAPITAL AND RESERVES</b>                         |      |                      |               |
| Issued, subscribed and paid up share capital        | 5    | 48,073,640           | 48,073,640    |
| General Reserves                                    | 6    | 3,312,465            | 3,312,465     |
| Unappropriated profit                               |      | 927,091,669          | 966,611,939   |
| Revaluation surplus on property plant and equipment | 7    | 284,514,803          | 325,910,651   |
|   |      | <b>1,262,992,577</b> | 1,343,908,695 |
| <b>LIABILITIES</b>                                  |      |                      |               |
| <b>NON CURRENT LIABILITIES</b>                      |      |                      |               |
| Employee retirement benefits                        | 8    | 23,434,868           | 28,155,977    |
| Deferred tax liabilities                            | 9    | 107,875,977          | 135,312,711   |
|   |      | <b>131,310,845</b>   | 163,468,688   |
| <b>CURRENT LIABILITIES</b>                          |      |                      |               |
| Trade and other payables                            | 10   | 440,373,858          | 328,271,859   |
| Unclaimed dividend                                  |      | 31,888,217           | 23,164,922    |
| Provision for Taxation                              | 11   | -                    | 75,764,462    |
|   |      | <b>472,262,075</b>   | 427,201,243   |
| <b>CONTINGENCIES AND COMMITMENTS</b>                | 12   |                      |               |
| <b>TOTAL EQUITY AND LIABILITIES</b>                 |      | <b>1,866,565,497</b> | 1,934,578,626 |

|                               |      | 2019                 | 2018                 |
|-------------------------------|------|----------------------|----------------------|
|                               | Note | Rupees               | Rupees               |
| <b>NON CURRENT ASSETS</b>     |      |                      |                      |
| Property, plant and equipment | 13   | 610,790,354          | 674,436,714          |
| Intangible assets             | 14   | 6,212,042            | 262,741              |
| Long term deposits            | 15   | 4,647,411            | 4,467,411            |
|                               |      | 621,649,807          | 679,166,866          |
| <b>CURRENT ASSETS</b>         |      |                      |                      |
| Stock in trade                | 16   | 604,935,796          | 743,022,089          |
| Trade debts                   | 17   | 244,380,881          | 302,296,951          |
| Advances and Prepayments      | 18   | 10,034,396           | 25,581,633           |
| Advance income tax            | 11   | 69,385,879           | -                    |
| Advance duty and sales tax    | 19   | 38,257,454           | 107,468,221          |
| Cash and bank balances        | 20   | 277,921,285          | 77,042,866           |
|                               |      | 1,244,915,690        | 1,255,411,760        |
| <b>TOTAL ASSETS</b>           |      | <b>1,866,565,497</b> | <b>1,934,578,626</b> |

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



Chief Executive



Director



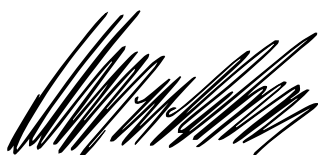
Director

# STATEMENT OF PROFIT OR LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2019

|   | Note | 2019<br>Rupees      | 2018<br>Rupees     |
|---|------|---------------------|--------------------|
| Sales - net                                     | 21   | 1,070,173,339       | 1,125,703,129      |
| Cost of sales                                   | 22   | [892,617,715]       | [630,840,503]      |
| <b>Gross profit</b>                             |      | <b>177,555,624</b>  | <b>494,862,626</b> |
| Administrative expenses                         | 23   | [120,916,758]       | [163,264,869]      |
| Impairment loss on financial assets             | 17.1 | [2,199,268]         | -                  |
| Selling and distribution cost                   | 24   | [83,908,112]        | [63,127,256]       |
| Other operating expenses                        | 25   | [27,301,000]        | [20,602,762]       |
| Finance cost                                    | 26   | [46,129,722]        | [9,572,952]        |
| Other income                                    | 27   | 44,378,454          | 45,837,879         |
| <b>[Loss] / Profit before taxation</b>          |      | <b>[58,520,782]</b> | <b>284,132,666</b> |
| Taxation  | 28   | 20,253,482          | [84,267,710]       |
| <b>[Loss] / Profit for the year</b>             |      | <b>[38,267,300]</b> | <b>199,864,956</b> |
| [Loss] / Earnings per share - basic and diluted |      | [7.96]              | 41.57              |

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



Chief Executive



Director



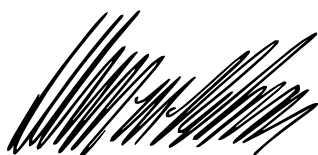
Director

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

|   | Note | 2019<br>Rupees      | 2018<br>Rupees     |
|---|------|---------------------|--------------------|
| [Loss] / Profit for the year  |      | [38,267,300]        | 199,864,956        |
| <b>Other comprehensive income:</b>                                      |      |                     |                    |
| Items that will not be reclassified to profit or loss                   |      |                     |                    |
| Remeasurement gain on post retirement benefits liability                | 8.6  | 4,878,111           | 5,364,957          |
| Related tax on remeasurement gain on post retirement benefits liability |      | [1,308,504]         | [1,609,487]        |
|   |      | 3,569,607           | 3,755,470          |
| <b>Total comprehensive [loss] / income for the year</b>                 |      | <b>[34,697,693]</b> | <b>203,620,426</b> |

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



Chief Executive



Director



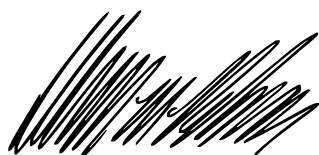
Director

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

|  | Share capital | Capital Reserve     | Revenue Reserve |                       | Total Equity  |
|--|---------------|---------------------|-----------------|-----------------------|---------------|
|  |               | Revaluation surplus | General reserve | Unappropriated profit |               |
| Rupees   |               |                     |                 |                       |               |
| <b>Balance as at 01 July 2017</b>  | 12,018,410    | 343,404,204         | 3,312,465       | 804,353,180           | 1,163,088,259 |
| <b>Total comprehensive income for the year</b>                           |               |                     |                 |                       |               |
| Profit for the year  | -             | -                   | -               | 199,864,956           | 199,864,956   |
| Other comprehensive income for the year                                  | -             | -                   | -               | 3,755,470             | 3,755,470     |
| Transfer from surplus on revaluation of property, plant and equipment    | -             | (34,606,703)        | -               | 34,606,703            | -             |
| <b>Total comprehensive income for the year</b>                           | -             | (34,606,703)        | -               | 238,227,129           | 203,620,426   |
| Reduction in deferred tax liability due change in tax rate               | -             | 17,113,150          | -               | -                     | 17,113,150    |
| <b>Transactions with owners, recorded directly in equity</b>             |               |                     |                 |                       |               |
| Increase in paid up Capital  | 36,055,230    | -                   | -               | (36,055,230)          | -             |
| Final dividend 2017 @ Rs. 33.21 per share                                | -             | -                   | -               | (39,913,140)          | (39,913,140)  |
| Transactions with owners, recorded directly in equity                    | 36,055,230    | -                   | -               | (75,968,370)          | (39,913,140)  |
| <b>Balance as at 30 June 2018</b>  | 48,073,640    | 325,910,651         | 3,312,465       | 966,611,939           | 1,343,908,695 |
| <b>Balance as at 01 July 2018 (earlier reported)</b>                     | 48,073,640    | 325,910,651         | 3,312,465       | 966,611,939           | 1,343,908,695 |
| Impact of change in accounting policy- IFRS 9 (net of tax) [ Note 2.4.1] | -             | -                   | -               | (6,269,230)           | (6,269,230)   |
| <b>Adjusted balance as at July 01, 2018</b>                              | 48,073,640    | 325,910,651         | 3,312,465       | 960,342,709           | 1,337,639,465 |
| <b>Total comprehensive (loss) for the year</b>                           |               |                     |                 |                       |               |
| Loss for the year  | -             | -                   | -               | (38,267,300)          | (38,267,300)  |
| Other comprehensive income for the year                                  | -             | -                   | -               | 3,569,607             | 3,569,607     |
| Transfer from surplus on revaluation of property, plant and equipment    | -             | (41,395,848)        | -               | 41,395,848            | -             |
| <b>Total comprehensive loss for the year</b>                             | -             | (41,395,848)        | -               | 6,698,155             | (34,697,693)  |
| <b>Transactions with owners, recorded directly in equity</b>             |               |                     |                 |                       |               |
| Final dividend 2018 @ Rs.8.31 per share                                  | -             | -                   | -               | (39,949,195)          | (39,949,195)  |
| Transactions with owners, recorded directly in equity                    | -             | -                   | -               | (39,949,195)          | (39,949,195)  |
| <b>Balance as at 30 June 2019</b>  | 48,073,640    | 284,514,803         | 3,312,465       | 927,091,669           | 1,262,992,577 |

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



Chief Executive



Director



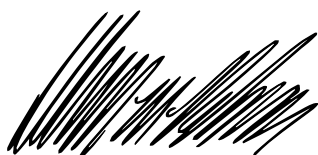
Director

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

|   |      | 2019          | 2018          |
|---|------|---------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES                        | Note | Rupees        | Rupees        |
| [Loss] / profit before taxation                             |      | (58,520,782)  | 284,132,666   |
| <b>Adjustments for:</b>                                     |      |               |               |
| Depreciation  | 13.1 | 90,838,047    | 70,001,041    |
| Amortization  | 14.2 | 262,741       | 662,845       |
| Trade debts written off                                     |      | 545,757       | 44,946,047    |
| Security deposit written off                                |      | -             | 167,650       |
| Advances to suppliers                                       |      | -             | 3,535,094     |
| Trade creditors written off                                 |      | (34,894,141)  | (34,178,710)  |
| Advances from customers written back                        |      | (882,092)     | (11,327,245)  |
| Provision for staff retirement benefits                     | 8.30 | 4,894,576     | 6,453,945     |
| Impairment loss on financial assets                         | 17.1 | 2,199,268     | -             |
| Loss on disposal of fixed asset                             |      | 27,301,000    | -             |
| Exchange gain on foreign transaction                        |      | (8,460,221)   | -             |
| Finance cost  | 26   | 46,129,722    | 9,572,952     |
|   |      | 127,934,657   | 89,833,619    |
|   |      | 69,413,875    | 373,966,285   |
| <b>Working capital changes</b>                              |      |               |               |
| <b>[Increase] / decrease in current assets</b>              |      |               |               |
| Stock in trade  |      | 138,086,293   | (214,685,745) |
| Trade debts - considered good                               |      | 55,063,937    | 93,951,845    |
| Advances and prepayments                                    |      | 15,547,237    | (17,662,032)  |
| Advance duty and taxes                                      |      | 69,210,767    | (107,468,221) |
| Trade and other payables                                    |      | 109,249,531   | 62,843,499    |
|   |      | 387,157,765   | (183,020,654) |
| <b>Cash generated from operations</b>                       |      | 456,571,640   | 190,945,631   |
| Gratuity paid   |      | (4,737,574)   | -             |
| Income tax paid   |      | (151,343,996) | (76,068,291)  |
| Finance cost paid   |      | (802,398)     | (1,266,555)   |
| Workers' welfare fund                                       |      | (6,698,623)   | -             |
| Dividend paid   |      | (31,225,900)  | (27,171,750)  |
| <b>Net cash generated from operating activities</b>         |      | 261,763,149   | 86,439,035    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                 |      |               |               |
| Additions to property, plant and equipment                  |      | (54,492,688)  | (91,718,251)  |
| Additions to intangible assets                              |      | (6,212,042)   | -             |
| Security deposits   |      | (180,000)     | (624,650)     |
| Proceeds from sale of machinery                             |      | -             | -             |
| <b>Net cash used in investing activities</b>                |      | (60,884,730)  | (92,342,901)  |
| <b>Net increase [decrease] in cash and cash equivalents</b> |      | 200,878,419   | (5,903,866)   |
| <b>Cash and cash equivalents at beginning of the period</b> |      | 77,042,866    | 82,946,732    |
| <b>Cash and cash equivalents at end of the period</b>       |      | 277,921,285   | 77,042,866    |

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



Chief Executive



Director



Director

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2019

### 1. THE COMPANY AND ITS OPERATIONS

1.1 Khyber Tobacco Company Limited ("the Company") is a public limited company incorporated in Pakistan on October 15, 1954 under the Companies Act, 1913 (now the Companies Act, 2017) and is listed on the Pakistan Stock Exchange Limited. The Company is engaged in the manufacture and sale of cigarettes and tobacco. The Company's registered office and production plant is situated at Nowshera Road, Mardan.

