



# KHYBER TOBACCO COMPANY ANNUAL REPORT 2020





# FINANCIAL HIGHLIGHTS





		2020	2019	20 vs 19
<b>Sales Revenue</b>	(Rupees in Million)	3,499.70	2,337.78	1,161.92
- Local Sales	(Rupees in Million)	2,925.23	2,102.02	823.21
- Export Sales	(Rupees in Million)	574.47	235.76	338.71
<b>Profit/(Loss) After Tax</b>	(Rupees in Million)	38.54	(38.27)	76.80
<b>Earning/(Loss) Per Share</b>	(Rupees per Share)	8.02	(7.96)	15.98
<b>Shareholder's Equity</b>	(Rupees in Million)	1,298.47	1,262.99	35.48
<b>Return on Equity</b>	(%)	2.97	(3.03)	6.00
<b>Current Ratio</b>		1.51	2.64	(1.13)









## 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



## 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.



## 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.



## LEADERSHIP

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



## PASSION TO WIN

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



## OWNERSHIP

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

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Mrs. Samera Irfan  
Mr. Rahat Ullah  
Mr. Pir Waris Shah  
Mr. Pir Farhan Shah  
Mr. Zia Ur Rehman  
Mr. Hazrat Bilal  
Mr. Khalil Ur Rehman

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

## AUDIT COMMITTEE

Mr. Khalil Ur Rehman  
Mr. Zia Ur Rehman  
Mr. Rahat Ullah  
Mr. Pir Farhan Shah

Chairman  
Member  
Member  
Secretary

## HUMAN RESOURCE COMMITTEE

Mr. Pir Waris Shah  
Mr. Pir Farhan Shah  
Mr. Zia Ur Rehman

Chairman  
Member  
Secretary

## SENIOR MANAGEMENT

Mrs. Samera Irfan

Chief Executive

## COMPANY SECRETARY

Mr. Pir Farhan Shah

## SHARE REGISTRAR

### CDC

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

### Bankers

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

## REGISTERED OFFICE

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

## EXTERNAL AUDITORS

Deloitte Yousuf Adil  
Chartered Accountants

## INTERNAL AUDITORS

Shahid Ahmad & Co.  
Chartered Accountants







# 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.

# RISK MANAGEMENT POLICY

## BCR RISK & RISK MANAGEMENT

As challenges in our operating landscape continue to intensify the proactive identification and management of risks become vital in ensuring that the Company is able to deliver sustainable stakeholder value. Effective risk identification, monitoring and mitigation processes are embedded in the Company's daily operations through a comprehensive framework comprising monitoring processes, internal controls' and relevant stakeholder engagement mechanisms, has been successful in nurturing a risk culture, which balances risk and growth considerations.

## STATEMENT FROM BOARD OF DIRECTORS

The Board is responsible for determining the risk appetite that the Company is willing to take to achieve its strategic objectives and for maintaining sound risk management and internal control systems. KTC's risk management and internal controls framework is aimed at safeguarding shareholders' investment, the Company's assets as well as evaluating and managing risks that may impede achievement of the Company's objectives.



## RISK GOVERNANCE

"The Board of Directors is responsible for determining the nature and extent of the significant risks the Company is willing to take to achieve its strategic objectives. The Board is supported by the Board Audit Committee in discharging its risk management related responsibilities which regularly reviews the effectiveness of the Company's risk management processes and internal control systems. The Company's risk profile is also monitored through the internal reporting mechanisms of the Company."

## RISK IDENTIFICATION

During the year, a robust assessment of the principal risks faced by the Company has been carried out including those that would impact its business model, performance, brands, assets, solvency and employees. Financial and non-financial risks are identified at a functional level, with inputs from relevant employees. This is carried out through team discussions and brainstorming sessions, which facilitate participation and value addition by employees across the Company.



## ASSESSMENT AND EVALUATION

Elaborate risk registers are used to assess and evaluate the risks in detail. Each identified risk is assessed and then categorised under one of the three levels (high / medium low) in terms of the likelihood of its occurrence and the severity of its potential impact. Tolerance levels and trigger points are also defined for each identified risk.

## RISK MANAGEMENT

Following the identification of key risks faced by the Company, the respective functions develop elaborate strategies and plans to mitigate the impacts of these risks. The

responsibility for managing each identified risk rests with the head of each function (risk owners), who reports regularly on the progress and effectiveness of the risk mitigation plans. Additionally, the potential impact of global trends and risks are also captured through input from the Risk Management process, which can be used to identify improvements in internal controls and risk mitigation plans in line with global best practices and experiences.

## MONITORING

Risks are monitored at multiple levels in the Organisation including at functional level, Executive Committee, Board Audit Committee and Board

level. Identified risks, the risk registers, mitigation plans, and performance of each risk mitigation plan are evaluated at these levels throughout the year.

## KEY SOURCES OF UNCERTAINTY & RISKS AND MITIGATING STRATEGIES

"Key sources of uncertainty emanate from the challenging environment the Company operates in. Changes in political, social, technological, economic or legal factors also lead to risks, which the Company might be exposed to. The Company actively monitors its risk universe to pro-actively manage and mitigate various risk exposures.

# RISK MANAGEMENT POLICY

The following section details key risks that the Board believes could have the most significant impact on the Company's ability to create value. Some of these major risks are outside the control of KTC and other factors besides those listed below may affect the Company's performance. Some risks may be unknown at present; others which are currently immaterial, could emerge as material risks in the future."

## RISK & OPPORTUNITY REPORT

Risk Description	Level	Impact	Mitigating Strategy
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### Strategic Risks

Illicit trade and counterfeit manufacturing	High	Volume loss and profitability	Active engagement with Government/law enforcement agencies to highlight the issue and its impact on the legal industry
		Erosion of brand value	
		Investment in trade marketing activities is undermined	
Economic Conditions	Moderate	Direct impact on consumer buying power	Brands across consumer segment with minimum price
		Down trading to illicit brands	
		Reduced legal industry volumes	

### Financial Risks

Currency Devaluation	Moderate	Increased cost base	Financial hedging to minimize exposure
		Lower operating margins	Operational synergies across value chain
		Pressure on profit growth	Cost savings initiatives
			Physical hedging options
Material Price Sensitivity	Moderate	Increased cost base	Productivity initiatives
		Lower operating margins	Substitutes
		Pressure on profit growth	Alternative suppliers

### Operational Risks

Accidents at workplace	Low	Injury to employees or contracted	Strict compliance with EH&S regulations,
		Workforce	standards and protocols
		Damage to Company's reputation	Health and safety training courses
		Employee dissatisfaction	Environmental, Health & Safety assessment
		Business Interruption	Safety equipment
Employee turnover	Low		Incident reporting
		Loss of key talent	Market competitive remuneration
		Low employee morale	International career opportunities
		Employee dissatisfaction	Development and growth opportunities
		Reduced operational effectiveness	Conducive and safe work environment
Natural disasters	Low		Favourable employee policies
		Business Interruption	Business interruption plans
		Property loss	Evacuation plans and drills
		Employee safety	Safety equipment
		Financial loss	



# 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.

# CORPORATE SOCIAL RESPONSIBILITY

## POLICY BRIEF & PURPOSE

Our Corporate Social Responsibility (CSR) company policy refers to our responsibility toward our environment and community. Our company's existence is not lonely. It's part of a bigger system of people, values, other organizations and nature. The social responsibility of a business is to give back to the world just as it gives to us. Our Corporate Social Responsibility (CSR) company policy outlines our efforts to give back to the world as it gives to us. We want to be a responsible business that meets the highest standards of ethics and professionalism.

## SCOPE

This policy applies to our company and may also refer to suppliers and customers.

## POLICY ELEMENTS

Our company's social responsibility falls under two categories: compliance and Proactiveness. Compliance refers to our company's commitment to legality and willingness to observe community values. Proactiveness is every initiative to promote human rights, help communities and protect our natural environment.



## COMPLIANCE AND LEGALITY

Our company respects the law honor its internal policies and ensures that all its business operations are legitimate.

## BUSINESS ETHICS

We will always conduct business with integrity and respect to human rights. We'll promote safety, fair dealing and respect towards the consumer anti-bribery and anti-corruption practices which are the examples of CSR. Our company recognizes the need to protect the natural environment. Keeping

our environment clean and unpolluted is a benefit to all. We'll always follow best practices when disposing garbage and using chemical substances. Stewardship will also play an important role.

## HUMAN RIGHTS

Our company is dedicated to protecting human rights. We are a committed equal opportunity employer and will abide by all fair labor practices. We'll ensure that our activities do not directly or indirectly violate human rights in the country (e.g. forced labor).





## PROACTIVENESS

Donations and aid

Our company may preserve a budget to make monetary donations aiming to Promote the arts, education and community events and alleviate those in need.

## VOLUNTEERING

Our company will encourage its employees to volunteer. They can volunteer through programs organized internally or externally. Our company may sponsor volunteering events from other organizations.

## PRESERVING THE ENVIRONMENT

Apart from legal obligations, our company will proactively protect the environment.

## COMMUNITY

Our company may initiate and support community investment and educational programs. For example, it may begin partnerships with vendors for constructing public buildings. It can provide support to nonprofit organizations or movements to promote cultural and economic development of global and local communities.

# 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.

# HUMAN RESOURCE & REMUNERATION POLICY

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

### Objective:

This policy aims to set out the requirements and methodology of the determination of remuneration of the Board of Directors, the Board Committees, the Executive Directors, the Board Appointees and members of the Senior Management.

### REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

The Board of Directors ("BoD") shall, from time to time, determine and approve the remuneration of the members of the BoD for attending Board Meetings. Such level of remuneration shall be appropriate and commensurate with the level of responsibility and expertise offered by the members of the BoD, and shall be aimed at attracting and retaining members needed to govern the Company successfully, and creating value addition.

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

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

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

### Remuneration Policy

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

### REMUNERATION OF THE BOARD COMMITTEES MEMBERS

The Board of Directors (BoD) may, from time to time, determine and approve the remuneration

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

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

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

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

### REMUNERATION OF THE EXECUTIVE DIRECTORS

#### Chief Executive Officer

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

#### Other Executive Directors

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

# OTHER CORPORATE GOVERNANCE

## STAKEHOLDERS' ENGAGEMENT

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

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

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

## ISSUES RAISED AT LAST AGM

Apart from general clarifications requested by the shareholders about the Company's financial performance and published financial statements during the 64th Annual General Meeting held on October 28, 2019, no significant issue was raised.

## ADDRESSING INVESTORS GRIEVANCES

The interest of small investors and minority shareholders is of prime importance to the Company. In order to keep a vigilant eye and to provide a platform to the investors for voicing their concerns, a team under corporate section has been designated to ensure that grievances/ complaints of the investors are heard and redressed, in a quick and efficient manner. Mechanism of lodging any complaint/issues is detailed



on the website of the Company. Designated contact numbers and email address of the Company / Regulator is disseminated among investor through company broadcasts.

## BOARD MEMBERS' CONFLICT OF INTEREST

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

## DIRECTORS TRAINING PROGRAMME

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

## SAFEGUARDING OF RECORDS OF THE COMPANY

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



## INFORMATION TECHNOLOGY (IT) GOVERNANCE POLICY

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

## RELATED PARTY TRANSACTIONS

All transactions with related parties are reviewed and approved by the Board on quarterly basis fulfilling the requirements of section 208 of the Companies Act, 2017.

## ACCESS OF SHAREHOLDERS ON COMPANY'S WEBSITE

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

## SHARE PRICE SENSITIVITY

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

## OPERATING SEGMENTS

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

## CAPITAL MANAGEMENT POLICY

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

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

# CHAIRMAN'S REVIEW

I am pleased by the performance of Khyber Tobacco Company Limited ("the Company") for the year ended June 30, 2020. The Financial Year 2019-20 has been a year of high performance and growth for the Company. Operating in an environment of increasing competition, the Company posted increase in net sales by almost 71% despite of the fact that the operations of the Company have been partially affected by the Covid-19 pandemic as compared to last year. The Board has played a pivotal role in achieving the Company's objectives and safeguarding interests of the shareholders. We are hopeful that during the next financial year the situation will considerably further improve as the market conditions show considerable improvement.

The Company in the year under review contributed an amount of Rs. 1.6 billion in the form of Federal Excise Duty, Sales tax, Income tax and other levies.

## FUTURE OUTLOOK

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

The economic indicators of the Country show promising signs for the future. We believe that the incumbent Government shall take necessary steps on an urgent basis to boost

tobacco exports, reduce regulatory duties on imports of raw material for the industry to continue and sustain the economic momentum. The management is closely monitoring the challenges faced by the Company and will take all steps necessary to safeguard the interests of its shareholders as well as to capitalize on growth opportunities through its product line. Your Company is committed to good Corporate Governance.

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

## ACKNOWLEDGEMENT

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

On behalf of the Board, I express my appreciation for the dedication to duty and professional conduct of the employees of

the Company, as well as shareholders and stakeholders for their support. I thank the bankers of the Company for the understanding and the cooperation they have extended and last but not the least gratitude towards our loyal and confident customers. The combined efforts of all have been instrumental in the healthy growth of the Company against all odds. We all pray for a peaceful, progressive and prosperous Pakistan

**On behalf of the Board**

A handwritten signature in black ink, appearing to read 'Rahat Ullah', with a long horizontal stroke underneath.

**Rahat Ullah**  
**Chairman**

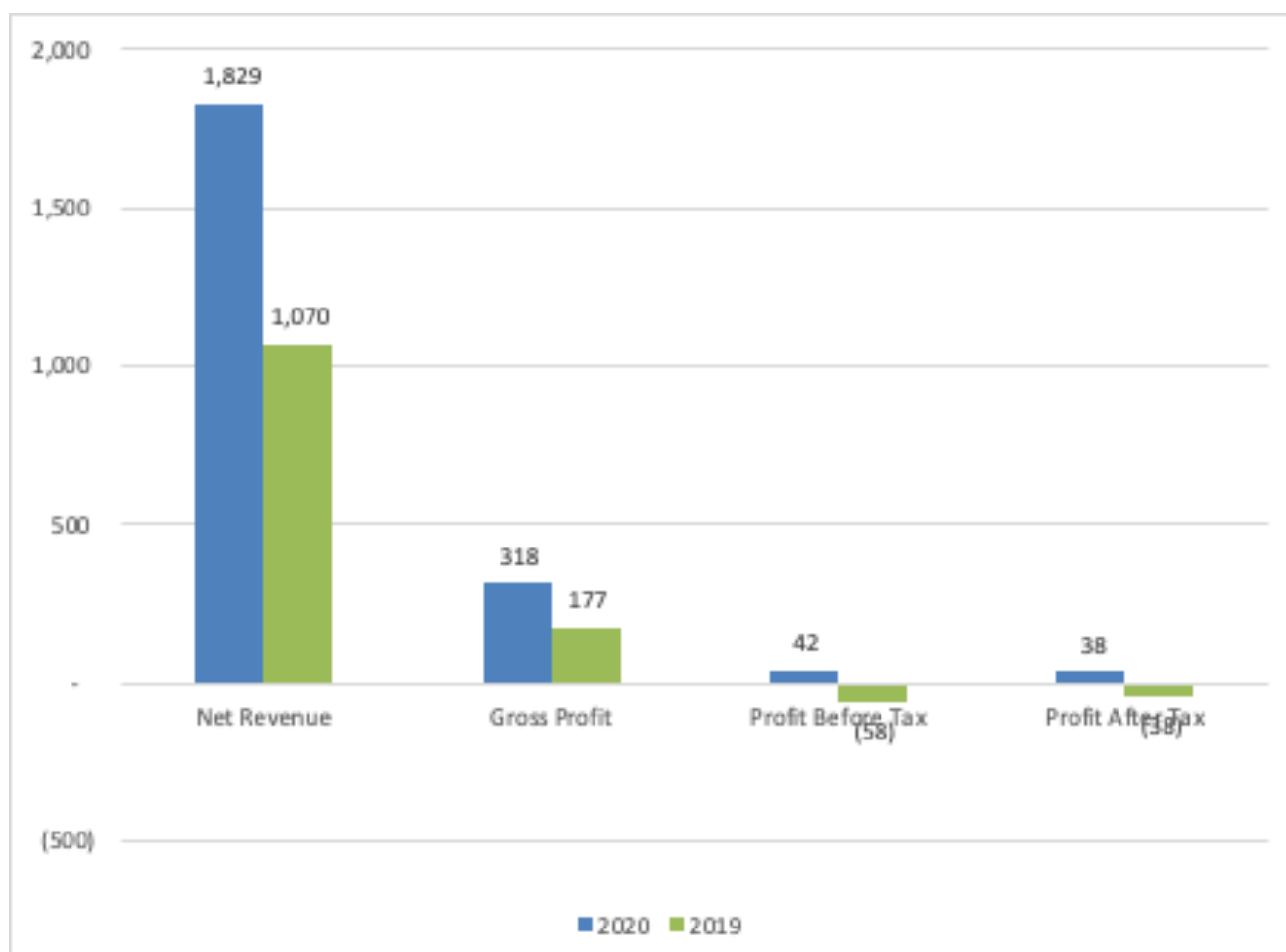


# DIRECTORS' REPORT

I, on behalf of the Board of Directors of Khyber Tobacco Company Limited take great pleasure in presenting the 65<sup>th</sup> Annual Report and the audited financial statements along with the auditors' report thereon for the year ended June 30, 2020.

