



In Pursuit of Tomorrow



KHYBER TOBACCO COMPANY LIMITED
ANNUAL REPORT | 2018



CONTENTS

FINACIAL HIGHLIGHTS	2
OUR VISION	4
OUR MISSION	4
CORE VALUES	6
CORPORATE INFORMATION	8
STATEMENT OF ETHICS & BUSINESS PRACTICES	10
HR POLICY	12
ENERGY POLICY	13
WHISTLEBLOWER POLICY	14
OTHER CORPORATE GOVERNANCE	17
CODE OF CONDUCT	18
NOTICE OF ANNUAL GENERAL MEETING	21
STATEMENT OF COMPLIANCE	24
INDEPENDENT AUDITORS' REVIEW REPORT	26
GRAPHICAL ANALYSIS	28
CALENDAR OF MAJOR EVENTS	33
CHAIRMAN'S REVIEW	34
DIRECTORS' REPORT	37
DIRECTORS' REPORT IN URDU	51
VERTICAL ANALYSIS	52
HORIZONTAL ANALYSIS	53
FINANCIAL PERFORMANCE	54
OTHER STATEMENTS	56
FINANCIAL STATEMENTS	59
INDEPENDENT AUDITORS REPORT	60
STATEMENT OF FINANCIAL POSITION	64
STATEMENT OF PROFIT OR LOSS	66
STATEMENT OF COMPREHENSIVE INCOME	67
STATEMENT OF CHANGES IN EQUITY	68
STATEMENT OF CASH FLOWS	69
NOTES TO THE FINANCIAL STATEMENTS	70
PATTERN OF SHAREHOLDING	97
FORM OF PROXY	

FINANCIAL HIGHLIGHTS

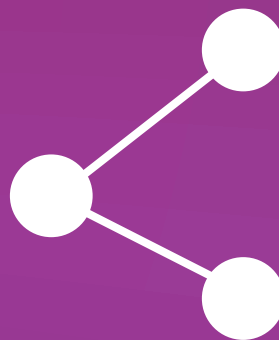
Rs. 1.21 Billion
CONTRIBUTION
TO NATIONAL
EXCHEQUER

**Rs. 199.86
Million**
PROFIT AFTER TAX
Rs. 189.93 Million: 2017

**Rs. 1,343.90
Million**
Shareholder's
Equity
Rs. 1,163.08 Million : 2017

Rs. 41.57
Earning Per
Share
Rs. 39.51 : 2017

**Rs. 2,503.56
Million**
SALES REVENUE
Rs. 2,156.22 Million: 2017



LOCAL SALES
Rs. 2,498.12 Million - 2018
Rs. 2,156.22 Million - 2017

EXPORT SALES
Rs. 5.43 Million - 2018
NIL - 2017

18 vs 17

Sales Revenue	[Rupees in Million]	347.34
- Local Sales	[Rupees in Million]	341.90
- Export Sales	[Rupees in Million]	5.43
Profit After Tax	[Rupees in Million]	9.93
Earning Per Share	[Rupees per Share]	2.07
Shareholder's Equity	[Rupees in Million]	180.82
Return on Equity	[%]	[1.46]
Current Ratio		0.03

14.57%

**Return on
Equity**

16.33% : 2017

2.94

**Current
Ratio**

2.91 : 2017



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

1

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.

2

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.

3

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.

4

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.

5

Corporate Information

Board of Directors

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

Chief Executive/ Executive Director
Non-Executive Director
Executive Director
Non-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
Member

Senior Management

Mr. Waseem Ur Rehman

Chief Executive

Company Secretary

Mr. Pir Farhan Shah

Bankers

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

External Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Internal Auditors

Shahid Ahmad & Co.
Chartered Accountants

Share Registrar

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

Registered Office

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



BER 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.

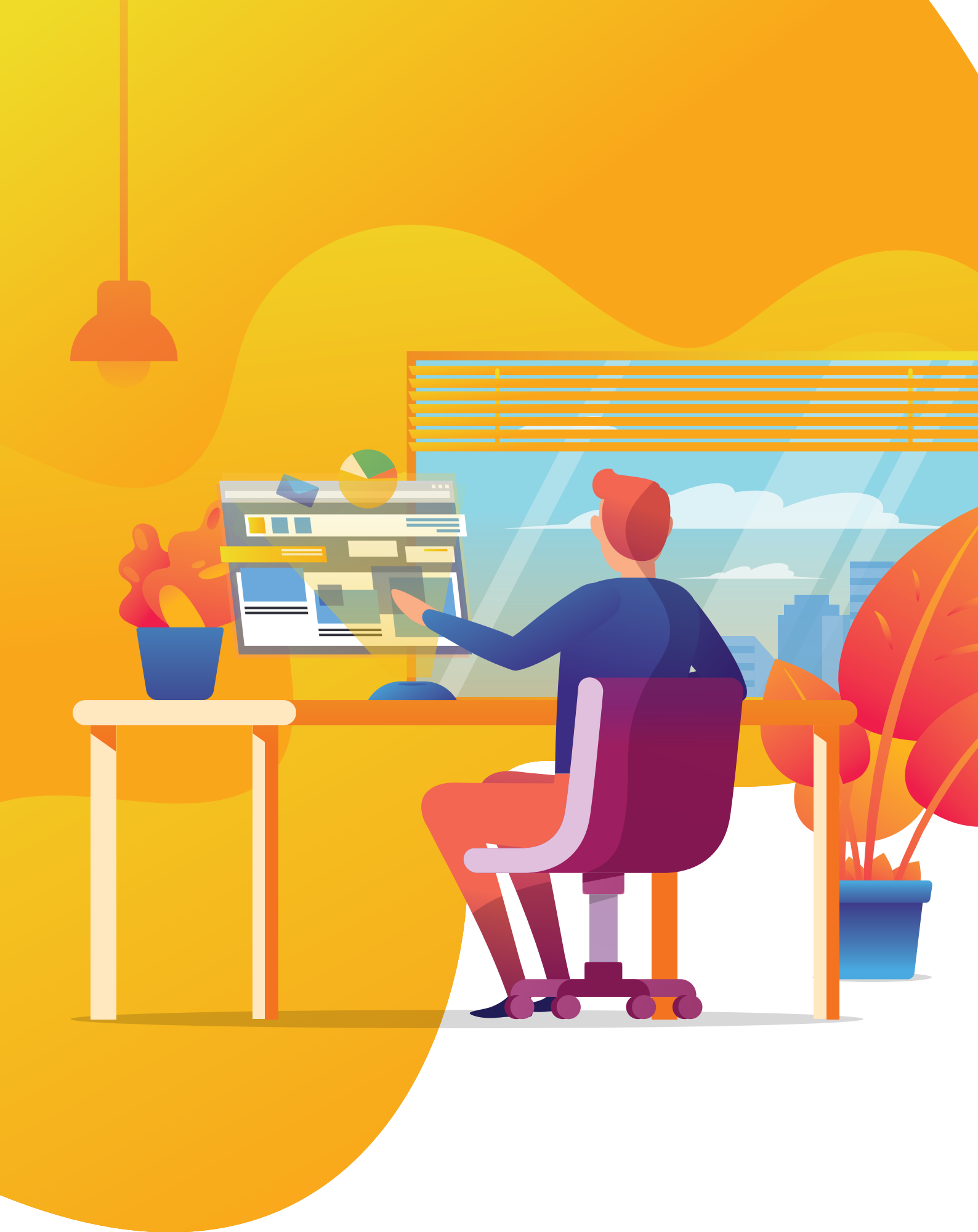


Whistleblower Policy

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 Whistle blower 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.





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 62nd Annual General Meeting held on October 27, 2017, 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. During the year two directors have obtained certification under directors' training program.

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 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. 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 63rd Annual General Meeting

Notice is hereby given that the 63rd Annual General Meeting of the members of Khyber Tobacco Company Limited will be held on 05 December 2018 at 11.00 a.m. at its registered office, Nowshera Road, Mardan to transact the following business;

ORDINARY BUSINESS

1. To confirm the minutes of the 62nd Annual General Meeting held on 28 October 2017.
2. To receive, consider and adopt the audited financial statements of the company for the year ended 30 June, 2018 together with the Directors' and Auditors' Reports thereon.
3. To approve the final dividend in the form of cash dividend @ Rs. 8.31 per share as recommended by the Board of Directors.
4. To appoint Auditors for the year ending 30 June 2019 and to fix their remuneration. The Audit Committee and the Board of Directors have recommended M/S Deloitte Yousuf Adil & Co., Chartered Accountants be appointed as auditors of the Company till the next Annual General Meeting.

Mardan

By Order of the Board



13 November, 2018

Pir Farhan Shah
Company Secretary

Notes:

1. Closure of Share Transfer books

The Share Transfer Books of the Company will remain closed from 29 November 2018 to 5 December 2018 (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 28 November 2018 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.

Notice of 63rd Annual General Meeting

- 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. Payment of Cash Dividend Electronically

As per provision of Section 242 of Companies Act, 2017 any dividend payable in cash shall only be paid through electronic mode directly in to the bank account designated by the entitled members. A notice of the forgoing seeking information from members for payment of dividend through electronic mode is being sent to the members separately. The members are requested to provide their folio number, name and details of bank account consisting of bank name, branch name, branch code, Account number, Title of Account and IBAN/swift code in which they desire their dividend to be credited, failing which the Company will be unable to pay the dividend through any other mode. Standard requested form has also been placed on website of the Company. The members are requested to send the information on the same at the earliest possible date. In case shares are held in CDC then the form must be submitted directly to shareholder's broker/participant/CDC Investor account services.

6. Confirmation for filing status of Members

All members of the company are hereby informed that the rates of deduction of income tax from dividend has been revised through Finance Act, 2017 effective 1st July 2017 as follows:

- 1 Rate of tax deduction for filer of income tax returns 15%
- 2 Rate of tax deduction for non-filer of income tax returns 20%

To enable the Company to make tax deduction on the amount of cash dividend at the rate of 15% instead of 20%, members whose names are not entered into the Active Tax-payers List available on the website of FBR, although they are filers, are advised to immediately make sure that their names are entered into the Active Tax-payers List, otherwise tax on their cash dividend will be deducted at the rate of 20% instead of 15%.

7. CNIC/NTN number on dividend warrant

Members are requested to provide attested photocopies of their CNIC to the Company at its registered address in order to comply with SRO 831 [1] 2012 of 5 July 2012 which requires that the dividend warrant should bear the Computerized National Identity Card [CNIC] number of the registered member. Issuance of dividend warrants will be subject to submission of CNIC by individual and NTN by corporate shareholders.

8. Placement of Accounts on website

The financial statements of the Company for the year ended June 30, 2018 along with reports have been placed at the website of the Company www.khybertobacco.com.

9. Transmission of Annual Financial Statements through email

The Securities and Exchange Commission of Pakistan vide SRO 787[1]/2014 dated September 08, 2014 has allowed companies to circulate annual balance sheet, profit & loss account, auditors' and Directors' reports along with notice of annual general meeting to its members through email. Members who wish to avail this facility can give their consent.

10. Transmission of Annual Financial Statements through CD/DVD/USB

SECP through its SRO 470(I)/2016 dated May 31, 2016 have allowed companies

to circulate the annual balance sheet, profit and loss account, auditors' report and directors' report etc. to its members through CD/DVD/USB at their registered address. In view of the above the members are requested to intimate if they desire to receive the financial statements and reports through any of these means. These are also available on Company's website www.khybertobacco.com.

11. 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.

In this regard, please fill the following and submit at the registered office of the Company situated at Nowshera Road, Mardan at least 10 days prior to the date of Annual General Meeting:

Notice is hereby given that the 63rd Annual General Meeting of the members of Khyber Tobacco Company Limited will be held on 05 December 2018 at 11.00 a.m. at its registered office, Nowshera Road, Mardan to transact the following business;

Statement of Compliance

with Listed Companies (Code of Corporate Governance) Regulations, 2017

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 2] Mr. Pir Wairs Shah 3] Mr. Khalil Ur Rehman
Executive Directors	1] Mr. Waseem Ur Rehman 2] Mr. Pir Farhan Shah
Non-executive Director	1] Mr. Khalil Ur Rehman 2] Mr. Hazrat Bilal 3] Mr. Rahat Ullah 4] Mr. Shafique Afzal Khan 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 has arranged Directors' Training Programme for the following:
 - i. Mr. Pir Waris Shah
 - ii. Mr. Khalil Ur Rehman
10. Position of CFO remained vacant during the year. The board has approved appointment of Head of Internal Audit, including its remuneration and terms and conditions of employment 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.
12. The board has formed committees comprising of members given below:

Audit Committee
Mr. Shafique Afzal Khan [Chairman]
Mr. Rahat Ullah [Member]
Mr. Khalil Ur Rehman [Member]
HR and Remuneration Committee
Mr. Pir Wasir Shah [Chairman]
Mr. Pir Farhan Shah [Member]
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 is in process of establishing a mechanism for the governance and annual review of aforementioned risks and related measures.
- i. As required under Regulation 14 (ii), the Board has not considered the annual business plan, cash flow projections, forecasts and strategic plan; and
 - ii. As required under Regulation 14 (iii), the Board has not considered the budgets including capital, manpower and overhead budgets, along with variance analysis.

06 November 2018


Rahat Ullah
Chairman

Independent Auditors' Review Report

Review report on the Statement of Compliance 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 [“the Company”] for the year ended 30 June 2018 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 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 procedures to access 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 30 June 2018.

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:

- i. As disclosed in point 5 of the Statement, significant policies of the Company have not been approved by the Board as required by the Regulations;
- ii. As disclosed in point 10 of the Statement, the position of Chief Financial Officer remained vacant during the year and the board has not made appointment as required by the Regulations;
- iii. As disclosed in point 11 of the Statement, in the absence of Chief Financial Officer the financial statements of the Company were endorsed by Chief Executive Office and the Company Secretary; and
- iv. As disclosed in point 18 of the Statement, the Company is in non-compliance with the Regulation 10 [2], 14 [ii] and 14 [iii].