1.2 These financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

### 2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

#### 2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

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

#### 2.2 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2019

The following standards, amendments and interpretations are effective for the year ended June 30, 2019.

##### 2.2.1 Standards or Interpretations with no significant impact

Effective from  
annual period  
beginning on or  
after:

Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions. January 1, 2018

IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9. January 1, 2018

Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property. January 1, 2018

IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency. January 1, 2018

Certain annual improvements have also been made to a number of IFRS.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2019

|              |  |   |
|--------------|--|---|
| <b>2.2.2</b> | <b>Standards or Interpretations with significant impact</b>  | <b>Effective from annual period beginning on or after:</b>  |
|              | IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.   | July 1, 2018  |
| <b>2.3</b>   | <b>New accounting standards / amendments and IFRS interpretations that are not yet effective</b>   |   |
|              | The following International Financial Reporting Standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date are mentioned below:                     |   |
| <b>2.3.1</b> | <b>Standards or Interpretations with no significant impact</b>   | <b>Effective from annual period beginning on or after:</b>  |
|              | IFRS 15 'Revenue from contracts with customers' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.   | January 1, 2018   |
|              | Amendments to IFRS 3 'Business Combinations' - Amendments regarding the definition of business.  | Effective from accounting period beginning on or after January 01, 2020   |
|              | Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture. | Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted. |
|              | Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities.   | Effective from accounting period beginning on or after January 01, 2019   |
|              | IFRS 16 'Leases': This standard will supersede IAS 17 'Leases', IFRIC 4, SIC 15 and SIC 27 upon its effective date.  | Effective from accounting period beginning on or after January 01, 2019   |
|              | Amendments to References to the Conceptual Framework in IFRS Standards.  | Effective from accounting period beginning on or after January 01, 2019   |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

Effective from  
annual period  
beginning on or  
after:

Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Amendments regarding the definition of material.

Effective from  
accounting period  
beginning on or  
after January 01,  
2020

Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.

Effective from  
accounting period  
beginning on or  
after January 01,  
2019

Amendments to IAS 28 'Investments in Associates and Joint Ventures' Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

Effective from  
accounting period  
beginning on or  
after January 01,  
2019

IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.

Effective from  
accounting period  
beginning on or  
after January  
01, 2019. Earlier  
application is  
permitted.

IFRS 16 'Leases' - IFRS 16 replaces the previous lease standard: IAS 17 Leases, it will result in almost all lease being recognized on the statement of financial position, as the distinction between operating and finance leases is removed under the new standard, an asset [the right to use leased item] and the financial liability to pay rentals are recognized. The only exceptions are short term and low value leases. The management is in the process of assessing the impact of changes laid down by the IFRS 16 on its financial statements.

Certain annual improvements have also been made to a number of IFRS.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

## 2.4 Adoption of new accounting standards

The following changes in standards have taken place effective from July 01, 2018:

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2019

### 2.4.1 Impact of IFRS 9 - Financial Instruments

IFRS 9 replaces certain provisions of IAS 39 - "Financial Instruments: Recognition and Measurement" that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. Under IFRS 9 the financial instruments, excluding derivatives, are accounted for at amortized cost, fair value through other comprehensive income or fair value through profit or loss depending on the nature of the relevant contractual cash flows and the business model in which it is held.

The adoption of IFRS 9 from July 01, 2018 has resulted in changes in relevant accounting policies and adjustment to the trade debts amounts recognized in the financial statements. IFRS 9 requires implementation of a new impairment model based on expected credit losses (ECL), resulting in transition adjustment summarized below. In accordance with the transition provisions of IFRS 9, the Company has followed modified retrospective transitional method, taking into consideration the exemption allowing it not to restate comparative information of prior periods.

| Financial assets        | Original classification under IAS 39 | New classification under IFRS 9 | Original carrying amount under IAS 39 | New carrying amount under IFRS 9 |
|-------------------------|--------------------------------------|---------------------------------|---------------------------------------|----------------------------------|
| Trade debts             | Loans and receivables                | At amortized cost               | 302,296,951                           | 302,296,951                      |
| Cash and bank balances  | Loans and receivables                | At amortized cost               | 77,042,866                            | 77,042,866                       |
| Long Term deposits      | Loans and receivables                | At amortized cost               | 4,467,411                             | 4,467,411                        |
| Financial liability     | Original classification under IAS 39 | New classification under IFRS 9 | Original carrying amount under IAS 39 | New carrying amount under IFRS 9 |
| Trade and other payable | At amortized cost                    | At amortized cost               | 328,271,859                           | 328,271,859                      |
| Unclaimed dividend      | At amortized cost                    | At amortized cost               | 23,164,922                            | 23,164,922                       |

As stated in note 4.4.1 the measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

As a result of adoption of IFRS 9, opening retained earnings of the Company as of July 1, 2018 are restated downward by Rs. 6.27 million, net of tax of Rs. 2.30 million due to recognition of allowance for expected credit losses using the modified retrospective method, as disclosed in note 17.1. Had this policy not been changed, the loss after tax for the year would have been lower by Rs. 1.70 million and retained earnings would have been higher by Rs. 7.97 million.

### 2.4.2 Impact of IFRS-15 Revenue from Contracts with Customers

IFRS 15 - Revenue from contracts with customers (IFRS 15) replaced IAS 18 - Revenue, IAS 11 - Construction contracts, IFRIC 13 - Customer Loyalty Programmes, IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 18 - Transfers of Assets from Customers and SIC 31 - Revenue - Barter Transactions Involving Advertising Services. IFRS 15 provides a single, principles-based approach to the recognition of revenue from all contracts with customers and focuses on the identification of performance obligations in a contract and requires revenue to be recognised when or as those performance obligations in a contract are satisfied. The adoption of IFRS 15 does not have any impact on the reported revenue of the Company for the year ended June 30, 2018 or June 30, 2019.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2019

### 3 SIGNIFICANT ESTIMATES

The preparation of financial statements in conformity with IFRS 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 circumstances, and the results of which form the basis for making judgment about carrying value 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 revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

#### **Employee retirement benefits**

The Company operates an unfunded gratuity scheme [defined benefit plan] for all its permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Provisions are made annually to cover the obligation under the scheme on the basis of actuarial valuation and are charged to income. The calculation require assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration and discount rate used to derive present value of defined benefit obligation. The assumptions are determined by independent actuaries on annual basis.

#### **Property, plant and equipment**

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

#### **Taxation**

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

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### 4 ACCOUNTING CONVENTION

These financial statements have been prepared under the historical cost convention modified by:

- financial instruments at fair value
- recognition of certain employee retirement benefits at present value

#### **PRINCIPAL ACCOUNTING POLICIES ADOPTED ARE AS FOLLOWS**

Accounting policies are consistent and same as those applied in the preparation of the previous year financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2019

### PROPERTY, PLANT AND EQUIPMENT

#### 4.1 Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any impairment losses except for the buildings on leasehold land, plant and machinery, and furniture and fittings which are stated at revalued amounts less accumulated depreciation thereon and accumulated impairment loss, if any. Items of CWIP are stated at cost less impairment loss, if any. These costs are transferred to respective items of property, plant and equipment when available for intended use.

Assets' residual values, if significant, and useful lives are reviewed and adjusted, if appropriate, at each statement of financial position date.

When parts of an item of property, plant and equipment have different useful lives, they are recognized as separate items of property, plant and equipment.

Subsequent costs are recognized as separate asset 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. All other repair and maintenance costs are charged to income during the period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land, buildings, plant machinery and equipment are recognized, net of tax, in other comprehensive income and accumulated in revaluation surplus in statement of changes in equity. To the extent that increase reverses a decrease previously recognized in profit or loss, the increase is first recognized in profit or loss. Decreases that reverse previous increases of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognized in statement of profit or loss. When revalued assets are sold, the amounts included in the surplus on revaluation of property, plant and equipment are transferred to retained earnings.

#### Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

#### Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight line method over their estimated useful lives, and is generally recognized in statement of profit or loss at rates given in note 13 to these financial statements. Full month depreciation is charged in the month of addition while no depreciation is charged in the month of disposal or derecognition.

Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from revaluation surplus on property, plant and equipment to unappropriated profit. Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight line method over their estimated useful lives, and is generally recognized in statement of profit or loss at rates given in note 13 to these financial statements. Full month depreciation is charged in the month of addition while no depreciation is charged in the month of disposal or derecognition.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2019

Depreciation on additions to property, plant and equipment is charged on prorata basis from the date on which the item of property, plant and equipment is acquired or capitalized while no depreciation is charged from the date on which property, plant and equipment is disposed off / derecognized.

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

### 4.2 Intangibles

#### Recognition and measurement

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

#### Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in statement of profit or loss as incurred.

#### Amortization

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in statement of profit or loss based on the amortization rates as disclosed in note 14 to the financial statements. Depreciation on additions to property, plant and equipment is charged on prorata basis from the date on which the item of property, plant and equipment is acquired or capitalized while no depreciation is charged from the date on which property, plant and equipment is disposed off / derecognized.

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

### 4.3 Stock in trade

These are valued at the lower of cost and net realizable value, except for items in transit and waste stock. Cost is computed applying the following bases:

|                 |                         |
|-----------------|-------------------------|
| Raw material    | - weighted average cost |
| Work-in-process | - weighted average cost |
| Finished goods  | - weighted average cost |

Stock in transit are valued at invoice value plus other charges incurred thereon up to the statement of financial position date.

Waste stock are valued at lower of cost or net realizable value.