## THE COMPANY'S FINANCIAL RESULTS

Following is a brief of the Company's financial performance for the year ended 30 June 2020 as compared to the year ended 30 June 2019; (Amounts are presented as Rs. in Millions)



PRODUCT	UNIT OF MEASUREMENT	PRODUCTION		SALE	
		2020	2019	2020	2019
RE-DRIED TOBACCO	KGS	2,116,043	1,634,548	3,089,857	1,420,764
CUT TOBACCO	KGS	758,060	590,950	104,917	5,400
CIGARETTES	STICKS (In Million)	761.86	661.31	759.06	666.88

## PRODUCTION AND SALES

During the year under review, the company re-dried 1.9 million Kgs tobacco at its Green Leaf Threshing plant and out sourced 0.5 million Kgs at Samsons Re-drying and Processing Company Private Limited as compared to 1.8 million Kgs in the financial year 2019. Local sale of re-dried tobacco has increased by 1.66 million Kgs in the year under review compared to local sale in the year 2019 showing an increase which is mainly attributed to the extensive marketing of FCV resulting into increased local sales and export sales.

The production of cut tobacco has increased by 0.167 million Kgs in the current year under review compared to last financial year. During the year, the production of cigarettes has increased to 761.86 million sticks as compared to the last financial year by 661.31.

## OPERATING HIGHLIGHTS

Export of re-dried tobacco has been the main source of profitability of the Company in the past. However the Company's exports had stopped due to low demand of Pakistani Tobacco in the International Market, but during the year under review the company was able to export of re-dried tobacco. Management of the company focused on local sales of cigarettes and succeeded quite a lot in their endeavors to recover from the effects of low sales during the year under review. This is evident from Net sales of Rs. 1.828 Billion during the period under review as compared to Net Sales of Rs. 1.07 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 2020 stood at Rs. 42.01 million compared to Loss before taxation for the year ended 30 June 2019 stood at Rs. 58.52. Profit after taxation for the year ended 30 June 2020 amounted to Rs.38.53 million compared to Loss after taxation for the year ended 30 June 2019 amounted to Rs.38.26 million. 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 2019.

Earnings per share of the Company for the year ended 30 June 2020 on its paid up capital stood at Rs.8.02 as compared to last year's loss per share of Rs.7.96.

### Balance Sheet

The capital and reserves of the Company have increased to Rs.35.47 million as compared to the last financial year. This increase in the capital reserves of the company is mainly due to Profit during the current period.

### Plants' performance

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

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

### Quality Assurance

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

# DIRECTORS' REPORT

## 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.

## 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. The company also contributed Rs.18 million towards Covid-19 pandemic.

## KEY OPERATING AND FINANCIAL DATA

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

## DIVIDEND

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

## HUMAN CAPITAL

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

organization's ongoing and future business plans and requirements to maximize return and to secure future survival and success.

## EMPLOYEE RETIREMENT BENEFITS

The Company is running an unfunded gratuity scheme for all the permanent employees of the company. A provision of Rs.8.55 million has 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.

## 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.

## DIRECTORS' ATTENDANCE

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

# DIRECTORS' REPORT

## 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. The Board has formed committees comprising of members given below:-

<b>Audit Committee</b>	<b>HR and Remuneration Committee</b>
Mr. Khalil Ur Rehman (Chairman)	Mr. Pir Waris Shah (Chairman)
Mr. Rahat Ullah (Member)	Mr. Pir Farhan Shah (Member)
Mr. Zia Ur Rehman (Member)	Mr. Zia Ur Rehman (Secretary)
Mr. Pir Farhan Shah (Secretary)	

## REMUNERATION POLICY OF MEMBERS OF BOARD OF DIRECTORS

The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and the regulations thereunder; the significant features of the policy are as under:

- The Board of Directors ("**BoD**") shall, from time to time, determine and approve the remuneration of the members of the BoD for attending Board Meetings.
- Such level of remuneration shall be appropriate and commensurate with the level of responsibility and expertise offered by the members of the BoD, and shall be aimed at attracting and retaining members needed to govern the Company successfully, and creating value addition.
- The BoD shall ensure that the prevailing level of remuneration of the BoD does not any time compromise the independence of independent members of the BoD.
- Members of the BoD may also be paid all travel/hotel/ancillary expenses related to:
  - a) attendance of Board Meeting(s);
  - b) attendance of General Body Meetings; and/or
  - c) Business of the Company.

## CORPORATE GOVERNANCE

The company is committed to high standards of corporate governance to ensure business integrity and upholding the confidence of all the stakeholders. The Board of Directors is accountable to the shareholders for good corporate governance and management of the company is continuing to comply with the provisions of best practices set out in the Code of Corporate Governance particularly with regard to independence of non-executive directors. The Company remains committed to conduct its business in line with the listing regulations of Pakistan Stock Exchange, which clearly define the role and responsibilities of the Board of Directors and management.

Vision & Mission statements, Core values and Statement of Ethics & Business Practices have been prepared and approved by the Board. Significant policies as required under the Code of Corporate Governance have been framed and reviewed by the Board and shall be approved shortly.

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

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

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

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

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

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

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

## AUDITORS

The Auditors M/S Deloitte Yousuf Adil & Co. Chartered Accountants retired at the conclusion of the 65th Annual General Meeting. The Audit Committee and the Board of Directors had recommended M/S Deloitte Yousuf Adil & Co. Chartered Accountants to be reappointed as auditors of the Company till the next Annual General Meeting and the same was adopted by the shareholders in the aforementioned Annual General Meeting.

## PATTERN OF SHAREHOLDING

The pattern of shareholding as at June 30, 2020 along with disclosure as required under the Code of Corporate Governance is annexed to these financial statements.

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

## FUTURE PROSPECTS

As mentioned earlier, management is focusing on local as well foreign markets for both cigarettes and tobacco, especially re-dried tobacco because foreign market has a 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.

# DIRECTORS' REPORT

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 and the efforts by the Company have finally started to grow. We are hopeful that in the upcoming year, the Company will achieve steep targets to enhanced level of export sales.

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

## ACKNOWLEDGEMENTS

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

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

**On behalf of the Board of Directors**



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



**Sameera Irfan**  
**Chief Executive**

06 October 2020



# ڈائریکٹرز کی رپورٹ

30 جون، سال 2020 کے لئے

## اعترافات

آخر میں، میں بورڈ کی جانب سے اپنے قیمتی صارفین کو ہماری مصنوعات پر ان کے مسلسل اعتماد پر شکریہ ادا کرنا چاہتا ہوں۔ ہم اپنے برانڈز کی حد کو اعلیٰ معیار کے ساتھ بڑھانے کے لئے پوری کوشش کر رہے ہیں۔ ہم اپنے دکانداروں، تقسیم کاروں اور مالیاتی اداروں کے تعاون کے لئے ان کا شکریہ بھی ادا کرتے ہیں۔

یہ ہمارے حصص یافتگان اور تمام اسٹیک ہولڈرز کی غیر متزلزل حمایت کے بغیر ممکن نہیں تھا۔ ہمارے سپلائرز، صارفین، مقامی برادری اور ہمارے سرشار اور محنتی ملازمین۔ میں یہاں یہ بھی بتانا چاہتا ہوں کہ کمپنی کی انتظامیہ، بورڈ آف ڈائریکٹرز کے ممبران اور عملے کی ہر سطح پر انتھک محنت، ان کی لگن اور محنت کے بغیر، اس رپورٹ میں ذکر کردہ مالی اور آپریشنل نتائج انجام تک نہ پہنچے ہوں گے۔

بورڈ آف ڈائریکٹرز کی جانب سے



پی جے شاہ (کمپنی سیکریٹری)



سمیر اعرفان (چیف ایگزیکٹو)

06 اکتوبر 2020

## مصنفین

آڈیٹرز ایم/ ایس ڈیلوٹ یوسف عادل اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس 65 ویں سالانہ جنرل اجلاس کے اختتام پر ریٹائر ہوئے۔ آڈٹ کمیٹی اور بورڈ آف ڈائریکٹرز نے ایم/ ایس ڈیلوٹ یوسف عادل اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کو اگلے سالانہ عام اجلاس تک کمپنی کے آڈیٹر کے طور پر دوبارہ مقرر کرنے کی سفارش کی تھی اور اسی بات کو حصص یافتگان نے مذکورہ بالا سالانہ عمومی اجلاس میں اپنایا تھا۔

## شیر ہولڈنگ کا مراسلہ

کوڈ آف کارپوریٹ گورننس کے تحت مطلوبہ افکشافات کے ساتھ ساتھ 30 جون 2020 تک شیر ہولڈنگ کا انداز ان مالی بیانات سے منسلک ہے۔

مبیہ طور پر ڈائریکٹرز، چیف ایگزیکٹو، چیف فنانشل آفیسر، سکریٹری اور ان کے شریک حیات اور نابالغ بچوں نے کمپنی کے حصص میں کوئی تجارت نہیں کی ہے۔

## مستقبل کے امکانات

جیسا کہ پہلے ذکر کیا گیا ہے، انتظامیہ سگریٹ اور تمباکو دونوں کے لئے مقامی اور غیر ملکی منڈیوں پر بھی خاصی توجہ مرکوز کر رہی ہے، خاص طور پر دوبارہ خشک ہوا تمباکو کیونکہ غیر ملکی منڈی میں پاکستانی تمباکو کی طلب ہے۔ کمپنی کو توقع ہے کہ آنے والے مالی سال میں تمباکو اور سگریٹ برآمد کرنے والے دونوں شعبوں میں اچھی کارکردگی کا مظاہرہ کرے گا جو کمپنی کو خوبصورت منافع کمانے کے قابل بنائے گی۔

پچھلے دو سالوں میں تمباکو کی برآمدات کمپنی کے منافع کا بنیادی ذریعہ رہی ہیں۔ تاہم، برآمدی منڈی میں بنیادی طور پر بڑھتے ہوئے اخراجات، پاکستانی کسانوں کے ذریعہ تمباکو کی غیر سفارش کردہ اقسام کی کاشت اور تمباکو میں نان تمباکو سے متعلقہ مواد (این ٹی آر ایم) کے تناسب میں اضافے سے متعدد پریشانیوں کا سامنا کرنا پڑتا ہے۔ کمپنی پاکستانی تمباکو کی برآمد میں ان رکاوٹوں کو دور کرنے کے لئے کوشاں ہے اور آخر کار کمپنی کی جانب سے کوششوں میں اضافہ ہونا شروع ہو گیا ہے۔ ہمیں امید ہے کہ آئندہ سال میں، کمپنی برآمدات کی فروخت میں اضافہ کی سطح کے عمدہ اہداف حاصل کرے گی۔

مئنجمنٹ بین الاقوامی حریفوں کے ساتھ مقابلہ کرنے کے لئے پروسیڈنگ کے معیار کو بہتر بنانے کے لئے مسلسل کوشش کر رہی ہے جس مقصد کے لئے انتظامیہ نے پرائمری پروڈکشن ڈیپارٹمنٹ (پی پی ڈی) کو اپ گریڈ کیا ہے اور سگریٹ کے معیار کو مزید بہتر بنانے کے لئے ایک نئی لائن لگادی گئی ہے۔ معیاری مصنوع کی پیداوار کی صلاحیت کمپنی کو برانڈ کی پہچان پر کام کرنے اور کسٹمر کی وفاداری کو ترقی دے کر مقامی فروخت میں توسیع کرنے میں بھی مدد دے گی۔

# ڈائریکٹرز کی رپورٹ

30 جون، سال 2020 کے لئے

درکار ممبروں کو راغب کرنا اور اسے برقرار رکھنے، اور قدر میں اضافے کو پیدا کرنا ہے۔

بوڈ یقینی بنائے گا کہ بوڈ آف کے معاوضے کی موجودہ سطح کسی بھی وقت بوڈ کے آزاد ممبروں کی آزادی پر سمجھوتہ نہیں کرے گی۔

بی او ڈی کے ممبروں کو اس سے متعلق تمام سفری/ہوٹلوں/متعلقہ اخراجات بھی ادا کیے جاسکتے ہیں:

(a) بورڈ میٹنگ (حاضرین) میں شرکت؛

(B) جنرل باڈی اجلاسوں میں شرکت؛ اور/یا

(c) کمپنی کا کاروبار۔

## کارپوریٹ گورننس

کمپنی کاروباری سالمیت کو یقینی بنانے اور تمام اسٹیک ہولڈرز کے اعتماد کو برقرار رکھنے کے لئے کارپوریٹ گورننس کے اعلیٰ معیار کے پابند ہے۔ بورڈ آف ڈائریکٹرز اچھی کارپوریٹ گورننس کے لئے شیئر ہولڈرز کو جوابدہ ہے اور کمپنی کی انتظامیہ خاص طور پر نان ایگزیکٹو ڈائریکٹرز کی آزادی کے حوالے سے کوڈ آف کارپوریٹ گورننس میں طے شدہ بہترین طریقوں کی دفعات پر عمل پیرا ہے۔ کمپنی پاکستان اسٹاک ایکسچینج کے لسٹنگ ضوابط کے مطابق اپنے کاروبار کو چلانے کے لئے پرعزم ہے، جو بورڈ آف ڈائریکٹرز اور انتظامیہ کے کردار اور ذمہ داریوں کی واضح طور پر وضاحت کرتی ہے۔ وٹن اینڈ مشن کے بیانات، بنیادی اقدار اور اخلاقیات اور کاروباری طریقوں کا بیان بورڈ کے ذریعہ تیار اور منظور کر لیا گیا ہے۔ کوڈ آف کارپوریٹ گورننس کے تحت مطلوبہ اہم پالیسیاں بورڈ کے ذریعہ مرتب کی گئیں اور ان کا جائزہ لیا گیا ہے اور جلد ہی اس کی منظوری دے دی جائے گی۔

## کوڈ کارپوریٹ گورننس کی ضروریات کی تعمیل کے لئے مندرجہ ذیل مخصوص بیانات دیئے جا رہے ہیں۔

سال کے دوران کمپنی، ڈائریکٹرز، کمپنی سکرٹری اور ان کے شریک حیات اور نابالغ بچوں کے ذریعہ کمپنی کے حصص میں کوئی لین دین نہیں ہوا ہے۔ کمپنی کی انتظامیہ کے ذریعہ تیار کردہ مالی بیانات اس کی صورتحال، اس کے کاموں کے نتائج، نقد بہاؤ اور ایکویٹی میں بدلاؤ کو منصفانہ طور پر پیش کرتے ہیں۔ کمپنی نے حساب کتاب کی مناسب کتابیں برقرار رکھی ہیں۔ مالی بیانات کی تیاری کے لئے مناسب اکاؤنٹنگ پالیسیاں اختیار کی گئیں اور مستقل طور پر اس کا اطلاق کیا گیا ہے اور محاسبہ کا تخمینہ معقول اور محتاط فیصلے پر مبنی ہے۔ بین الاقوامی اکاؤنٹنگ معیارات، جیسا کہ پاکستان میں قابل اطلاق ہیں، مالی بیانات کی تیاری میں عمل کیا گیا ہے۔ اندرونی کنٹرول کا نظام ڈیزائن میں مستحکم ہے اور اسے موثر طریقے سے نافذ کیا گیا ہے۔ یہ نظام خود بھی جہاں بھی اور جب بھی ضروری ہو اضافہ کرنے کے لئے مستقل جائزہ لینے کا پابند ہے۔

کمپنی کی جاری تشویش کی حیثیت سے اس کی صلاحیت کے بارے میں کوئی شبہات نہیں ہیں۔

کارپوریٹ گورننس کے بہترین طریق کار سے کسی قسم کی مادی روائگی نہیں ہوئی ہے، جیسا کہ فہرست سازی کے ضوابط میں تفصیل ہے۔

خلاصہ شکل میں گزشتہ چھ (06) سالوں کے اہم آپریٹنگ اور مالی اعداد و شمار کو اس رپورٹ سے جوڑ دیا گیا ہے۔

نان ایگزیکٹو ڈائریکٹر

7. جناب خلیل الرحمن

نان ایگزیکٹو ڈائریکٹر

## بورڈ کی کمیٹیاں

داخلی کنٹرول سسٹم کے موثر نفاذ اور کوڈ آف کارپوریٹ گورننس کی تعمیل کو یقینی بنانے کے لئے، بورڈ نے متعدد کمیٹیاں تشکیل دی ہیں۔ بورڈ نے ذیل میں دیئے گئے ممبروں پر مشتمل کمیٹیاں تشکیل دی ہیں۔

## حساب کتاب کے ماہرین

جناب خلیل الرحمن (چیئر مین)

جناب راحت اللہ (ممبر)

جناب ضیاء الرحمن (ممبر)

پیر فرحان شاہ (کمپنی سیکریٹری)

## HR اور معاوضہ کمیٹی

جناب پیر وارث شاہ (چیئر مین)

جناب پیر فرحان شاہ (ممبر)

جناب ضیاء الرحمن (سیکریٹری)

## بورڈ آف ڈائریکٹرز کے ممبروں کے معاوضے کی پالیسی

بورڈ آف ڈائریکٹرز کے ممبروں کے معاوضے کی پالیسی

بورڈ کے پاس ایکٹ اور اس کے تحت قواعد و ضوابط کے مطابق ڈائریکٹرز کے معاوضے کے لئے باقاعدہ پالیسی اور شفاف طریقہ کار ہے۔ پالیسی کی اہم خصوصیات یہ ہیں:

بورڈ آف ڈائریکٹرز ("بی او ڈی") وقتاً فوقتاً بورڈ میٹنگز میں شرکت کے لئے بورڈ آف ممبروں کے معاوضے کا تعین اور منظوری دے گا۔

اس طرح کا معاوضہ بورڈ آف ممبروں کے ذریعہ پیش کردہ ذمہ داری اور مہارت کی سطح کے مطابق مناسب اور موافق ہوگا، اور اس کا مقصد کمپنی کو کامیابی سے چلانے کے لئے