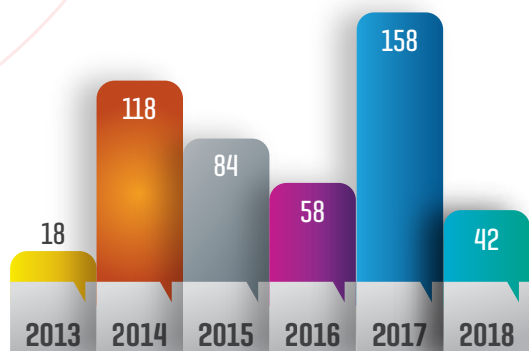


KPMG Taseer Hadi & Co.
Chartered Accountants

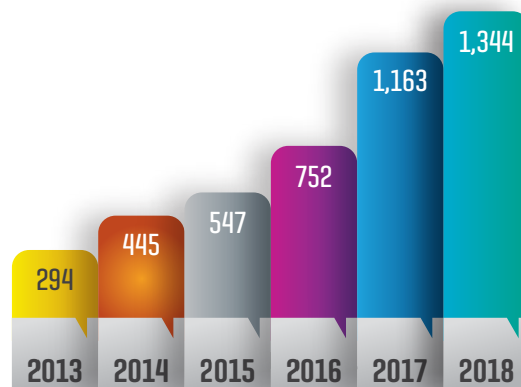
Islamabad



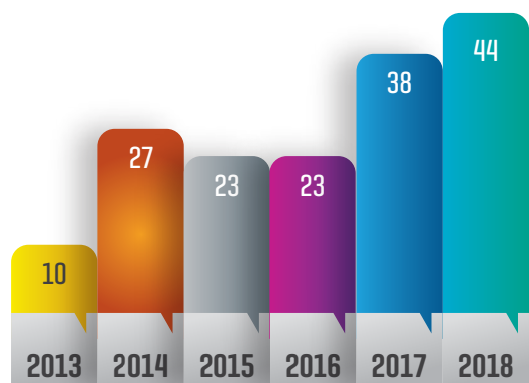
Graphical Analysis



Earning Per Share After Tax - (Rupees)



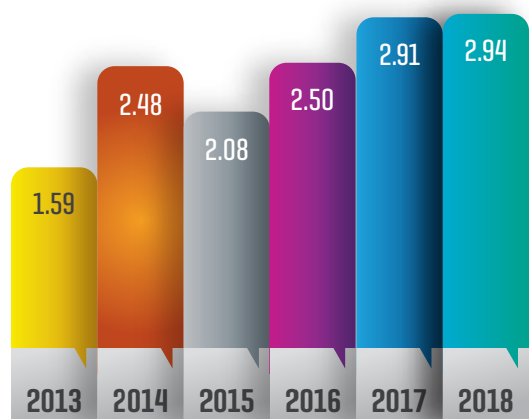
Shareholder's Equity - (Rs. in Million)



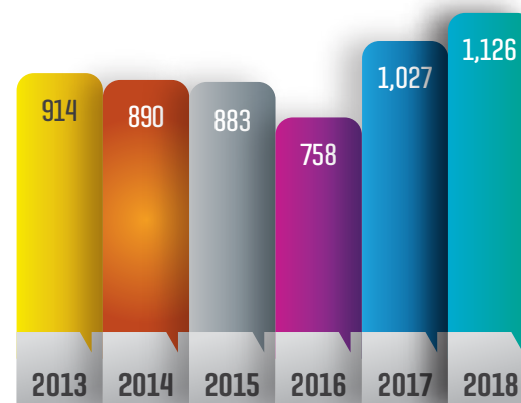
Gross Profit Margin - (Percentage)



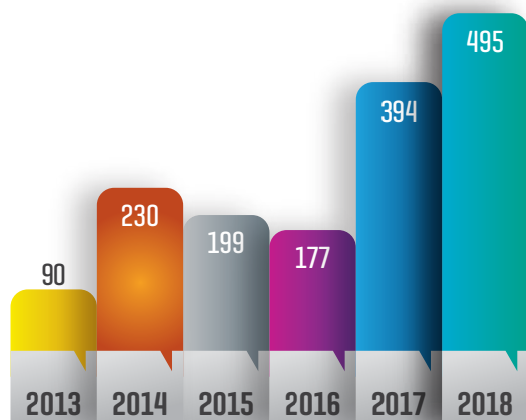
Net Profit Margin - (Percentage)



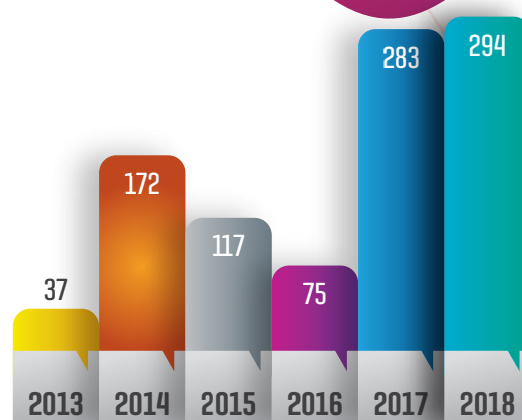
Current Ratio - (Times)



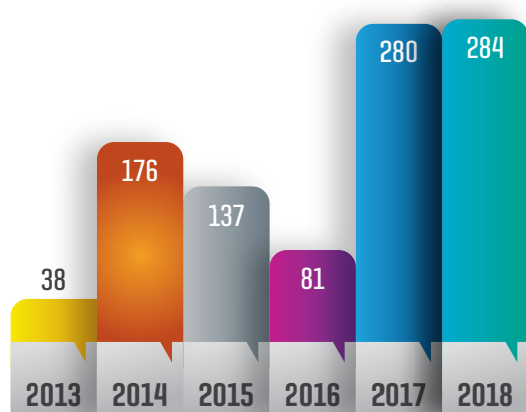
Net sales - (Rs. in Million)



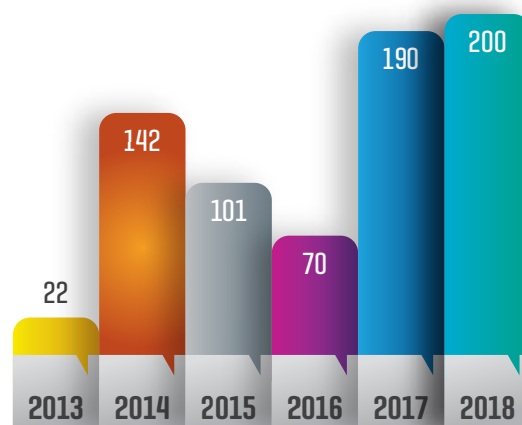
Gross Profit - (Rs. in Million)



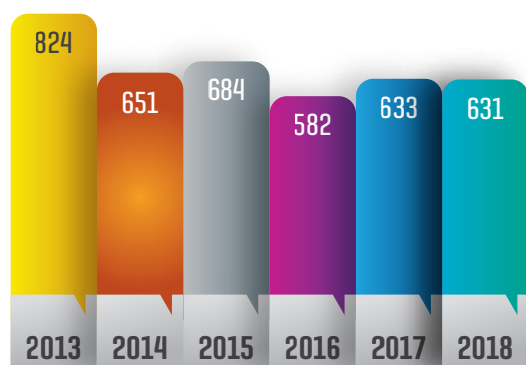
Operating Profit - (Rs. in Million)



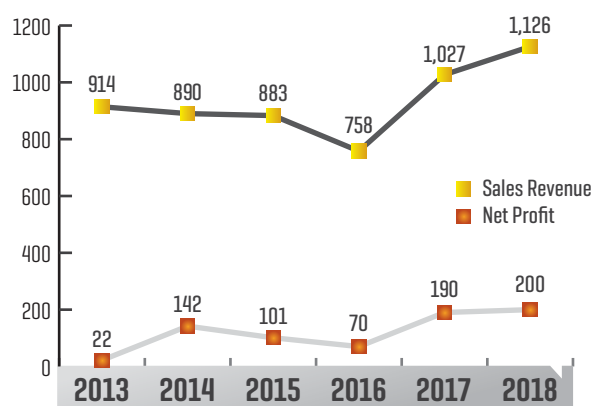
Profit before tax - (Rs. in Million)



Profit after tax - (Rs. in Million)

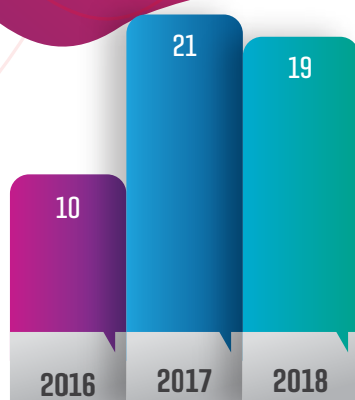


Cost of Sales - (Rs. in Million)

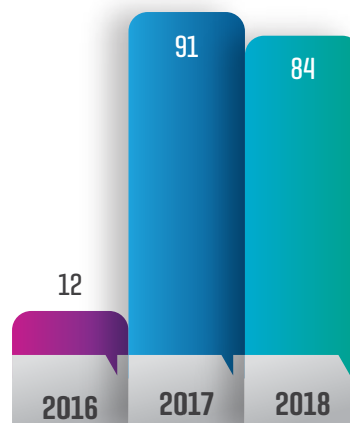


Sales Revenue vs Profit for the Year

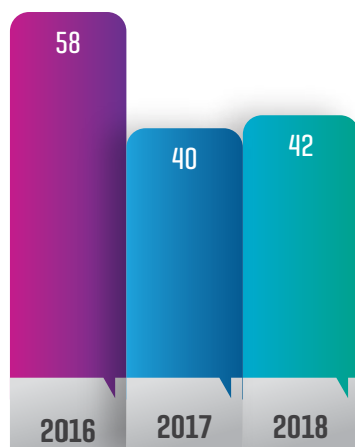
Graphical Analysis



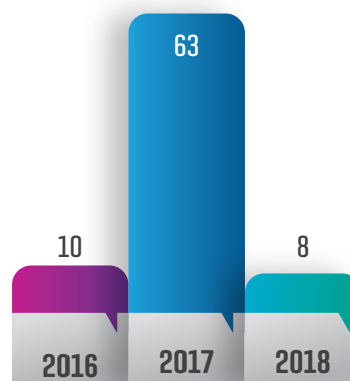
Return on Capital Employed - (Percentage)



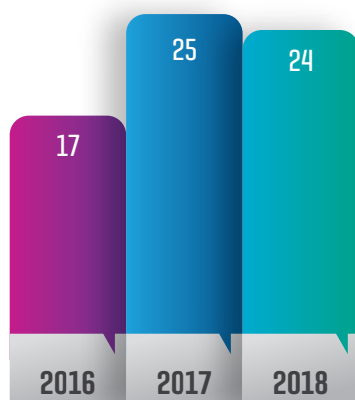
Taxation - (Rs. in Million)



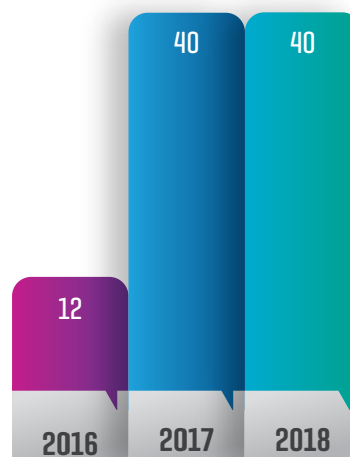
Earning Per Share - (Rupees)



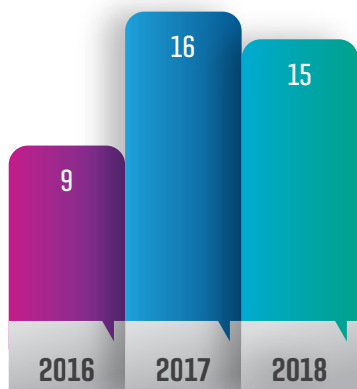
Dividend Per Share - (Rupees)



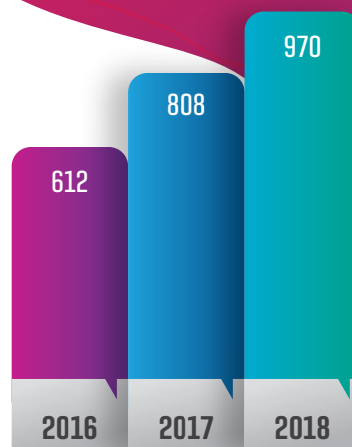
Price Earning Ratio - (Percentage)



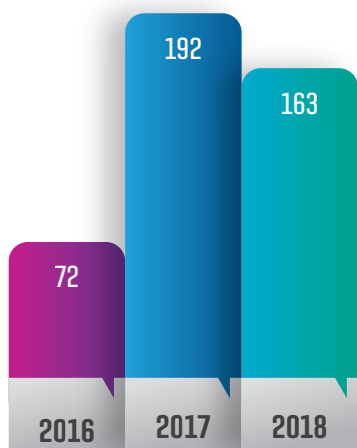
Cash Dividend Pay Out - (Rs. in Million)



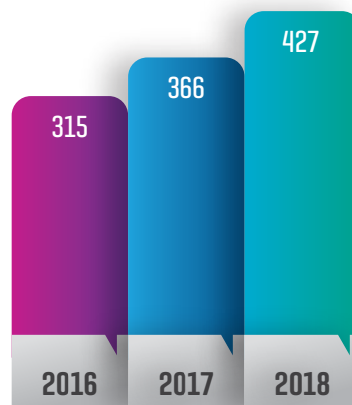
Return on Equity - (Percentage)



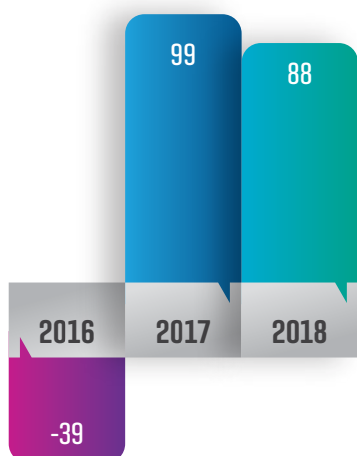
Reserves - (Rs. in Million)



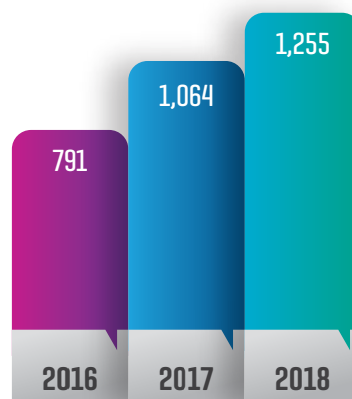
Long Term Liabilities - (Rs. in Million)



Current Liabilities - (Rs. in Million)

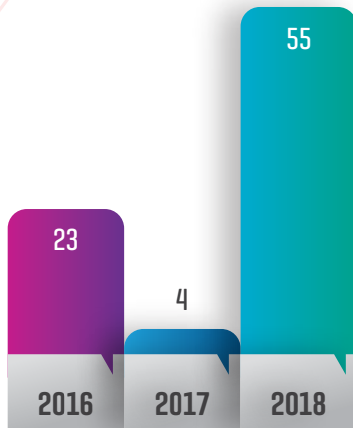


Fixed Assets Less Liabilities - (Rs. in Million)

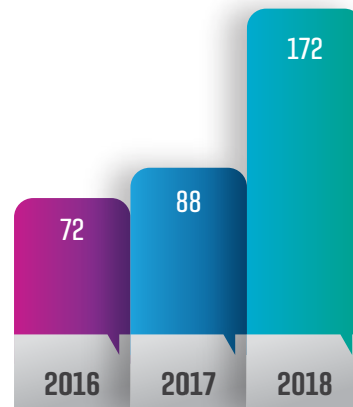


Current Assets - (Rs. in Million)

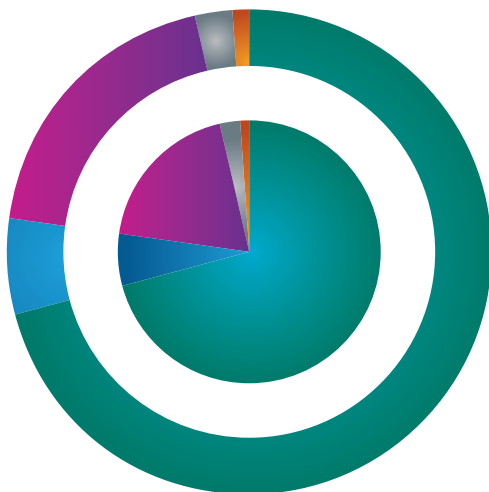
Graphical Analysis



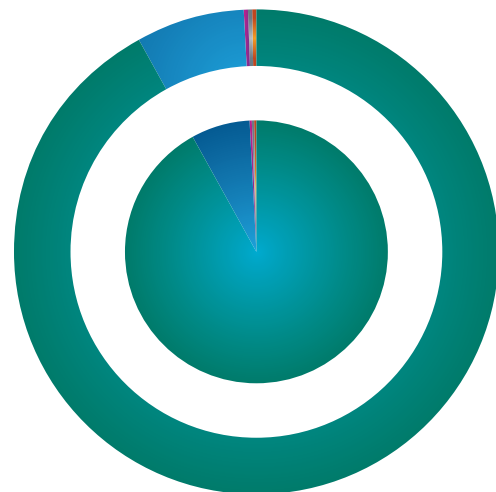
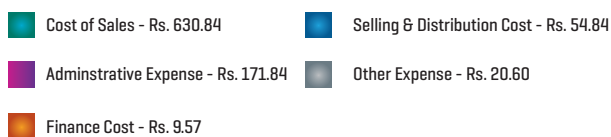
Selling & Distribution Expense - (Rs. in Million)



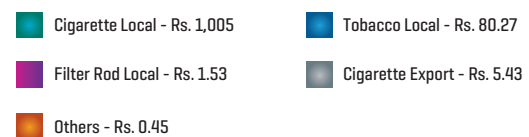
Administrative Expense - (Rs. in Million)



Breakup of Cost - (Rs. in Million)



Breakup of Sales - (Rs. in Million)



Calendar of Major Events

ANNUAL
GENERAL
MEETING
October 2017

Annual
Accounts Board
of Directors Meeting
October 2017

1st
Quarterly
Board of
Directors Meeting
October 2017

2nd
Quarterly
Board of
Directors Meeting
February 2018

3rd
Quarterly
Board of Directors
Meeting
April 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, 2018.