Weighted average cost in relation to work-in-process and finished goods includes cost of direct material, direct labour and a proportion of manufacturing overheads based on normal capacity.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2019

### 4.4 Financial instruments

#### 4.4.1 Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

#### Classification of financial assets

##### a) Debt instruments measured at amortized cost

Debt instruments that meet the following conditions are measured subsequently at amortized cost.

the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortized cost and effective interest method

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

As at reporting date, the Company carries cash and cash equivalents, trade debts, due from related parties and employees' advances at amortized cost.

##### b) Debt instruments measured at fair value through other comprehensive income (FVTOCI):

Debt instruments that meet specified conditions and are measured subsequently at fair value through other comprehensive income (FVTOCI).

As at reporting date, the Company does not hold any debt instrument classified as at FVTOCI.

##### c) Equity instruments designated as at FVTOCI

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

As at reporting date, the Company carries short term investments at FVTOCI.

##### d) Financial assets measured subsequently at fair value through profit or loss (FVTPL)

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

As at reporting date, the Company does not possess any financial assets classified as at FVTPL.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

## **Impairment of financial assets**

The Company recognizes a loss allowance for expected credit losses on trade debts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company recognizes lifetime ECL for trade debts using simplified approach. The expected credit losses on these financial assets are determined using probability based estimation of future expected cash flows under different scenarios, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money, where appropriate.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

## **Write-off policy**

The Company writes off financial assets when there is information indicating that the amount is not recoverable due to the conflict in invoices with customer. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made against financial assets written-off are recognized in profit or loss.

## **Derecognition of financial assets**

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

### **4.4.2 Financial liabilities**

#### **Subsequent measurement of financial liabilities**

- contingent consideration of an acquirer in a business combination,
- held-for-trading, or
- designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

## **Derecognition of financial liabilities**

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

## **4.5 Off setting of financial assets and financial liabilities**

A financial asset and a financial liability is offset and the net amount is reported in the statement of financial position, if the Company has a legal enforceable right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

## **4.6 Long term deposits**

Long term deposits are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in non-current assets for having maturities greater than 12 months after the reporting date. Initially they are recognized at fair value and subsequently stated at amortized cost.

## **4.7 Trade debts and other receivables**

Trade debts and other receivables are carried at a value to be received less an estimate made for impairment allowance based on estimates of expected future value of cash flows under different economic and probabilistic scenarios, adjusted for factors that are specific to the industry.

## **4.8 Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and finances under mark-up arrangements. In the statement of financial position, finances under mark-up arrangements are included in current liabilities.

## **4.9 Trade and other payables**

Liability for trade and other payables are measured at fair value of the consideration to be paid in the future for goods and services received.

## **4.10 Employee benefits**

### **Defined benefit plan**

The Company operates an unfunded gratuity scheme (defined benefit plan) for all its permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Provisions are made annually to cover the obligation under the schemes on the basis of actuarial valuation and are charged to statement of profit or loss for the year. The assumptions are determined by independent actuary.

The amount recognized in the statement of financial position represents the present value of defined benefit obligations using the projected unit credit actuarial valuation method. Actuarial gains / losses arising from the actuarial valuation are recognized immediately and are presented in other comprehensive income. The latest actuarial valuation was carried on June 30, 2019.

Details of the scheme are given in note 8 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2019

### 4.11 Provisions

Provisions are recognized in the statement of financial position when the Company has a present, legal or constructive obligation as a result of past events, 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 of obligation can be made. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate.

### 4.12 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit after tax attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit after tax attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

### 4.13 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable on the following basis:

- Revenue from sale of goods is recognized at the point in time when the control of the goods is transferred to the customer, generally on delivery of the goods and at transaction price net of trade discounts.
- Revenue from the export sale of goods is recognized at the point in time when the customer obtains control over the goods dependent on the relevant incoterms of shipment. Generally, it is on the date of bill of lading or at the time of delivery of goods to the destination port.

### 4.14 Taxation

#### Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credits, rebates and exemptions available, if any. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

#### Deferred

Deferred tax liability is recognized for all taxable temporary differences while deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profits will be available against which such temporary differences and tax losses can be utilized.

The Company does not have any temporary difference as its income fall under final tax regime. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of "Technical Release - 27" of the Institute of Chartered Accountants of Pakistan.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the statement of financial position date.

### 4.15 Contract liabilities

Contract liability is measured at the fair value of the consideration received for goods that are not yet delivered to customers.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2019

### 4.16 Foreign currencies

Transactions in currencies other than Pakistani Rupee are recorded at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the statement of financial position date except where forward exchange contracts have been entered into for repayment of liabilities in that case, the rates contracted for are used.

Gains and losses arising on retranslation are included in statement of profit or loss for the year.

### 4.17 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

### 4.18 Related party transactions

Transactions with related parties are carried out on agreed commercial terms and conditions.

## 5 SHARE CAPITAL

### 5.1 Authorized share capital

This represents 20,000,000 (2018: 20,000,000) ordinary shares of Rs. 10 each.

### 5.2 Issued, subscribed and paid up share capital

|  | 2019             | 2018      |   | 2019       | 2018       |
|--|------------------|-----------|---|------------|------------|
|  | Number of shares |           |   | Rupees     | Rupees     |
|  | 497,500          | 497,500   | Ordinary shares of Rs. 10 each, allotted for consideration paid in cash | 4,975,000  | 4,975,000  |
|  | 704,341          | 4,309,864 | Ordinary shares of Rs. 10 each, issued as bonus shares                  | 7,043,410  | 43,098,640 |
|  | 3,605,523        | -         | Ordinary shares of Rs. 10 each, issued as bonus shares                  | 36,055,230 | -          |
|  | 4,807,364        | 4,807,364 |   | 48,073,640 | 48,073,640 |

5.2.1 Directors of the Company hold 3,155,440 i.e. 65.64% (2018: 3,155,440 i.e. 65.64%) ordinary shares of Rs. 10 each at the reporting date.

5.2.2 All ordinary shares rank equally with regard to the Company's residual assets. Holders of these shares are entitled to dividends from time to time and are entitled to one vote per share at general meetings of the Company.

### 5.3 Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditors and market confidence and to sustain future development of the business. The Board of Directors of the Company monitors the return on capital, which the Company defines as net profit after tax divided by the total shareholders' equity. The Board of Directors also determines the level of dividends to ordinary shareholders.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2019

There were no changes to the Company's approach to capital management during the year and the Company was not subject to externally imposed capital requirements.

### 6 GENERAL RESERVES

The general reserve is used from time to time to transfer profits from un-appropriated profit. There is no policy of regular transfer.

|   | 2019          | 2018          |
|---|---------------|---------------|
|   | Rupees        | Rupees        |
| <b>7 REVALUATION SURPLUS ON PROPERTY</b>  |               |               |
| <b>PLANT AND EQUIPMENT</b>  |               |               |
| Balance as at 01 July   | 441,139,286   | 490,577,433   |
| <b>Surplus transferred to unappropriated profit in respect of incremental depreciation charged during the year:</b> |               |               |
| - Net of deferred tax   | (41,395,848)  | (34,606,703)  |
| - Related deferred tax liability  | (16,908,163)  | (14,831,444)  |
|   | (58,304,011)  | (49,438,147)  |
| Balance as at 30 June   | 382,835,275   | 441,139,286   |
| <b>Related deferred tax liability</b>   |               |               |
| Balance as at 01 July   | (115,228,635) | (147,173,229) |
| On incremental depreciation charged during the year   | 16,908,163    | 14,831,444    |
| Effect of change in tax rate  | -             | 17,113,150    |
|   | (98,320,472)  | (115,228,635) |
|   | 284,514,803   | 325,910,651   |

7.1 This represents revaluation surplus on revaluation of buildings on leasehold land, plant and machinery and furniture and fittings.

|                                       |      | 2019       | 2018       |
|---------------------------------------|------|------------|------------|
|                                       | Note | Rupees     | Rupees     |
| <b>8 EMPLOYEE RETIREMENT BENEFITS</b> |      |            |            |
| Net defined benefit liability         | 8.1  | 23,434,868 | 28,155,977 |

#### 8.1 Net defined benefit liability

Company operates an unfunded gratuity scheme of its employees, details of which are as follows:

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

|  |             | 2019          | 2018          |
|--|-------------|---------------|---------------|
|  |             | Rupees        | Rupees        |
| <b>Movement in the defined benefit liability</b>                                     | <b>Note</b> |               |               |
| At beginning of the year   |             | 28,155,977    | 27,066,989    |
| Charge for the year  | 8.3         | 4,894,576     | 6,453,945     |
| Benefits paid during the year  |             | (4,737,574)   | -             |
| Remeasurement gain   | 8.6         | (4,878,111)   | (5,364,957)   |
| At the end of the year   |             | 23,434,868    | 28,155,977    |
| <b>8.2 Movement in the present value of defined benefit liability is as follows:</b> |             |               |               |
|  | <b>Note</b> | <b>2019</b>   | <b>2018</b>   |
|  |             | <b>Rupees</b> | <b>Rupees</b> |
| Present value of defined benefit liability as at 01 July                             |             | 28,155,977    | 27,066,989    |
| Current service cost   |             | 2,573,729     | 4,288,586     |
| Interest cost  |             | 2,320,847     | 2,165,359     |
| Benefits paid  |             | (4,737,574)   | -             |
| Remeasurements:  |             |               |               |
| Actuarial [gain] / loss from changes in financial assumptions                        |             | (4,878,111)   | (5,364,957)   |
| Present value of defined benefit liability as at 30 June                             |             | 23,434,868    | 28,155,977    |
| <b>8.3 Expense recognized in profit or loss account is as follows</b>                |             |               |               |
|  |             |               |               |
| Current service cost   |             | 2,573,729     | 4,288,586     |
| Interest cost  |             | 2,320,847     | 2,165,359     |
|  |             | 4,894,576     | 6,453,945     |
| <b>8.4 Charge for the year has been allocated as follows</b>                         |             |               |               |
|  |             |               |               |
| Cost of sales  | 22          | 2,078,104     | 3,379,340     |
| Administrative expenses  | 23          | 2,452,445     | 2,573,830     |
| Selling and distribution cost  | 24          | 364,027       | 500,775       |
|  |             | 4,894,576     | 6,453,945     |
| <b>8.5 Reconciliation of liability recognised in statement of financial position</b> |             |               |               |
|  |             |               |               |
| Present value of defined benefit obligation  |             | 23,434,868    | 28,155,977    |
| <b>8.6 Remeasurement chargeable to other comprehensive income</b>                    |             |               |               |
|  |             |               |               |
| Remeasurement gain on defined benefit obligation                                     |             | (4,878,111)   | (5,364,957)   |

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2019

### 8.7 Key actuarial assumptions

The latest actuarial valuation was carried out, on 30 June 2018, using projected unit credit method with the following assumptions:

|  | 2019<br>Percentage | 2018<br>Percentage |
|--|--------------------|--------------------|
| The following were the principal actuarial assumptions at the reporting date : |                    |                    |
| Discount rate  | 11.75%             | 9%                 |
| Future salary growth   | 11.75%             | 9%                 |
| Employee turnover rate   | Moderate           | Moderate           |

Assumption regarding future mortality has been based on published statistics and mortality tables. The mortality rates are based on State Life Insurance Corporation (SLIC) 2001-2005 table.