# ڈائریکٹرز کی رپورٹ

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کے ذریعے یقینی بنایا ہے، جو کمپنی کی پالیسیوں کی پابندی کو یقینی بناتا ہے اور آڈٹ کمیٹی کو مشاہدہ کرنے والے کسی بھی انحراف کی اطلاع دیتا ہے۔

## ڈائریکٹروں کے بورڈ کی ملاقات

قانونی طور پر، بورڈ کو ہر سہ ماہی میں کم از کم ایک بار ملنے کی ضرورت ہوتی ہے تاکہ کمپنی کی کارکردگی کی نگرانی کی جاسکے جس کا مقصد اس کے انتظام کی موثر اور بروقت احتساب کرنا ہے۔

بورڈ آف ڈائریکٹرز کے چار (04) اجلاس سال کے دوران ہوئے تھے اور ہر ڈائریکٹر کی حاضری ذیل میں دی گئی ہے۔ کمپنی کے ڈائریکٹرز کو ان میٹنگوں میں بورڈ کے فیصلوں میں کوئی ذاتی دلچسپی نہیں تھی۔

## اجلاسوں میں شریک ڈائریکٹرز کے نام و حاضری

1. جناب وسیم الرحمن  
چیف ایگزیکٹو

2. جناب راحت اللہ  
نان ایگزیکٹو ڈائریکٹر

3. جناب پیر فرحان شاہ  
ایگزیکٹو ڈائریکٹر

4. Mr. جناب پیر وارث شاہ  
نان ایگزیکٹو ڈائریکٹر

5. جناب شفیق افضل خان  
نان ایگزیکٹو ڈائریکٹر

6. جناب حضرت بلال

## انسانی سرمایہ

کمپنی کی انسانی وسائل کی حکمت عملی مالی خطرہ کو کم سے کم کرنے کے لئے تنظیم کے انسانی سرمائے میں زیادہ سے زیادہ سرمایہ کاری پر منافع پر مرکوز ہے۔ ہم ہنرمند اور اہل افراد کی فراہمی اور موجودہ افرادی قوت کی صلاحیتوں کو تنظیم کے جاری اور مستقبل کے کاروباری منصوبوں اور ضرورت سے زیادہ سے زیادہ واپسی اور مستقبل کی بقا اور کامیابی کو محفوظ بنانے کے ساتھ ہم آہنگ ہو کر اس کو حاصل کرنے کی کوشش کرتے ہیں۔

## ملازمت اور بعد از ملازمت فوائد

کمپنی کمپنی کے تمام مستقل ملازمین کے لئے غیر منقول گراؤ چٹی اسکیم چلا رہی ہے۔ ملازمین کے فوائد کے لئے رواں سال کے مالی بیانات میں 8.55 ملین روپے کی فراہمی تیار کی گئی ہے۔

## کارپوریٹ گورننس

ہم کارپوریٹ گورننس کے بہترین طریقہ کار کو یقینی بناتے ہیں جو عمل، رسم و رواج اور پالیسیاں کا ایک سیٹ اپناتے ہوئے، ہمیں اچھے کاروباری احساس، مقصدیت، احتساب اور سالمیت کے ساتھ انتظامی سرگرمیوں کو براہ راست اور کنٹرول کرنے میں مدد کرتے ہیں۔

ہم نے کارپوریٹ گورننس کو حصص یافتگان، قرض دہندگان، ملازمین، صارفین اور سپلائرز کو مطمئن کرنے کے طویل مدتی اسٹریٹجک اہداف کے حصول کے لئے کمپنی کو ساخت، آپریٹنگ اور کنٹرول کرنے کا نظام بنایا ہے۔ ہم بہترین اخلاقی طریقوں کی پاسداری کرتے ہیں اور قابل اطلاق قانونی اور ضابطہ تقاضوں کی تعمیل کرتے ہیں۔

کوڈ آف کارپوریٹ گورننس کی تعمیل سے متعلق بیان ان مالی بیانات سے منسلک ہے۔

## بورڈ

بورڈ سات ممبران پر مشتمل ہے، جن میں سے پانچ غیر ایگزیکٹو ڈائریکٹر ہیں جبکہ باقی دو ایگزیکٹو ڈائریکٹر ہیں۔ اچھی انتظامیہ کے مطابق چیئرمین اور چیف ایگزیکٹو آفیسر کا عہدہ الگ رکھا جاتا ہے۔

ڈائریکٹرز اس اعتماد کے درجے سے پوری طرح واقف ہیں جو حصص یافتگان کے پاس ہے اور ان کو بے حد احساس ہے کہ انہوں نے کمپنی کو آسانی سے چلانے اور اس کے اثاثوں کی حفاظت کے لئے انہیں بخشا ہے۔

مستقل مزاجی اور معیاری کارکردگی کو یقینی بنانے کے مقصد کے لئے، بورڈ نے کاروبار کے انعقاد کے لئے باضابطہ پالیسیاں وضع کیں اور ان کی نگرانی کو ایک آزاد داخلہ آڈٹ

## ڈائریکٹر کی رپورٹ

30 جون، سال 2020 کے لئے

### مارکیٹنگ

کمپنی کو مقامی اور بین الاقوامی مارکیٹ دونوں میں سخت مسابقت کا سامنا ہے۔ تاہم انتظامیہ مقامی اور بین الاقوامی دونوں بازاروں میں اپنے برانڈز کی ترقی کے لئے مستقل جدوجہد کر رہی ہے۔ کمپنی کی انتظامیہ اپنی برآمدی فروخت کو بڑھانے کے لئے کوشاں ہے اور انتظامیہ کسی حد تک کامیاب ہونے میں کامیاب رہی ہے۔ تاہم انتظامیہ کو امید ہے کہ مستقبل قریب میں یہ کوششیں زیادہ کامیاب ہوں گی اور کمپنی دوبارہ برآمدات سے منافع بخش آمدنی حاصل کرنے میں کامیاب ہوگی۔

برآمدی منڈی میں سخت مسابقت اور کمپنی کے برآمدی منڈی میں معیار کی ضروریات کو پورا کرنے سے قاصر ہونے کے ساتھ کمپنی کے برآمد کرنے کی صلاحیت میں سب سے بڑی رکاوٹ رہی ہے۔ اس طرح یہ کمپنی بنیادی طور پر دوبارہ خشک اور کٹے ہوئے تمباکو کی برآمد پر منحصر ہے اور اس نے متحدہ عرب امارات، میں دوبارہ خشک اور کٹے ہوئے تمباکو کے لئے ایک اچھی مارکیٹ حاصل کی ہے۔

### صحت، حفاظت اور ماحولیات

کمپنی اپنے اہلکاروں کی صحت اور حفاظت کو اولین ترجیح دیتی ہے جو اس کا ایک لازمی اور قیمتی جزو ہیں۔ حفاظتی ملاقاتوں، واقعات کی اطلاع دہندگی، حفاظتی آڈٹ، اچھے گھریلو کپڑے اور حفظان صحت پر قابو پانے کے اقدامات سمیت تمام اہلکاروں میں محفوظ سلوک کو تیز تر کرنے کے لئے فعال اور مستقل طور پر عمل پیرا ہے۔

کمپنی اس بات کا یقین کر کے ماحول کے تحفظ کے لئے سرگرم عمل ہے کہ اس کا پلانٹ ہر وقت ماحولیاتی معیار کے قائم کردہ معیار کے مطابق رہتا ہے۔ مینجمنٹ 'ماحولیاتی تحفظ اتھارٹی آف پاکستان' کے تجویز کردہ ماحولیاتی معیار کے سخت معیار کو پورا کرنے پر بھی توجہ دے رہی ہے۔

### معاشرتی ذمہ داری

کمپنی خود کو ایک ذمہ دار کارپوریٹ شہری کے طور پر دیکھتی ہے۔ آپریٹنگ سرگرمیاں دوبارہ شروع ہونے کے ساتھ، کمپنی نے اپنی معاشرتی ذمہ داریوں کو، خاص طور پر مقامی برادری کی طرف، بہت سنجیدگی سے لیا ہے اور غیر مراعات یافتہ افراد کی ترقی اور بہبود میں اپنی فعال شرکت پر فخر محسوس کرتی ہے۔ توانائی کے بحران اور امن و امان کی صورتحال دونوں سے ملک کے بری طرح متاثرہ علاقے میں، انتظامیہ علاقے کے مقامی لوگوں کو روزگار کے مواقع فراہم کرنے کو ترجیح دیتی ہے جس سے مقامی عوام کی معاشرتی ترقی میں بڑی مدد ملتی ہے۔ کمپنی نے کوویڈ 19 وبائی امراض کے لئے 18 ملین روپے کا حصہ بھی ادا کیا۔

### کلیدی آپریٹنگ اور مالی اعداد و شمار

پچھلے چھ سالوں سے کمپنی کے اہم آپریٹنگ اور مالی اعداد و شمار کا خلاصہ ان مالی بیانات سے منسلک ہے۔

### تقسیم کردہ

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



## آپریٹنگ جھلکیاں

ماضی میں دوبارہ خشک تمباکو کی برآمدات کمپنی کے منافع کا اصل ذریعہ رہی ہیں۔ تاہم، بین الاقوامی مارکیٹ میں پاکستانی تمباکو کی کم مانگ کی وجہ سے کمپنی کی برآمدات رک گئیں، لیکن جائزہ لینے والے سال کے دوران کمپنی دوبارہ خشک تمباکو کی برآمد شروع کرنے میں کامیاب رہی۔ کمپنی کی انتظامیہ نے سگریٹ کی مقامی فروخت پر توجہ مرکوز کی اور ان کی کوششوں میں کافی حد تک کامیابی حاصل کی کہ زیر غور سال کے دوران کم فروخت کے اثرات سے صاف ظاہر ہوتا ہے کہ خالص فروخت جائزہ کے دوران اس سے صاف ظاہر ہوتا ہے کہ پچھلے سال کی خالص فروخت 1.07 بلین روپے کے مقابلے میں اس سال خالص فروخت 1.828 بلین روپے ہے۔ مینجمنٹ اپنے موجودہ گاہک بیس میں نئے صارفین کو شامل کر کے اپنی مقامی مارکیٹ کو بڑھانے کی مستقل کوشش کر رہی ہے۔

ٹیکس لگانے سے پہلے کا منافع 30 جون 2020 کو ختم ہوا۔ 30 جون 2019 کو ختم ہوئے سال کیلئے ٹیکس لگانے سے پہلے نقصان کے مقابلے میں 42.01 ملین روپے تھا 58.52 روپے 30 جون 2020 کو ختم ہوئے سال کے لئے ٹیکس لگانے کے بعد منافع 38.53 ملین روپے تھا جبکہ 30 جون 2019 کو ختم ہونے والے سال کے لئے ٹیکس لگانے کے بعد اس کی لاگت 38.26 ملین روپے تھی۔ مالیاتی سال 2019 کے مقابلے میں اس سال منافع میں اضافے کی بنیادی وجہ کمپنی کے اپنے مقامی صارفین کی بنیاد بڑھانے کی صلاحیت ہے۔

30 جون 2020 کو ختم ہونے والے سال میں کمپنی کے ہر حصص کی آمدنی 8.02 روپے رہی جو گزشتہ سال کے ہر حصص کے خسارے کے مقابلے میں 7.96 روپے ہے۔ جس کے نتیجے میں مقامی فروخت اور برآمدی فروخت میں اضافہ ہوا ہے۔

## بیلنس شیٹ

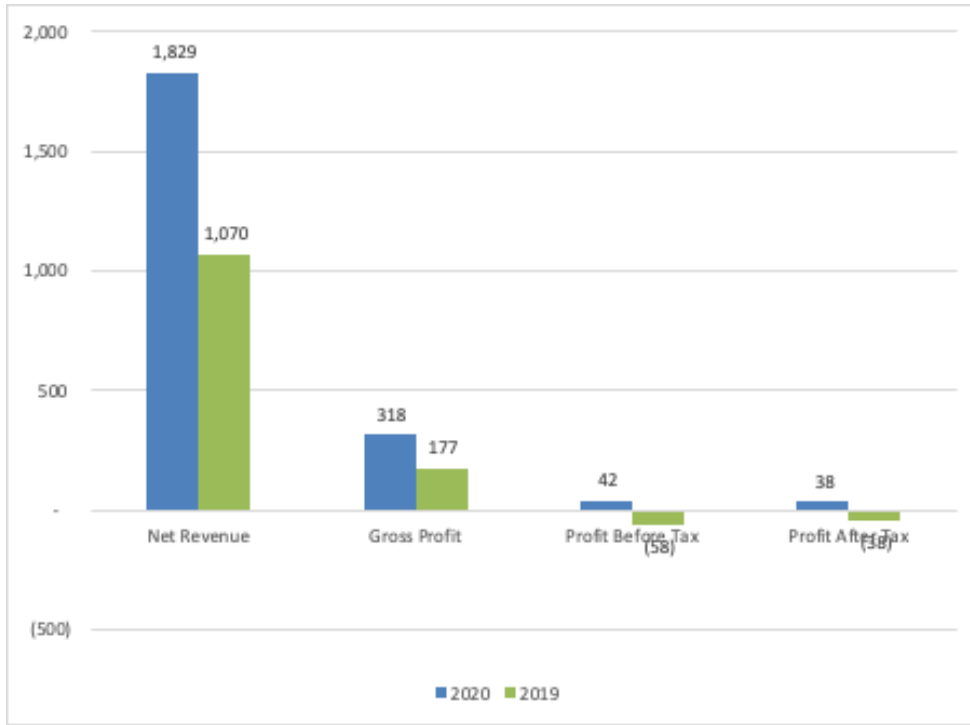
گزشتہ مالی سال کے مقابلے میں کمپنی کا Capital اور ذخائر 47.35 ملین روپے تک بڑھ گیا ہے۔ کمپنی کے Capital ذخائر میں یہ اضافہ موجودہ مدت کے دوران بنیادی طور پر منافع کی وجہ سے ہے۔ پلانٹوں کی کارکردگی کمپنی کی انتظامیہ تمام محکموں میں وقت گزرنے کے ساتھ نصب پلانٹ اور مشینری کو اپ گریڈ کرنے کی کوشش کر رہی ہے۔ تاہم نصب شدہ پلانٹ اور مشینری زیادہ سے زیادہ سطح پر چلتی نہیں ہے اس حقیقت کی وجہ سے کہ نصب شدہ پلانٹ اور مشینری زیادہ تر پرانی ہے اور زیادہ سے زیادہ صلاحیت پر نہیں چل رہی ہے۔ اسمٹل مینجمنٹ تمام محکموں میں لگائے گئے پلانٹ اور مشینری کی مستقل اپ گریڈیشن اور موثر دیکھ بھال میں سرگرم عمل ہے اور داخلی استعمال کے لئے tobacco کو معیار کو بہتر بنانے کے لئے محکمہ پرائمری پروڈکشن میں نمایاں بہتری لائی ہے۔

مذکورہ حقائق کے باوجود، جائزہ لینے والے سال کے دوران، نصب شدہ پلانٹ اور مشینری اطمینان بخش طریقے سے چل رہی تھی۔ کوالٹی اشورینس خیبر ٹوبیکو کمپنی لمیٹڈ کا کردگی اور معیار کے شعور سے چلنے والی ایک کمپنی ہے۔ اس مقصد کو حاصل کرنے کو یقینی بنانے کے لئے کوالٹی کنٹرول کے سخت طریقہ کار کا اطلاق ہوتا ہے۔ مروجہ معیار کے مطابق رہتے ہوئے وقت گزرنے کے ساتھ ساتھ معیار کے معیار میں مسلسل بہتری آرہی ہے۔

# ڈائریکٹرز کی رپورٹ

30 جون، سال 2020 کے لئے

مجھے، خیبر ٹو بیکو کمپنی لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے 65 ویں سالانہ رپورٹ اور آڈٹ شدہ مالی بیانات کے ساتھ ساتھ 30 جون، 2020 کو ختم ہونے والی سال کی آڈیٹرز کی رپورٹ پیش کرنے میں بڑی خوشی ہے۔



کمپنی کے مالی نتائج

30 جون 2019 کو ختم ہونے والے سال کے مقابلے میں 30 جون 2020 کو ختم ہونے والے سال کے لئے کمپنی کی مالی کارکردگی کا ایک خلاصہ بیان کیا گیا ہے۔ (رقم لاکھوں میں بطور رقم پیش کی جاتی ہے)

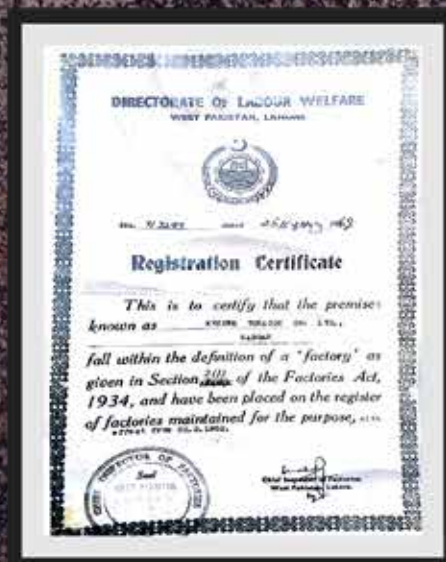
PRODUCT	UNIT OF MEASUREMENT	PRODUCTION		SALE	
		2020	2019	2020	2019
RE-DRIED TOBACCO	KGS	2,116,043	1,634,548	3,089,857	1,420,764
CUT TOBACCO	KGS	758,060	590,950	104,917	5,400
CIGARETTES	STICKS (In Million)	761.86	661.31	759.06	666.88