The Financial Year 2017-18 has been another year of high performance and growth for the Company. The company achieved its highest net sales and profit after tax of Rs. 1.13 billion and Rs. 0.20 billion respectively. Based on the financial performance, the Board has recommended a final cash dividend of 83.1% i.e. Rs. 8.31 /- per share for approval from members at the Annual General Meeting.

The Company in the year under review contributed an amount of Rs. 1.26 billion as against Rs. 1.19 billion despite significant reduction in the rate of Federal Excise Duty in the corresponding period of last year to the government exchequer in the form of Federal Excise Duty, Sales tax, Income tax and other levies.

The economic indicators of the Country show promising signs for the future. Smooth political transition to the new Government, improved law & order situation and robust local demand is expected to create further stimulus for the Company.

We believe that the incumbent Government shall take necessary steps on an urgent basis to boost tobacco 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.

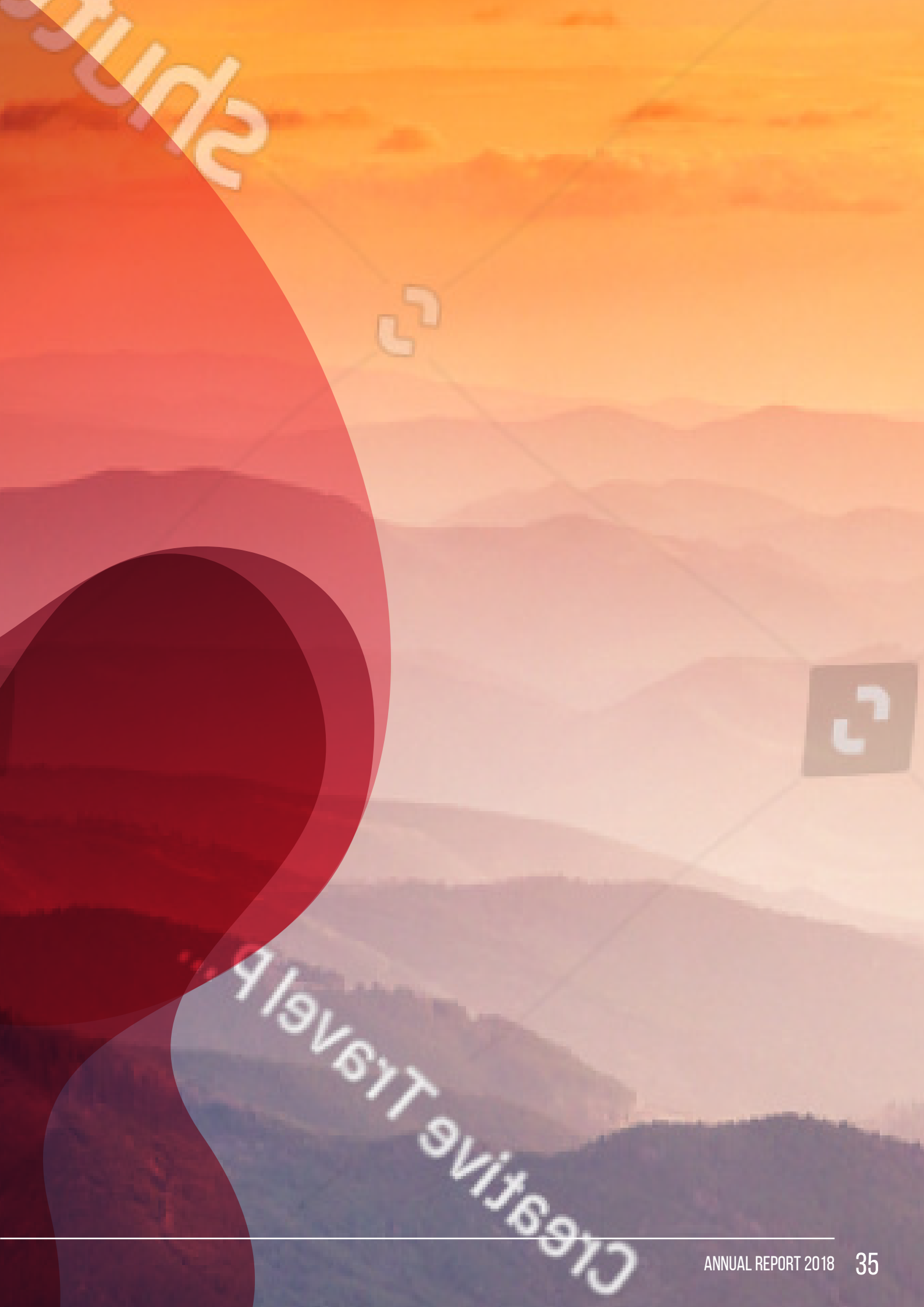
The Code of Ethics and Business Practices are delineated clearly and each employee is made familiar with the same. Regular checks carried out to confirm the adherence to these codes. Any deviation is strictly dealt with. The Company also has an open-door policy for recruitment of Special Persons. The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

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



Rahat Ullah
Chairman



Support



Creative Travel

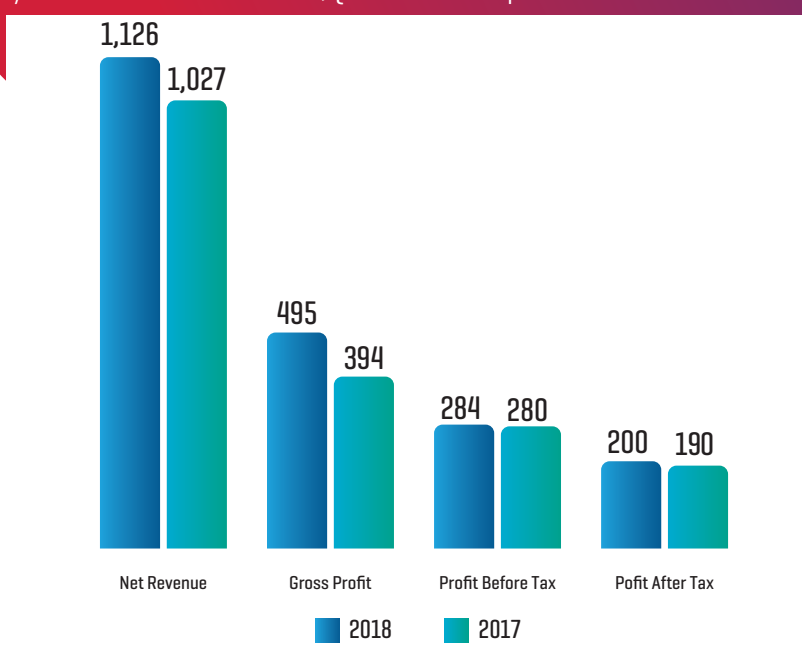


Directors' Report

I, on behalf of the Board of Directors of Khyber Tobacco Company Limited take great pleasure in presenting the 63rd Annual Report and the audited financial statements along with the auditors' report thereon for the year ended June 30, 2018.

THE COMPANY'S FINANCIAL RESULTS

Following is a brief of the Company's financial performance for the year ended 30 June 2018 as compared to the year ended 30 June 2017; [Amounts are presented as Rs. in Millions]



Production and Sales

PRODUCT	UNIT OF MEASUREMENT	PRODUCTION		SALE	
		2018	2017	2018	2017
RE-DRIED TOBACCO	KGS	1,940,936	1,485,722	166,325	923,351
CUT TOBACCO	KGS	1,021,863	514,128	126,200	90,000
CIGARETTES	STICKS [In Million]	1,015.00	530.65	998.57	546.57

During the year under review, the company re-dried 1.9 million Kgs tobacco at its Green Leaf Threshing plant as compared to 1.5 million Kgs in the financial year 2017. Local sale of re-dried tobacco has decreased to 0.166M Kgs in the year under review compared to local sale of 0.923M Kgs in the year 2017 showing a decline which is mainly attributed to low demand of stem in the market.

The production of cut tobacco has increased to 1.021million Kgs in the current year under review compared to 0.514 million Kgs in the last financial year.

During the year, the production of cigarettes has increased from 531 million sticks in the last financial year to 1,015 million sticks in the year under review. The sale of cigarettes has increased from 546.57 million sticks in 2017 to 998.57 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 have stopped due to low demand of Pakistani Tobacco in the International Market. Management of the company focused on local sales of cigarettes and succeeded quite a lot in their endeavors.

Directors' Report

This is evident from Net sales of Rs. 1.13 Billion during the period under review as compared to Net Sales of Rs. 1.03 Billion last year. Management is continuously endeavoring to expand its local market by adding new customers to its existing customer base.

Profit before taxation for the year ended 30 June 2018 stood at Rs. 284.1 million compared to profit before tax of Rs.280.54 million in the previous year. Profit after taxation for the year ended 30 June 2018 amounted to Rs.199.86 million compared to profit of Rs.189.93 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.

Earnings per share of the Company for the year ended 30 June 2018 on its paid up capital stood at Rs.41.6 as compared to last year's earnings per share of Rs. 39.5[restated]

Balance Sheet

The capital and reserves of the Company have risen to Rs.1018 million as compared to Rs.819.7million at the end of the last financial year. This remarkable increase in the capital reserves of the company is the evidence of the managements' focus and determination to build a strong capital base of the company.

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 recommended a final of cash dividend @ Rs. 8.31 per share 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.6.45 million was created in the current year's financial statements for employee benefits.

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.

Directors' Report

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	Mr. Waseem ur Rehman Chief Executive	4
2	Mr. Rahat Ullah Non-Executive Director	2
3	Mr. Pir Farhan Shah Executive Director	4
4	Mr. Pir Waris Shah Non-Executive Director	4
5	Mr. Fazli Rabi Executive Director	2
6	Mr. Shafiq Afzal Khan Non-Executive Director	4
7	Mr. Hazrat Bilal Non-Executive Director	4
8	Mr. Khalil ur Rahman 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 except for CEO who acquired 389099 shares.

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 Taseer Hadi & Co, Chartered Accountants retire at the conclusion of the 63rd Annual General Meeting. The Audit Committee and the Board of Directors have recommended M/S Deloitte Yousuf Adil & Co. Chartered Accountants be appointed as auditors of the Company till the next Annual General Meeting.

PATTERN OF SHAREHOLDING

The pattern of shareholding as at June 30, 2018 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 market both for cigarettes and tobacco, especially re-dried tobacco because foreign market had good demand for Pakistani tobacco. The Company expects a good performance in both the tobacco and cigarette export sector in the coming financial year which will enable the Company to earn handsome profits.

Tobacco export has been the main source of profitability of the Company in the past couple of years. However export of Pakistani Tobacco is faced with numerous problems in the Export market mainly increasing costs, cultivation of non recommended varieties of Tobacco by Pakistani Farmers and increased ratio of Non Tobacco

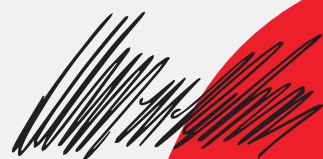
Related Material [NTRM] in the Tobacco. The company is endeavoring to overcome these hurdles in export of Pakistani Tobacco but the efforts of the Company have not been much fruitful so far.

Management is continuously endeavoring to improve quality of processing to compete with international competitors for which purpose the management is continuously striving on up-gradation of the Primary Production Department [PPD]. The ability to produce quality product will also enable the Company to expand local sales by working on brand recognition and management.

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.



Waseem Ur Rehman
Chief Executive

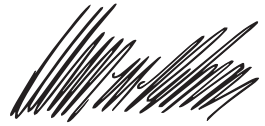
06 November 2018

گزشتہ کچھ سالوں میں تمباکو کی برآمد کمپنی کے منافع کمانے کا اہم ذریعہ رہا ہے۔ تاہم برآمدات مارکیٹ میں 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 مگر ابھی تک کمپنی کی کاوش کا کوئی خاطر خواہ نتیجہ نہیں نکلا۔ انتظامیہ کوالٹی کے مراحل کو بہتر بنانے کی مسلسل کوشش کر رہی ہے تاکہ بین الاقوامی مارکیٹ کے ساتھ مقابلہ کیا جاسکے، اس مقصد کیلئے انتظامیہ گرین لیف تھریٹنگ لائن (GLT) کو اپ گریڈ کرنے (جدید بنانے) کی مسلسل کوشش کر رہی ہے۔ برانڈ کی شناخت اور انتظامیہ پر کام کر کے معیاری مصنوعات تیار کرنے سے کمپنی مقامی مارکیٹ میں فروخت کو وسعت دے سکے گی۔

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 بیش 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۔ میں 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، 2018ء

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 آپریٹنگ 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۔ آڈٹ کمیٹی اور بورڈ آف ڈائریکٹرز نے ایم/ایس ڈیلیوٹ یوسف عادل اینڈ کو، چارٹرڈ اکاؤنٹنٹس اگلے سالانہ جنرل اجلاس تک کمپنی کے آڈیٹرز کے طور پر مقرر کریں۔

شیئر ہولڈنگ کا طریقہ کار:

30 جون 2018 کے مطابق کمپنی ہذا کے شیئر ہولڈنگ کا طریقہ کار جمع کارپوریٹ گورننس کے قانون کے مطابق مطلوبات اس مالیاتی 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 کیونکہ بین الاقوامی مارکیٹ میں پاکستانی سگریٹ کی ایک اچھی طلب 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۔

کارپوریٹ گورننس:

کمپنی ہذا نے عہد کیا ہے کہ وہ کارپوریٹ گورننس کا ایک اعلیٰ معیار قائم کرے گا تاکہ کاروباری سلیبت / 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 طور پر نان۔ ایگزیکٹو ڈائریکٹرز کے آزادانہ رویے کے سلسلہ میں (مختاط 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 ہیں جس کا بورڈ نے جائزہ لیا ہے اور جلد ہی اسکی منظوری دی جائیگی۔ کارپوریٹ گورننس کے قانون کے مطلوبات کے مطابق درجہ 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 فلو، 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۔ انٹر نل کنٹرولز کا نظام ڈیزائن کے لحاظ سے مضبوط ہے اور اس پر مؤثر 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۔

ڈائریکٹرز رپورٹ

برائے اختتامی سال 30 جون، 2018ء

ڈائریکٹرز کی شمولیت / حاضری	ڈائریکٹر کا نام	شامل ہونے والے اجلاس کی تعداد
(1)	جناب وسیم الرحمان چیف ایگزیکٹو	04
(2)	جناب پیر فرحان شاہ نان۔ ایگزیکٹو ڈائریکٹر	04
(3)	جناب پیر وارث شاہ نان۔ ایگزیکٹو ڈائریکٹر	04
(4)	جناب فضل ربی ایگزیکٹو ڈائریکٹر	02
(5)	جناب شفیق افضل خان نان۔ ایگزیکٹو ڈائریکٹر	04
(6)	جناب حضرت بلال نان۔ ایگزیکٹو ڈائریکٹر	04
(7)	جناب خلیل الرحمن نان۔ ایگزیکٹو ڈائریکٹر	04
(8)	جناب راحت اللہ نان۔ ایگزیکٹو ڈائریکٹر	02

بورڈ کمیٹی:

ٹھوس داخلی کنٹرول سسٹم پر مبنی 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۔

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 داخلہ 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 ساتھ (07) اجلاس منعقد ہوئے اور ہر ڈائریکٹر کی حاضری / شمولیت درج ذیل ہے۔ ان اجلاس میں بورڈ کی جانب سے کئے گئے فیصلوں میں کمپنی ہذا کے ڈائریکٹرز کا کوئی بھی ذاتی مفاد شامل نہیں ہے۔