At 30 June 2019, the weighted-average duration of defined benefit obligation was 11.25 years.

### 8.8 Sensitivity analysis

For a change of 100 basis points, present value of defined benefit obligation as at 30 June 2019 would have been as follows:

|                      | Defined benefit obligation |                        |                        |
|----------------------|----------------------------|------------------------|------------------------|
|                      | Changes in assumptions     | Increase in assumption | Decrease in assumption |
|                      | Rupees                     |                        |                        |
| Discount rate        | 1%                         | (2,213,301)            | 2,641,777              |
| Future salary growth | 1%                         | 2,713,388              | (2,307,494)            |

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

### 8.9 Risk associated with defined benefit plan

#### Salary Risk (linked to inflation risk)

The risk that the final salary at the time of cessation of service is greater than what we assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

#### Demographic Risks

##### Mortality Risk

The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

##### Withdrawal Risk

The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2019

### 8.10 Funding

The net defined benefit liability in respect of gratuity scheme is unfunded.

The Company expects gratuity expense for the next financial year to be Rs. 7.62 million [2018: Rs. 5.68 million].

| 9   | DEFERRED TAX LIABILITIES   | Note | 2019<br>Rupees      | 2018<br>Rupees     |
|-----|--|------|---------------------|--------------------|
|     | Deferred taxation  | 9.1  | 107,875,977         | 135,312,711        |
|     |  |      | <b>107,875,977</b>  | <b>135,312,711</b> |
| 9.1 | <b>Deferred taxation</b>   |      |                     |                    |
|     | <b>This comprises the following:</b>   |      |                     |                    |
|     | Deferred tax liability on taxable temporary differences arising in respect of: |      |                     |                    |
|     | Property, plant and equipment (at cost)  |      | 19,969,413          | 19,908,220         |
|     | Intangible assets  |      | -                   | 23,623             |
|     | Revaluation surplus  |      | 101,104,472         | 115,228,635        |
|     |  |      | <b>121,073,885</b>  | <b>135,160,478</b> |
|     | Deferred tax asset on deductible temporary differences arising in respect of:  |      |                     |                    |
|     | Allowance for expected credit loss   |      | (2,906,825)         | 152,233            |
|     | Provision for employee benefits  |      | (6,286,168)         | -                  |
|     | Unused losses and credits  |      | (4,004,915)         | -                  |
|     |  |      | <b>(13,197,908)</b> | <b>152,233</b>     |
|     |  |      | <b>107,875,977</b>  | <b>135,312,711</b> |

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2019

### 9.2 Movement in temporary differences for the year

|  | Balance as at<br>01 July 2018 | Recognized<br>in profit or<br>loss | Recognized<br>in other com-<br>prehensive<br>income | Recognized<br>in equity | Balance as at<br>30 June 2019 |
|--|-------------------------------|------------------------------------|---|-------------------------|-------------------------------|
| <b>Taxable temporary differences</b>       |                               |                                    |   |                         |                               |
| Property, plant and equipment              | 19,908,220                    | 61,193                             | -   | -                       | 19,969,413                    |
| Intangible assets                          | 23,623                        | (23,623)                           | -   | -                       | -                             |
| Revaluation surplus                        | 115,228,635                   | (14,124,163)                       | -   | -                       | 101,104,472                   |
| <b>Deductible temporary differences</b>    |                               |                                    |   |                         |                               |
| Allowance for expected credit losses       | 152,233                       | (760,958)                          | -   | (2,298,100)             | (2,906,825)                   |
| Provision for employee retirement benefits | -                             | (7,594,672)                        | 1,308,504   | -                       | (6,286,168)                   |
| Unused losses and credits                  | -                             | (4,004,915)                        | -   | -                       | (4,004,915)                   |
|  | 135,312,711                   | (26,447,137)                       | 1,308,504   | (2,298,100)             | 107,875,977                   |

### Movement in temporary differences for the year - continued

|  | Balance as at<br>01 July 2017 | Recognized in<br>profit or loss | Recognized<br>in other com-<br>prehensive<br>income | Recognized in<br>equity | Balance as at<br>30 June 2018 |
|--|-------------------------------|---------------------------------|---|-------------------------|-------------------------------|
| <b>Taxable temporary differences</b>       |                               |                                 |   |                         |                               |
| Property, plant and equipment              | 19,939,640                    | (31,420)                        | -   | -                       | 19,908,220                    |
| Intangible assets                          | 4,000                         | 19,623                          | -   | -                       | 23,623                        |
| Revaluation surplus                        | 147,173,229                   | (14,831,444)                    | -   | (17,113,150)            | 115,228,635                   |
| <b>Deductible temporary differences</b>    |                               |                                 |   |                         |                               |
| Allowance for expected credit losses       | (532,989)                     | 685,222                         | -   | -                       | 152,233                       |
| Provision for employee retirement benefits | -                             | -                               | 1,609,487   | -                       | -                             |
| Provision for doubtful advances            | (1,201,019)                   | 1,201,019                       | -   | -                       | -                             |
|  | 165,382,861                   | (12,957,000)                    | 1,609,487   | (17,113,150)            | 135,312,711                   |



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

| 10 | TRADE AND OTHER PAYABLES           | Note | 2019<br>Rupees     | 2018<br>Rupees     |
|----|------------------------------------|------|--------------------|--------------------|
|    | Trade creditors                    |      | 67,699,027         | 97,831,908         |
|    | Accrued liabilities                |      | 59,074,079         | 30,365,604         |
|    | Advances from customers            |      | 178,808,723        | 110,121,256        |
|    | Workers' welfare fund              |      | 4,296,660          | 10,995,283         |
|    | Workers' profit participation fund |      | 72,727,356         | 67,653,961         |
|    | Withholding tax payable            |      | 20,290,774         | 3,618,217          |
|    | Sales tax and excise duty payable  |      | 23,916,263         | -                  |
|    | Tobacco development cess payable   |      | 4,646,222          | -                  |
|    | Royalty payable                    |      | 8,898,350          | 7,685,630          |
|    | Insurance payable                  |      | 16,404             | -                  |
|    |                                    |      | <b>440,373,858</b> | <b>328,271,859</b> |

| 11 | [ADVANCE TAX] / PROVISION FOR TAXATION   | Note | 2019<br>Rupees      | 2018<br>Rupees    |
|----|--|------|---------------------|-------------------|
|    | Balance as at 01 July                    |      | 75,764,462          | 52,998,555        |
|    | Provision for the year                   | 28   | 6,193,655           | 97,224,711        |
|    | Adjustment of other comprehensive income |      | -                   | 1,609,487         |
|    | Payments made during the year / withheld |      | (151,343,996)       | (76,068,291)      |
|    | Balance as at 30 June                    |      | <b>(69,385,879)</b> | <b>75,764,462</b> |

## 12 CONTINGENCIES AND COMMITMENTS

### 12.1 Contingencies:

#### a) Litigation

In September 2014, the Federal Government promulgated Gas Infrastructure Development Cess (GIDC) Ordinance No.VI of 2014 to circumvent earlier decision of the Honourable Supreme Court on the subject, where it upheld that the earlier introduction of GIDC Act of 2011 was unconstitutional and ultra vires on the ground that GIDC was a 'fee' and not a 'tax'. Government of Pakistan has enacted GIDC Act, 2015 during May 2015, including retrospective treatment of the provision of the GIDC Act. The Company has not made provision of GIDC amounting to Rs. 2.7 million [2018: Rs. 2.7 million] in the financial statements as the management, based on legal opinion, is confident that the eventual decision will be in favour of the Company.

| b)  | Guarantees   |  | 2019<br>Rupees | 2018<br>Rupees |
|-----|--|--|----------------|----------------|
|     | Letters of guarantee issued by bank on behalf of the Company |  | 900,000        | 900,000        |
| c)  | Commitments:   |  |                |                |
| i)  | Letters of credit against import of machinery                |  | -              | 36,265,166     |
| ii) | Leasehold land   |  | -              | 42,159         |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

**d) Tax related contingencies**

- i) Deputy Commissioner Inland Revenue, Corporate Zone II, Regional Tax Office, Peshawar passed assessment order under assessment order no. 33/2017 on 23 August 2017 under Federal Excise Act 2005 and Sales Tax Act 1990 amounting to Rs. 9,508,828 against the Company in lieu of alleged claims of non payment of taxes and duties. The Company has filed appeal against the order before the Commissioner Inland Revenue [Appeals] Peshawar and adjudication of the same is pending (also refer 'ii' below).
- iii) Deputy Commissioner Inland Revenue, Corporate Zone II, Regional Tax Office, Peshawar passed assessment order no. 53/2017 on November 21, 2017 under Federal Excise Act 2005 and Sales Tax Act 1990 amounting to Rs. 3,290,210 against the Company in lieu of alleged claims of non payment of taxes and duties. The Company filed appeal against the order before the Commissioner Inland Revenue [Appeals] Peshawar and the assessment order was set aside by the Commissioner Inland Revenue [Appeals] Peshawar vide order-in-appeal no. 278/2018 and remanded the case back to the concerned Deputy Commissioner Inland Revenue for fresh adjudication.
- iv) Deputy Commissioner Inland Revenue, Corporate Zone II, Regional Tax Office, Peshawar passed assessment order no. 54/2017 on November 21, 2017 under Federal Excise Act 2005 and Sales Tax Act 1990 amounting jointly to Rs. 3,119,290 against the Company in in lieu of alleged claims of non payment of taxes and duties. The Company filed appeal against the order before the Commissioner Inland Revenue [Appeals] Peshawar and the assessment order was set aside by the Commissioner Inland Revenue [Appeals] Peshawar vide order-in-appeal no. 279/2018 and remanded the case back to the concerned Deputy Commissioner Inland Revenue for fresh adjudication.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