زیر جائزہ سال کے دوران، کمپنی نے اپنے گرین لیف تھری شینگ پلانٹ میں 1.9 ملین کلوگرام تمباکو کو دوبارہ خشک کیا اور مالی سال 2019 میں 1.8 ملین کلوگرام کے مقابلے میں سیسن ری ڈرائیونگ اینڈ پروسیسنگ کمپنی پرائیویٹ لمیٹڈ میں 0.5 ملین کلوگرام وزن برآمد کیا۔ مقامی جائزہ کے تحت سال 2019 میں دوبارہ خشک تمباکو کی فروخت میں 1.66 ملین کلوگرام کا اضافہ ہوا ہے جس میں سال 2019 میں مقامی فروخت کے مقابلے میں اس میں اضافہ دیکھا گیا ہے جس کی بنیادی وجہ ایف سی وی کی وسیع پیمانے پر مارکیٹنگ ہے جس کے نتیجے میں مقامی فروخت اور برآمدی فروخت میں اضافہ ہوا ہے۔

پچھلے مالی سال کے مقابلے میں موجودہ سال میں کٹے ہوئے تمباکو کی پیداوار میں 0.167 ملین کلوگرام کا اضافہ ہوا ہے۔ سال کے دوران، سگریٹ کی پیداوار گزشتہ مالی سال کے مقابلے میں 661.31 تک بڑھ کر 761.86 ملین سٹکس ہو گئی ہے۔



## COMPANY ACHIEVEMENTS







# STATEMENT OF COMPLIANCE

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

**Name of company: Khyber Tobacco Company Limited**

**Year ending: 30 June 2020**

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

1. The total number of directors are 07 as per the following,-
  - a. Male: 06
  - b. Female: 01
2. The composition of the 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. Pir Farhan Shah 2) Ms. Samera Irfan
Non-executive Director	1) Mr. Hazrat Bilal 2) Mr. Zia Ur Rehman 3) Mr. Rahat Ullah 4) Mr. Pir Wairs Shah 5) Mr. Khalil Ur Rehman
Female Directors	1) Mrs. Samera Irfan

The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;

3. 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;
4. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;
5. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations;
6. 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 the Board;



# STATEMENT OF COMPLIANCE

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

7. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
8. The Directors Training could not be carried out during the year due to the COVID-19 Pandemic situation prevailing in the country.
9. 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.
10. The financial statements of the Company were duly endorsed by the CEO and Company Secretary in place of CFO, before approval of the Board.
11. The Board has formed committees comprising of members given below.-

<b>Audit Committee</b>	<b>HR and Remuneration Committee</b>
Mr. Khalil Ur Rehman (Chairman)	Mr. Pir Wasir Shah (Chairman)
Mr. Rahat Ullah (Member)	Mr. Pir Farhan Shah (Member)
Mr. Zia Ur Rehman (Member)	Mr. Zia Ur Rehman (Secretary)
Mr. Pir Farhan Shah (Secretary)	

The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;

12. The Audit Committee meetings were held once every quarter and HR and Remuneration Committee meeting was held once during the year.
13. 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.
14. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;
15. 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;
16. We confirm that all requirements of regulations 3, 6, 7, 8, 27,32, 33 and 36 of the Regulations have been complied with; and

17. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below:

Regulation	Non-Compliance	Explanation
19	Three out of seven of the Directors have acquired the prescribed certification under approved director training programs.	During the current term of directors elected from 2017 to 2020, one of our directors Mr. Fazal A Rabbi, who had acquired the prescribed certification, had resigned on 15 Feb 2018. If the director had continued as a director, the company would have been in compliance of the provision.  During the year no director training could be held because of the prevailing Covid-19 Pandemic prevailing in the country.
20	The position of Chief Financial Officer has remained vacant during the year and the board has not made appointment there against as required by the Regulations.	The company is in the process of hiring of a qualified person as CFO.
20	In the absence of Chief Financial Officer the financial statements of the Company were endorsed by Chief Executive Office and the Company Secretary.	The matter is linked with the above.



# STATEMENT OF MATERIAL FACTS

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

In order to meet further capital needs of the Company, the Board of Directors have proposed that authorized capital of the Company be increased from Rs 200 million divided into 20 million ordinary shares of Rs.10/- each to Rs. 600 million divided into 60 million ordinary shares of Rs. 10/- each. The proposal is being placed before the members in the forthcoming Annual General meeting of the Company being held on October 28, 2020. Following Special Resolution will be placed before the members for adoption, with or without modification.

**RESOLVED THAT** authorized share capital of the Company, be increased from Rs.200,000,000/- divided into 20,000,000 ordinary shares of Rs 10/- each to Rs.600,000,000/- divided into 60,000,000 ordinary shares of Rs. 10/- each.

**FURTHER RESOLVED THAT** in clause 5 of the Memorandum of Association, the figures and amount be substituted as Rs. 600,000,000 divided into 60,000,000 ordinary shares of Rs.10/- each.

**FURTHER RESOLVED THAT** the Chief Executive and the Company Secretary, be and are, hereby authorized to, jointly as well as severally, to do all necessary acts to give effect to the resolution.

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

TO THE CHIEF EXECUTIVE OF KHYBER TOBACCO COMPANY LIMITED.

## 1. Introduction

We have been engaged to perform a reasonable assurance engagement on the annexed Statement of Free Float of Shares (the Statement) of Khyber Tobacco Company Limited (the Company) as of September 30, 2019, December 31, 2019, March 31, 2020 and June 30, 2020.

## 2. Applicable Criteria

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

## 3. Management's Responsibility for the Statement

Management is responsible for the preparation of the Statement as of September 30, 2019, December 31, 2019, March 31, 2020 and June 30, 2020 in accordance with the applicable criteria. This responsibility includes maintaining adequate records and internal controls as determined necessary to enable the preparation of the Statement such that it is free from material misstatement, whether due to fraud or error.

## 4. Our Independence and Quality Control

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

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

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

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

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

A reasonable assurance engagement in accordance with ISAE 3000 (Revised) involves performing procedures to obtain evidence about the free float of shares and related information in the Statement. The nature, timing and extent of procedures selected depend on the practitioner's judgment, including the assessment of the

risks of material misstatement, whether due to fraud or error, in the Statement. In making those risk assessments, we considered internal control relevant to the Company's preparation of the Statement. A reasonable assurance engagement also includes assessing the applicable criteria used and significant estimates made by management, as well as, evaluating the overall presentation of the Statement.

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

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

## **6. Opinion**

In our opinion, the Statement as of September 30, 2019, December 31, 2019, March 31, 2020 and June 30, 2020 is prepared, in all material respects, in accordance with the PSX Regulations.

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

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

### **Chartered Accountants Engagement Partner:**

Rana M. Usman Khan

### **Lahore**

**Dated:** October 05, 2020

# NOTICE OF 65<sup>TH</sup> ANNUAL GENERAL MEETING

Notice is hereby given that the 65<sup>th</sup> Annual General Meeting of the members of Khyber Tobacco Company Limited will be held on Monday, 28<sup>th</sup> October 2020 at 11.00 a.m. at Company registered office, Nowshera Road, Mardan to transact the following business;

## ORDINARY BUSINESS

1. To confirm the minutes of the 64th Annual General Meeting held on 28<sup>th</sup> October 2019.
2. To receive, consider and adopt the audited financial statements of the Company for the year ended 30 June, 2020 together with the Chairman's Review, Directors' and Auditors' Reports thereon.
3. To appoint Auditors for the year ending 30 June 2021 and to fix their remuneration. The Audit Committee and the Board of Directors have recommended **M/S Deloitte Yousuf Adil, Chartered Accountants** to be appointed as auditors of the Company till the next Annual General Meeting.

## SPECIAL BUSINESS

4. To increase authorized share capital of the Company and pass the following resolution as special resolution.

**RESOLVED THAT** authorized share capital of the Company, be increased from Rs.200,000,000/- divided into 20,000,000 ordinary shares of Rs 10/- each to Rs.600,000,000/- divided into 60,000,000 ordinary shares of Rs. 10/- each.

**FURTHER RESOLVED THAT** in Clause 5 of the Memorandum of Association, the figures and amount be substituted as Rs. 600,000,000 divided into 60,000,000 ordinary shares of Rs.10/- each.

**FURTHER RESOLVED THAT** the Chief Executive and the Company Secretary, be and are, hereby authorized to, jointly as well as severally, to do all necessary acts to give effect to the resolution.

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

Statement of Material Facts under section 134(3) of the Companies Act, 2017, is being sent to the members with this Notice.

**By Order of the Board**



**Pir Farhan Shah  
Company Secretary**

Mardan  
07 October, 2020

## NOTES:

### 1. **Closure of Share Transfer books:**

The Share Transfer Books of the Company will remain closed from 22nd October 2020 to 28th October 2020 (both days inclusive). Transfers received in order at the office of the Company's Share Registrar, CDC Share Registrar Services Limited, CDC House, 99-B, Block 'B', S.M.C.H.S. Main Shahrah-e-Faisal, Karachi, at the close of business on 21st October, 2020 will be in time to determine the above mentioned entitlement.

### 2. **Participation in the Annual General meeting:**

A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy and such proxy will have the right to attend, speak and vote in place of that member. Forms of proxy must be lodged with the Secretary of the Company at the registered office of the Company not less than 48 hours before the time of the Meeting.

### 3. **Guidelines for CDC Accountholders:**

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

#### **a) For attending the meeting:**

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

#### **b) For appointing proxies:**

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

# NOTICE OF 65<sup>TH</sup> ANNUAL GENERAL MEETING

## 4. **Change of Address:**

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

## 5. **Placement of Accounts on website.**

The financial statements of the Company for the year ended June 30, 2020 along with reports have been placed at the website of the Company and can be down loaded from [www.khybertobacco.com](http://www.khybertobacco.com).

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

The Company law allows transmission of annual audited financial statement together with various reports along with notice of annual general meeting to its members electronically. Members who wish to avail this facility may convey their email addresses.

## **PARTICIPATION THROUGH VIDEO CONFERENCE**

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

## 5. ویب سائٹ پر اکاؤنٹس کی جگہ سازی۔

30 جون 2020 کو ختم ہونے والے سال کے لئے کمپنی کے مالی بیانات کے ساتھ ساتھ رپورٹوں کو کمپنی کی ویب سائٹ پر رکھا گیا ہے اور [www.khybertobacco.com](http://www.khybertobacco.com) سے بھری جاسکتی ہے۔

## 6. برقی طور پر سالانہ مالی بیانات کی ترسیل۔

کمپنی کا قانون الیکٹرانک طور پر اپنے ممبروں کو سالانہ عام اجلاس کے نوٹس کے ساتھ ساتھ مختلف رپورٹوں کے ساتھ سالانہ آڈٹ شدہ مالی بیان منتقل کرنے کی اجازت دیتا ہے۔ ممبران جو اس سہولت سے فائدہ اٹھانا چاہتے ہیں وہ اپنے ای میل ایڈریس پہنچا سکتے ہیں۔

## 7. ویڈیو کانفرنس کے ذریعے شرکت۔

اگر کمپنی 10% یا اس سے زیادہ شیئر ہولڈنگ والے ممبروں سے رضامندی حاصل کرتی ہے، جغرافیائی مقام پر مقیم، اجلاس کی تاریخ سے کم از کم 10 دن قبل ویڈیو کانفرنس کے ذریعے اجلاس میں حصہ لینے کے لئے، کمپنی ویڈیو کانفرنس سہولت کا بندوبست کرے گی۔ مندرجہ بالا کمپنی کی ویب سائٹ سے درخواست فارم کا فارمیٹ ڈاؤن لوڈ ہو سکتا ہے۔



## 65 ویں سالانہ جنرل اجلاس کا نوٹس

### نوٹ:

#### 1- شیئر ٹرانسفر کی کتابوں کا اختتام:

کمپنی کی شیئر ٹرانسفر بکس 22 اکتوبر 2020 سے 28 اکتوبر 2020 تک بند رہیں گی (دونوں دن بھی شامل ہے)۔ کمپنی کے شیئر رجسٹرار، سنٹرل ڈپازٹری کمپنی آف پاکستان لمیٹڈ، سی ڈی سی ہاؤس، 99B، بلاک 'بی'، ایس ایم سی سی ایچ ایس ایس کے دفتر میں آرڈر کے مطابق منتقلی موصول ہوئی ہیں۔ مین شاہراہ فیصل، کراچی، 21 اکتوبر 2020 کو کاروبار کے اختتام پر مذکورہ بالا حقدار کا تعین کرنے کا وقت ہوگا۔

#### 2- سالانہ عام اجلاس میں شرکت:

میٹنگ میں شرکت اور ووٹ ڈالنے کا حقدار کمپنی کا ممبر کسی پراکسی کی تقرری کا حقدار ہے اور اس طرح کی پراکسی کو اس ممبر کی جگہ پر شرکت، بولنے اور ووٹ ڈالنے کا حق حاصل ہوگا۔ پراکسی کے فارمز کمپنی کے سکرٹری کے پاس کمپنی کے رجسٹرڈ آفس میں جمع کروانا ضروری ہیں جیسا کہ اجلاس کے وقت سے 48 گھنٹوں سے بھی کم نہیں۔

#### 3- سی ڈی سی اکاؤنٹ ہولڈرز کے لئے رہنما خطوط:

ان ممبروں کی حاضری جنہوں نے سنٹرل ڈپازٹری کمپنی آف پاکستان لمیٹڈ میں اپنے حصص جمع کروائے ہیں، ان کی شرکت مندرجہ ذیل کے مطابق ہوگی۔

#### (a) میٹنگ میں شرکت کے لیے:

- افراد کے معاملے میں، اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر اور/یا وہ شخص جس کی سیکورٹیز گروپ اکاؤنٹ میں ہیں اور ان کی رجسٹریشن کی تفصیلات قواعد کے مطابق اپ لوڈ کی جاتی ہیں، وہ اپنا اصلی کمپیوٹر انٹرنیٹ پر قومی شناختی کارڈ دکھا کر اس کی شناخت کی توثیق کرے گی۔ (سی این آئی سی) یا میٹنگ میں شرکت کے وقت اصل پاسپورٹ۔
- کارپوریٹ اداروں کی صورت میں، بورڈ آف ڈائریکٹرز کی قرارداد/پاور آف اٹارنی برائے نامزد شخص کے نمونے کے دستخط کے ساتھ پیش کی جائے گی (جب تک کہ اس کی پیش کش پہلے نہیں کی گئی ہو)

#### (b) پراکسی تقرری کے لیے:

- افراد کے معاملے میں، اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر اور/یا وہ شخص جس کی سیکورٹیز گروپ اکاؤنٹ میں ہیں اور ان کی رجسٹریشن کی تفصیلات قواعد کے مطابق اپ لوڈ کی جاتی ہیں، مندرجہ بالا ضرورت کے مطابق پراکسی فارم جمع کریں۔
- پراکسی فارم کا مشاہدہ دو افراد کریں گے جن کے نام، پتے اور CNIC نمبروں کا فارم پر ذکر کیا جائے گا۔
- سی این آئی سی کی تصدیق شدہ کاپیاں یا فائدہ مند مالک اور پراکسی کی پاسپورٹ پراکسی فارم کے ساتھ پیش کی جائیں گی۔
- ملاقات کے وقت پراکسی اپنا اصلی CNIC یا اصل پاسپورٹ تیار کرے گی۔
- کارپوریٹ ہستی کی صورت میں، بورڈ آف ڈائریکٹرز کی قرارداد/پاور آف اٹارنی جس کے نمونے پر دستخط شدہ کارپوریٹ ہستی کی طرف سے نمائندگی اور ووٹ ڈالنے کے لئے نامزد کردہ شخص کے نمونے پر دستخط کیے جائیں گے (جب تک کہ اس کی پیش کش پہلے نہیں کی گئی ہو) پراکسی فارم کے ساتھ کمپنی کو۔

#### 4. پتے کی تبدیلی:

ممبران سے گزارش ہے کہ ہمارے شیئر رجسٹرار، مینسٹرنل ڈپازٹری کمپنی آف پاکستان لمیٹڈ، سی ڈی سی ہاؤس، 99-بی، بلاک 'بی'، ایس ایم سی سی ایچ ایس کو اپنے پتے میں فوری طور پر کسی تبدیلی کی اطلاع دیں۔ مین شاہراہ فیصل، کراچی

## 65 ویں سالانہ جنرل اجلاس کا نوٹس

نوٹس کے ذریعے یہ بتایا گیا ہے کہ خیبر ٹو بیکو کمپنی لمیٹڈ کے ممبروں کی 65 ویں سالانہ جنرل میٹنگ بروز بدھ 28 اکتوبر 2020 کو صبح 11 بجے کمپنی رجسٹرڈ آفس، نوشہرہ روڈ، مردان میں مندرجہ ذیل کاروبار سے نمٹنے کے لئے ہوگی۔

### ابتدائی کاروبار

- 1 - 28 اکتوبر 2019 کو 64 ویں سالانہ جنرل میٹنگ کے انعقاد کی تصدیق کرنا۔
- 2 - 30 جون، 2020 کو ختم ہونے والے سال کے لئے کمپنی کے آڈٹ شدہ مالی بیانات موصول کرنے، غور کرنے اور اپنانے کے لئے، اس کے ساتھ ڈائریکٹرز اور آڈیٹرز کی رپورٹس کے ساتھ۔
- 3 - 30 جون 2021 کو ختم ہونے والے سال کے لئے آڈیٹرز کی تقرری اور ان کا معاوضہ ٹھیک کرنا۔ آڈٹ کمیٹی اور بورڈ آف ڈائریکٹرز نے ایم/ایس ڈیلوئٹ یوسف عادل اینڈ کو، چارٹرڈ اکاؤنٹنٹس کو اگلے سالانہ عام اجلاس تک کمپنی کا آڈیٹر مقرر کرنے کی سفارش کی ہے۔