ڈائریکٹر رپورٹ

برائے اختتامی سال 30 جون، 2018ء

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 حتمی کیش ڈیوڈنڈ مبلغ 8.31 روپے فی حصص جو کہ زیر جائزہ سال کیلئے بطور ڈیوڈنڈ جاری کیا گیا ہے، کی سفارش 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۔

سہولیات برائے ریٹائرڈ ملازمین:

کمپنی ہذا، کمپنی کے تمام مستقل ملازمین کیلئے ایک نان فنڈ گریجویٹ سکیم چلا رہی ہے۔ ملازمین کی سہولیات کیلئے حالیہ سال کے مالیاتی گوشوارے میں مبلغ 6.45 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۔

کامیابی سے ہمکنار ہوگی اور کمپنی ہذا دوبارہ برآمدات سے منافع بخش آمدنی حاصل کر سکے گی۔

برآمدات مارکیٹ میں سخت مقابلہ اور کمپنی کی برآمدات مارکیٹ کے کوالٹی کے ضروری مطلوبات کو پورا کرنے کی نااہلیت، 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 وسیع 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 میٹنگ (تحفظ کے بارے میں اجلاس)، حادثے/واقعات کے بارے میں رپورٹ کرنا سیفٹی آڈیٹس، گوڈ ہاؤس کیپنگ (کمپنی کی اچھے طریقے سے دیکھ بھال کرنا)، حفظان 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 باعث فخر سمجھتا ہے۔ 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۔

ڈائریکٹر رپورٹ

برائے اختتامی سال 30 جون، 2018ء

بیلنس شیٹ

کمپنی ہذا کا سرمایہ اور ذخائر میں گزشتہ مالیاتی سال کے اختتام پر مبلغ 819.7 ملین روپے کے مقابلے میں مبلغ 1018 ملین روپے کا اضافہ ہوا ہے۔ کمپنی کے سرمایے کے ذخائر میں شاندار اضافہ، انتظامیہ کی جانب سے ایک مضبوط سرمایہ کاری کی بنیاد پر کمپنی کی تعمیر کیلئے اس کی مرکز توجہ اور کاوش کا ثبوت ہے۔

پلانٹ کا استعمال / 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۔ اوپر مذکورہ حقائق کے باوجود، زیر جائزہ سال کے دوران، نصب شدہ پلانٹ اور مشینری تسلی بخش طریقے سے چل رہی ہیں اور اندرونی کھپت کیلئے تمباکو کی کیفیت کو بہتر بنانے کیلئے بنیادی پیداوار کی ڈگری میں نمایاں بہتری آئی۔

معیار کی ضمانت:

خیبر ٹوبیکو کمپنی لمیٹڈ ایک ایسی کمپنی ہے جو مستعد طریقے سے چل رہی ہے اور معیار کے سلسلہ میں یہ بہت محتاط ہے۔ بہترین معیار کیلئے سخت ترین طریقہ کار لاگو کیا جاتا ہے تاکہ اس امر کو یقینی بنایا جاسکے کہ مقررہ اہداف حاصل کئے جاسکے۔ کوالٹی کے معیار میں وقت کے ساتھ ساتھ بہتری آرہی 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 ہو رہی ہے۔ تاہم انتظامیہ امید رکھتی ہے کہ مستقبل قریب میں یہ کوششیں مزید کامیاب ہوگی اور کمپنی دوبارہ برآمد سے منافع بخش آمدنی حاصل کرنے میں کامیاب ہو جائے گی۔

برآمد مارکیٹ میں معیار کی ضروریات کو پورا کرنے کیلئے کمپنی کی ناکامی کیساتھ مل کر برآمد مارکیٹ میں زبردست مقابلہ کمپنی کی برآمد کرنے کی صلاحیت میں اہم رکاوٹ ہے۔ اس طرح کمپنی بنیادی طور پر دوبارہ خشک اور تمباکو کی برآمد پر منحصر ہے اور متحدہ عرب امارات، جنوبی افریقہ، جرمنی، بیلجیم، ترکی، مصر اور فلپائن نے دوبارہ خشک تمباکو کیلئے مارکیٹ پر قبضہ کر لیا ہے۔

آپریٹنگ (جاری کاروبار) کا سرسری جائزہ:

ماضی میں کمپنی ہذا 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۔ کمپنی ہذا کی انتظامیہ نے مقامی سطح پر سگریٹ کی فروخت پر توجہ مرکوز کی ہے اور وہ اپنی اس کاوش میں بہت حد تک کامیاب ہوئے ہیں۔ اس کا ثبوت گزشتہ سال مجموعی فروخت مبلغ 1.03 بلین روپے کے مقابلے میں زیر جائزہ مدت کے دوران مجموعی فروخت مبلغ 1.13 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۔

منافع کی شرح گزشتہ سال ٹیکس کی کٹوتی سے پہلے منافع مبلغ 280.54 ملین روپے کے مقابلے میں اس سال کے اختتامی مدت 30 جون 2018 میں ٹیکس کی کٹوتی سے پہلے منافع 284.1 ملین روپے ریکارڈ کیا گیا ہے۔ منافع کی شرح گزشتہ مالیاتی سال ٹیکس کی کٹوتی کے بعد منافع مبلغ 189.93 ملین روپے کے مقابلے میں اس سال کے اختتامی مدت 30 جون 2018 میں ٹیکس کی کٹوتی کے بعد منافع مبلغ 199.86 ملین روپے ہے۔ گزشتہ مالیاتی سال 2017 کے مقابلے میں اس سال منافع کی شرح میں اضافہ کی اہم وجہ کمپنی ہذا کی اپنے مقامی صارفین میں اضافہ ہے کمپنی کی فی حصص آمدنی اس کے گزشتہ سال فی حصص آمدنی مبلغ 39.5 روپے کے مقابلے میں اس اختتامی سال 30 جون 2018 کے پیڈ آپ سرمایہ پر مبلغ 41.6 روپے ہے۔

ڈائریکٹر رپورٹ

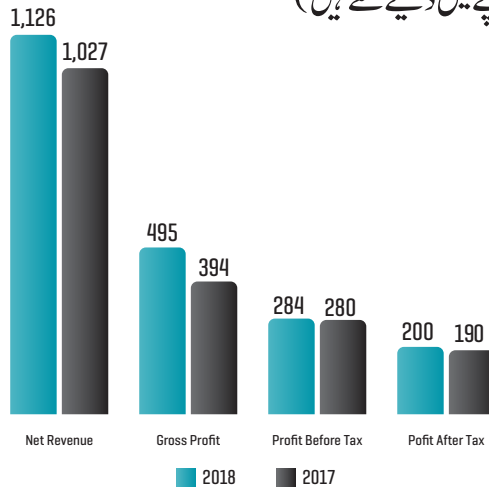
برائے اختتامی سال 30 جون، 2018ء

میرے لئے یہ خوشی کا باعث ہے کہ میں خیبر ٹو بیکولمیٹڈ کے ڈائریکٹر کی جانب سے 63 ویں سالانہ رپورٹ اور آڈیٹڈ مالیاتی گوشوارہ بمع آڈیٹر رپورٹ برائے اختتامی مدت 30 جون، 2018ء پیش کر رہا ہوں۔

کمپنی ہذا کے مالیاتی نتائج:

درجہ ذیل کمپنی ہذا کے گزشتہ اختتامی سال 30 جون 2017ء مقابلے میں مالیاتی کارکردگی برائے اختتامی سال 30 جون 2018ء کی جامع نتائج پیش کی گئیں ہیں: (رقوم ملین روپے میں دیئے گئے ہیں)

پیداوار اور فروخت:



فروخت/سیلز		پیداوار		بیپیش کی اکائی	مصنوعات
2018	2017	2018	2017		
166,325	923,351	1,940,936	1,485,722	کلوگرامز	دوبارہ خشک کیا گیا تمباکو
126,200	90,000	1,021,863	514,128	کلوگرامز	کٹا ہوا تمباکو
998.57	546.57	1,015.00	530.65	سٹیک (ملین میں)	سیگریٹ

زیر جائزہ سال کے دوران، کمپنی ہذا نے گزشتہ مالیاتی سال 2017ء 1.5 ملین کلوگرامز تمباکو کے مقابلے میں اس سال 1.9 ملین کلوگرامز تمباکو اپنے گرین لیف تھریٹنگ پلانٹ میں دوبارہ خشک کیا ہے، اس سال کے دوران، مقامی سطح پر دوبارہ خشک کیا گیا تمباکو کی گزشتہ سال 2017ء کے فروخت 0.923 ملین کلوگرامز کے مقابلے میں زیر جائزہ سال کے دوران 0.166 دوبارہ خشک کیا گیا تمباکو کی فروخت میں کمی دکھائی گئی۔ جس کی اہم وجہ مارکیٹ میں سٹم (تنا) کی طلب میں کمی ہے۔

گزشتہ مالی سال 2017ء کے 0.514 ملین کلو کے مقابلے میں زیر جائزہ سال کے دوران کٹ تمباکو کی پیداوار میں 1.021 ملین کلو گرام اضافہ ہوا ہے۔

اس سال کے دوران، سیگریٹ پیداوار میں گزشتہ مالی سال کے 531 ملین سٹیکس کے مقابلے میں 1.015 ملین سٹیکس کا اضافہ ہوا

VERTICAL ANALYSIS

	2018	2017	2016	2015	2014	2013
<u>Profit and Loss Account</u>						
Net Sales	100.0	100.0	100.0	100.0	100.0	100.0
Cost of Sales	56.0	61.7	76.7	77.5	73.2	90.2
Gross Profit	44.0	38.3	23.3	22.51	26.8	29.6
Administrative Expenses	15.2	8.5	9.5	8.51	5.2	3.8
Distribution Cost	4.9	0.4	3.1	1.02	1.1	1.8
Other Operating Expenses	1.8	2.1	0.8	1.2	1.3	0.3
Operating Profit	22.0	27.4	9.9	11.79	19.3	20.6
Finance Cost	0.9	0.3	0.6	0.36	0.5	0.3
Other Operating Income	4.1	0.3	1.4	3.0	1.1	0.5
Profit before Taxation	25.2	27.3	7.9	8.47	19.8	20.7
Taxation	7.5	8.8	1.5	4.7	3.9	1.9
Profit for the Year	17.8	18.5	6.4	3.8	16.0	19.2
<u>Balance Sheet</u>		<u>Restated</u>	<u>Restated</u>			
Share Capital & Reserves	69.5	67.6	66.0	49.2	52.3	35.2
Non-Current Liabilities	8.4	11.2	6.3	18.9	25.4	27.4
Current Liabilities	22.1	21.3	27.7	31.9	22.3	37.4
Total Equity and Liabilities	100.0	100.0	100.0	100.0	100.0	100.0
Non-Current Assets	35.1	38.2	30.5	33.8	44.5	40.6
Current Assets	64.9	61.8	69.5	66.2	55.5	59.4
Total Assets	100.0	100.0	100.0	100	100.0	100.0

HORIZONTAL ANALYSIS

	2018	2017	2016	2015	2014	2013
<u>Profit and Loss Account</u>						
Net Sales	23.1	46.5	8.1	25.9	26.9	30.4
Cost of Sales	(23.5)	28.3	17.8	38.6	32.0	67.0
Gross Profit	449.8	89.6	(15.0)	(4.4)	14.9	(56.7)
Administrative Expenses	403.2	265.8	200.6	169.7	92.2	42.5
Distribution Cost	234.0	(87.7)	(25.4)	(75.4)	(68.5)	(47.7)
Other Operating Expenses	630.1	158.5	(24.3)	9.6	36.4	(65.6)
Operating Profit	576.0	94.9	(48.0)	(18.6)	19.0	(74.6)
Finance Cost	220.0	179.2	249.2	117.2	280.6	135.8
Other Operating Income	903.5	16.1	345.6	841.6	294.4	92.1
Profit before Taxation	642.9	92.9	(44.1)	(5.7)	21.2	(73.7)
Taxation	(100.0)	764.6	10.9	240.1	224.7	57.8
Profit for the Year	1,207.7	40.8	(48.4)	(58.0)	5.4	(83.9)
<u>Balance Sheet</u>						
		<u>Restated</u>	<u>Restated</u>			
Share Capital & Reserves	357.8	228.7	201.5	119.4	78.3	17.7
Non-Current Liabilities	100.0	100.0	100.0	100.0	100.0	100.0
Current Liabilities	37.1	36.5	17.5	32.1	(29.2)	16.2
Total Equity and Liabilities	132.1	122.3	47.0	43.4	9.7	7.6
Non-Current Assets	100.7	131.2	22.3	32.1	33.0	18.9
Current Assets	153.4	117.1	61.3	50.0	(3.8)	1.1
Total Assets	132.1	122.3	47.0	43.4	9.7	7.6

FINANCIAL PERFORMANCE

		2018	2017	2016	2015	2014	2013
Financial Performance-Profitability							
Gross Profit Margin	%	43.96	38.34	23.29	22.51	26.82	9.84
Net Profit Margin	%	17.75	18.49	9.18	11.49	15.99	2.38
Return on equity	%	14.87	16.33	9.26	18.54	32.00	7.40
Operating Performance-Liquidity							
Total Asset Turnover	Time	0.62	0.72	0.67	0.90	1.10	1.10
Fixed Asset Turnover	Time	1.69	2.06	2.12	2.36	2.50	2.71
Inventory Turnover	Time	0.99	1.18	1.16	1.77	2.45	4.21
Inventory Turnover	Days	367.80	309.65	315.60	206.30	149.00	86.70
Receivable turnover	Time	3.03	3.29	3.93	7.61	8.57	5.34
Receivable turnover	Days	120.54	111.08	92.92	47.95	42.59	68.35
Payable Turnover	Time	5.96	3.43	2.70	4.11	3.68	2.86
Payable Turnover	Days	61.24	106.43	135.06	88.74	99.00	127.62
Current Ratio		2.94	2.91	2.51	2.08	2.48	1.59
Quick Ratio		1.20	1.46	0.78	0.78	0.83	0.89
Capital Market/Capital Structure Analysis							
Earning per share (pre tax)	Rs	59.10	58.34	67.58	114.02	146.61	31.82
Earning per share (after tax)	Rs	41.57	39.51	57.92	84.39	118.38	17.90
Debt: equity	Rs	0.44	0.48	0.51	0.76	0.53	1.19

	2018	2017	2016	2015	2014	2013
	Rupees in Million					
Summary of Balance sheet						
Share Capital	48.07	12.02	12.02	12.02	12.02	12.02
Shareholder's funds/Equity	1,343.91	1,163.09	751.74	547.13	444.61	293.57
Capital employed	1,343.91	819.68	624.32	547.13	444.61	293.57
Property, plant & Equipment	674.44	652.72	342.28	371.67	375.70	336.89
Long term assets	679.17	657.66	347.82	375.88	378.40	338.34
Net Current Assets	1,255.41	697.88	475.64	380.97	281.68	183.72
Summary of Profit and Loss						
Sale	1,125.70	1,027.26	758.26	882.72	890.00	914.46
Gross Profit	494.86	393.88	176.63	198.67	238.74	90.00
Operating Profit	293.71	281.24	75.06	117.40	181.03	41.24
Profit before tax	284.13	280.45	81.22	137.04	176.21	38.26
Profit after tax	199.86	189.93	69.61	101.43	142.28	21.73
Summary of Cash Flows						
Net cash flow from operating activities	86.44	67.64	(19.07)	(38.06)	107.40	109.73
Net cash flow from investing activities	(92.34)	(2.35)	(14.45)	62.56	(138.10)	(74.08)
Net cash flow from financing activities	-	-	-	-	-	-
Changes in cash and cash equivalents	(5.90)	65.28	(33.53)	24.51	(30.70)	35.65
Cash and cash equivalents- Year end	77.04	82.95	17.67	51.19	26.69	57.39