## 13 PROPERTY, PLANT AND EQUIPMENT

| Description   | Buildings on leasehold land | Plant and machinery | Tools and equipment | Furniture and fittings    | Office equipment        | Vehicles         | Capital work in progress    | Total         |
|---|-----------------------------|---------------------|---------------------|---------------------------|-------------------------|------------------|-----------------------------|---------------|
| Rupees  |                             |                     |                     |                           |                         |                  |                             |               |
| <b>Cost / revalued amounts</b>                              |                             |                     |                     |                           |                         |                  |                             |               |
| Balance as at 01 July 2017                                  | 271,510,658                 | 510,066,729         | 34,306,618          | 2,655,441                 | 2,233,340               | 9,555,099        | -                           | 830,327,885   |
| Additions during the year                                   | 17,100                      | 1,768,000           | 10,614,457          | 234,275                   | 294,000                 | 3,329,481        | 75,460,938                  | 91,718,251    |
| Balance as at 30 June 2018                                  | 271,527,758                 | 511,834,729         | 44,921,075          | 2,889,716                 | 2,527,340               | 12,884,580       | 75,460,938                  | 922,046,136   |
| Balance as at 01 July 2018                                  | 271,527,758                 | 511,834,729         | 44,921,075          | 2,889,716                 | 2,527,340               | 12,884,580       | 75,460,938                  | 922,046,136   |
| Additions during the year                                   | -                           | 131,882,057         | 1,453,268           | -                         | 37,300                  | -                | 54,593,467                  | 187,966,092   |
| Transfers/ Disposal   | -                           | (48,000,000)        | -                   | -                         | -                       | -                | (130,054,405)               | (178,054,405) |
| Balance as at 30 June 2019                                  | 271,527,758                 | 595,716,786         | 46,374,343          | 2,889,716                 | 2,564,640               | 12,884,580       | -                           | 931,957,823   |
| <b>Accumulated depreciation</b>                             |                             |                     |                     |                           |                         |                  |                             |               |
| Balance as at 01 July 2017                                  | 52,229,283                  | 106,042,877         | 11,276,963          | 633,039                   | 2,081,653               | 5,344,566        | -                           | 177,608,381   |
| Charge for the year   | 17,447,275                  | 46,058,782          | 3,777,269           | 250,531                   | 200,872                 | 2,266,312        | -                           | 70,001,041    |
| Balance as at 30 Jun 2018                                   | 69,676,558                  | 152,101,659         | 15,054,232          | 883,570                   | 2,282,525               | 7,610,878        | -                           | 247,609,422   |
| Balance as at 01 July 2018                                  | 69,676,558                  | 152,101,659         | 15,054,232          | 883,570                   | 2,282,525               | 7,610,878        | -                           | 247,609,422   |
| Charge for the year   | 20,364,582                  | 61,333,333          | 4,703,671           | 288,972                   | 282,115                 | 3,865,374        | -                           | 90,838,047    |
| Transfers/ Disposal   | -                           | (17,280,000)        | -                   | -                         | -                       | -                | -                           | (17,280,000)  |
| Balance as at 30 June 2019                                  | 90,041,140                  | 196,154,992         | 19,757,903          | 1,172,542                 | 2,564,640               | 11,476,252       | -                           | 321,167,469   |
| Carrying value - June 2019                                  | 181,486,618                 | 495,561,794         | 26,616,440          | 1,717,174                 | -                       | 1,408,328        | -                           | 610,790,354   |
| Carrying value - June 2018                                  | 201,851,200                 | 359,733,070         | 29,866,843          | 2,006,146                 | 244,815                 | 5,273,702        | 75,460,938                  | 674,436,714   |
| Rate of depreciation per annum                              | 7.14%                       | 10%                 | 10%                 | 10%                       | 30%                     | 20%              |                             |               |
| <b>Detail of disposals of property, plant and equipment</b> |                             |                     |                     |                           |                         |                  |                             |               |
| Description   | Revalued Amount             | Carrying amount     | Sale price          | Gain / (loss) on disposal | Particular of purchaser | Mode of disposal | Relationship with purchaser |               |
| Rupees  |                             |                     |                     |                           |                         |                  |                             |               |
| Plant and machinery   | 48,000,000                  | 30,720,000          | 3,419,000           | (27,301,000)              | Amir Khan & Co.         | Auction          | None                        |               |

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2019

13.1 Depreciation on property, plant and equipment has been allocated as follows;

|                         |      | 2019              | 2018              |
|-------------------------|------|-------------------|-------------------|
|                         | Note | Rupees            | Rupees            |
| Cost of sales           | 22   | 80,840,132        | 57,492,237        |
| Administrative expenses | 23   | 9,997,915         | 12,508,804        |
|                         |      | <b>90,838,047</b> | <b>70,001,041</b> |

13.2 Buildings on leasehold land, plant and machinery and furniture and fittings were revalued on 27 April 2017. Valuation was carried out by an independent valuer, under the market value basis. This revaluation resulted in a net surplus of Rs. 350.78 million.

Had there been no revaluation, related figure of revalued assets would have been as follows;

|                             | Opening cost       | Additions          | Accumulated depreciation | Carrying value     |
|-----------------------------|--------------------|--------------------|--------------------------|--------------------|
|                             | Rupees             |                    |                          |                    |
| Buildings on leasehold land | 3,110,425          | -                  | 233,282                  | 2,877,143          |
| Plant and machinery         | 180,805,772        | 131,882,057        | 31,268,783               | 281,419,046        |
| Furniture and fittings      | 1,972,388          | -                  | 197,239                  | 1,775,149          |
| <b>30 June 2019</b>         | <b>185,888,585</b> | <b>131,882,057</b> | <b>31,699,304</b>        | <b>286,071,338</b> |
| 30 June 2018                | 183,869,210        | 2,019,375          | 63,437,455               | 122,451,130        |

|                          |  | 2019             | 2018             |
|--------------------------|--|------------------|------------------|
|                          | Note   | Rupees           | Rupees           |
| <b>14</b>                | <b>INTANGIBLE ASSETS</b>   |                  |                  |
| Computers software       | 14.1   | -                | 262,741          |
| Capital work in progress |  | 6,212,042        | -                |
|                          |  | <b>6,212,042</b> | <b>262,741</b>   |
| <b>14.1</b>              | Balance as at 01 July  | <b>262,741</b>   | 925,586          |
|                          | Additions  | -                | -                |
|                          | Amortization   | <b>14.2</b>      | <b>(662,845)</b> |
|                          | Balance as at 30 June  | -                | 262,741          |
| <b>14.2</b>              | Amortisation on intangible assets has been allocated as follows: |                  |                  |
| Cost of sales            | 22   | 210,193          | 530,276          |
| Administrative expenses  | 23   | 52,548           | 132,569          |
|                          |  | <b>262,741</b>   | <b>662,845</b>   |
| <b>15</b>                | <b>LONG TERM DEPOSITS</b>  |                  |                  |
| Others                   |  | 987,260          | 807,260          |
| SNGPL                    |  | 3,660,151        | 3,660,151        |
|                          |  | <b>4,647,411</b> | <b>4,467,411</b> |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

|      |  |      | 2019               | 2018               |
|------|--|------|--------------------|--------------------|
| 16   | STOCK IN TRADE                                   | Note | Rupees             | Rupees             |
|      | Raw material                                     |      | 535,226,256        | 656,168,411        |
|      | Packing and other material                       |      | 60,725,607         | 64,734,160         |
|      | Work in process                                  |      | 310,361            | 8,648,674          |
|      | Finished goods                                   |      | 8,673,572          | 13,470,844         |
|      |  |      | <b>604,935,796</b> | <b>743,022,089</b> |
| 17   | TRADE DEBTS                                      |      |                    |                    |
|      | Trade debts                                      |      | 255,147,479        | 302,296,951        |
|      | Allowance for expected credit losses             | 17.1 | (10,766,598)       | -                  |
|      |  |      | <b>244,380,881</b> | <b>302,296,951</b> |
| 17.1 | Movement in allowance for expected credit losses |      |                    |                    |
|      | Balance as at 01 July                            |      | -                  | 1,776,631          |
|      | Impact of adoption of IFRS 9                     |      | 8,567,330          | -                  |
|      | Adjusted balance as at 01 July                   |      | 8,567,330          | 1,776,631          |
|      | Impairment losses on financial assets            |      | 2,199,268          | -                  |
|      | Bad debts written off                            |      | -                  | (1,776,631)        |
|      | Balance as at 30 June                            |      | <b>10,766,598</b>  | <b>-</b>           |
| 18   | ADVANCES AND PREPAYMENTS                         | Note | 2019               | 2018               |
|      |  |      | Rupees             | Rupees             |
|      | Advances to suppliers                            |      | 8,185,014          | 25,366,836         |
|      | Prepayments                                      |      | -                  | 90,000             |
|      | Prepaid Insurance                                |      | 1,849,382          | 124,797            |
|      |  |      | <b>10,034,396</b>  | <b>25,581,633</b>  |
| 19   | ADVANCE DUTY AND SALES TAX                       |      |                    |                    |
|      | Sales Tax  |      | -                  | 20,464,267         |
|      | Federal Excise Duty                              | 19.1 | 38,257,454         | 87,003,954         |
|      |  |      | <b>38,257,454</b>  | <b>107,468,221</b> |

**19.1** This includes Rs.27,351,008 recovered by Deputy Commissioner Inland Revenue, Corporate Zone II, Regional Tax Office, Peshawar, under section 14A of Federal Excise Act, 2005 and under section 48 [ca] of the Sales Tax Act, 1990 read with Sales Tax Rules, 2006 from the bank accounts of the Company against various assessment orders. Refer note 12.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

| 20 | CASH AND BANK BALANCES | Note | 2019        | 2018       |
|----|------------------------|------|-------------|------------|
|    |                        |      | Rupees      | Rupees     |
|    | Cash in hand           |      | 306,635     | 147,899    |
|    | Cash at bank           |      |             |            |
|    | Current Accounts       |      |             |            |
|    | - Foreign currency     |      | 64,799      | 49,284     |
|    | - Local currency       | 20.1 | 277,549,851 | 76,845,683 |
|    |                        |      | 277,614,650 | 76,894,967 |
|    |                        |      | 277,921,285 | 77,042,866 |

20.1 This includes Rs. 6.79 million [2018: Rs. 36.27 million] lien marked by a bank against letters of credit issued on behalf of the Company.

| 21 | SALES - NET       | Note | 2019            | 2018            |
|----|-------------------|------|-----------------|-----------------|
|    |                   |      | Rupees          | Rupees          |
|    | Gross sales       |      |                 |                 |
|    | - Local           |      | 2,102,020,719   | 2,498,121,876   |
|    | - Export          |      | 235,763,407     | 5,434,000       |
|    |                   |      | 2,337,784,126   | 2,503,555,876   |
|    | Government levies |      |                 |                 |
|    | - Excise duty     |      | 958,597,660     | 807,364,838     |
|    | - Sales tax       |      | 243,995,027     | 344,486,317     |
|    |                   |      | (1,202,592,687) | (1,151,851,155) |
|    | Discounts         |      | (65,018,100)    | (226,001,592)   |
|    |                   |      | 1,070,173,339   | 1,125,703,129   |

| 22 | COST OF SALES                      | Note | 2019               | 2018               |
|----|------------------------------------|------|--------------------|--------------------|
|    |                                    |      | Rupees             | Rupees             |
|    | Raw and packing material consumed  | 22.1 | 667,033,604        | 451,546,587        |
|    | Salaries, wages and other benefits |      | 47,837,886         | 56,118,183         |
|    | Fuel and power                     |      | 36,453,684         | 36,459,147         |
|    | Stores and spares consumed         |      | 37,463,192         | 34,135,918         |
|    | Repair and maintenance             |      | 2,957,563          | 2,371,069          |
|    | Royalty                            | 22.2 | 3,682,760          | 5,986,960          |
|    | Rent expense                       |      | -                  | 45,000             |
|    | Depreciation                       | 13.1 | 80,840,132         | 57,492,237         |
|    | Amortization                       | 14.2 | 210,193            | 530,276            |
|    | Insurance expense                  |      | 2,578,256          | 1,376,581          |
|    | Machine hiring charges             |      | -                  | 315,000            |
|    | Other                              |      | 424,860            | 511,560            |
|    |                                    |      | 879,482,130        | 646,888,518        |
|    | Opening work in process            |      | 8,648,674          | 963,992            |
|    | Closing work in process            |      | (310,361)          | (8,648,674)        |
|    | <b>Cost of goods manufactured</b>  |      | <b>887,820,443</b> | <b>639,203,836</b> |
|    | Opening finished stock             |      | 13,470,844         | 5,107,511          |
|    | Closing finished stock             |      | (8,673,572)        | (13,470,844)       |
|    |                                    |      | 892,617,715        | 630,840,503        |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