### خصوصی کاروبار

- 4 - کمپنی کے مجاز حصص کیپٹل کو بڑھانا اور مندرجہ ذیل قرارداد کو بطور خاص ریزولوشن منظور کرنا۔

**حل کیا** کمپنی کے مجاز حصص کیپٹل کو -/200,000,000 روپے سے بڑھا کر -/20,000,000 عام حصص میں -/10 روپے میں -/600,000,000 روپے میں -/60,000,000 عام حصص میں تقسیم کیا جائے۔ -/10 روپے ہر ایک

**مزید حل کیا** میورنڈم آف ایسوسی ایشن کے شق 5 میں، اعداد و شمار اور رقم کو -/Rs.600,000,000 کو -/10 روپے ہر ایک کے -/60,000,000 عام حصص میں تقسیم کیا گیا۔

**مزید حل کیا** چیف ایگزیکٹو اور کمپنی سکریٹری، قرارداد کے نفاذ کے لئے تمام ضروری اقدامات کرنے کے لئے مشترکہ طور پر ساتھ ساتھ متعدد طور پر، کے مستند اور ہوں۔

5 - اس کے بعد چیف ایگزیکٹو اور کمپنی سکریٹری نے مزید کہا کہ قرارداد کو عملی جامہ پہنانے کے لئے مشترکہ طور پر ساتھ ساتھ متعدد طور پر، تمام ضروری اقدامات کرنے کا بھی اختیار ہے۔

کمپنیز ایکٹ 2017 کی دفعہ (3) 134 کے تحت مادی حقائق کا بیان، اس نوٹس کے ساتھ ممبروں کو بھیجا جا رہا ہے۔

مردان بورڈ

107 اکتوبر، 2020

بذریعہ آرڈر



پیر فرحان شاہ

کمپنی سیکرٹری

# خیبر ٹو بیکو کمپنی لمیٹڈ

کمپنیوں کے ایکٹ، 2017 کی سیکشن 134(3) کے تحت مادی حقائق کا بیان

کمپنی کی مزید سرمایہ کی ضروریات کو پورا کرنے کے لئے، بورڈ آف ڈائریکٹرز نے تجویز پیش کی ہے کہ کمپنی کے مجاز سرمائے کو 200 ملین روپے سے بڑھا کر 20 ملین عام حصص میں -/10 روپے میں تقسیم کیا جائے۔ 600 ملین روپے کے 60 ملین عام حصص میں تقسیم -/10 روپے ہر ایک اس تجویز کو ممبروں کے سامنے 28 اکتوبر، 2020 کو ہونے والی کمپنی کے آئندہ سالانہ اجلاس میں پیش کیا جا رہا ہے۔ اس کے بعد ممبروں کے سامنے خصوصی قرارداد پیش کی جائے گی، بغیر کسی ترمیم کے اور اس کے بغیر۔

کمپنی کے اختیار کردہ حصص کیپٹل کو -/200,000,000 روپے سے بڑھا کر -/20,000,000 عام حصص میں -/10 روپے فی حصص سے، -/600,000,000 روپے تک کے -/60,000,000 عام حصص میں تقسیم کیا گیا ہے۔ مزید ایسوسی ایشن کی یادداشت ایسوسی ایشن کی شق 5 میں، اعداد و شمار اور رقم کو -/600,000,000 روپے ہر ایک کو -/10 روپے کے -/60,000,000 عام حصص میں تقسیم کیا گیا ہے۔ اس کے بعد چیف ایگزیکٹو اور کمپنی سیکریٹری نے مزید کہا کہ اس معاہدے کو عملی جامہ پہنانے کے لئے تمام ضروری اقدامات کرنے کے لئے مشترکہ طور پر ساتھ ساتھ متعدد طور پر اس کا اختیار ہے۔

*Pir Farhan Shah*

پیر فرحان شاہ  
کمپنی سیکرٹری



# VERTICAL ANALYSIS

	2020	2019	2018	2017	2016	2015
<b>PROFIT AND LOSS ACCOUNT</b>						
Net Sales	100.0	100.0	100.0	100.0	100.0	100.0
Cost of Sales	82.6	83.4	56.0	61.7	76.7	77.5
<b>Gross Profit</b>	<b>17.4</b>	<b>16.6</b>	<b>44.0</b>	<b>38.3</b>	<b>23.3</b>	<b>22.51</b>
Administrative Expenses	7.5	11.3	15.2	8.5	9.5	8.51
Distribution Cost	5.6	7.8	4.9	0.4	3.1	1.02
Other Operating Expenses	1.8	2.8	1.8	2.1	0.8	1.2
<b>Operating Profit</b>	<b>2.6</b>	<b>(5.3)</b>	<b>22.0</b>	<b>27.4</b>	<b>9.9</b>	<b>11.79</b>
Finance Cost	1.1	4.3	0.9	0.3	0.6	0.36
Other Operating Income	0.8	4.1	4.1	0.3	1.4	3.0
<b>Profit before Taxation</b>	<b>2.3</b>	<b>(5.5)</b>	<b>25.2</b>	<b>27.3</b>	<b>7.9</b>	<b>8.47</b>
Taxation	0.2	0.3	7.5	8.8	1.5	4.7
<b>Profit for the Year</b>	<b>2.1</b>	<b>(5.7)</b>	<b>17.8</b>	<b>18.5</b>	<b>6.4</b>	<b>3.8</b>
<b>BALANCE SHEET</b>						
Share Capital & Reserves	49.9	67.7	69.5	67.6	66.0	49.2
Non-Current Liabilities	4.7	7.0	8.4	11.2	6.3	18.9
Current Liabilities	45.4	25.3	22.1	21.3	27.7	31.9
<b>Total Equity and Liabilities</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Non-Current Assets	31.6	33.3	35.1	38.2	30.5	33.8
Current Assets	68.4	66.7	64.9	61.8	69.5	66.2
<b>Total Assets</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100</b>

# HORIZONTAL ANALYSIS

	2020	2019	2018	2017	2016	2015
<b>PROFIT AND LOSS ACCOUNT</b>						
Net Sales	107.2	20.2	23.1	46.5	8.1	25.9
Cost of Sales	120.8	37.1	(23.5)	28.3	17.8	38.6
<b>Gross Profit</b>	<b>60.1</b>	<b>(25.6)</b>	<b>449.8</b>	<b>89.6</b>	<b>(15.0)</b>	<b>(4.4)</b>
Administrative Expenses	112.0	162.8	403.2	265.8	200.6	169.7
Distribution Cost	1,220.8	750.1	234.0	(87.7)	(25.4)	(75.4)
Other Operating Expenses	259.1	163.4	630.1	158.5	(24.3)	9.6
<b>Operating Profit</b>	<b>(60.0)</b>	<b>(133.1)</b>	<b>576.0</b>	<b>94.9</b>	<b>(48.0)</b>	<b>(18.6)</b>
Finance Cost	622.5	855.1	220.0	179.2	249.2	117.2
Other Operating Income	(33.4)	373.1	903.5	16.1	345.6	841.6
<b>Profit before Taxation</b>	<b>(69.3)</b>	<b>(133.2)</b>	<b>642.9</b>	<b>92.9</b>	<b>(44.1)</b>	<b>(5.7)</b>
Taxation	(90.2)	(91.3)	(100.0)	764.6	10.9	240.1
<b>Profit for the Year</b>	<b>(32.0)</b>	<b>(143.2)</b>	<b>1,207.7</b>	<b>40.8</b>	<b>(48.4)</b>	<b>(58.0)</b>
<b>BALANCE SHEET</b>						
Share Capital & Reserves	137.3	184.1	357.8	228.7	201.5	119.4
Non-Current Liabilities	100.0	100.0	100.0	100.0	100.0	100.0
Current Liabilities	233.3	148.7	37.1	36.5	17.5	32.1
<b>Total Equity and Liabilities</b>	<b>134.2</b>	<b>119.8</b>	<b>132.1</b>	<b>122.3</b>	<b>47.0</b>	<b>43.4</b>
Non-Current Assets	119.1	64.3	100.7	131.2	22.3	32.1
Current Assets	141.9	164.0	153.4	117.1	61.3	50.0
<b>Total Assets</b>	<b>134.2</b>	<b>119.8</b>	<b>132.1</b>	<b>122.3</b>	<b>47.0</b>	<b>43.4</b>

# FINANCIAL PERFORMANCE

		2020	2019	2018	2017	2016	2015
<b>Financial Performance- Profitability</b>							
Gross Profit Margin	%	17.39	16.59	43.96	38.34	23.29	22.51
Net Profit Margin	%	2.11	(3.58)	17.75	18.49	9.18	11.49
Return on equity	%	2.97	(3.03)	14.87	16.33	9.26	18.54
<b>Operating Performance- Liquidity</b>							
Total Asset Turnover	Time	0.82	0.56	0.62	0.72	0.67	0.90
Fixed Asset Turnover	Time	2.56	1.66	1.69	2.06	2.12	2.36
Inventory Turnover	Time	2.26	1.32	0.99	1.18	1.16	1.77
Inventory Turnover	Days	161.33	275.60	367.80	309.65	315.60	206.30
Receivable turnover	Time	5.80	3.92	3.03	3.29	3.93	7.61
Receivable turnover	Days	62.96	93.23	120.54	111.08	92.92	47.95
Payable Turnover	Time	5.35	6.55	5.96	3.43	2.70	4.11
Payable Turnover	Days	68.21	55.73	61.24	106.43	135.06	88.74
Current Ratio		1.51	2.64	2.94	2.91	2.51	2.08
Quick Ratio		0.89	1.36	1.20	1.46	0.78	0.78
<b>Capital Market/Capital Structure Analysis</b>							
Earning per share (pre tax)	Rs	8.74	(12.17)	59.10	58.34	67.58	114.02
Earning per share (after tax)	Rs	8.02	(7.96)	41.57	39.51	57.92	84.39
Debt: equity	Rs	1.00	0.48	0.44	0.48	0.51	0.76

# OTHER STATEMENTS

	2020	2019	2018	2017	2016	2015
	Rupees in Million					
<b>Summary of Balance sheet</b>						
Share Capital	48.07	48.07	48.07	12.02	12.02	12.02
Shareholder's funds/Equity	1,298.47	1,262.99	1,343.91	1,163.09	751.74	547.13
Capital employed	1,298.47	1,262.99	1,343.91	819.68	624.32	547.13
Property, plant & Equipment	818.90	610.79	674.44	652.72	342.28	371.67
Long term assets	823.55	621.65	679.17	657.66	347.82	375.88
Net Current Assets	1,778.78	1,244.92	1,255.41	697.88	475.64	380.97
<b>Summary of Profit and Loss</b>						
Sale	1,828.70	1,070.17	1,125.70	1,027.26	758.26	882.72
Gross Profit	318.04	177.56	494.86	393.88	176.63	198.67
Operating Profit/(Loss)	61.93	(12.39)	293.71	281.24	75.06	117.40
Profit/(Loss) before tax	42.01	(58.52)	284.13	280.45	81.22	137.04
Profit/(Loss) after tax	38.54	(38.27)	199.86	189.93	69.61	101.43
<b>Summary of Cash Flows</b>						
Net cash flow from operating activities	(43.32)	261.76	86.44	67.64	(19.07)	(38.06)
Net cash flow from investing activities	(286.23)	(60.88)	(92.34)	(2.35)	(14.45)	62.56
Net cash flow from financing activities	140.00	-	-	-	-	-
Changes in cash and cash equivalents	(189.55)	200.88	(5.90)	65.28	(33.53)	24.51
Cash and cash equivalents - Year end	81.58	277.92	77.04	82.95	17.67	51.19



# OTHER STATEMENTS

<b>ROE</b>	(Net Profit/Revenues)*(Revenues/Total Assets)*(Total Assets/Shareholders Equity)	
Net Profit/Revenue =		0.01
Revenues/Total Assets=		1.34
Total Assets/Shareholders Equity=		2.00
<b>ROE</b>	%age	2.97

## FREE CASH FLOW-FOR THE YEAR ENDED JUNE 30, 2020

	2019-20	2018-19	2017-18	2016-17
Net cash provided by operating activities	(43,322,740)	254,973,149	86,439,035	67,635,539
Less: Capital additions & Investment	(146,227,350)	(60,884,730)	(92,342,901)	(2,354,009)
Add: Net Debt Issued	-	-	-	-
<b>FCF Total</b>	<b>(189,550,090)</b>	<b>194,088,419</b>	<b>(5,903,866)</b>	<b>65,281,530</b>

## SUMMARY OF CASH FLOW STATEMENT FOR LAST 6 YEARS

	2020	2019	2018	2017	2016	2015
<b>Profit / (loss) before taxation</b>	42,012,780	(58,520,783)	28,413,266	280,454,828	81,221,506	137,037,845
<b>Net cash flow from operating activities</b>	(43,322,740)	261,763,148	86,439,035	67,635,539	(19,074,556)	(38,056,030)
<b>Net cash flow from investing activities</b>	(286,227,350)	(60,884,729)	(92,342,901)	(2,354,009)	(14,454,943)	62,563,576
<b>Net cash generated from financing activities</b>	140,000,000	-	-	-	-	-
<b>Net increase/(decrease) in cash and cash equivalents</b>	(189,550,090)	200,878,419	(5,903,866)	65,281,530	(33,529,499)	24,507,546
<b>Cash and cash equivalents at beginning of the period</b>	271,131,285	77,042,866	82,946,732	17,665,202	51,194,701	26,687,155
<b>Cash and cash equivalents at end of the period</b>	<b>81,581,195</b>	<b>277,921,285</b>	<b>77,042,866</b>	<b>82,946,732</b>	<b>17,665,202</b>	<b>51,194,701</b>

# STATEMENT OF FREE FLOAT OF SHARES

In accordance with Regulation No. 5.7.2 (b) (ii) of Pakistan Stock Exchange Limited, we provide the Free Float of share of our Company as hereunder;

	30-09-2019	31-12-2019	31-03-2020	30-06-2020
Total Outstanding Shares	4,807,364	4,807,364	4,807,364	4,807,364
<b>Less:</b> Government Holdings	-	-	-	-
<b>Less:</b> Shares held by Directors/Sponsors/ Senior Management Officers and their associates	-	-	-	-
<b>Less:</b> Shares in Physical form	4,425,548	4,420,748	4,405,491	4,404,510
<b>Less:</b> Shares held by Associate Companies/ Group Companies (Cross Holding)	-	-	-	-
<b>Less:</b> Shares issued under Employees Stock Option Schemes that cannot be sold in the open market in normal course	-	-	-	-
<b>Less:</b> Treasury Shares	-	-	-	-
<b>Less:</b> Any other category that are barred from selling at the review date	-	-	-	-
<b>Free Float</b>	<b>381,816</b>	<b>386,616</b>	<b>401,873</b>	<b>402,854</b>





# FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

# INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF KHYBER TOBACCO COMPANY LIMITED

REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of **Khyber Tobacco Company Limited** (the Company) for the year ended June 30, 2020 in accordance with the requirements of regulation 36 of the Regulations.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. 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.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2020.

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.

S. No.	Note Reference	Description
i.	09	Three out of seven of the Directors have acquired the prescribed certification under approved director training programs.
ii.	10	The position of Chief Financial Officer has remained vacant during the year and the board has not made appointment there against as required by the Regulations.
iii.	11	In the absence of Chief Financial Officer the financial statements of the Company were endorsed by Chief Executive Office and the Company Secretary.
iv.	19	The Company is in non-compliance with Regulations 25 and 26.

*Deloitte Young & Rubicam*

**Chartered Accountants**

**Engagement Partner:**

Rana Usman Khan

**Lahore**

**Date:** October 05, 2020



# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF KHYBER TOBACCO COMPANY LIMITED

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### **Opinion**

We have audited the annexed financial statements of Khyber Tobacco Company Limited (the Company),

which comprise the statement of financial position as at 30 June 2020, 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 2020 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 is the Key audit matter:

Key audit matter	How the matter was addressed in our audit
<p><b>Revenue Recognition</b></p> <p>The Company's sales comprise of revenue from the local and export sale of cigarettes and raw tobacco which has been disclosed in note 22 to the financial statements.</p> <p>Revenue from sale of goods is recognized at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods or on date of bill of lading and at transaction price net of trade discounts (note 4.13).</p> <p>We identified revenue recognition as key audit matter as it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not have been recognized based on transfer of control to the customers in line with the accounting policy adopted and may not have been recognized in the appropriate period.</p>	<p>Our audit procedures to evaluate revenue recognition, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of and assessing the design and implementation and operating effectiveness of relevant controls around recognition of revenue;</li> <li>• Assessing the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards;</li> <li>• Checked on a sample basis whether the recorded local and export sales transactions are based on satisfaction of performance obligation (i.e. dispatch of goods and after issue of gate passes for local sales and shipment of goods for export sales);</li> <li>• Testing timeliness of revenue recognition by comparing individual sales transactions before and after the year end to underlying documents; and</li> <li>• Evaluated the adequacy and appropriateness of disclosures made in the financial statements.</li> </ul>

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

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the financial statements and our auditor's report thereon.

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management

# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF KHYBER TOBACCO COMPANY LIMITED

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.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one

resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, 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) no zakat was deductible at source under the Zakat and Usher Ordinance, 1980.