OTHER STATEMENTS

STATEMENTS OF FREE FLOAT OF SHARES

	Quarter-1	Quarter-2	Quarter-3	Quarter-4
Total Outstanding Shares	1,201,841	1,201,841	4,807,364	4,807,364
Less: Government Holdings	-	-	-	-
Less: Shares held by Directors / Sponsors I Senior Management Officers and their associates	-	-	-	-
Less: Shares in Physical Form	1,138,689	1,136,984	4,493,665	4,465,664
Less: Shares held by Associate companies I Group Companies (Cross holdings)	-	-	-	-
Less: Shares issued under Employees Stock Option Schemes that cannot be sold in the open market in normal course	-	-	-	-
Less: Treasury shares	-	-	-	-
Less: Any other category that are barred from selling at the review date	-	-	-	-
Free Float	63,152	64,857	313,699	341,700

FREE CASH FLOW - FOR THE YEAR ENDED JUNE 30, 2018

	2017-18	2016-17	2015-16
Net cash provided by operating activities	86,439,035	67,635,539	(19,074,556)
Less: Capital Additions & Investments	(92,342,901)	(2,354,009)	(14,454,943)
Add: Net Debt Issued	-	-	-
FCF - Total	(5,903,866)	65,281,530	(33,529,499)

SUMMARY OF CASH FLOW STATEMENT FOR LAST 6 YEARS

	2018	2017	2016	2015	2014	2013
Profit before taxation	284,132,666	280,454,828	81,221,506	137,037,845	176,207,294	38,031,425
Net cash flow from operating activities	86,439,035	67,635,539	(19,074,556)	(38,056,030)	107,399,204	109,730,130
Net cash flow from investing activities	(92,342,901)	(2,354,009)	(14,454,943)	62,563,576	(138,102,598)	(74,080,473)
Net increase/(decrease) in cash and cash equivalent	(5,903,866)	65,281,530	(33,529,499)	24,507,546	(30,703,394)	35,649,657
Cash and cash equivalent at the beginning of the year	82,946,732	17,665,202	51,194,701	26,687,155	57,390,549	21,740,892
Cash and cash equivalent at the end of the year	77,042,866	82,946,732	17,665,202	51,194,701	26,687,155	57,390,549

WEIGHTED AVERAGE- FOR JUNE 30, 2018

For year June-2018

Date	No of shares	Time factor	Bonus fraction	Weighted average no of shares
01-Jul-17	1,201,841	0.27	4	1,290,744
07-Oct-17	3,605,523			-
30-Jun-18	4,807,364	0.73	1	3,516,620
				4,807,364

Restatement of comparative EPS

By the inverse of bonus fraction

Last year Shares	1,201,841
Inverse fraction	4/1
Restated EPS 2017	4,807,364

Bonus fraction

During the year company made 3 for 1 bonus issue.

$$\frac{\text{Number of shares in holding after the bonus issue}}{\text{Number of shares in holding before the bonus issue}} = \frac{3 + 1}{1} = \frac{4}{1}$$

Time fraction

Assumed shares issued on 7 october so time fraction is of 98 days and 267 days

DUPONT ANALYSIS - FOR JUNE 30, 2018

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

$$\frac{\text{NET PROFIT}}{\text{REVENUE}} = 0.08$$

$$\frac{\text{REVENUE}}{\text{TOTAL ASSETS}} = 1.29$$

$$\frac{\text{SHAREHOLDERS}}{\text{EQUITY}} = 1.44$$

$$= \text{ROE} = 14.87$$

2,503.6 REVENUE
EPS 41.6 Comprehensive Income
77 Million CASH & BANK
199.9 PROFIT

2018 | FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' 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 2018, 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 2018 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 matters:

S. No.	Key audit matter	How the matter was addressed in our audit
1	<p>Revenue:</p> <p>Refer notes 3.10 and 20 to the financial statements.</p> <p>The Company recognized net revenue of Rs. 1,125 million for the year ended 30 June 2018.</p> <p>We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Company and gives rise to an inherent risk that revenue could be subject to misstatement to meet expectations or targets.</p>	<p>Our audit procedures, amongst others, included the following:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the process relating to recognition of revenue and testing the design, implementation and operating effectiveness of key internal controls over recording of revenue; • Comparing a sample of revenue transactions recorded during the year with sales orders, sales invoices and other relevant underlying documents; • Comparing a sample of revenue transactions recorded around the year end with the sales orders, sales invoices and other relevant underlying documentation to evaluate if the related revenue was recorded in the appropriate accounting period; and • Comparing the details of journal entries posted to revenue accounts during the year, which met certain specific risk-based criteria, with the relevant underlying documentation.
2	<p>Trade debts</p> <p>Refer to note 3.8 and 16 to the financial statements.</p> <p>As at 30 June 2018, the Company's gross trade debtors were Rs. 302.2 million.</p> <p>We identified the recoverability of trade debts as a key audit matter because it involves management judgement in determining the recoverable amount.</p>	<p>Our audit procedures, amongst others, included the following:</p> <ul style="list-style-type: none"> • Obtaining an understanding of and testing the design and implementation of management's key internal controls relating to credit control, debt collection and making allowances for doubtful debts; • testing, on a sample basis, whether items in the trade debtors' ageing report were classified within the appropriate ageing bracket by comparing individual items in the report with underlying documentation;

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KHYBER TOBACCO COMPANY LIMITED

S. No.	Key audit matter	How the matter was addressed in our audit
		<ul style="list-style-type: none"> • testing the assumptions made by the management for the allowances for doubtful debts; • Comparing, on a sample basis, cash receipts from customers subsequent to the financial year end from trade debtor balances existing as at 30 June 2018 with bank statements; and • Assessing the historical accuracy of management's process for making allowances for doubtful debts by examining the utilization or release of allowances recorded in earlier periods and new allowances made in the current year in respect of trade debtors as at 30 June 2018.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. Other information comprises the information included in the annual report for the year ended 30 June 2018, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion 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.

Auditors' 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 auditors' 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 judgement and maintain professional scepticism 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 the 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 auditors' 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 the date of our auditors' 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 the 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 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 auditors' 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, the statement of 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 auditors' report is Riaz Akbar Ali Pesnani.



KPMG Taseer Hadi & Co.
Chartered Accountants
Islamabad

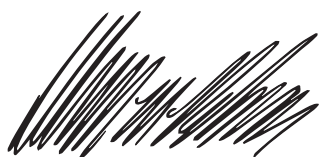
STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

		2018	Restated 2017	Restated 2016
	Note	Rupees	Rupees	Rupees
SHARE CAPITAL AND RESERVES				
Share capital	4	48,073,640	12,018,410	12,018,410
Revenue reserves	5	969,924,404	807,665,645	612,303,806
Revaluation surplus on property, plant and equipment - net of tax	6	325,910,651	343,404,204	127,417,025
Total equity		1,343,908,695	1,163,088,259	751,739,241
NON-CURRENT LIABILITIES				
Employee benefits	7	28,155,977	27,066,989	22,388,804
Deferred tax liability - net	8	135,312,711	165,382,861	49,328,735
Non-current liabilities		163,468,688	192,449,850	71,717,539
CURRENT LIABILITIES				
Trade and other payables	9	328,271,859	302,627,918	306,792,582
Unclaimed dividend		23,164,922	10,423,532	8,300,198
Provision for taxation - net	10	75,764,462	52,998,555	-
Current liabilities		427,201,243	366,050,005	315,092,780
Total equity and liabilities		1,934,578,626	1,721,588,114	1,138,549,560
CONTINGENCIES AND COMMITMENTS	11			

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

		2018	Restated 2017	Restated 2016
	Note	Rupees	Rupees	Rupees
NON-CURRENT ASSETS				
Property, plant and equipment	12	674,436,714	652,719,504	342,282,345
Intangible assets	13	262,741	925,586	1,527,031
Long term deposits	14	4,467,411	4,010,411	4,010,411
Non-current assets		679,166,866	657,655,501	347,819,787
CURRENT ASSETS				
Inventories	15	743,022,089	528,336,344	546,317,189
Trade debts	16	302,296,951	441,194,843	184,027,433
Advances and prepayments	17	25,581,633	11,454,694	29,829,170
Advance tax - net	10	-	-	12,890,779
Advance duty and sales tax	18	107,468,221	-	-
Cash and bank balances	19	77,042,866	82,946,732	17,665,202
		1,255,411,760	1,063,932,613	790,729,773
Total assets		1,934,578,626	1,721,588,114	1,138,549,560



Chief Executive



Director



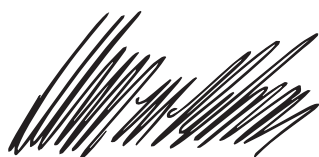
Director

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2018

		2018	Restated 2017
	Note	Rupees	Rupees
Turnover			
Revenue - gross	20	2,503,555,876	2,156,219,661
Sales tax and excise duty		(1,151,851,155)	(1,092,508,135)
Discounts		(226,001,592)	(36,450,830)
Revenue - net		1,125,703,129	1,027,260,696
Cost of sales	21	(630,840,503)	(633,375,911)
Gross profit		494,862,626	393,884,785
Selling and distribution expenses	22	(54,811,256)	(3,859,919)
Administrative expenses	23	(171,580,869)	(87,560,318)
Other expenses	24	(20,602,762)	(21,227,876)
Other income	25	45,837,879	2,761,036
Operating profit		293,705,618	283,997,708
Finance cost	26	(9,572,952)	(3,542,880)
Profit before tax		284,132,666	280,454,828
Income tax expense	27	(84,267,710)	(90,520,597)
Profit for the year		199,864,956	189,934,231
Earnings per share - Basic and diluted (Rupees)	28	41.6	39.5

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



Chief Executive



Director



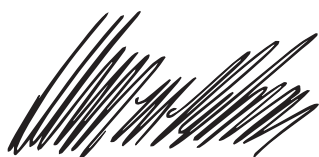
Director

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	2018	Restated 2017
	Rupees	Rupees
Profit for the year	199,864,956	189,934,231
Other comprehensive income for the year		
Items that will not be reclassified to profit or loss		
Remeasurement on defined benefit obligation	5,364,957	1,408,649
Surplus on revaluation of property, plant and equipment	-	350,781,502
Related tax	(1,609,487)	(105,657,046)
	3,755,470	246,533,105
Total comprehensive income for the year	203,620,426	436,467,336

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



Chief Executive



Director



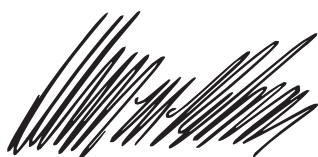
Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	Share capital	Capital reserve Surplus on revaluation of property, plant and equipment - net of tax	Revenue reserves		Total equity
			General reserve	Unappropriated profit	
	Rupees				
Balance at 01 July 2016, as previously reported	12,018,410	-	3,312,465	608,991,341	624,322,216
Effect of change in policy (note 33)	-	127,417,025	-	-	127,417,025
Balance at 01 July 2016 - as restated	12,018,410	127,417,025	3,312,465	608,991,341	751,739,241
Total comprehensive income for the year - restated					
Profit for the year	-	-	-	189,934,231	189,934,231
Other comprehensive income for the year - net	-	245,547,051	-	986,054	246,533,105
Revaluation surplus on property, plant and equipment realised through depreciation for the year - net of deferred tax (refer note 6)	-	(16,459,964)	-	16,459,964	-
	-	229,087,087	-	207,380,249	436,467,336
Increase in deferred tax liability due to change in ratio of export sales (refer note 6)	-	(13,099,908)	-	-	(13,099,908)
Transactions with owners, recorded directly in equity					
Distribution					
Final cash dividend - 30 June 2016 (Rs. 10 per share)	-	-	-	(12,018,410)	(12,018,410)
	-	(13,099,908)	-	(12,018,410)	(12,018,410)
Balance at 30 June 2017- restated	12,018,410	343,404,204	3,312,465	804,353,180	1,163,088,259
Balance at 01 July 2017, as previously reported	12,018,410	-	3,312,465	804,353,180	819,684,055
Effect of change in policy (note 33)	-	343,404,204	-	-	343,404,204
Balance at 30 June 2017- as restated	12,018,410	343,404,204	3,312,465	804,353,180	1,163,088,259
Balance at 01 July 2017 - restated	12,018,410	343,404,204	3,312,465	804,353,180	1,163,088,259
Total comprehensive income for the year					
Profit for the year	-	-	-	199,864,956	199,864,956
Other comprehensive income for the year - net	-	-	-	3,755,470	3,755,470
Revaluation surplus on property, plant and equipment realised through depreciation for the year - net of deferred tax (refer note 6)	-	(34,606,703)	-	34,606,703	-
	-	(34,606,703)	-	238,227,129	203,620,426
Reduction in deferred tax liability due to change in tax rate (refer note 6)	-	17,113,150	-	-	17,113,150
Transactions with owners of the Company					
Distribution					
Issue of bonus shares	36,055,230	-	-	(36,055,230)	-
Final cash dividend - 30 June 2017 (Rs. 33.21 per share)	-	-	-	(39,913,140)	(39,913,140)
	36,055,230	-	-	(75,968,370)	(39,913,140)
Balance at 30 June 2018	48,073,640	325,910,651	3,312,465	966,611,939	1,343,908,695

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



Chief Executive



Director



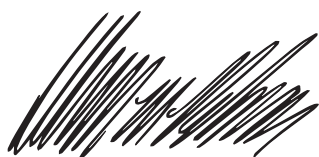
Director

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

		2018	2017
	Note	Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		284,132,666	280,454,828
Adjustments for:			
- Provision for gratuity	7.1.1	6,453,945	6,086,834
- Depreciation	12	70,001,041	42,397,570
- Amortization	13	662,845	902,227
- Trade debts written off	23	44,946,047	-
- Security deposits written off	23	167,650	-
- Stock in trade written off	21.1	-	3,012,193
- Reversal of provision for doubt debts	16.1	-	(1,403,000)
- Advances to suppliers written off	17	3,535,094	1,116,793
- Trade creditors and tobacco cess written back	25	(34,178,710)	(1,358,036)
- Advances from customers written back	25	(11,327,245)	-
- Finance cost	26	9,572,952	3,542,880
		89,833,619	54,297,461
		373,966,285	334,752,289
Changes in:			
- Stock in trade		(214,685,745)	14,968,652
- Trade debts		93,951,845	(255,764,410)
- Advances and prepayments		(17,662,032)	17,257,683
- Advance duty and taxes		(107,468,221)	-
- Trade and other payables		62,843,499	(5,939,009)
		(183,020,654)	(229,477,084)
Cash generated from operating activities		190,945,631	105,275,205
Finance cost paid		(1,266,555)	(410,499)
Income tax paid		(76,068,291)	(27,334,091)
Dividend paid		(27,171,750)	(9,895,076)
Net cash generated from operating activities		86,439,035	67,635,539
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	12	(91,718,251)	(2,053,227)
Increase in long term deposits		(624,650)	-
Acquisition of intangible assets	13	-	(300,782)
Net cash used in investing activities		(92,342,901)	(2,354,009)
Net (decrease) / increase in cash and cash equivalents		(5,903,866)	65,281,530
Cash and cash equivalents at beginning of the year		82,946,732	17,665,202
Cash and cash equivalents at end of the year	19	77,042,866	82,946,732

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 2018

1. THE COMPANY AND ITS OPERATIONS

Khyber Tobacco Company Limited (the "Company") was incorporated under the repealed Companies Act, 1913 (now the Companies Act, 2017) on 15 October 1954 as a public limited company. The shares of the Company are quoted on Pakistan Stock Exchange Limited.

The Company is engaged in the manufacture and sale of cigarettes, cut tobacco and redried tobacco.