|      |                                    | 2019          | 2018          |
|------|------------------------------------|---------------|---------------|
| 22.1 | Raw and packing materials consumed | Rupees        | Rupees        |
|      | Opening balance                    | 720,902,571   | 522,264,841   |
|      | Raw and packing material purchases | 542,082,896   | 650,184,317   |
|      | Closing balance                    | (595,951,863) | (720,902,571) |
|      |                                    | 667,033,604   | 451,546,587   |

|      |   | 2019      | 2018      |
|------|---|-----------|-----------|
| 22.2 | Details of royalty expenses is as follows     | Rupees    | Rupees    |
|      | Name  |           |           |
|      | Walton Tobacco Company (Private) Limited      | -         | 5,721,180 |
|      | National Tobacco Industries (Private) Limited | 3,654,760 | 174,780   |
|      | Paramount International                       | 28,000    | 91,000    |
|      |   | 3,682,760 | 5,986,960 |

|    |                                    | 2019        | 2018        |
|----|------------------------------------|-------------|-------------|
| 23 | ADMINISTRATIVE EXPENSES            | Rupees      | Rupees      |
|    | Note                               |             |             |
|    | Salaries, wages and other benefits | 56,455,199  | 42,741,691  |
|    | Security charges                   | 3,545,894   | 3,578,988   |
|    | Fuel and power                     | 6,788,872   | 7,480,665   |
|    | Communication                      | 2,287,296   | 1,628,385   |
|    | Travelling Expense                 | 5,008,265   | -           |
|    | Printing and stationery            | 1,887,851   | 1,582,484   |
|    | Depreciation                       | 9,997,915   | 12,508,804  |
|    | Amortization                       | 52,548      | 132,569     |
|    | Legal and professional             | 19,976,699  | 10,052,889  |
|    | Auditors' remuneration             | 2,155,000   | 3,388,075   |
|    | Repair and maintenance             | -           | 5,865,681   |
|    | Advances to suppliers written off  | -           | 3,535,094   |
|    | Rent expenses                      | 1,633,800   | 13,064,665  |
|    | Advertisement                      | 1,088,400   | 5,978,410   |
|    | Trade debts written off            | 545,757     | 44,946,047  |
|    | Security deposit written off       | -           | 167,650     |
|    | Others                             | 9,493,262   | 6,612,772   |
|    |                                    | 120,916,758 | 163,264,869 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

|           |   |      | 2019              | 2018              |
|-----------|---|------|-------------------|-------------------|
| 23.1      | Auditors' remuneration                            | Note | Rupees            | Rupees            |
|           | <b>Audit services</b>                             |      |                   |                   |
|           | Annual audit fee                                  |      | 950,000           | 850,000           |
|           | Half yearly review fee                            |      | 575,000           | 575,000           |
|           | Out of pocket expenses                            |      | 465,000           | 570,000           |
|           |   |      | 1,990,000         | 1,995,000         |
|           | <b>Non audit services</b>                         |      |                   |                   |
|           | Other certification charges                       |      | 165,000           | 415,000           |
|           | Tax consultancy fee                               |      | -                 | 978,075           |
|           |   |      | 165,000           | 1,393,075         |
|           |   |      | <b>2,155,000</b>  | <b>3,388,075</b>  |
| <b>24</b> | <b>SELLING AND DISTRIBUTION COST</b>              |      |                   |                   |
|           | Salaries, wages and other benefits                |      | 8,379,884         | 8,316,000         |
|           | Customs, clearance and freight on export          |      | 4,943,651         | 276,693           |
|           | Freight on local sale                             |      | 6,866,720         | 7,574,310         |
|           | Product research and branding cost                |      | 8,846,400         | 9,370,753         |
|           | Advertising expense                               |      | 50,073,457        | 37,589,500        |
|           | Training of sales staff                           |      | 4,798,000         | -                 |
|           |   |      | <b>83,908,112</b> | <b>63,127,256</b> |
| <b>25</b> | <b>OTHER OPERATING EXPENSES</b>                   |      |                   |                   |
|           | Workers' Profit Participation Fund                |      | -                 | 15,778,747        |
|           | Workers' Welfare Fund                             |      | -                 | 4,824,015         |
|           | Loss on disposal of property, plant and equipment |      | 27,301,000        | -                 |
|           |   |      | <b>27,301,000</b> | <b>20,602,762</b> |
| <b>26</b> | <b>FINANCE COST</b>                               |      |                   |                   |
|           | Interest and bank charges                         |      | 46,129,722        | 6,339,950         |
|           | Exchange loss - net                               |      | -                 | 3,233,002         |
|           |   |      | <b>46,129,722</b> | <b>9,572,952</b>  |
| <b>27</b> | <b>OTHER INCOME</b>                               |      |                   |                   |
|           | Royalty income                                    |      | 142,000           | 331,924           |
|           | Trade creditors written back                      |      | 34,894,141        | 34,178,710        |
|           | Advances from customer written back               |      | 882,092           | 11,327,245        |
|           | Exchange gain                                     |      | 8,460,221         | -                 |
|           |   |      | <b>44,378,454</b> | <b>45,837,879</b> |



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

| 28 | TAXATION                 | Note | 2019         | 2018         |
|----|--------------------------|------|--------------|--------------|
|    |                          |      | Rupees       | Rupees       |
|    | Current Tax              |      | 6,193,655    | 97,224,711   |
|    | Deferred Tax             | 9.2  | (26,447,137) | (12,957,001) |
|    | Tax expense for the year |      | (20,253,482) | 84,267,710   |

## 28.1 Relationship between accounting profit and tax expense is as follows:

|  | 2019 | 2018 |
|--|------|------|
|  | %    | %    |
| Applicable tax rate                            | (29) | 29   |
| Effect of rebates                              | -    | (1)  |
| Tax effect of income charged at lower tax rate | (2)  | -    |
| Tax effect of tax credits                      | (4)  | -    |
| Others   | -    | 1    |
|  | (35) | 29   |

In current year Company incurred losses before tax of amounting to Rs. 58.52 million, and tax is subject to minimum tax.

28.2 Tax Assessments up to and including tax year 2018 have been finalized. However, the tax authorities are empowered to reopen these assessments within five years from the end of the financial year in which the returns were filed.

## 29 EARNINGS PER SHARE - basic and diluted

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

|   | 2019         | 2018        |
|---|--------------|-------------|
|   | Rupees       | Rupees      |
| i) Profit attributable to ordinary shareholders           | (38,267,300) | 199,864,956 |
| ii) Weighted-average number of ordinary shares at 30 June | 4,807,364    | 4,807,364   |
| iii) Basic earnings per share                             | (7.96)       | 41.57       |

29.1 There is no dilution effect on earnings per share of the Company.

| 30 | CAPACITY AND PRODUCTION                           | 2019  | 2018  |
|----|---|-------|-------|
|    |   |       |       |
|    | Available capacity (million cigarettes per annum) | 1,585 | 1,816 |
|    | Actual production (million cigarettes)            | 661   | 1,015 |

30.1 Actual production was sufficient to meet the market demand.

## 31. FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2019

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit.

### **31.1 Credit risk and concentration of credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. To manage credit risk the Company maintains procedures covering the application for credit approvals, granting and renewal of counterparty limits and monitoring of exposures against these limits. As part of these processes the financial viability of all counterparties is regularly monitored and assessed.

The Company is exposed to credit risk from its operating activities primarily for trade debts and advances and prepayments.

The Company's credit risk exposures are categorized under the following headings:

#### **31.1.1 Counterparties**

The Company conducts transactions with the following major types of counterparties for its financial assets at amortized cost:

##### **Trade debts**

Trade debts are essentially due from local customers against sale of cigarettes and semi-processed and processed tobacco. The Company does not expect these counterparties to fail to meet their obligations. The majority of sales to the Company's customers are made on specific terms. Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and controls relating to customer credit risk management. Credit limits are established for local customers. Outstanding customer receivables are regularly monitored and any shipments to foreign customers are generally covered by letters of credit or other form of credit insurance.

##### **Banks**

The Company limits its exposure to credit risk by conducting transactions only with reputable banking entities that have minimum "A" credit rating. The table below shows bank balance held with counterparties at reporting date:

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

| Bank                      | Rating     |           | Rating agency | 2019        | 2018       |
|---------------------------|------------|-----------|---------------|-------------|------------|
|                           | Short term | Long term |               | Rupees      |            |
| HABIB BANK LIMITED        | A-1+       | AAA       | JCR-VIS       | 30,508,139  | 31,875,296 |
| NATIONAL BANK OF PAKISTAN | A-1+       | AAA       | PACRA         | 478,922     | -          |
| MCB BANK LIMITED          | A-1+       | AAA       | PACRA         | 246,524,075 | 44,820,932 |
| ASKARI BANK LIMITED       | A-1+       | AA+       | PACRA         | 103,514     | 198,739    |
|                           |            |           |               | 277,614,650 | 76,894,967 |

## 31.1.2 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

|                    | 2019        | 2018        |
|--------------------|-------------|-------------|
| Financial assets : | Rupees      | Rupees      |
| Trade debts        | 244,380,881 | 302,296,951 |
| Bank balances      | 277,614,650 | 76,894,967  |
|                    | 521,995,531 | 379,191,918 |

Geographically there is no concentration of credit risk.

## 31.1.3 Impairment losses

The aging of trade debts at balance sheet date is as follows:

|                         |             |             |
|-------------------------|-------------|-------------|
| Not past due            | 164,422,002 | 21,478,705  |
| Past due upto 12 months | 81,745,402  | 277,773,586 |
| Over 12 months          | 8,980,074   | 3,044,660   |
|                         | 255,147,478 | 302,296,951 |

The movement in the allowance for impairment in respect of trade receivables during the year is as follows:

|                                       | 2019              | 2018        |
|---------------------------------------|-------------------|-------------|
|                                       | Rupees            | Rupees      |
| Balance as at 01 July                 | -                 | 1,776,631   |
| Impact of adoption of IFRS 9          | 8,567,330         | -           |
| Impairment losses on financial assets | 2,199,268         | -           |
| Bad debts written off                 | -                 | (1,776,631) |
| <b>Balance as at 30 June</b>          | <b>10,766,598</b> | <b>-</b>    |

Based on age analysis, relationship with customers and past experience the management does not expect any party to fail to meet their obligations. The management believes that trade debts are considered good and hence no impairment allowance is required in this regard.