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

*Deloitte Young & Asif*

**Chartered Accountants**

**Lahore**

**Date:** October 05, 2020

# STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

		2020	2019
	Note	Rupees	
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Issued, subscribed and paid up share capital	5	48,073,640	48,073,640
General reserves	6	3,312,465	3,312,465
Unappropriated profit		995,587,814	927,091,669
Revaluation surplus on property, plant and equipment	7	251,498,354	284,514,803
		1,298,472,273	1,262,992,577
<b>LIABILITIES</b>			
<b>NON CURRENT LIABILITIES</b>			
Employee retirement benefits	8	34,974,436	23,434,868
Deferred tax liabilities	9	88,055,599	107,875,977
		123,030,035	131,310,845
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	1,023,648,590	440,373,858
Unclaimed dividend		17,179,781	31,888,217
Loan from ex-Chief Executive Officer	11	140,000,000	-
		1,180,828,371	472,262,075
<b>CONTINGENCIES AND COMMITMENTS</b>	12		
<b>TOTAL EQUITY AND LIABILITIES</b>		2,602,330,679	1,866,565,497

		2020	2019
	Note	Rupees	
NON CURRENT ASSETS			
Property, plant and equipment	13	818,898,367	610,790,354
Intangible assets	14	-	6,212,042
Long term deposits	15	4,647,411	4,647,411
		823,545,778	621,649,807
CURRENT ASSETS			
Stock in trade	16	730,487,456	604,935,796
Trade debts	17	386,489,386	244,380,881
Advances and prepayments	18	394,560,982	16,824,396
Advance income tax	19	112,310,798	69,385,879
Advance duty	20	73,355,084	38,257,454
Cash and bank balances	21	81,581,195	271,131,285
		1,778,784,901	1,244,915,690
TOTAL ASSETS		2,602,330,679	1,866,565,497

The annexed notes from 1 to 42 form an integral part of these financial statements



Chief Executive



Director



Director



# STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2020

		2020	2019
	Note	Rupees	
<b>Sales - net</b>	<b>22</b>	<b>1,828,703,290</b>	1,070,173,339
Cost of sales	<b>23</b>	<b>(1,510,666,257)</b>	(892,617,715)
<b>Gross profit</b>		<b>318,037,033</b>	177,555,624
Administrative expenses	<b>24</b>	<b>(136,876,081)</b>	(120,916,758)
Impairment loss on financial assets	<b>17.1</b>	<b>(16,590,963)</b>	(2,199,268)
Selling and distribution cost	<b>25</b>	<b>(101,828,450)</b>	(83,908,112)
Other operating expenses	<b>26</b>	<b>(15,728,979)</b>	(27,301,000)
Finance cost	<b>27</b>	<b>(19,913,984)</b>	(46,129,722)
Other income	<b>28</b>	<b>14,914,204</b>	44,378,454
<b>Profit / (loss) before taxation</b>		<b>42,012,780</b>	(58,520,782)
Taxation	<b>29</b>	<b>(3,475,941)</b>	20,253,482
<b>Profit / (loss) for the year</b>		<b>38,536,839</b>	(38,267,300)
Earnings / (loss) per share - basic and diluted	<b>30</b>	<b>8.02</b>	(7.96)

The annexed notes from 1 to 42 form an integral part of these financial statements



Chief Executive



Director



Director

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

		2020	2019
	Note	Rupees	
<b>Profit / (loss) for the year</b>		<b>38,536,839</b>	(38,267,300)
<b>Other comprehensive income:</b>			
Items that will not be reclassified to profit or loss:			
Remeasurement (loss) / gain on post retirement benefits liability	8.5	(4,305,835)	4,878,111
Related tax impact		1,248,692	(1,308,504)
		(3,057,143)	3,569,607
<b>Total comprehensive income for the year</b>		<b>35,479,696</b>	(34,697,693)

The annexed notes from 1 to 42 form an integral part of these financial statements



Chief Executive



Director



Director

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

	Share capital	Revenue reserve		Capital reserve	Total
		General reserve	Unappropriated profit	Revaluation surplus on property, plant and equipment	
	Rupees				
Balance as at 01 July 2018	48,073,640	3,312,465	960,342,709	325,910,651	1,337,639,465
<b>Total comprehensive income for the year</b>					
Loss for the year	-	-	(38,267,300)	-	(38,267,300)
Other comprehensive income for the year	-	-	3,569,607	-	3,569,607
	-	-	(34,697,693)	-	(34,697,693)
Transfer from surplus on revaluation of property, plant and equipment - net of tax		-	41,395,848	(41,395,848)	-
<b>Transactions with owners, recorded directly in equity</b>					
Final dividend 2018 @ Rs. 8.31 per share		-	(39,949,195)	-	(39,949,195)
<b>Balance as at 30 June 2019</b>	<b>48,073,640</b>	<b>3,312,465</b>	<b>927,091,669</b>	<b>284,514,803</b>	<b>1,262,992,577</b>
<b>Balance as at 01 July 2019</b>	<b>48,073,640</b>	<b>3,312,465</b>	<b>927,091,669</b>	<b>284,514,803</b>	<b>1,262,992,577</b>
<b>Total comprehensive income for the year</b>					
Profit for the year	-	-	38,536,839	-	38,536,839
Other comprehensive loss for the year	-	-	(3,057,143)	-	(3,057,143)
<b>Total comprehensive (loss) / income for the year</b>	<b>-</b>	<b>-</b>	<b>35,479,696</b>	<b>-</b>	<b>35,479,696</b>
Transfer from surplus on revaluation of property, plant and equipment - net of tax	-	-	33,016,449	(33,016,449)	-
<b>Balance as at 30 June 2020</b>	<b>48,073,640</b>	<b>3,312,465</b>	<b>995,587,814</b>	<b>251,498,354</b>	<b>1,298,472,273</b>

The annexed notes from 1 to 42 form an integral part of these financial statements



Chief Executive



Director



Director

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 Rupees	2019 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit / (loss) before taxation		42,012,780	(58,520,782)
<b>Adjustments for:</b>			
Depreciation on property, plant and equipment	13.1	76,429,811	90,838,047
Amortization of intangible assets	14.3	-	262,741
Intangible assets written off		7,901,568	-
Trade debts written off		-	545,757
Trade creditors written back		(14,300,543)	(34,894,141)
Advance to supplier written off		1,186,466	-
Advances from customers written back		(613,661)	(882,092)
Provision for employee retirement benefits	8.3	8,551,193	4,894,576
Impairment loss on financial assets	17.1	16,590,963	2,199,268
Loss on disposal of fixed assets		-	27,301,000
Exchange loss / (gain) on foreign transaction		2,493,423	(8,460,221)
Finance cost	27	19,913,984	46,129,722
		118,153,204	127,934,657
Operating cash flows before working capital changes		160,165,984	69,413,875
<b>Working capital changes</b>			
<i>(Increase) / decrease in current assets</i>			
Stock in trade		(125,551,660)	138,086,293
Trade debts		(158,699,468)	55,063,937
Advances and prepayments		(377,736,586)	8,757,237
Advance duty		(35,097,630)	69,210,767
		(697,085,344)	271,118,234
<b>Increase in current liabilities</b>			
Trade and other payables		578,523,036	109,249,531
		(118,562,308)	380,367,765
<b>Cash generated from operations</b>		41,603,676	449,781,640
Employee retirement benefits paid		(1,317,460)	(4,737,574)
Income tax paid		(64,972,547)	(151,343,996)
Finance cost paid		(3,927,973)	(802,398)
Workers' welfare fund		-	(6,698,623)
Unclaimed dividend paid		(14,708,436)	(31,225,900)
<b>Net cash generated from operating activities</b>		(43,322,740)	254,973,149
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment		(284,537,824)	(54,492,688)
Additions to intangible assets		(1,689,526)	(6,212,042)
Security deposits		-	(180,000)
<b>Net cash used in investing activities</b>		(286,227,350)	(60,884,730)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Loan from ex-Chief Executive Officer		140,000,000	-
<b>Net cash generated from financing activities</b>		140,000,000	-
<b>Net increase in cash and cash equivalents</b>		(189,550,090)	194,088,419
<b>Cash and cash equivalents at beginning of the year</b>		271,131,285	77,042,866
<b>Cash and cash equivalents at end of the year</b>		81,581,195	271,131,285

The annexed notes from 1 to 42 form an integral part of these financial statements



Chief Executive



Director



Director

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

## 1. THE COMPANY AND ITS OPERATIONS

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

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

## 2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

### 2.1 Statement of compliance

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

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

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

### 2.2 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2020

The following standards, amendments and interpretations are effective for the year ended June 30, 2020. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

<b>2.2.1 Standards or Interpretations with no significant impact</b>	<b>Effective from annual period beginning on or after:</b>
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IFRS 16 Leases, this standard will supersede IAS 17 'Leases', IFRIC 4, SIC 15 and SIC 27 upon its effective date.	January 01, 2019
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Amendments to IFRS 9 'Financial Instruments' - prepayment features with negative compensation	January 01, 2019
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Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Long-term interests in associates and joint ventures	January 01, 2019
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Amendments to IAS 19 'Employee Benefits' - Plan amendment, curtailment or settlement	January 01, 2019
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IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019
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	Standards or Interpretations with no significant impact	Effective from annual period beginning on or after:
	IFRS 14 'Regulatory deferral accounts.	July 01, 2019
	Annual improvements to IFRS standards 2015-2017 cycle amendments to:	January 01, 2019
	IFRS 3 Business Combinations;	
	IFRS 11 Joint Arrangements; and	
	IAS 12 Income Taxes	
	IAS 23 Borrowing Costs.	
	Certain annual improvements have also been made to a number of IFRS.	
<b>2.3</b>	<b>New accounting standards / amendments and IFRS interpretations that are not yet effective</b>	
	The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.	
<b>2.3.1</b>	<b>Standards or Interpretations that are not yet effective</b>	<b>Effective from annual period beginning on or after:</b>
	Amendments to the conceptual framework for financial reporting, including amendments to references to the conceptual framework in IFRS	January 01, 2020
	Amendments to IFRS 3 'Business Combinations' - Definition of a business	January 01, 2020
	Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' - Interest rate benchmark reform	January 01, 2020
	Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
	Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions	January 01, 2020
	Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Clarify the definition of 'Material' and align the definition used in the Conceptual Framework and the Standards	January 01, 2020
	Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2020
	Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.	January 01, 2020
	Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
	Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 01, 2022



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

Amendments to the Conceptual Framework for Financial Reporting, January 01, 2020 including amendments to references to the Conceptual Framework in IFRS Standards.

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

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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

## 2.4 Adoption of new accounting standards

The following changes in standards have taken place effective from January 01, 2019:

### 2.4.1 IFRS 16 - Leases

IFRS 16 Leases replaced IAS 17 Leases, the former lease accounting standard and became effective for periods beginning on or after January 01, 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 on the Company's financial statements is described below.

The Company has used the practical expedient available under IFRS 16 for recognition exemption of short-term leases. IFRS 16 Leases defines a short-term lease as one that has a lease term of 12 months or less without any purchase options. IFRS 16 states that if a lessee applies the short-term lease recognition exemption, the lease payments associated with the relevant leases are expensed on a straight-line basis over the lease term, unless another systematic basis is more representative of the pattern of the lessee's benefit. Therefore, the initial application of IFRS 16 has had no impact on any of the line item in the financial statements of the Company.

## 3 SIGNIFICANT ESTIMATES

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

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

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

### **Employee retirement benefits**

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

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

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

### **Impairment on financial assets**

When measuring ECL the Company uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

### **Taxation**

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

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **4 ACCOUNTING CONVENTION**

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

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

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

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

#### **4.1 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 thereon and accumulated impairment loss, if any. Items of CWIP are stated at cost less impairment loss, if any. These costs are transferred to respective items of property, plant and equipment when available for intended use.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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

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

Subsequent costs are recognized as separate asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

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

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

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

## **Subsequent expenditure**

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

## **Depreciation**

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

Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from revaluation surplus on property, plant and equipment to unappropriated profit. Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight line method over their estimated useful lives, and is generally recognized in statement of profit or loss at rates given in note 14 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.

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

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

## 4.2 Intangibles

### Recognition and measurement

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

### Subsequent expenditure

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

### Amortization

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

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

## 4.3 Stock in trade

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

- Raw material
- Work-in-process
- Finished goods

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

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

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

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

## 4.4 Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

## 4.4.1 Financial assets

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

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

### Classification of financial assets

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

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

the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### *Amortized cost and effective interest method*

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

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

As at reporting date, the Company carries cash and cash equivalents and trade debts at amortized cost.

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

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

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

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

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

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

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

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

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

### Impairment of financial assets

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

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

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

#### **Write-off policy**

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

#### **Derecognition of financial assets**

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

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

### **4.4.2 Financial liabilities**

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

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

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

#### **Derecognition of financial liabilities**

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

## 4.5 Off setting of financial assets and financial liabilities

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

## 4.6 Long term deposits

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

## 4.7 Trade debts and other receivables

Trade receivables and other receivables are initially recognized at fair value, which is usually the original invoiced amount and subsequently carried at amortized cost using the effective interest method less allowance for ECL.

## 4.8 Cash and cash equivalents

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

## 4.9 Trade and other payables

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

## 4.10 Employee benefits

### Defined benefit plan

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

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

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

## 4.11 Provisions

Provisions are recognized in the statement of financial position when the Company has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate.

#### **4.12 Earnings per share**

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

#### **4.13 Revenue recognition**

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

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

#### **4.14 Taxation**

##### **Current**

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

##### **Deferred**

Deferred tax liability is recognized for all taxable temporary differences while deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profits will be available against which such temporary differences and tax losses can be utilized. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of "Technical Release - 27" of the Institute of Chartered Accountants of Pakistan.

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

#### **4.15 Contract liabilities**

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

#### **4.16 Foreign currencies**

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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

## 4.17 Dividend distribution

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

## 4.18 Borrowings

Loans and borrowings are initially recorded at the proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective yield method. Finance cost is accounted for on an accrual basis and are included in mark-up accrued on loans to the extent of amount remaining unpaid, if any.

## 4.19 Leases

The Company assesses whether contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

## 5 SHARE CAPITAL

### 5.1 Authorized share capital

This represents 20,000,000 (2019: 20,000,000) ordinary shares of Rs. 10 each.

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

	2020	2019		2020	2019
	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
	4,309,864	4,309,864	Ordinary shares of Rs. 10 each, issued as bonus shares	43,098,640	43,098,640
	4,807,364	4,807,364		48,073,640	48,073,640

**5.2.1** Directors of the Company hold 69,765 i.e. 1.45% (2019: 3,155,440 i.e. 65.64% ) ordinary shares of Rs. 10 each at the reporting date.

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

### 5.3 Capital management

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

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

## 6 GENERAL RESERVES

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

		2020	2019
	Note	Rupees	
<b>7 REVALUATION SURPLUS ON PROPERTY PLANT AND EQUIPMENT</b>			
Balance as at 01 July		382,835,275	441,139,286
<b>Surplus transferred to unappropriated profit in respect of incremental depreciation charged during the year:</b>			
- Net of deferred tax		(33,016,449)	(41,395,848)
- Related deferred tax liability		(14,107,214)	(16,908,163)
		(47,123,663)	(58,304,011)
Balance as at 30 June		335,711,612	382,835,275
<b>Related deferred tax liability</b>			
Balance as at 01 July		(98,320,472)	(115,228,635)
On incremental depreciation charged during the year		14,107,214	16,908,163
Effect of change in tax rate		-	
		(84,213,258)	(98,320,472)
		<b>251,498,354</b>	<b>284,514,803</b>

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

		2020	2019
	Note	Rupees	Rupees
<b>8 EMPLOYEE RETIREMENT BENEFITS</b>			
Net defined benefit liability	8.1	34,974,436	23,434,868

### 8.1 Net defined benefit liability

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

		2020	2019
	Note	Rupees	
<b>Movement in the defined benefit liability</b>			
Balance at beginning of the year		23,434,868	28,155,977
Charge for the year	8.3	8,551,193	4,894,576
Benefits paid during the year		(1,317,460)	(4,737,574)
Remeasurement loss / (gain)	8.5	4,305,835	(4,878,111)
Balance at the end of the year		34,974,436	23,434,868

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

		2020	2019
	Note	Rupees	
<b>8.2</b>	<b>Movement in the present value of defined benefit liability is as follows:</b>		
	Present value of defined benefit liability as at 01 July	23,434,868	28,155,977
	Current service cost	5,874,997	2,573,729
	Interest cost	2,676,196	2,320,847
	Benefits paid	(1,317,460)	(4,737,574)
	Remeasurements:		
	Actuarial loss / (gain) from changes in financial assumptions	4,305,835	(4,878,111)
	Present value of defined benefit liability as at 30 June	34,974,436	23,434,868
<b>8.3</b>	<b>Expense recognized in profit or loss account is as follows</b>		
	Current service cost	5,874,997	2,573,729
	Interest cost	2,676,196	2,320,847
		8,551,193	4,894,576
<b>8.4</b>	<b>Charge for the year has been allocated as follows</b>		
	Cost of sales 23	4,554,691	2,078,104
	Administrative expenses 24	3,336,891	2,452,445
	Selling and distribution cost 25	659,611	364,027
		8,551,193	4,894,576
<b>8.5</b>	<b>Remeasurement chargeable to other comprehensive income</b>		
	Remeasurement loss / (gain) on defined benefit obligation	4,305,835	(4,878,111)

## 8.6 Key actuarial assumptions

The latest actuarial valuation was carried out, on 30 June 2020, using projected unit credit method with the following assumptions:

	2020	2019
	Percentage	Percentage
The following were the principal actuarial assumptions at the reporting date :		
Discount rate	9.25%	11.75%
Future salary growth	9.25%	11.75%
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.

### Maturity profile of the defined benefit obligation

At 30 June 2020, the weighted-average duration of defined benefit obligation was 9.25 years (2019: 11.25 years).