The addresses of the Company's registered office, plants and warehouses are as follows:

- | | |
|----------------------------|------------------------------|
| - Registered office | Nowshera Mardan Road, Mardan |
| - Manufacturing facilities | Nowshera Mardan Road, Mardan |
| - Warehouses | Nowshera Mardan Road, Mardan |

1.1 Summary of significant events and transactions

Significant events and transactions affecting the financial statements are summarized as follows:

- Final cash dividend of Rs. 39.9 million has been declared for the year ended 30 June 2017.
- During the year, the Company issued 3,605,523 number of bonus shares to its existing shareholders in the ratio of 3 for 1.
- During the year, the Company purchased machinery amounting to Rs. 75 million for primary production department.
- During the month of May and June 2018, production was significantly lower than the normal production level of the company.
- During the year, the Company reassessed the recoverability of its financial assets and likelihood of payment of its financial liabilities. As a result, following adjustments were made:
 - Trade debts amounting to Rs. 44.9 million were written off.
 - Advances to suppliers amounting to 7.8 million were written off.
 - Advances from customers amounting to Rs. 11 million were written back.
 - Trade creditors and tobacco cess amounting to Rs. 34.1 million were written back.
- During the year, the Company received following assessment orders from the tax department on account of sales tax and federal excise duty.

Letter / Order number	Date
- 33/2017	23 August 2017
- 1167	01 May 2018
- 53/2017	21 November 2017
- 54/2017	21 November 2017

- Due to first time application of financial reporting requirements under the Companies Act, 2017, the accounting policy for revaluation surplus on property, plant and equipment has been changed during the year. Consequently, the amount of revaluation surplus on property, plant and equipment reported outside the equity, in the prior years, has been reclassified to equity. Refer note 33 to the financial statements. Further in order to comply with the disclosure and presentation requirements of the fourth schedule of the Companies Act, 2017 some of the amounts reported in the prior year have been reclassified. Refer note 34 to the financial statements.

2. BASIS OF PREPARATION

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.

Details of the Company's accounting policies are included in note 3.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

2.2 Basis of measurement

These financial statements have been prepared under historical cost convention except for the following Items:

- a) certain items of property, plant and equipment have been measured at revalued amounts; and
- b) Liability related to staff retirement benefit is stated at present values determined through actuarial valuation.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees (Rupee or PKR), which is the Company's functional currency. All amounts have been rounded to the nearest rupee, unless otherwise indicated.

2.4 Use of estimates and judgments

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

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

The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

- Note 3.1 and 12 useful lives, reassessed values, residual values and depreciation method of property, plant and equipment
- Note 3.2 and 13 useful lives, residual values and amortization method of intangible asset
- Note 3.6, 3.7 and 11 recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources;
- Note 3.4.2 and 7 measurement of defined benefit obligations: key actuarial assumptions
- Note 3.13, and 8 recognition of deferred tax liabilities and assets and estimation of income tax provisions
- Note 3.8.1 and 16 provision for doubtful trade debts
- Note 3.9.2 impairment loss of non-financial assets other than inventories
- Note 3.3 and 15 for Inventories

Measurement of fair values

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

The Company has an established control framework with respect to the measurement of fair values. Management has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the approved accounting standards as applicable in Pakistan, including the level in the fair value hierarchy in which the valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2018:

1. Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 01 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.
2. Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after 01 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Company's financial statements.
3. Annual Improvements to IFRSs 2014-2016 Cycle (Amendments to IAS 28 'Investments in Associates and Joint Ventures') (effective for annual periods beginning on or after 01 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Company's financial statements.
4. IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 01 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The Company is currently assessing the impact of the IFRIC 22 on its financial statements, if any.
5. IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The Company is currently assessing the impact of the IFRIC 23 on its financial statements.
6. IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 01 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programs'. The Company is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard.
7. IFRS 9 'Financial Instruments' and amendment - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 01 July 2018 and 01 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

8. IFRS 16 'Leases' (effective for annual period beginning on or after 01 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-statement of financial position lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Company is currently in the process of analyzing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard.
9. Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 01 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's financial statements.
10. Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 01 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Company's financial statements.
11. Annual Improvements to IFRS Standards 2015-2017 Cycle - the improvements address amendments to following approved accounting standards:
 - IFRS 3 'Business Combinations' and IFRS 11 'Joint Arrangement' - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company re-measures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
 - IAS 12 'Income Taxes' - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
 - IAS 23 'Borrowing Costs' - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 01 January 2019 and are not likely to have an impact on Company's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies as set out below have been applied consistently to all periods presented in these financial statements, except for the changes as follows:

- i. Amendments to IAS 7 'Statement of Cash Flow' became effective during the year. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. However, there was no financing activity of the Company during the year accordingly the disclosure is not presented in these financial statements.
- ii. The Companies Act, 2017 specified certain disclosures to be included in the financial statements. The Company has presented the required disclosures in these financial statements and reclassified certain corresponding figures. However, there was no change in the reported amounts of profit and other comprehensive income and the amounts presented in the statement of financial position due to these reclassifications. Refer to note 34.
- iii. The specific provision / section in the repealed Companies Ordinance, 1984 relating to the surplus on revaluation of fixed assets has not been carried forward in the Companies Act, 2017. Previously, section 235 of the repealed Companies Ordinance, 1984 specified the accounting treatment and presentation of the surplus on revaluation of fixed assets, which was not in accordance with the IFRS requirements. Accordingly, the requirements of International Accounting Standard (IAS) 16, Property, Plant and Equipment, surplus on

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

revaluation of property, plant and equipment would now be presented under equity.

Following the application of IAS 16, the Company's policy for surplus on revaluation of land, buildings, plant, machinery and equipment stands amended as follows:

- Increases in the carrying amounts arising on revaluation of land, buildings, plant, machinery and equipment are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in statement of profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the revaluation surplus on property, plant and equipment to unappropriated profits.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated. Refer to note 33.

3.1 Property, plant and equipment

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 there on 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.

Cost comprises of purchase price and other directly attributable costs less refundable taxes. The cost of self constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use.

Increases in the carrying amounts arising on revaluation of land, buildings, plant machinery and equipment are recognised, net of tax, in other comprehensive income and accumulated in revaluation surplus in shareholders' equity. To the extent that increase reverses a decrease previously recognized in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised 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 labor, 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 recognised in statement of profit or loss at rates given in note 12 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 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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

3.2 Intangible assets

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 recognised in statement of profit or loss as incurred.

Amortization

Amortisation 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 recognised in statement of profit or loss based on the amortization rates as disclosed in note 13 to the financial statements.

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

3.3 Inventories

Stock in trade

These are measured at the lower of cost and net realizable value. Cost is determined as follows:

Material in transit:	at material cost plus charges paid thereon
Raw material:	at moving average cost
Work in process:	at material cost and relevant manufacturing cost
Finished goods:	at moving average cost and related manufacturing expenses

Cost comprises of purchase and other costs incurred in bringing the material to their present location and conditions. Net realizable value signifies the estimated selling price in the ordinary course of business less estimated cost of completion and selling expenses necessarily to be incurred to make a sale.

3.4 Employee benefits

The accounting policy for employee benefits are described below:

3.4.1 Short-term employee benefits:

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.4.2 Defined benefit plans:

The Company operates the following defined benefit plan:

Defined benefit plan (gratuity)

The Company operates a defined benefit plan comprising an unfunded gratuity scheme covering all eligible employees completing the minimum qualifying period of service as specified by the scheme. Annual provisions to cover the obligations under the scheme are based on actuarial estimates and are charged to statement of profit or loss. Actuarial valuations are carried out by a qualified actuarial expert using the Projected Unit Credit (PUC) Actuarial Cost Method. Net interest expense and other expenses related to defined benefit plan is recognised in statement of profit or loss.

3.5 Foreign currency transactions and translations

Transactions in foreign currencies are recorded at the rates of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pakistan Rupee at the exchange rate ruling on the balance sheet date and exchange differences, if any, are recognised in statement of profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are recognised in statement of profit or loss.

3.6 Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessment of time value of money and risk specific to the liability. The unwinding of discount is recognised as finance cost.

3.7 Contingent liabilities

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

3.8 Financial instruments

The Company classifies non-derivative financial assets into the loans and receivables.

The Company classifies non-derivative financial liabilities as other financial liabilities.

3.8.1 Non-derivative financial assets and financial liabilities

3.8.1.1 Recognition and derecognition

The Company initially recognizes loans and receivables on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

		2018	2017
4	SHARE CAPITAL	Rupees	
4.1	Authorised share capital	200,000,000	20,000,000

Authorised share capital comprises of 20,000,000 (2017: 2,000,000) ordinary shares of Rs. 10 each.

4.2 Issued, subscribed and paid up capital

	2018	2017		2018	2017
	Number of shares			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	704,341	Ordinary shares of Rs. 10 each, issued as bonus shares	7,043,410	7,043,410
	3,605,523	-	Ordinary shares of Rs. 10 each, issued as bonus shares	36,055,230	-
	4,807,364	1,201,841		48,073,640	12,018,410

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

4.2.1 Directors of the Company hold 3,155,440 i.e. 65.64% (2017: 399,101 i.e. 33.21%) ordinary shares of Rs. 10 each at the reporting date.

4.2.2 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.

4.3 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.

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.

		2018	2017
5	REVENUE RESERVES	Note	Rupees
	General reserve		3,312,465
	Unappropriated profits	5.1	804,353,180
			807,665,645

5.1 These represent unappropriated profits which are available for distribution.

		2018	2017
6	REVALUATION SURPLUS ON PROPERTY, PLANT AND EQUIPMENT - NET OF TAX		Rupees
	Balance at 01 July	490,577,433	163,310,165
	Surplus arising on revaluation during the year	-	350,781,502

		2018	2017
	Note		Rupees
	Surplus transferred to unappropriated profits in respect of incremental depreciation charged during the year:		
	- Net of deferred tax	(34,606,703)	(16,459,964)
	- Related deferred tax liability	(14,831,444)	(7,054,270)
		(49,438,147)	(23,514,234)
	Surplus on revaluation of property, plant and equipment at 30 June	441,139,286	490,577,433
	Related deferred tax liability		
	On revaluation surplus at 01 July	(147,173,229)	(35,893,140)
	On revaluation surplus during the year	-	(105,234,451)
	On incremental depreciation charged during the year	14,831,444	7,054,270
	Effect of change in tax rate	17,113,150	-
	Effect of change in ratio of export sales	-	(13,099,908)
		(115,228,635)	(147,173,229)
	Balance at 30 June	325,910,651	343,404,204

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

		2018	2017
7	EMPLOYEE BENEFITS	Note	Rupees
	Net defined benefit liability - gratuity	7.1	27,066,989

7.1 Net defined benefit liability - gratuity

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

		2018	2017
	Note		Rupees
	Movement in the liability recognised in the balance sheet		
	Opening balance	27,066,989	22,388,804
	Charge for the year	6,453,945	6,086,834
	Remeasurement gain	(5,364,957)	(1,408,649)
	Closing balance	28,155,977	27,066,989

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

	Reconciliation of liability recognised in the balance sheet			
	Present value of defined benefit obligation		28,155,977	27,066,989
7.1.1	Included in profit or loss			
	Current service cost		4,288,586	4,071,842
	Interest cost		2,165,359	2,014,992
			6,453,945	6,086,834
7.1.2	Expense is recognized in the following line items in profit or loss:			
	Cost of sales	21.3	6,060,811	3,196,015
	Administrative expenses	23.1	393,134	2,890,819
			6,453,945	6,086,834
7.1.3	(Credit) to other comprehensive income			
	Remeasurement gain on defined benefit obligation		(5,364,957)	(1,408,649)
7.1.4	Key actuarial assumptions			
	The latest actuarial valuation was carried out, on 30 June 2018, using projected unit credit method with the following assumptions:			
			2018	2017
			Percentage	
	The following were the principal actuarial assumptions at the reporting date :			
	Discount rate		9%	8%
	Future salary growth		9%	8%
	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 2018, the weighted-average duration of defined benefit obligation was 16.2 years (2017: 17.11 years).			
7.1.5	Sensitivity analysis			
	For a change of 100 basis points, present value of defined benefit obligation as at 30 June 2018 would have been as follows:			
		30 June 2018	30 June 2017	
		Increase	Decrease	Increase
				Decrease
		Rupees		
	Discount rate (1% movement)	(942,100)	2,505,881	(3,222,031)
	Future salary growth (1% movement)	2,717,051	(881,283)	2,177,509
				2,253,277
				(3,323,879)
	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.			
7.1.6	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 2018

7.1.7 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. 5,681,926 (2017: Rs. 6,173,788).

	2018	2017
8 DEFERRED TAX LIABILITY - NET	Rupees	
Deferred taxation	135,312,711	165,382,861
	135,312,711	165,382,861

	Net balance at 01 July 2017	Profit or loss	Recognized in Other comprehen- sive income	Equity	Net balance at 30 June 2018
2018					
Taxable temporary differences					
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
Deductible temporary differences					
Provision against doubtful debts	(532,989)	685,222	-	-	152,233
Deferred tax liability - net	-	-	1,609,487	-	-
Provision against doubtful advances	(1,201,019)	1,201,019	-	-	-
	(1,734,008)	1,886,241	1,609,487	-	152,233
	165,382,861	(12,957,001)	1,609,487	(17,113,150)	135,312,711
2017					
Taxable temporary differences					
Property, plant and equipment	14,739,017	5,200,623	-	-	19,939,640
Intangible assets	29,846	(25,846)	-	-	4,000
Revaluation surplus	35,893,140	(7,054,270)	105,234,451	13,099,908	147,173,229
Deductible temporary differences					
Provisions for doubtful trade debts	(698,836)	165,847	-	-	(532,989)
Deferred tax liability - net	-	-	422,595	-	-
Provisions for doubtful advances	(634,432)	(566,587)	-	-	(1,201,019)
	(1,333,268)	(400,740)	422,595	-	(1,734,008)
	49,328,735	(2,280,233)	105,657,046	13,099,908	165,382,861

	2018	2017
9 TRADE AND OTHER PAYABLES	Rupees	
Creditors	97,831,908	120,356,462
Accrued liabilities	25,292,209	12,962,673
Advances from customers	110,121,256	81,849,704
Workers' Profit Participation Fund	72,727,356	51,875,214
Workers' Welfare Fund	10,995,283	6,171,269
Withholding tax payable	3,618,217	1,024,033
Sales tax and excise duty payable	-	15,471,714
Tobacco development less payable	-	10,370,916
Royalty payable	7,685,630	2,415,730
Other payable	-	130,203
	328,271,859	302,627,918

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

		2018	2017
9.2	Workers' Profit Participation Fund	Note	Rupees
	Balance at the beginning of the year		51,875,214
	Provision for the year	24	15,778,747
	Interest on funds utilised in the Company's business		5,073,395
			72,727,356
10	PROVISION FOR TAXATION / (ADVANCE TAX) - NET		
	Advance tax at the beginning of the year		52,998,555
	Provision for the year		97,224,711
	Adjustment of other comprehensive income		1,609,487
	Payments made during the year		(76,068,291)
	Provision for taxation at the end of the year		75,764,462
11	CONTINGENCIES AND COMMITMENTS		
11.1	Contingencies:		
a)	Litigation		
11.1.1	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 (2017: Rs. 2.5 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.		
11.1.2	For tax related contingencies, refer note 27.4.		
		2018	2017
b)	Gaurantees		Rupees
	Letters of guarantee issued by bank on behalf of the Company	900,000	-
c)	Commitments:		
i)	Letters of credit against import of machinery	36,265,166	-
ii)	Letters of credit against import of spares	-	829,598
iii)	Leasehold land	42,159	69,065