The allowance in respect of trade receivables are used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible; at that point the amount considered irrecoverable is written off against the financial asset directly.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

## 31.2 Liquidity risk management

Liquidity risk reflects the Company's inability in raising funds to meet commitments. Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of statement of financial position liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves.

### 31.2.1 Liquidity table

The following table details the Company's remaining contractual maturity for its financial liabilities at amortized cost.

Carrying amount and contractual cash flows of trade and other financial liabilities are approximately same.

|                                 | Carrying amount |             |
|---------------------------------|-----------------|-------------|
|                                 | 2019            | 2018        |
|                                 | Rupees          | Rupees      |
| <b>Trade and other payables</b> |                 |             |
| Maturity up to one year         | 135,687,860     | 135,883,142 |

## 31.3 Market risk

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

### 31.3.1 Foreign currency risk management

Pak Rupee (PKR) is the functional currency of the Company and as a result currency exposure arises from transactions and balances in currencies other than PKR. The Company's potential currency exposure comprise;

- Transactional exposure in respect of non functional currency monetary items.
- Transactional exposure in respect of non functional currency expenditure and revenues.

The potential currency exposures are discussed below;

#### Transactional exposure in respect of non functional currency monetary items

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Company are periodically restated to PKR equivalent, and the associated gain or loss is taken to the profit and loss account. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

## Transactional exposure in respect of non functional currency expenditure and revenues

Certain operating and capital expenditure is incurred by the Company in currencies other than the functional currency. Certain sales revenue is earned in currencies other than the functional currency of the Company. These currency risks are managed as a part of overall risk management strategy.

## Exposure to foreign currency risk

The Company's exposure to foreign currency risk was as follows based on notional amounts:

|             | 2019    | 2018 |
|-------------|---------|------|
|             | USD     | USD  |
| Trade debts | 597,397 | -    |

Commitments outstanding at year end amounted to Rs. 6.79 million [2018: Rs. 36.27 million] relating to letter of credits for import of machinery.

The following significant exchange rates applied during the year:

| Rupees per USD      | 2019   | 2018   |
|---------------------|--------|--------|
| Average rate        | 140.78 | 124.15 |
| Reporting date rate | 160.05 | 121.50 |

## Sensitivity analysis

A 10 percent weakening of the Pak Rupee against the USD at June 30, 2019 would have decreased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for June 30, 2018.

|   | 2019      | 2018   |
|---|-----------|--------|
|   | Rupees    | Rupees |
| Decrease in statement of profit or loss | 9,561,340 | -      |

A 10 percent strengthening of the Pak Rupee against the USD at June 30, 2019 would have had the equal but opposite effect on USD to the amounts shown above, on the basis that all other variables remain constant.

### 31.3.2 Other price risk

Other price risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to 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 effects of changes in fair value of such investments made by Company, on the future profits are not considered to be material in the overall context of these financial statements.

## 32 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated companies, directors and close family members, companies with common directorship, executives, key management personnel and major shareholders of the Company.

Following particulars relate to the directors, of the Company, and their relatives with whom the Company has entered into transactions during the year.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

| Name   | Basis of relationship | Shares held in the Company |               |
|--|-----------------------|----------------------------|---------------|
|  |                       | Numbers                    | Percentage    |
| Mr. Waseem Ur Rehman                             | Chief Executive       | 3,092,800                  | 64.33%        |
| Mr. Pir Farhan Shah                              | Director              | 20,140                     | 0.42%         |
| Mr. Shafiq Afzal Khan                            | Director              | 10,000                     | 0.21%         |
| Mr. Khalil Ur Rehman                             | Director              | 10,000                     | 0.21%         |
| Mr. Rahat Ullah                                  | Chairman              | 2,500                      | 0.05%         |
| Mr. Pir Waris Shah                               | Director              | 10,000                     | 0.21%         |
| Mr. Hazrat Bilal                                 | Director              | 10,000                     | 0.21%         |
|  |                       | <b>2019</b>                | <b>2018</b>   |
|  |                       | <b>Rupees</b>              | <b>Rupees</b> |
| <b>Transaction with key management personnel</b> |                       |                            |               |
| Dividend paid                                    |                       | <b>31,225,900</b>          | 10,670,433    |
| Bonus shares issued                              |                       | -                          | 31,128,000    |
| Rent expenses                                    |                       | -                          | 11,933,515    |
| Remuneration of key management                   |                       | <b>27,420,000</b>          | 27,420,000    |
|  |                       | <b>58,645,900</b>          | 81,151,948    |

### 33 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged for remuneration including benefits and perquisites, to chief executive officer, directors and executive were as follows:

|                         | Chief Executive Officer | Directors      | Executives        |
|-------------------------|-------------------------|----------------|-------------------|
| <b>30 June 2019</b>     |                         | <b>Rupees</b>  |                   |
| Managerial remuneration | <b>27,000,000</b>       | <b>420,000</b> | <b>16,548,587</b> |
| Number of persons       | 1                       | 2              | 10                |
| <b>30 June 2018</b>     |                         |                |                   |
| Managerial remuneration | 27,000,000              | 420,000        | 16,176,000        |
| Number of persons       | 1                       | 2              | 10                |

**33.1** No allowances other than remuneration are given to chief executive, directors and executives.

**33.2** No remuneration and meeting fee has been paid to non executive directors.

**33.3** Executive means an employee whose basic salary exceeds Rs. 1.20 million (2018: Rs. 1.20 million) during the year.

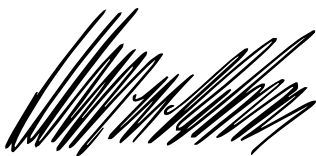
# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

|    |                                   | 2019     | 2018     |
|----|-----------------------------------|----------|----------|
| 34 | NUMBER OF PERSONS EMPLOYED        | [Number] | [Number] |
|    | Employees at year end             | 296      | 197      |
|    | Average employees during the year | 214      | 214      |

**35 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on 01 October 2019.



Chief Executive



Director



Director

# REPORT ON RECONCILIATION OF SHARES

The Company Secretary  
Khyber Tobacco Company Limited  
Nowshera Mardan Road  
Mardan

Dear Sir

## **CERTIFICATE ON RTA RECONCILIATION AS REQUIRED UNDER CDC REGULATION NO. 13.7.1**

We have been requested to provide you with a certificate on the annexed RTA Reconciliation of Khyber Tobacco Company Limited for the year ended June 30, 2019 as required under CDC Regulation No. 13.7.1.

### **Scope of Certificate**

We are required to review the number of book-entry securities held on the Central Depository Register at the beginning of financial year, movements during the year and closing balance at the end of financial year and to review the number of such securities recorded in the name of CDC on the Nominee Register of the Company at the beginning of financial year, movements during the year and closing balance at the end of financial year.

### **Management Responsibility**

It is the management's responsibility to provide the RTA Reconciliation for the year ended June 30, 2019 in compliance with the requirements of the Regulation 13.7 of the CDC Regulations.

### **Auditors' Responsibility**

Our responsibility is to certify the compliance of the requirement of CDC Regulation No. 13.7.1 in accordance with the 'Guidelines for Issue of Certificates for Special Purposes by Practicing Chartered Accountant Firms' issued by the Institute of Chartered Accountants of Pakistan. Our verification procedures include obtaining such evidence and explanations about the information as contained in the RTA Reconciliation. We believe that the evidence we have obtained as at June 30, 2019 is sufficient and appropriate to provide a basis for the certification. Our verification was limited to the procedures as mentioned below;

- Reviewing the number of book-entry security held on the Central Depository Register at the beginning of financial year, movements during the year and closing balance at the end of financial year;
- Reviewing the number of such securities recorded in the name of CDC on the Nominee Register of the Company at the beginning of financial year, movements during the year and closing balance at the end of financial year.
- In case of any difference, verify the reason for such difference and report the discrepancy.

### **Certificate**

Based on procedures mentioned above, we certify that RTA reconciliation statement of the balance of Nominee shareholding of CDC in the Member's Register of the Company as at June 30, 2019, has been prepared in all material respects, in accordance with CDC Regulation No. 13.7.1 and scope of work agreed above.

### **Restriction on use and distribution**

This certificate is issued in relation to the requirement of CDC Regulation No. 13.7.1 and is not to be used or distributed for any other purpose. This certificate is restricted to the facts stated herein and the attachments.

Yours truly



**Chartered Accountants**

**Engagement Partner:**

Rana M. Usman Khan  
Lahore



CONFIRMATION OF CDC'S NOMINEE HOLDING IN MEMBERS' /  
CERTIFICATE HOLDERS' REGISTER

Chief Compliance Officer  
Central Depository Company of Pakistan Limited  
CDC House, 99-B, Block-B  
S.M.C.H.S. Main Shahra-e-Faisal Karachi

Dear Sir,

In compliance with CDC Regulation No. 13.7.1, we are writing to confirm as follows:

|                           |  |
|---------------------------|--|
| <b>Financial Year End</b> | 30/06/2019                                 |
| <b>Name of Auditor</b>    | Deloitte Yousuf Adil Chartered Accountants |
| <b>Security Name</b>      | KHYBER TOBACCO COMPANY LIMITED             |
| <b>Security Symbol</b>    | KHTC                                       |

|  | Note | Number of Securities |
|--|------|----------------------|
| Balance at the end of period / year in the CDC's Nominee Holding in Members' / Certificate holders' Register | N-1  | 381,816              |
| Balance of book entry security in the Central Depository Register at the end of period / year                | N-2  | 381,816              |
| Difference, if any   |      | 0                    |

**N-1: Movement in the CDC's Nominee Holding in Members' / Certificate holders' Register**

**Number of Securities**

|   |         |
|---|---------|
| Balance at the beginning of the year in the CDC's Nominee Holding in Members' / Certificate holders' Register | 341,700 |
| Add: Additions during the period / year   | 40,116  |
| Less: Deletions during the period / year  | 0       |
| Balance at the end of year / period in the CDC's Nominee Holding in Members' / Certificate holders' Register  | 381,816 |

**N-2: Movement in the Central Depository Register**

**Number of Securities**

|   |         |
|---|---------|
| Balance at the beginning of the year in the Central Depository Register | 341,700 |
| Add: Additions during the period / year                                 | 40,116  |
| Less: Deletions during the period / year                                | 0       |
| Balance at the end of year / period in the Central Depository Register  | 381,816 |

Reason for Difference and discrepancy (if any):

Regards,

*Rana Usman Khan*  
Company Secretary



*Deloitte Young Adil*

Chartered Accountants  
Engagement Partner:  
Rana M. Usman Khan  
Dated: 02 October 2019  
Lahore

# INDEPENDENT REASONABLE ASSURANCE REPORT ON STATEMENT OF FREE FLOAT OF SHARES

To the Chief Executive of Khyber Tobacco Company Limited

## 1. Introduction

We have been engaged to perform a reasonable assurance engagement on the annexed Statement of Free Float of Shares [the Statement] of Khyber Tobacco Company Limited [the Company] as of 30 September 2018, 31 December 2018, 31 March 2019 and 30 June 2019.