	2020	2019
	Rupees	Rupees
Distribution of timing of benefit payments (time in years)		
1	5,014,215	3,400,768
2	1,370,537	1,040,528
3 to 5	3,751,959	3,174,820
5 and above	125,662,357	81,002,005

## 8.7 Sensitivity analysis

For a change of 100 basis points, present value of defined benefit obligation as at 30 June 2020 would have been as follows:

	Defined benefit obligation		
	Changes in assumptions	Increase in assumption	Decrease in assumption
		Rupees	
Discount rate	1%	(31,671,282)	38,917,052
Future salary growth	1%	39,023,924	(31,530,709)

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

## 8.8 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.

## 8.9 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. 12.12 million (2019: Rs. 7.62 million).



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

9	DEFERRED TAX LIABILITIES	2020 Rupees	2019 Rupees
	<b>This comprises the following:</b>		
	Deferred tax liability on taxable temporary differences arising in respect of:		
	Property, plant and equipment (at cost)	19,478,322	22,753,413
	Intangible assets	-	-
	Revaluation surplus	84,213,258	98,320,472
		103,691,580	121,073,885
	Deferred tax asset on deductible temporary differences arising in respect of:		
	Allowance for expected credit loss	(6,862,644)	(2,906,825)
	Provision for employee benefits	(8,773,337)	(6,286,168)
	Unused losses and credits	-	(4,004,915)
		(15,635,981)	(13,197,908)
		88,055,599	107,875,977

## 9.1 Movement in temporary differences for the year

	Balance as at 01 July 2019	Recognized in profit or loss	Recognized in other com- prehensive income	Balance as at 30 June 2020
<b>Taxable temporary differences</b>				
Property, plant and equipment	22,753,413	(3,275,091)	-	19,478,322
Intangible assets	-	-	-	-
Revaluation surplus	98,320,472	(14,107,214)	-	84,213,258
<b>Deductible temporary differences</b>				
Allowance for expected credit losses	(2,906,825)	(3,955,819)	-	(6,862,644)
Provision for employee retirement benefits	(6,286,168)	(1,238,477)	(1,248,692)	(8,773,337)
Unused losses and credits	(4,004,915)	4,004,915	-	-
	107,875,977	(18,571,686)	(1,248,692)	88,055,599

	Balance as at 01 July 2018	Recognized in profit or loss	Recognized in other com- prehensive income	Recognized in equity	Balance as at 30 June 2019
Taxable temporary differences					
Property, plant and equipment	19,908,220	2,845,193	-	-	22,753,413
Intangible assets	23,623	(23,623)	-	-	-
Revaluation surplus	115,228,635	(16,908,163)	-	-	98,320,472
Deductible temporary differences					
Allowance for expected credit losses	152,233	(760,958)	-	(2,298,100)	(2,906,825)
Provision for employee retirement benefits	-	(7,594,672)	1,308,504	-	(6,286,168)
Unused losses and credits	-	(4,004,915)	-	-	(4,004,915)
	135,312,711	(26,447,138)	1,308,504	(2,298,100)	107,875,977

		2020	2019
10	TRADE AND OTHER PAYABLES	Note	Rupees
	Trade creditors		443,856,693
	Accrued liabilities	10.1	82,047,031
	Advances from customers		338,098,992
	Workers' welfare fund		6,366,590
	Workers' profit participation fund		74,804,948
	Withholding tax payable		31,735,821
	Sales tax and excise duty payable		27,471,412
	Tobacco development cess payable		6,505,941
	Royalty payable		12,635,060
	Insurance payable		126,102
			1,023,648,590

**10.1** This includes an amount of Rs. 3.54 million in respect of Gas Infrastructure Development Cess (GIDC). GIDC was imposed by the government in December 2011, to raise funds for development of gas infrastructure in the country. GIDC Act provides legal framework which allows government to levy and collect the cess from gas consumers other than the domestic sector consumers.

On August 13, 2020, the Supreme Court (SC) announced its decision pertaining to Gas Infrastructure Development Cess (GIDC), directing recovery GIDC payables from the industries. According to the Court decision, the amount is receivable in twenty-four equal monthly installments starting from August 01, 2020 without the component of late payment surcharge. The late payment surcharge shall only become payable for the delays that may occur in the payment of any of the twenty-four installments. However, the Company files review petition before the Honorable Supreme Court against the above said order.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

## 11 LOAN FROM EX-CHIEF EXECUTIVE OFFICER

During the year, the Company received an unsecured loan of Rs 140 million from ex-Chief Executive Officer for meeting its working capital requirements. The loan carries interest at KIBOR + 2% and is repayable in two installments of Rs.120 million and Rs 20 million on February 01, 2021 and February 14, 2021 respectively.

## 12 CONTINGENCIES AND COMMITMENTS

### 12.1 Contingencies:

a)	Guarantees	Rupees	
	Letters of guarantee issued by bank on behalf of the Company	900,000	900,000
b)	Commitments:		
i)	Letters of credit against import of machinery and packing material	173,322,668	-
ii)	Short term lease rentals	1,757,077	1,472,844

### c) Tax related contingencies

- i) Deputy Commissioner Inland Revenue, Corporate Zone II, Regional Tax Office, Peshawar passed an assessment order on August 23, 2017 under Federal Excise Act 2005 and Sales Tax Act 1990 amounting to Rs. 9.50 million in lieu of alleged claims of non payment of taxes and duties which was later confirmed by Commissioner Inland Revenue (Appeals) Peshawar. The Company filed appeal against the order before the Appellate Tribunal Inland Revenue Peshawar and the matter is pending adjudication. The management, based on legal opinion, is confident that the eventual decision will be in favour of the Company.
- ii) Deputy Commissioner Inland Revenue, Corporate Zone II, Regional Tax Office, Peshawar, on May 01, 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 which aggregate 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 August 18, 2017 amounting Rs. 9,530,926 out of six assessment orders have been provided to the Company (refer 'i' 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 said orders before the Commissioner Inland Revenue (Appeals) Peshawar.
- iii) Deputy Commissioner Inland Revenue, Corporate Zone II, Regional Tax Office, Peshawar passed assessment order on January 29, 2018 under Federal Excise Act 2005 and Sales Tax Act 1990 amounting to Rs. 376.25 million against the Company in lieu of alleged claims of non payment of taxes and duties. The Company had filed appeal against the order before the Appellate Tribunal Inland Revenue Peshawar and the matter is pending adjudication. The management, based on legal opinion, is confident that the eventual decision will be in favour of the Company.
- iv) Deputy Commissioner Inland Revenue, Corporate Zone II, Regional Tax Office, Peshawar passed an assessment order on January 29, 2018 under Federal Excise Act 2005 and Sales Tax Act 1990 amounting to Rs. 27.80 million against the Company in lieu of alleged claims of non payment of taxes and duties. The Company had filed appeal against the order before the Appellate Tribunal Inland Revenue Peshawar and the matter is still pending adjudication. The management, based on legal opinion, is confident that the eventual decision will be in favour of the Company.

- v)** Deputy Commissioner Inland Revenue, Corporate Zone II, Regional Tax Office, Peshawar passed an assessment order on March 03, 2019 under Federal Excise Act 2005 amounting to Rs. 88.45 million against the Company in lieu of alleged claims of non payment of taxes and duties. The Company filed appeal against the order before Commissioner Inland Revenue (Appeals) Peshawar and the matter is pending adjudication. The management, based on legal opinion, is confident that the eventual decision will be in favour of the Company.
- vi)** Deputy Commissioner Inland Revenue, Corporate Zone II, Regional Tax Office, Peshawar passed an assessment order on January 17, 2019 under Federal Excise Act, 2005 and Sales Tax Act, 1990 amounting jointly to Rs. 3.99 million against the Company in lieu of alleged claims of non payment of taxes and duties. The Company filed appeal against the order before Commissioner Inland Revenue (Appeals) Peshawar and the matter was decided in favor of the Company. The Commissioner Corporate Zone Regional Tax Office Peshawar filed an appeal before Appellate Tribunal Inland Revenue Peshawar and the matter is pending adjudication. The management, based on legal opinion, is confident that the eventual decision will be in favour of the Company.
- vii)** Deputy Commissioner Inland Revenue, Corporate Zone II, Regional Tax Office, Peshawar passed an assessment order on June 30, 2020 under section 161/205 of the Income Tax Ordinance 2001 for alleged claims of not withholding income taxes on payment of certain expenses and ordered to pay Rs. 27.91 million. The Company filed appeal against the order before Commissioner Inland Revenue (Appeals) Peshawar and the matter is pending adjudication. The management, based on legal opinion, is confident that the eventual decision will be in favour of the Company.
- viii)** Deputy Commissioner Inland Revenue, Corporate Zone II, Regional Tax Office, Peshawar passed an assessment order for not filing of special return as required under SRO 543(1) 2006 and alleged claim of input tax not admissible under section 8(2) of the Sales Tax Act, 1990 and Sales Tax Act Rules, 2006. The Deputy Commissioner Inland Revenue (RTO) ordered to pay Rs. 3.66 million. The Company filed appeal against the order before Commissioner Inland Revenue (Appeals) Peshawar and the matter is still pending adjudication. The management, based on legal opinion, is confident that the eventual decision will be in favour of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

## 13 PROPERTY, PLANT AND EQUIPMENT

Description	Buildings on leasehold land	Plant and machinery	Tools and equipment	Furniture and fittings	Office equipment	Vehicles	Capital work in progress	Total
<b>Cost / revalued amounts</b>								
Balance as at 01 July 2018	271,527,758	511,834,729	44,921,075	2,889,716	2,527,340	12,884,580	75,460,938	922,046,136
Additions during the year	-	131,882,057	1,453,268	-	37,300	-	54,593,467	187,966,092
Transfers/ Disposal	-	(48,000,000)	-	-	-	-	(130,054,405)	(178,054,405)
Balance as at 30 June 2019	271,527,758	595,716,786	46,374,343	2,889,716	2,564,640	12,884,580	-	931,957,823
Balance as at 01 July 2019	271,527,758	595,716,786	46,374,343	2,889,716	2,564,640	12,884,580	-	931,957,823
Additions during the year	3,892,348	4,607,147	10,183,300	88,400	641,000	-	265,125,629	284,537,824
Balance as at 30 June 2020	275,420,106	600,323,933	56,557,643	2,978,116	3,205,640	12,884,580	265,125,629	1,216,495,647
<b>Accumulated depreciation</b>								
Balance as at 01 July 2018	69,676,558	152,101,659	15,054,232	883,570	2,282,525	7,610,878	-	247,609,422
Charge for the year	20,364,582	61,333,333	4,703,671	288,972	282,115	3,865,374	-	90,838,047
Transfers/ disposal	-	(17,280,000)	-	-	-	-	-	(17,280,000)
Balance as at 30 June 2019	90,041,140	196,154,992	19,757,903	1,172,542	2,564,640	11,476,252	-	321,167,469
Balance as at 01 July 2019	90,041,140	196,154,992	19,757,903	1,172,542	2,564,640	11,476,252	-	321,167,469
Charge for the year	17,542,485	53,793,531	4,605,049	263,835	105,041	119,870	-	76,429,811
Transfers/ Disposal	-	-	-	-	-	-	-	-
Balance as at 30 June 2020	107,583,625	249,948,523	24,362,952	1,436,377	2,669,681	11,596,122	-	397,597,280
Carrying value - June 2020	167,836,481	350,375,410	32,194,691	1,541,739	535,959	1,288,458	265,125,629	818,898,367
Carrying value - June 2019	181,486,618	399,561,794	26,616,440	1,717,174	-	1,408,328	-	610,790,354
Rate of depreciation per annum	7.14%	10%	10%	10%	30%	20%		

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

		2020	2019
	Note	Rupees	
Cost of sales	23	72,982,447	80,840,132
Administrative expenses	24	3,447,365	9,997,915
		76,429,812	90,838,047

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

Had there been no revaluation, the carrying amount of revalued assets would have been as follows;

	Opening cost	Additions	Accumulated depreciation	Carrying value
	Rupees			
Buildings on leasehold land	3,110,425	3,892,348	2,085,107	4,917,666
Plant and machinery	264,687,829	4,607,147	93,618,973	175,676,003
Furniture and fittings	1,972,388	88,400	1,729,334	331,454
<b>30 June 2020</b>	<b>269,770,642</b>	<b>8,587,895</b>	<b>97,433,414</b>	<b>180,925,123</b>
<b>30 June 2019</b>	185,888,585	83,882,057	72,957,225	196,813,417

**13.2.1** Forced Sales Value (FSV) of buildings on leasehold land, plant and machinery were Rs. 178.93 million, Rs.290.93 million respectively as at April 27, 2017.

**13.2.2** Details of the Company's revalued assets and information about fair value hierarchy, as at June 30, 2020 are as follows.

	Level 1	Level 2	Level 3	Total
	Rupees			
Buildings on leasehold land	-	167,836,481	-	167,836,481
Plant and machinery	-	350,375,410	-	350,375,410
Furniture and fittings	-	1,541,739	-	1,541,739

Details of the Company's revalued assets and information about fair value hierarchy, as at June 30, 2019 are as follows.

	Level 1	Level 2	Level 3	Total
	Rupees			
Buildings on leasehold land	-	181,486,618	-	181,486,618
Plant and machinery	-	399,561,794	-	399,561,794
Furniture and fittings	-	1,717,174	-	1,717,174



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			2020	2019
	Note		Rupees	Rupees
<b>14</b>	<b>INTANGIBLE ASSETS</b>			
	Computers software	14.1	-	-
	Capital work in progress	14.2	-	6,212,042
			-	6,212,042
<b>14.1</b>	Balance as at 01 July		-	262,741
	Additions		-	-
	Amortization	14.3	-	(262,741)
	Balance as at 30 June		-	-
	Amortization rate		30%	30%
<b>14.2</b>	Balance as at 01 July		6,212,042	262,741
	Additions		1,689,528	5,949,301
	Written off	14.2.1	(7,901,570)	-
	Balance as at 30 June		-	6,212,042
<b>14.2.1</b>	This represents computer software that has been written off during the year.			
<b>14.3</b>	Amortisation on intangible assets has been allocated as follows:			
	Cost of sales	23	-	210,193
	Administrative expenses	24	-	52,548
			-	262,741
<b>15</b>	<b>LONG TERM DEPOSITS</b>			
	Sui Northern Gas Pipelines Limited		3,660,151	3,660,151
	Others		987,260	987,260
			4,647,411	4,647,411
<b>16</b>	<b>STOCK IN TRADE</b>			
	Raw material		600,518,399	535,226,256
	Packing and other material		112,939,713	60,725,607
	Work in process		3,856,473	310,361
	Finished goods		13,172,871	8,673,572
			730,487,456	604,935,796
<b>17</b>	<b>TRADE DEBTS</b>			
	Local - secured		364,664,725	159,534,083
	Foreign - unsecured		49,182,222	95,613,396
			413,846,947	255,147,479
	Allowance for expected credit losses	17.1	(27,357,561)	(10,766,598)
			386,489,386	244,380,881

		2020	2019
		Rupees	Rupees
<b>17.1</b>	<b>Movement in allowance for expected credit losses</b>		
	Balance as at 01 July	10,766,598	-
	Impact of adoption of IFRS 9	-	8,567,330
	Adjusted balance as at 01 July	10,766,598	8,567,330
	Impairment losses on financial assets	16,590,963	2,199,268
	Balance as at 30 June	27,357,561	10,766,598
<b>18</b>	<b>ADVANCES AND PREPAYMENTS</b>		
	Advances to suppliers	30,412,427	8,185,014
	Advances against letter of credit	364,148,555	6,790,000
	Prepaid insurance	-	1,849,382
		394,560,982	16,824,396
<b>19</b>	<b>ADVANCE INCOME TAX</b>		
	Balance as at 01 July	69,385,879	(75,764,462)
	Provision for the year	(22,047,627)	(6,193,655)
	Adjustment of other comprehensive income	-	-
	Payments made during the year / withheld	64,972,546	151,343,996
	Balance as at 30 June	112,310,798	69,385,879
<b>20</b>	<b>ADVANCE DUTY</b>		
	Sales Tax	-	-
	Federal Excise Duty	73,355,084	38,257,454
<b>20.1</b>	This includes Rs.27.35 million (2019: Rs.27.35 million) recovered by Deputy Commissioner Inland Revenue, Corporate Zone II, Regional Tax Office, Peshawar, under section 14A of Federal Excise Act, 2005 and under section 48 (ca) of the Sales Tax Act, 1990 read with Sales Tax Rules, 2006 from the bank accounts of the Company against various assessment orders. Refer note 12(c)(iii).		
		2020	2019
<b>21</b>	<b>CASH AND BANK BALANCES</b>	<b>Rupees</b>	<b>Rupees</b>
	Cash in hand	416,195	306,635
	Cash at bank		
	Current Accounts		
	- Foreign currency	64,799	64,799
	- Local currency	81,100,201	270,759,851
		81,165,000	270,824,650
		81,581,195	271,131,285
<b>21.1</b>	This includes Rs. 364.14 million (2019: Rs. 6.79 million) lien marked by a bank against letters of credit issued on behalf of the Company.		