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings on leasehold land	Plant and machinery	Tools and equipments	Furniture and fittings	Office equipments	Vehicles	Capital work in progress (Note 12.3)	Total
	Rupees							
Cost / revalued amounts								
Balance at 01 July 2016	145,845,745	285,203,547	33,257,945	1,558,080	2,072,740	9,555,099	-	477,493,156
Additions	-	342,104	1,048,673	501,850	160,600	-	-	2,053,227
Surplus on revaluation	125,664,913	224,521,078	-	595,511	-	-	-	350,781,502
Balance at 30 June 2017	271,510,658	510,066,729	34,306,618	2,655,441	2,233,340	9,555,099	-	830,327,885
Balance 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	17,100	1,768,000	10,614,457	234,275	294,000	3,329,481	75,460,938	91,718,251
Balance 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
Accumulated depreciation								
Balance at 01 July 2016	42,285,018	78,482,003	8,266,119	480,283	2,072,740	3,624,648	-	135,210,811
Charge for the year	9,944,265	27,560,874	3,010,844	152,756	8,913	1,719,918	-	42,397,570
Balance at 30 June 2017	52,229,283	106,042,877	11,276,963	633,039	2,081,653	5,344,566	-	177,608,381
Balance 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 at 30 June 2018	69,676,558	152,101,659	15,054,232	883,570	2,282,525	7,610,878	-	247,609,422
Carrying amounts :								
- At 30 June 2017	219,281,375	404,023,852	23,029,655	2,022,402	151,687	4,210,533	-	652,719,504
- At 30 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
Rates of depreciation per annum								
At 30 June 2017	7.14%	10%	10%	10%	30%	20%		
At 30 June 2018	7.14%	10%	10%	10%	30%	20%		

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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

		2018	2017
	Note	Rupees	
Cost of sales	21	57,492,237	34,650,668
Administrative expenses	23	12,508,804	7,746,902
		70,001,041	42,397,570

12.2 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, Aim Associates Limited 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	Closing cost	Accumulated depreciation	Carrying value
	Rupees				
Buildings on leasehold land	3,093,325	17,100	3,110,425	1,591,244	1,519,181
Plant and machinery	179,037,772	1,768,000	180,805,772	60,475,668	120,330,104
Furniture and fittings	1,738,113	234,275	1,972,388	1,370,543	601,845
30 June 2018	183,869,210	2,019,375	185,888,585	63,437,455	122,451,130
30 June 2017	183,025,256	843,954	183,869,210	49,119,014	134,750,196

12.3 This represents capital work in progress in relation to plant and machinery of primary production department.

12.4 Particulars of immovable properties (on leasehold land) of the Company is as follows:

Location	Usage of immovable property	Total area
Nowshera Malakand Road, Mardan	Corporate office	-
Nowshera Malakand Road, Mardan	Manufacturing facilities	-
Nowshera Malakand Road, Mardan	Warehouses	-

		2018	2017
13	INTANGIBLE ASSETS	Rupees	
	Computer software		
	Balance at 01 July	925,586	1,527,031
	Additions	-	300,782
	Amortisation	(662,845)	(902,227)
	Balance at 30 June	262,741	925,586
	Amortisation rate	30%	30%
13.1	Amortisation on intangible assets has been allocated as follows:		
	Cost of sales	530,276	703,737
	Administrative expenses	132,569	198,490
		662,845	902,227

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

14 LONG TERM DEPOSITS

These represent long term deposits with Sui Northern Gas Pipelines Limited, Water and Power Development Authority and against office building.

	Note	2018	2017
15 INVENTORIES			Rupees
Raw and packing material		720,902,571	522,264,841
Work in process		8,648,674	963,992
Finished stock		13,470,844	5,107,511
		743,022,089	528,336,344
16 TRADE DEBTS			
Trade debts - unsecured			
Considered good		302,296,951	441,194,843
Considered doubtful		-	1,776,631
		302,296,951	442,971,474
Less: provision for doubtful trade debts	16.1	-	(1,776,631)
		302,296,951	441,194,843
16.1 Provision for doubtful trade debts			
Balance at 01 July		1,776,631	3,179,631
Provision / (reversal of provision) - net		-	(1,403,000)
Bad debts written off		(1,776,631)	-
Balance at 30 June		-	1,776,631
16.2 The age analysis of trade debts, at the reporting date, is as follows:			
Past due			
-upto 1 month		21,478,696	162,347,484
-upto 1 to 3 months		164,666,423	196,547,302
-upto 3 to 6 months		82,224,032	7,975,464
-upto 6 to 12 months		30,883,140	65,457,223
-more than one year		3,044,660	10,644,001
		302,296,951	442,971,474
17 ADVANCES AND PREPAYMENTS			
Advances to suppliers - unsecured			
- considered good	17.2	25,366,836	11,454,694
- considered doubtful		-	4,003,396
		25,366,836	15,458,090
Provision for doubtful advances	17.1	-	(4,003,396)
Prepayments		90,000	-
Prepaid Insurance		124,797	-
		25,581,633	11,454,694
17.1 Provision for doubtful advances			
Balance at 01 July		4,003,396	2,886,603
Provision / (reversal) - net		-	1,116,793
Advances written off		(4,003,396)	-
Balance at 30 June		-	4,003,396
17.2	These include the following advances having outstanding balance exceeding Rs. 1 million at reporting date:		

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	Rupees	
Tiangin Textile Group	-	4,447,585
Pak Logistic Services	5,319,417	2,256,846
Global Logistic Planers	1,684,908	1,700,548
Ofion Trading LLC	13,343,392	-
Hauni Korber Solution	1,189,452	-
Excell Cards (Private) Limited	1,000,000	-
18 ADVANCE DUTY AND SALES TAX		
Sale tax	20,464,267	-
Federal excise duty	87,003,954	-
18.1	107,468,221	-

18.1 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 27.4 (b).

	2018	2017
	Rupees	
19 CASH AND BANK BALANCES	Note	
Cash in hand	147,899	85,429
Cash at bank		
Current accounts		
- Foreign currency	49,284	42,458
- Local currency	76,845,683	82,818,845
	76,894,967	82,861,303
	77,042,866	82,946,732

19.1 This includes Rs. 36,265,166 (2017: Rs. 829,598) lien marked by a bank against letters of credit issued on behalf of the Company. Refer note 11.

	2018	2017
	Rupees	
20 TURNOVER		
Revenue - gross		
- Local	2,498,121,876	2,156,219,661
- Export	5,434,000	-
	2,503,555,876	2,156,219,661
Sales tax and excise duty		
- Excise duty	(807,364,838)	(828,938,158)
- Sales tax	(344,486,317)	(263,569,977)
	1,351,704,721	1,063,711,526
Discounts	(226,001,592)	(36,450,830)
	1,125,703,129	1,027,260,696

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

			2018	2017
21	COST OF SALES	Note	Rupees	
	Raw and packing material consumed	21.1	451,546,587	479,221,469
	Royalty	21.2	5,986,960	2,952,577
	Fuel and power		36,459,147	30,537,625
	Stores, spare parts and loose tools consumed		34,135,918	19,413,401
	Repair and maintenance		2,371,069	2,864,972
	Salaries, wages and other benefits	21.3	56,118,183	47,849,519
	Insurance		1,376,581	1,267,432
	Machine hiring charges		315,000	370,452
	Others		511,560	1,751,640
	Rent		45,000	45,000
	Depreciation	12.1	57,492,237	34,650,668
	Amortisation	13.1	530,276	703,737
			646,888,518	621,628,492
	Work in process at 01 July		963,992	-
	Work in process at 30 June		(8,648,674)	(963,992)
	Cost of goods manufactured		639,203,836	620,664,500
	Finished stock at 01 July		5,107,511	17,818,922
	Finished stock at 30 June		(13,470,844)	(5,107,511)
			630,840,503	633,375,911
21.1	Raw and packing materials consumed:			
	Balance at 01 July		522,264,841	528,498,267
	Raw and packing material purchased		650,184,317	476,000,236
	Inventories written off	23	-	(3,012,193)
	Balance at 30 June		(720,902,571)	(522,264,841)
			451,546,587	479,221,469
21.2	Details of royalty expenses is as follows		2018	2017
			Rupees	
	Name	Registered Address	Relationship with Company or Directors	
	Walton Tobacco Company (Private) Limited	Chittarpari, Mirpur Azad Kashmir	None	5,721,180
	National Tobacco Industries (Private) Limited	Mora Seddha, Bhimber Azad Kashmir	None	174,780
	Paramount International	P.O & Tehsil Lahor, District Swabi, KPK	None	91,000
			5,986,960	2,952,577
21.3	Salaries, wages and other benefits include staff retirement benefits amounting to Rs. 6.06 million (2017: Rs. 3.1 million).			
22	SELLING AND DISTRIBUTION EXPENSES	Note	2018	2017
			Rupees	
	Customs, clearance and freight on export		276,693	84,783
	Freight on local sale		7,574,310	3,775,136
	Branding cost		9,370,753	-
	Distributors' retention bonus		37,589,500	-
			54,811,256	3,859,919

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

		2018	2017	
23	ADMINISTRATIVE EXPENSES	Note	Rupees	
	Salaries, wages and other benefits	23.1	51,057,691	43,280,246
	Fuel and power		7,480,665	4,853,260
	Communication		1,628,385	1,861,213
	Printing and stationary		1,582,484	1,277,596
	Security charges		3,578,988	3,560,603
	Depreciation	12.1	12,508,804	7,746,902
	Amortisation	13.1	132,569	198,490
	Legal and professional		10,052,889	3,418,479
	Auditors' remuneration	23.2	3,388,075	3,389,016
	Repair and maintenance		5,865,681	13,609
	Advances to suppliers written off		3,535,094	1,116,793
	Advance federal excise duty and sales tax written off		-	-
	Rent expense		13,064,665	714,500
	Trade debts written off		44,946,047	-
	Security deposits written off		167,650	-
	Advertisement		5,978,410	225,630
	Sales tax arrears and surcharge		-	12,437,387
	Stock in trade written off		-	3,012,193
	Others		6,612,772	454,401
			171,580,869	87,560,318

23.1 Salaries, wages and other benefits include staff retirement benefits amounting to Rs. 0.4 million (2017: Rs. 2.8 million)

	2018	2017
23.2	Auditors' remuneration	
	Rupees	
Audit services		
Annual audit fee	850,000	850,000
Half yearly review fee	575,000	575,000
Out of pocket expenses	570,000	570,941
	1,995,000	1,995,941
Non audit services		
Other certification charges	415,000	415,000
Tax consultancy fee	978,075	978,075
	3,388,075	3,389,016

24	OTHER EXPENSES		
	Workers' Profit Participation Fund	15,778,747	15,084,135
	Workers' Welfare Fund	4,824,015	6,143,741
		20,602,762	21,227,876

25	OTHER INCOME		
	Income from non financial assets		
	Royalty income	331,924	-
	Trade creditors and tobacco cess written back	34,178,710	1,358,036
	Advances from customers written back	11,327,245	-
	Reversal of provision for doubtful trade debts	-	1,403,000
		45,837,879	2,761,036

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

		2018	2017
26	FINANCE COST	Note	Rupees
	Bank charges		1,266,555
	Interest on Workers' Profit Participation Fund	9.3.1	410,499
	Exchange loss - net		5,073,395
			2,947,754
			3,233,002
			184,627
			9,572,952
			3,542,880
27	INCOME TAX EXPENSE		
	Current tax		97,224,711
	Deferred tax		(12,957,001)
			92,800,830
			(2,280,233)
	Tax expense for the year		84,267,710
			90,520,597

27.1 Relationship between accounting profit and tax expense is as follows:

	2018	2017
	Rupees	
Accounting profit	284,132,666	280,454,828
Applicable tax rate	30%	31%
Tax on accounting profit at applicable rate of 30% (2017: 31%)	85,239,800	86,940,997
Effect of rebates	(3,172,412)	(2,409,735)
Tax effect of export income charged at lower tax rate	(1,086,800)	-
Effect of change in ratio of export sales	-	4,904,010
Permanent differences	3,287,122	1,085,325
	84,267,710	90,520,597

27.2 According to the management, the tax provision made in the financial statements is sufficient. A comparison of last three years of income tax provision with tax assessed is presented below:

	2017	2016	2015
	Rupees		
Income tax provision as per accounts	92,800,830	27,499,989	32,948,901
Income tax as per tax assessment	61,256,565	27,664,453	18,029,048

27.3 Tax Assessments up to and including tax year 2017 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.

27.4 Tax related contingencies

- 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 tax evasion. The Company has filed appeal against the order before the Commissioner Inland Revenue (Appeals) Peshawar and adjudication of the same is pending (also refer 'b' below).
- Deputy Commissioner Inland Revenue, Corporate Zone II, Regional Tax Office, Peshawar, on 01 May 2018 vide letter number 1167 recovered Rs. 27,351,008 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 amounting to Rs. 83,053,190. The Company has applied to the relevant authority for attainment of relevant assessment orders against which Rs. 27,351,008 recovery was made. Only one assessment order no. 33/2017 dated 18 August 2017 amounting Rs. 9,530,926 out of six assessment orders have been provided to the Company (refer 'a' above). A stay order has been obtained by the Company after a writ petition was filed in Honourable High Court. The Company has filed appeal against the orders before the Commissioner Inland Revenue (Appeals) Peshawar. Also refer note 18.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

- c) Deputy Commissioner Inland Revenue, Corporate Zone II, Regional Tax Office, Peshawar passed assessment order no. 53/2017 on 21 November 2017 under Federal Excise Act 2005 and Sales Tax Act 1990 amounting to Rs. 3,290,210 against the Company in lue of alleged claims of tax evasion. 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.
- d) Deputy Commissioner Inland Revenue, Corporate Zone II, Regional Tax Office, Peshawar passed assessment order no. 54/2017 on 21 November 2017 under Federal Excise Act 2005 and Sales Tax Act 1990 amounting jointly to Rs. 3,119,290 against the Company in lue of alleged claims of tax evasion. 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.

28 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.

	2018	2017
	Rupees	
i) Profit attributable to ordinary shareholders (Rupees)	199,864,956	189,934,231
ii) Weighted-average number of ordinary shares at 30 June	4,807,364	Restated 4,807,364
iii) Basic earnings per share	41.6	39.5

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

29 PLANT CAPACITY	2018	2017
Available capacity (million cigarettes per annum)	1,816	1,816
Actual production (million cigarettes)	1,015	531

29.1 Actual production was sufficient to meet the market demand.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

A FAIR VALUES

30.1 Classifications and fair values

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

	Note	Carrying amount			Total	Fair value			Total
		Held to maturity	Loans and receivables	Other financial liabilities		Level 1	Level 2	Level 3	
Rupees									
30 June 2018									
Financial assets not measured at fair value									
Long term deposits		-	4,467,411	-	4,467,411	-	-	-	-
Trade debts	16	-	302,296,951	-	302,296,951	-	-	-	-
Bank balances	19	-	76,894,967	-	76,894,967	-	-	-	-
		-	383,659,329	-	383,659,329	-	-	-	-
Financial liabilities not measured at fair value									
Trade and other payables	8 & 30.2	-	-	203,537,103	203,537,103	-	-	-	-
30 June 2017									
Financial assets not measured at fair value									
Long term deposits		-	4,010,411	-	4,010,411	-	-	-	-
Trade debts	16	-	441,194,843	-	441,194,843	-	-	-	-
Bank balances	19	-	82,861,303	-	82,946,732	-	-	-	-
		-	528,066,557	-	528,151,986	-	-	-	-
Financial liabilities not measured at fair value									
Trade and other payables	8 & 30.2	-	-	198,163,814	198,163,814	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

30.2 It excludes advances from customers, sales tax and excise duty payable, tobacco development cess payable and income tax deducted at source.

30.3 Measurement of fair values

All financial assets and financial liabilities are initially recognised at fair value of consideration paid or received, net of transaction costs as appropriate. The financial assets and liabilities of the Company approximate their carrying values. A number of Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and /or disclosure purposes based on the following methods.

Non-derivative financial assets

The fair value of non-derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

B Financial Risk Management

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

- Credit risk
- Liquidity risk
- Market risk

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

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 being faced by the Company.