## 2. Applicable Criteria

The criteria against which the Statement is assessed is Regulation No. 5.7.2(c) [ii] of Pakistan Stock Exchange Limited Regulations [PSX Regulations] which requires every listed Company / modaraba / mutual fund to submit directly to Pakistan Stock Exchange [PSX] an annual Free-Float Certificate duly verified by the auditor along with the annual audited accounts as prescribed under regulation 5.6.4(a) of the PSX Regulations.

## 3. Management's Responsibility for the Statement

Management is responsible for the preparation of the Statement as of 30 September 2018, 31 December 2018, 31 March 2019 and 30 June 2019 in accordance with the applicable criteria. This responsibility includes maintaining adequate records and internal controls as determined necessary to enable the preparation of the Statement such that it is free from material misstatement, whether due to fraud or error.

## 4. Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Chartered Accountants issued by the Institute of Chartered Accountants of Pakistan, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1 "Quality Control for firms that perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## 5. Our responsibility and summary of the work performed

Our responsibility is to carry out an independent reasonable assurance engagement and to express an opinion as to whether the Statement is prepared in accordance with the applicable criteria, based on the procedures we have performed and the evidence we have obtained.

We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 [Revised], '*Assurance Engagements other than Audits or Reviews of Historical Financial Statements*' [ISAE 3000] [Revised] issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform this engagement to obtain reasonable level of assurance about whether the Statement is free from material misstatement.

A reasonable assurance engagement in accordance with ISAE 3000 [Revised] involves performing procedures to obtain evidence about the free float of shares and related information in the Statement. The nature, timing and extent of procedures selected depend on the practitioner's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error, in the Statement. In making those risk assessments, we considered internal control relevant to the Company's preparation of the Statement. A reasonable assurance engagement also includes assessing the applicable criteria used and significant estimates made by management, as well as, evaluating the overall presentation of the Statement.

We have carried out the procedures considered necessary for the purpose of providing reasonable assurance on the Statement. Our assurance procedures performed included verification of information in the Statement with the underlying data and record comprising of Central Depository Company statements, forms submitted by the Company with Securities and Exchange Commission of Pakistan relating to its pattern of shareholding and other related information. Verification that the computation of free float of shares is in accordance with the PSX regulation also forms part of our assurance procedures.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **6. Opinion**

In our opinion, the Statement as of 30 September 2018, 31 December 2018, 31 March 2019 and 30 June 2019 is prepared, in all material respects, in accordance with the PSX Regulations.

#### **7. Restriction on use and distribution**

This report is issued in relation to the requirements as stipulated under Regulation No 5.7.2(c) (ii) of the PSX Regulations and is not to be used or distributed for any other purpose. This report is restricted to the facts stated herein and the attachments.

*Deloitte Young & Rubicam*

**Chartered Accountants**

**Engagement Partner:**

Rana M. Usman Khan

Dated: 02 October 2019

Lahore


# STATEMENT OF FREE FLOAT OF SHARES

AS OF JUNE 30, 2019

|   | 30-09-2018     | 31-12-2018     | 31-03-2019     | 30-06-2019     |
|---|----------------|----------------|----------------|----------------|
| Total Outstanding Shares  | 4,807,364      | 4,807,364      | 4,807,364      | 4,807,364      |
| <b>Less:</b> Government Holdings  | -              | -              | -              | -              |
| <b>Less:</b> Shares held by Directors/Sponsors/<br>Senior Management Officers and their<br>associates                         | -              | -              | -              | -              |
| <b>Less:</b> Shares in Physical form  | 4,437,190      | 4,426,702      | 4,425,548      | 4,425,548      |
| <b>Less:</b> Shares held by Associate Companies/<br>Group Companies (Cross Holding)   | -              | -              | -              | -              |
| <b>Less:</b> Shares issued under Employees Stock<br>Option Schemes that cannot be sold in the<br>open market in normal course | -              | -              | -              | -              |
| <b>Less:</b> Treasury Shares  | -              | -              | -              | -              |
| <b>Less:</b> Any other category that are barred from<br>selling at the review date  | -              | -              | -              | -              |
| <b>Free Float</b>   | <b>370,174</b> | <b>380,662</b> | <b>381,816</b> | <b>381,816</b> |



**Company Secretary**

**Chief Executive**

# PATTERN OF SHAREHOLDING

AS OF JUNE 30, 2019

| Categories of Shareholders   | Shareholders | Shares Held        | Percentage        |
|--|--------------|--------------------|-------------------|
| <b>Directors and their spouse[s] and minor children</b>  |              |                    |                   |
| MR. WASEEM-UR-RAHMAN   | 2            | 3,092,800          | 64.33             |
| MR. SHAFIQ AFZAL KHAN  | 1            | 10,000             | 0.21              |
| MR. HAZRAT BILAL   | 1            | 10,000             | 0.21              |
| MR. KHALIL UR REHMAN   | 1            | 10,000             | 0.21              |
| MR. PIR WARIS SHAH   | 1            | 10,000             | 0.21              |
| MR. RAHAT ULLAH  | 1            | 2,500              | 0.05              |
| <b>Associated Companies, undertakings and related parties</b>  | -            | -                  | -                 |
| <b>Executives</b>  | -            | -                  | -                 |
| <b>Government Sector</b>   | 1            | 46,950             | 0.98              |
| <b>Public Sector Companies and Corporations</b>  | 2            | 166,504            | 3.46              |
| <b>Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds</b> | 1            | 1,155              | 0.02              |
| <b>Mutual Funds</b>  | -            | -                  | -                 |
| <b>General Public</b>  |              |                    |                   |
| a. Local   | 1123         | 1,455,852          | 30.28             |
| b. Foreign   | -            | -                  | -                 |
| <b>Foreign Companies</b>   | -            | -                  | -                 |
| <b>Others</b>  | 4            | 1,603              | 0.03              |
| <b>Totals</b>  | <b>1138</b>  | <b>4,807,364</b>   | <b>100.00</b>     |
| <b>Share holders holding 5% or more</b>  |              | <b>Shares Held</b> | <b>Percentage</b> |
| MR. WASEEM-UR-RAHMAN   |              | 3,092,800          | 64.33             |

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# FORM OF PROXY

## 64TH ANNUAL GENERAL MEETING

### KHYBER TOBACCO COMPANY LIMITED

I/We \_\_\_\_\_ of \_\_\_\_\_  
 \_\_\_\_\_ Being a member (s) of Khyber  
 Tobacco Company Limited holding \_\_\_\_\_ Ordinary Shares hereby appoint  
 Mr./Mrs./Miss \_\_\_\_\_ Of \_\_\_\_\_ or failing him/her  
 Of \_\_\_\_\_ as my /our proxy in my/our absence to attend and vote for me / us and on  
 my/ our behalf at the Annual General Meeting of the Company to be held on Monday, October 28, 2019 and  
 /or any adjournment thereof.

As witness my/our hand/seal this \_\_\_\_\_ day of \_\_\_\_\_ 2019.

Signed by \_\_\_\_\_

In the presence of \_\_\_\_\_

| Folio No. | CDC Account No. |             |
|-----------|-----------------|-------------|
|           | Participant ID  | Account No. |
|           |                 |             |

Signature on Five Rupees  
Revenue Stamps

The signature should agree with  
the specimen registered with the  
Company

#### Important:

1. This proxy form duly completed and signed must be received at the registered office of the company, Nowshera Road Mardan not less than 48 hours before the time of holding the meeting.
2. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the company, all such instruments of proxy shall be rendered invalid.

In addition to 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 provided with the proxy form.
- ii. The proxy shall produce his original CNIC or original passport at the time of the meeting.
- iii. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted [unless it has been provided earlier along with proxy form to the company]



The Secretary  
Khyber Tobacco Company Limited  
Nowshera Road, Mardan  
KPK, Pakistan

AFFIX  
CORRECT  
POSTAGE



# مختارنامہ (پراکسی فارم)

64 ویں سالانہ جنرل اجلاس

خیبر ٹو بیکو کمپنی لمیٹڈ

مین ہم \_\_\_\_\_ سکنہ \_\_\_\_\_ محشیتمبر (رکن) خیبر تمباکو کمپنی لمیٹڈ  
 اور حامل \_\_\_\_\_ عام حصص، تقرری کرتا ہوں، کرتی ہوں / کرتے ہیں جناب، محترمہ  
 سکنہ \_\_\_\_\_ یا ان کی غیر حاضری کی صورت میں جناب، محترمہ  
 سکنہ \_\_\_\_\_ کو میرے / ہمارے ایما پر بروز پیر بتاریخ اکتوبر 28، 2019 کو خیبر ٹو بیکو کمپنی لمیٹڈ نوشہرہ روڈ مردان میں  
 منعقد ہونے والے 64 واں سالانہ اجلاس میں عام حق رائے دہی استعمال کرنے یا کسی بھی التواء کی صورت میں بطور مختار نمائندہ پراکسی مقرر کرتا / کرتی ہوں / کرتے ہیں۔  
 جیسا کہ میرے / ہمارے ہاتھ گواہ ہو ..... بتاریخ ..... 2019.....  
 کو دستخط کئے گئے .....  
 ان کی موجودگی میں .....

|                      |                      |
|----------------------|----------------------|
| سی ڈی سی اکاؤنٹ نمبر | فولیو نمبر           |
| پارٹیشنڈ آئی ڈی نمبر | پارٹیشنڈ آئی ڈی نمبر |
| اکاؤنٹ نمبر          |                      |

دستخط پانچ روپے مالیت کے ریونیوٹکٹ

دستخط حصص کنندہ

(دستخط کا تختی میں رجسٹرڈ نمونے کے ہونے کی ضرورت ہے)

ضروری ہدایات:

- مختارنامہ (پراکسی فارم) اجلاس کے مقررہ وقت سے کم از کم ۴۸ گھنٹے قبل مکمل کوائف اور دستخط کے ساتھ کمپنی کے رجسٹرڈ آفس انک ہاؤس، مورگاہ، راولپنڈی میں جمع کرانا ضروری ہے۔
- اگر کوئی رکن ایک سے زائد پراکسی اختیار کرتا ہے اور پراکسی کے ایک سے زیادہ آلات کمپنی کے ساتھ ایک رکن کی طرف سے جمع کر دی جاتی ہے تو پراکسی کے اس طرح کے آلات کو غلط تصور کیا جائے گا۔  
 مذکورہ بالا ہدایات کے علاوہ درج ذیل ضروری شرائط بھی پوری کرنا لازمی ہیں۔
- مختارنامہ (پراکسی فارم) کے ہمراہ کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقول بھی منسلک کرنی ہوں گی۔
- مختار (پراکسی) کو اجلاس کے وقت اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا اصل پاسپورٹ پیش کرنا ہوگا۔
- کارپوریٹ ادارہ ہونے کی صورت میں بحیثیت ممبر (رکن)، بورڈ آف ڈائریکٹرز کی منظور شدہ قرارداد اور آف انارٹنی بمعہ نمونہ دستخط ہمراہ مختارنامہ (پراکسی فارم) کمپنی کو جمع کرانا ہوگا۔














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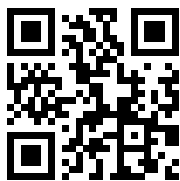


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