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

			2020	2019
22	SALES - NET	Note	Rupees	
	Gross sales			
	- Local		2,925,230,784	2,102,020,719
	- Export		574,468,954	235,763,407
			3,499,699,738	2,337,784,126
	Government levies			
	- Excise duty		1,280,700,140	958,597,660
	- Sales tax		349,261,908	243,995,027
			(1,629,962,048)	(1,202,592,687)
	Discounts		(41,034,400)	(65,018,100)
			1,828,703,290	1,070,173,339
23	<b>COST OF SALES</b>			
	Raw and packing material consumed	23.1	1,251,155,695	667,033,604
	Salaries, wages and other benefits	23.2	98,712,772	47,837,886
	Fuel and power		42,489,851	36,453,684
	Stores and spares consumed		41,524,501	37,463,192
	Repair and maintenance		4,541,391	2,957,563
	Royalty	23.3	3,736,710	3,682,760
	Depreciation	13.1	72,982,447	80,840,132
	Amortization	14.3	-	210,193
	Insurance expense		3,568,301	2,578,256
	Other		-	424,860
			1,518,711,668	879,482,130
	Opening work in process		310,361	8,648,674
	Closing work in process		(3,856,473)	(310,361)
	<b>Cost of goods manufactured</b>		1,515,165,556	887,820,443
	Opening finished stock		8,673,572	13,470,844
	Closing finished stock		(13,172,871)	(8,673,572)
			1,510,666,257	892,617,715
23.1	Raw and packing materials consumed			
	Opening balance		595,951,863	720,902,571
	Raw and packing material purchases		1,368,661,944	542,082,896
	Closing balance		(713,458,112)	(595,951,863)
			1,251,155,695	667,033,604

**23.2** This includes Rs. 4.55 million (2019: Rs 2.08 million) in respect of post retirement benefits.

### 23.3 Details of royalty expenses is as follows:

		2020	2019
Name	Relationship with Company	Rupees	
Walton Tobacco Company (Private) Limited	None	544,590	-
National Tobacco Industries (Private) Limited	None	3,192,120	3,654,760
Paramount Tobacco Company (Private) Limited	None	-	28,000
		3,736,710	3,682,760

		2020	2019
24	ADMINISTRATIVE EXPENSES	Note	Rupees
	Salaries, wages and other benefits	24.1	73,181,758
	Security charges		56,455,199
	Fuel and power		3,952,544
	Communication		7,550,432
	Traveling		6,788,872
	Printing and stationery		2,058,599
	Depreciation	13.1	2,287,296
	Amortization	14.3	5,008,265
	Legal and professional		1,887,851
	Auditors' remuneration	24.2	9,997,915
	Rent expenses		1,633,800
	Advertisement		1,088,400
	Trade debts written off		545,757
	Donations	24.3	-
	Others		11,544,101
			136,876,081
			120,916,758

24.1 This includes Rs. 3.33 million (2019: Rs 2.45 million) in respect of post retirement benefits.

	2020	2019
24.2 Auditors' remuneration	Rupees	Rupees
<b>Audit services</b>		
Annual audit fee	1,102,500	950,000
Half yearly review fee	575,000	575,000
Out of pocket expenses	500,000	465,000
	2,177,500	1,990,000
<b>Non audit services</b>		
Other certification charges	165,000	165,000
Tax consultancy fee	-	-
	165,000	165,000
	2,342,500	2,155,000

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

## 24.3 Donations

Donations made to party exceeding Rs. 1,000,000 includes Mardan Medical Complex.

			2020	2019
25	SELLING AND DISTRIBUTION COST	Note	Rupees	Rupees
	Salaries, wages and other benefits	25.1	8,676,588	8,379,884
	Customs, clearance and freight on export		29,312,613	4,943,651
	Freight on local sale		8,418,400	6,866,720
	Product research and branding cost		12,021,750	8,846,400
	Advertising expense		29,826,099	50,073,457
	Training of sales staff		13,573,000	4,798,000
	Product research and marketing		-	-
			101,828,450	83,908,112

25.1 This includes Rs. 0.66 million (2019: Rs 0.36 million) in respect of post retirement benefits.

			2020	2019
26	OTHER OPERATING EXPENSES		Rupees	Rupees
	Workers' Profit Participation Fund		2,077,592	-
	Workers' Welfare Fund		2,069,930	-
	Advance to supplier write-off		1,186,466	-
	Loss on disposal of property, plant and equipment		-	27,301,000
	Exchange loss - net		2,493,423	-
	Intangible written off		7,901,568	-
			15,728,979	27,301,000

27	FINANCE COST			
	Interest expense		15,986,011	45,327,324
	Bank charges		3,927,973	802,398
			19,913,984	46,129,722

28	OTHER INCOME			
	Royalty income		-	142,000
	Trade creditors written back		14,300,543	34,894,141
	Advances from customer written back		613,661	882,092
	Rent reversal		-	-
	Exchange gain - net		-	8,460,221
			14,914,204	44,378,454

			2020	2019
29	TAXATION	Note	Rupees	Rupees
	Current		22,047,627	6,193,655
	Deferred	9.1	(18,571,686)	(26,447,137)
	Tax expense for the year		3,475,941	(20,253,482)

**29.1 Relationship between accounting profit and tax expense is as follows:**

	2020	2019
	%	
Applicable tax rate	29	(29)
Effect of rebates	-	-
Tax effect of income charged at lower tax rate	(8)	(2)
Tax effect of tax credits	(15)	(4)
Tax effects of change in composition of local and exports sales	(6)	-
Tax effect of expenses that are not deductible in determining taxable profits	8	-
Others	-	-
	8	(35)

**29.2** Tax Assessments up to and including tax year 2019 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.

**30 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.

	2020	2019
	Rupees	
Profit attributable to ordinary shareholders	38,536,839	(38,267,300)
Weighted-average number of ordinary shares at 30 June	4,807,364	4,807,364
Basic earnings per share	8.02	(7.96)

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

<b>31 CAPACITY AND PRODUCTION</b>	<b>2020</b>	<b>2019</b>
Available capacity (million cigarettes per annum)	1,585	1,585
Actual production (million cigarettes)	761	661

**31.1** Actual production was sufficient to meet the market demand.

**32. FINANCIAL RISK MANAGEMENT**

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

- Credit risk
- Liquidity risk
- Market risk

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

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

# NOTES TO THE FINANCIAL STATEMENTS

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

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

## 32.1 Credit risk and concentration of credit risk

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

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

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

### 32.1.1 Counterparties

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

#### Trade debts

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

#### Banks

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

Bank	Rating		Rating agency	2020	2019
	Short term	Long term		Rupees	
Habib Bank Limited	A-1+	AAA	JCR-VIS	42,845,269	30,508,139
National Bank Of Pakistan	A-1+	AAA	JCR-VIS	23,550	478,922
Mcb Bank Limited	A1+	AAA	PACRA	45,841,819	246,524,075
Samba Bank Limited	A-1	AA	JCR-VIS	956,632	-
Askari Bank Limited	A1+	AA+	PACRA	355,646,285	103,514
				445,313,555	277,614,650



### 32.1.2 Exposure to credit risk

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

	2020	2019
<b>Financial assets:</b>	<b>Rupees</b>	
Trade debts	<b>386,489,386</b>	244,380,881
Bank balances	<b>81,165,000</b>	270,824,650
Long term deposits	<b>4,647,411</b>	4,647,411
	<b>472,301,797</b>	519,852,942

Trade debts consist of a large number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of trade debts, where appropriate. The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. At June 30, 20120 the Company had approximately 16 (2019: 20) major local customers that owed more than Rs. 2 million each and accounted for approximately 97% (2019 : 86%) of local trade debts. Export debts amounting to Rs. 49.18 million (2019 : Rs. 95.61 million) are unsecured.

	2020	2019
<b>32.1.3 Impairment losses</b>	<b>Rupees</b>	
The aging of trade debts at balance sheet date is as follows:		
Not past due	<b>250,704,907</b>	164,422,002
Past due upto 12 months	<b>145,672,035</b>	81,745,402
Over 12 months	<b>17,470,005</b>	8,980,074
	<b>413,846,947</b>	255,147,478

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

	2020	2019
	<b>Rupees</b>	
Balance as at 01 July	<b>10,766,598</b>	-
Impact of adoption of IFRS 9	-	8,567,330
Impairment losses on financial assets	<b>16,590,963</b>	2,199,268
<b>Balance as at 30 June</b>	<b>27,357,561</b>	10,766,598

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

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

### 32.2 Liquidity risk management

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

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

## 32.2.1 Liquidity table

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

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

	Carrying amount	
	2020	2019
	Rupees	
<b>Maturity up to one year</b>		
Trade and other payables	538,664,886	135,687,860
Loan from ex-Chief Executive Officer	140,000,000	-
Unclaimed dividend	17,179,781	31,888,217

## 32.3 Market risk

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

### 32.3.1 Foreign currency risk management

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

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

The potential currency exposures are discussed below;

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

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

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

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

#### Exposure to foreign currency risk

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

	2020	2019
	USD	
Trade debts	291,540	597,397

Commitments outstanding at year end amounted to Rs. 173.32 million (2019: Rs. Nil ) relating to letter of credits for import of machinery.

The following significant exchange rates applied during the year:

Rupees per USD	2020	2019
Average rate	164.02	140.78
Reporting date rate	167.98	160.05

### Sensitivity analysis

A 10 percent weakening of the Pak Rupee against the USD at June 30, 2020 would have decreased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for June 30, 2019.

	2020	2019
	Rupees	
Decrease in statement of profit or loss	4,897,289	9,561,339

A 10 percent strengthening of the Pak Rupee against the USD at June 30, 2020 would have had the equal but opposite effect on USD to the amounts shown above, on the basis that all other variables remain constant.

### 32.3.2 Interest rate risk

The interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatches of financial assets and liabilities that mature in a given period.

#### Profile

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

#### Floating rate instruments

Financial liabilities	2020	2019
	Rupees	
Loan from ex-Chief Executive Officer	140,000,000	-

#### Fair value sensitivity analysis for floating rate instruments

The following table demonstrates the sensitivity to a reasonably possible change in floating interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on finance cost).

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	Increase / (decrease) in basis points	Decrease / (increase) of profit
	Points	Rupees
2020		
2019	+ (-) 200	2,800,000 -

### 32.3.3 Other price risk

Other price risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all similar financial instruments traded in the market. The effects of changes in fair value of such investments made by Company, on the future profits are not considered to be material in the overall context of these financial statements.

### 32.3.4 Financial Instruments by Category

The accounting policies for financial instruments have been applied for the items below:

	2020	2019
	Rupees	
<b>Assets as per statement of financial position - at amortized cost</b>		
Trade debts	386,489,386	244,380,881
Cash and bank balances	81,581,195	271,131,285
	<b>468,070,581</b>	<b>515,512,166</b>
<b>Liabilities as per statement of financial position- at amortized cost</b>		
Trade and other payables	1,023,648,590	440,373,858
Unclaimed dividend	17,179,781	31,888,217
Loan from ex-Chief Executive Officer	140,000,000	-
	<b>1,180,828,371</b>	<b>472,262,075</b>

## 33. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the Company to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy has the following levels:

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

Level 2: inputs other than quoted prices included within 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).

Transfer between levels of the fair value hierarchy are recognized at the end of the reporting period during which the changes have occurred.

### 34 TRANSACTIONS WITH RELATED PARTIES

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

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

Name	Basis of relationship	Shares held in the Company	
		Numbers	Percentage
Mrs. Samera Irfan	Chief Executive	2,125	0.04%
Mr. Pir Farhan Shah	Director	30,140	0.42%
Mr. Zia Ur Rehman	Director	5,000	0.10%
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%
		2020	2019
<b>Transaction with key management personnel</b>		<b>Rupees</b>	
Dividend paid		-	31,225,900
Receipt of loan from ex-Chief Executive Officer		140,000,000	-
Mark up on loan from ex-Chief Executive Officer		8,822,367	-
Remuneration of key management		27,420,000	27,420,000
		176,242,367	58,645,900

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

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

	Directors	Executives
<b>30 June 2020</b>		
Managerial remuneration	420,000	33,575,528
Number of persons	1	16
<b>30 June 2019</b>		
Managerial remuneration	420,000	16,548,587
Number of persons	1	10

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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

**35.3** Executive means an employee whose basic salary exceeds Rs. 1.20 million (2019: Rs. 1.20 million) during the year.

## **36 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES**

	Balance as at 01 July 2019	Amount received during the year	Amount repaid during the year	Balance as at 30 June 2020
Loan from director	-	14,000,000	-	140,000,000

	2020	2019
<b>37 NUMBER OF PERSONS EMPLOYED (Number)</b>		
Employees at year end	299	296
Average employees during the year	298	214

## **38 RECLASSIFICATION:**

The preparation and presentation of these financial statements for the year ended June 30, 2020 is in accordance with requirements in Companies Act, 2017. Accordingly, the corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of Companies Act, 2017. Following major reclassifications due to Companies Act, 2017 together with other changes have been made during the year:

Reclassified from	Reclassified to	Reason	Rupees
Bank charges	Interest expense	For better presentation	45,327,324
Cash and bank balances	Advances and prepayments	For better presentation	6,790,000

## **39 IMPACT OF COVID-19**

During the year, the World Health Organization declared Corona Virus (COVID-19) as public health emergency on January 30, 2020 and a pandemic on March 11, 2020. COVID-19 has spread throughout the country and measures were taken by the Government of Pakistan to reduce the spread of the COVID-19 that includes lockdown of businesses, suspension of flight operations, intercity movements and cancellation of major events.

Due to lockdown the Company remained closed for the period from March 23, 2020 to April 13, 2020. Since, the Company remained closed during the mentioned period, the production was remained suspended and revenue during this period could not be generated. There is no other impact of COVID-19 on any other line item of the financial statements.

## **40 NON-ADJUSTING EVENTS AFTER THE REPORTING DATE**

The Board of Directors in its meeting held on 6 October 2020 proposed a final cash dividend of Rs NIL per share (2019: Rs. Nil per share) of the paid up capital for the year ended June 30, 2020, for approval of the members at the annual general meeting to be held on 28 October 2020. These financial statements do not reflect these appropriations and the proposed dividend payable.

**41 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on 6 October 2020.

**42 GENERAL**

Figures in these financial statements have been rounded off to the nearest Rupee except otherwise disclosed.



Chief Executive



Director



Director



# PATTERN OF SHAREHOLDING

Categories of Shareholders	Shareholders	Shares Held	Percentage
<b>Directors and their spouse(s) and minor children</b>			
MR. PIR FARHAN SHAH	2	30,140	0.63
MR. HAZRAT BILAL	1	10,000	0.21
MR. KHALIL UR REHMAN	1	10,000	0.21
MR. RAHAT ULLAH	1	2,500	0.05
MR. ZIA UR RAHMAN	1	5,000	0.10
MRS. SAMERA IRFAN	1	2,125	0.04
MR. PIR WARIS SHAH	1	10,000	0.21
<b>Associated Companies, undertakings and related parties</b>	-	-	-
<b>Executives</b>	-	-	-
<b><u>Government Sector</u></b>	1	46,950	0.98
<b>Public Sector Companies and Corporations</b>	2	166,504	3.46
<b>Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds</b>	1	1,155	0.02
<b>Mutual Funds</b>	-	-	-
<b>General Public</b>			
a. Local	1,151	4,515,187	93.92
b. Foreign	-	-	-
<b>Foreign Companies</b>	-	-	-
<b>Others</b>	10	7803	0.16
<b>Totals</b>	<b>1,173</b>	<b>4,807,364</b>	<b>100.00</b>

Share holders holding 5% or more	Shares Held	Percentage
MR. WASEEM-UR-RAHMAN	3,092,800	64.33

# CDC NOMINEE HOLDINGS

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

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

Dear Sir,

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

<b>Financial Year</b>	30/06/2020
<b>Name of Auditor</b>	DELOITTE YOUSUF ADIL (CHARTERED ACCOUNTANTS)
<b>Security Name</b>	KHYBER TOBACCO COMPANY LIMITED
<b>Security Symbol</b>	KHTC

	Note	Number of Securities
Balance at the end of period / year in the CDC's Nominee Holding in Members' / Certificate holders'	N-1	402,854
Balance of book entry security in the Central Depository Register at the end of period / year	N-2	402,854
Difference, if any		0

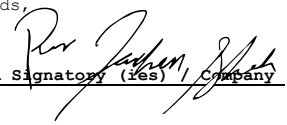
### N-1: Movement in the CDC's Nominee Holding in Members' / Certificate holders' Register Number of Securities

Balance at the beginning of the year in the CDC's Nominee Holding in Members' / Certificate holders' Register	381,816
Add: Additions during the period / year	21,038
Less: Deletions during the period / year	0
Balance at the end of year / period in the CDC's Nominee Holding in Members' / Certificate holders'	402,854

### N-2: Movement in the Central Depository Register Number of Securities

Balance at the beginning of the year in the Central Depository Register	381,816
Add: Additions during the period / year	21,038
Less: Deletions during the period / year	0
Balance at the end of year / period in the Central Depository Register	402,854

Reason for Difference and discrepancy (if any): Regards,

  
Authorized Signatory (ies) / Company Secretary

External Auditors Sign & Stamp

*Deloitte Young Adil*



# FORM OF PROXY

## 65TH ANNUAL GENERAL MEETING KHYBER TOBACCO COMPANY LIMITED

I/We \_\_\_\_\_ of \_\_\_\_\_  
\_\_\_\_\_ Being a member  
(s) of Khyber Tobacco Company Limited holding Ordinary Shares hereby appoint Mr./  
Mrs./Miss \_\_\_\_\_ of \_\_\_\_\_ or failing  
him/her Of \_\_\_\_\_ as my /our proxy in my/our absence to attend and vote  
for me / us and on my/ our behalf at the Annual General Meeting of the Company to be held on  
Wednesday, October 28, 2020 and /or any adjournment thereof.

As witness my/our hand/seal this \_\_\_\_\_ day of \_\_\_\_\_ 2020.

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

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

Folio No.	CDC Account No.	
	Participant ID	Account No.

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)