30.4 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 credit and monitoring of exposures against these credits. As part of these processes the financial viability of all counterparties is regularly monitored and assessed. The Company's credit risk exposures is categorized under the following headings:

Concentration of credit risk

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

	2018	2017
	Rupees	
Long term deposits	4,467,411	4,010,411
Trade debts	302,296,951	441,194,843
Bank balances	76,894,967	82,861,303
	383,659,329	528,066,557

Geographically there is no concentration of credit risk at the reporting date (2017: Nil). The maximum exposure to credit risk for financial assets at the reporting date by type of counter party is as follows:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	Rupees	
Banks	76,894,967	82,861,303
Others	306,764,362	445,205,254
	383,659,329	528,066,557

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Impairment losses

The aging of trade debts at the reporting date is:

	30 June 2018		30 June 2017	
	Gross	Impairment	Gross	Impairment
	Rupees			
-upto 1 months	21,478,696	-	162,347,484	-
-upto 1 to 3 months	164,666,423	-	196,547,302	-
-upto 3 to 6 months	82,224,032	-	7,975,464	-
-upto 6 to 12 months	30,883,140	-	65,457,223	-
-more than one year	3,044,660	-	10,644,001	1,776,631
	302,296,951	-	442,971,474	1,776,631

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

	2018	2017
	Rupees	
Balance at 01 July	1,776,631	3,179,631
Provision / (reversal of provision) - net	-	(1,403,000)
Bad debts written off	(1,776,631)	-
Balance at 30 June	-	1,776,631

The allowance in respect of trade receivables is 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.

Based on past experience and negotiations, management of the Company believes that overdue balances against which impairment has not been recorded have reasonable prospects of recovery.

Credit quality of financial assets

The credit quality of company's financial assets have been assessed below by reference to external credit rating of counterparties determined by the Pakistan Credit Rating Agency Limited (PACRA) and JCR - VIS Credit Rating Company Limited (JCR - VIS). The counterparties for which external credit ratings were not available have been assessed by reference to internal credit ratings determined based on their historical information for any default in meeting obligations.

An analysis of the credit quality of financial assets that are neither past due nor impaired is as follows:

		2018	2017
	Rating	Rupees	
Long term deposits			
Counterparties without external credit ratings		4,467,411	4,010,411
Trade debts			
Counterparties without external credit ratings		302,296,951	441,194,843
Bank balances			
Counterparties with external credit ratings	A1+	76,894,967	82,861,303

30.5 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding to an adequate amount of committed credit facilities and the ability to close out market positions due to dynamic nature of the business. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

Exposure to liquidity risk

The following are the contractual maturities of financial liabilities and excluding the impact of netting agreements:

	Carrying amount	Contractual cash flows Total	6 months or less	6-12 months
30 June 2018	Rupees			
Financial liabilities				
Trade and other payables	203,537,103	203,537,103	203,537,103	-
30 June 2017				
Financial liabilities				
Trade and other payables	198,163,814	198,163,814	198,163,814	-

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

30.6 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer or the instrument, supply and demand of securities and liquidity in the market. The Company is exposed to currency risk and interest rates only.

30.6.1 Foreign currency risk

The Pakistani Rupee (PKR) is the functional currency of the Company and as a result currency exposures arise from transactions and balances in currencies other than PKR. The Company's potential foreign currency exposure comprise:

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

i. 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 or loss. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

ii. 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. These currency risks are managed as part of overall risk management strategy. The Company does not enter into forward exchange contracts.

iii. Exposure to foreign currency risk on year end monetary balances

The Company is exposed to currency risk pertaining to advances to suppliers, bank balances and creditors in foreign currencies.

30 June 2018	Foreign Currency			
	USD	GBP	Euro	JPY
Advances to suppliers	110,076	2,426	8,360	3,755
Bank balance	406	-	-	-
Creditors	17,186	5,360	-	-
Net balance sheet exposure	127,668	7,786	8,360	3,755
30 June 2017	Foreign Currency			
	USD	GBP	Euro	JPY
Advances to suppliers	43,997	4,625	44	-
Bank balance	405	-	-	-
Creditors	-	-	-	-
Net balance sheet exposure	44,402	4,625	44	-

The following significant exchange rates applied during the year

	Average rate		Year-end spot rate	
	2018	2017	2018	2017
USD	124.15	104.77	121.50	104.85
EURO	149.11	117.94	141.58	119.64
GBP	166.31	137.76	159.93	136.38
JPY	1.15	0.98	1.10	0.94

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

iv. Foreign currency sensitivity analysis

A five percent strengthening (weakening) of the functional currency at 30 June would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. This analysis is performed on the same basis for 2017.

	Profit or loss	
	Strengthening	Weakening
30 June 2018		
USD (5% movement)	775,649	(775,649)
Euro (5% movement)	59,180	(59,180)
GBP (5% movement)	62,258	(62,258)
JPY (5% movement)	206	(206)
30 June 2017		
USD (5% movement)	232,777	(232,777)
Euro (5% movement)	263	(263)
GBP (5% movement)	31,538	(31,538)
JPY (5% movement)	-	-

30.6.2 Interest rate risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rate. At the reporting date the Company's does not have any interest bearing financial instruments; hence at present the Company is not exposed to significant interest rate risk.

30.6.3 Equity price risk

Equity price risk is the risk of loss arising from movement in prices of equity investments. The Company is not exposed to any equity price risk, as the Company does not have any investment in equity shares.

31 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of directors, entities over which the directors are able to exercise significant influence, entities with common directors, major shareholders, staff retirement funds and key management personnel. Balances with related parties are shown in 4, 9 and 11 to the financial statements. The transactions with related parties, other than remuneration and benefits to Chief Executive Officer, directors and key management personnel which are disclosed in note 32 to the financial statement, are disclosed in note 31.2 below.

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

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%

31.2 Transaction with key management personnel	2018	2017
	Rupees	
Dividend paid	10,670,433	4,016,360
Short term loan received during the year	-	255,000,000
Repayment of short term loan	-	(255,000,000)
Bonus shares issued	31,128,000	-
Rent expenses	11,933,515	-
Remuneration of key management	27,420,000	27,420,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

32 REMUNERATION OF CHIEF EXECUTIVE OFFICER, 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
30 June 2018	Rupees		
Managerial remuneration	27,000,000	420,000	16,176,000
Number of persons	1	2	10
30 June 2017			
Managerial remuneration	27,000,000	420,000	3,120,000
Number of persons	1	2	2

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

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

32.3 Executive means an employee whose basic salary exceeds Rs. 1.20 million (2017: Rs. 1.20 million) during the year. Comparative figures have been restated to reflect changes in definition of executives as per the Companies Act, 2017.

33 CHANGE IN POLICY

The Companies Act, 2017, has not carried forward the specific requirement to show surplus on revaluation of property, plant and equipment under the shareholders equity which was previously required under repealed Companies Ordinance, 1984. Therefore presentation of surplus on revaluation of property, plant and equipment is now as per requirement of IAS 16 under the shareholders equity. Since this change require retrospective adjustment, accordingly presentation of surplus on revaluation of property, plant and equipment is reclassified in current and comparative period.

Following the application of IAS 16, the Company's accounting policy for surplus on revaluation of property, plant and equipment stands amended as follows:

Increases in the carrying amounts arising on revaluation of land is recognized, net of tax, in other comprehensive income and accumulated in revaluation surplus in shareholders' equity.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

	As at 30 June 2017		As at 30 June 2016	
	As previously reported	Restatement	As previously reported	Restatement
	Rupees		Rupees	
a.				
Effect on statement of financial position				
Surplus on revaluation of property, plant and equipment	343,404,204	(343,404,204)	127,417,025	(127,417,025)
Equity	819,684,055	343,404,204	624,322,216	127,417,025
				751,739,241
b.				
Effect on statement of changes in equity				
Revaluation surplus on property, plant and equipment	-	343,404,204	-	127,417,025
				127,417,025

	As at 30 June 2017	
	As previously reported	Restatement
	Rupees	
c.		
Effect on statement of comprehensive income		
Comprehensive income transferred to equity	190,920,285	245,547,051
Comprehensive income not transferred to equity	245,547,051	(245,547,051)
		436,467,336

34 RECLASSIFICATIONS OF CORRESPONDING FIGURES

The following table summarises the impacts of the reclassifications of corresponding figures on the financial statements:

	As at 30 June 2017	
	As previously reported	Reclassifications
	Rupees	
a.		
Effect on statement of financial position		
Deferred liabilities	192,449,850	(192,449,850)
Employee benefits	-	27,066,989
Deferred tax liability - net	-	165,382,861
	192,449,850	-
		192,449,850
Trade and other payables	313,051,450	(10,423,532)
Unclaimed dividend	-	10,423,532
	313,051,450	-
		313,051,450
Stock in trade	528,336,344	(528,336,344)
Inventories	-	528,336,344
	528,336,344	-
		528,336,344

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

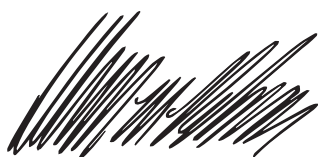
There was no impact on profit or loss and other comprehensive income as a result of the reclassifications of corresponding figures.

35 GENERAL

	2018	2017
35.1 Number of persons employed	Number	Number
Employees at year end	197	209
Average employees during the year	214	219
Factory employees at the year end	175	203
Average factory employees during the year	189	202

35.2 The Board of Directors proposed final dividend at the rate of Rs. 8.31 per share in its meeting held on 6 November, 2018.

35.3 These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on 6 November, 2018.



Chief Executive



Director



Director

PATTERN OF SHAREHOLDING

AS OF JUNE 30, 2018

# Of Shareholders	Shareholdings' Slab			Total Shares Held
417	1	to	100	17,459
264	101	to	500	75,856
117	501	to	1000	93,269
172	1001	to	5000	406,768
38	5001	to	10000	311,931
7	10001	to	15000	83,967
10	15001	to	20000	180,099
3	20001	to	25000	65,394
1	25001	to	30000	26,345
2	45001	to	50000	93,450
1	70001	to	75000	70,950
1	120001	to	125000	123,688
1	165001	to	170000	165,388
1	1535001	to	1540000	1,536,404
1	1555001	to	1560000	1,556,396
1036				4,807,364

S.No.	Folio #	Name of shareholder	Number of shares	Per %
Directors and their spouse(s) and minor children				
1	152	MR. WASEEM-UR-RAHMAN	1,536,404	31.96
2	795	MR. WASEEM UR REHMAN	1,556,396	32.38
3	779	MR. PIR FARHAN SHAH	20,140	0.42
4	753	MR. SHAFIQ AFZAL KHAN	10,000	0.21
5	765	MR. KHALIL UR REHMAN	10,000	0.21
6	799	MR. RAHAT ULLAH	2,500	0.05
7	786	MR. PIR WARIS SHAH	10,000	0.21
8	762	MR. HAZRAT BILAL	10,000	0.21
		8	3,155,440	65.64

Associated companies, undertakings and related parties

NIL

-

-

-

Executives

NIL

-

-

-

Public sector companies and corporations

1	279	INVESTMENT CORPORATION OF PAKISTAN	1,116	0.02
2	586	STATE LIFE INSURANCE CORPORATION OF PAKISTAN	165,388	3.44
		2	166,504	3.46

PATTERN OF SHAREHOLDING

AS OF JUNE 30, 2018

Categories of Shareholders	Shareholders	Shares Held	Percentage
Directors and their spouse(s) and minor children			
MR. WASEEM-UR-RAHMAN	2	3,092,800	64.33
MR. PIR FARHAN SHAH	1	20,140	0.42
MR. SHAFIQ AFZAL KHAN	1	10,000	0.21
MR. KHALIL UR REHMAN	1	10,000	0.21
MR. RAHAT ULLAH	1	2,500	0.05
MR. PIR WARIS SHAH	1	10,000	0.21
MR. HAZRAT BILAL	1	10,000	0.21
Associated Companies, undertakings and related parties	-	-	-
Executives	-	-	-
Public Sector Companies and Corporations	2	166,504	3.46
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	1	1,155	0.02
Mutual Funds	-	-	-
General Public			
a. Local	1021	1,413,090	29.39
b. Foreign	-	-	-
Foreign Companies	-	-	-
Others	4	71,175	1.48
Totals	1036	4,807,364	100.00
Share holders holding 5% or more		Shares Held	Percentage
MR. WASEEM-UR-RAHMAN		3,092,800	64.33

PATTERN OF SHAREHOLDING

AS OF JUNE 30, 2018

S.No.	Folio #	Name of shareholder	Number of shares	Per %
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds				
1	171	THE EASTERAN FEDERAL UNION INSURANCE CO LTD	1,155	0.02
		1	1,155	0.02
Mutual Funds				
		NIL		-
		-	-	-
General Public Foreign				
		NIL		
		0	-	-
Foreign Companies				
		NIL		
		0	-	-
Others				
1	03277-96775	PROVIDUS CAPITAL (PVT.) LIMITED	23,560	0.49
2	16857-26	MRA SECURITIES LIMITED - MF	200	0.00
3	85	M/S AMEEN ESTATE LIMITED	465	0.01
4	04705-87224	FEDERAL BOARD OF REVENUE	46,950	0.98
		4	71,175	1.48
Total		1036	4,807,364	100.00

FORM OF PROXY

63RD ANNUAL GENERAL MEETING

KHYBER TOBACCO COMPANY LIMITED

I/We _____ of _____ being member(s) of
Khyber Tobacco Company and 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
Wednesday, December 05, 2018 and /or any adjournment there of.

As witness my/our hand/seal this _____ day of _____ 2018.

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)

63RD ANNUAL GENERAL MEETING

خیبر تمباکو کمپنی لمیٹڈ

میں/ہم..... سکند..... بحیثیت ممبر (رکن) خیبر تمباکو کمپنی لمیٹڈ
اور حامل..... عام حصص، اپائنٹ مسٹر، مسز، مس.....
مسمیٰ/مسما..... کو یا ان کی غیر حاضری
کی صورت میں مسمیٰ/مسما.....
کو میرے/ہمارے ایما پر بروز Wednesday, December 05, 2018 کو خیبر تمباکو کمپنی نوشہرہ روڈ مردان میں منعقد ہونے والے کمپنی کے بائیسٹھواں سالانہ اجلاس عام میں حق رائے دہی استعمال کرنے
یا کسی بھی التواء کی صورت میں اپنا/ہمارا بطور مختار نمائندہ (پراکسی) مقرر کرتا/کرتی ہوں/کرتے ہیں۔

جیسا کہ میرے/ہمارے ہاتھ گواہ ہو..... تاریخ..... 2018ء
کو دستخط کئے گئے۔
ان کی موجودگی میں.....

فولیو نمبر	سی ڈی سی اکاؤنٹ نمبر
	پارٹیشنپٹ آئی ڈی نمبر
	اکاؤنٹ نمبر

دستخط پانچ روپے مالیت کے ریونیو گٹ

دستخط حصص کنندہ

(دستخط کا کمپنی میں رجسٹرڈ نمونے کے ہو ہونا ضروری 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 باؤس، مورگاہ، راولپنڈی میں جمع کرنا 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 کردی 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/پاور آف اٹارنی بمعہ نمونہ دستخط ہمراہ مختارنامہ (پراکسی فارم) کمپنی کو جمع کرنا ہوئے۔

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

AFFIX
CORRECT
POSTAGE

NOTES

[illegible]

NOTES

[illegible]

NOTES








[illegible]










**Be aware, Be alert,
Be safe**

**Learn about investing at
www.jamapunji.pk**

Key features:

-  Licensed Entities Verification
-  Scam meter*
-  Jamapunji games*
-  Tax credit calculator*
-  Company Verification
-  Insurance & Investment Checklist
-  FAQs Answered

-  Stock trading simulator
(based on live feed from KSE)
-  Knowledge center
-  Risk profiler*
-  Financial calculator
-  Subscription to Alerts (event notifications, corporate and regulatory actions)
-  Jamapunji application for mobile device
-  Online Quizzes



Jama Punji is an Investor
Education Initiative of
Securities and Exchange
Commission of Pakistan

 jamapunji.pk

 [@jamapunji_pk](https://twitter.com/jamapunji_pk)

*Mobile apps are also available for download for android and ios devices

Khyber Tobacco Company Limited

Nowshera Road, Mardan

Tel: +92-937-844668, 844639

Fax: +92-937-843329