

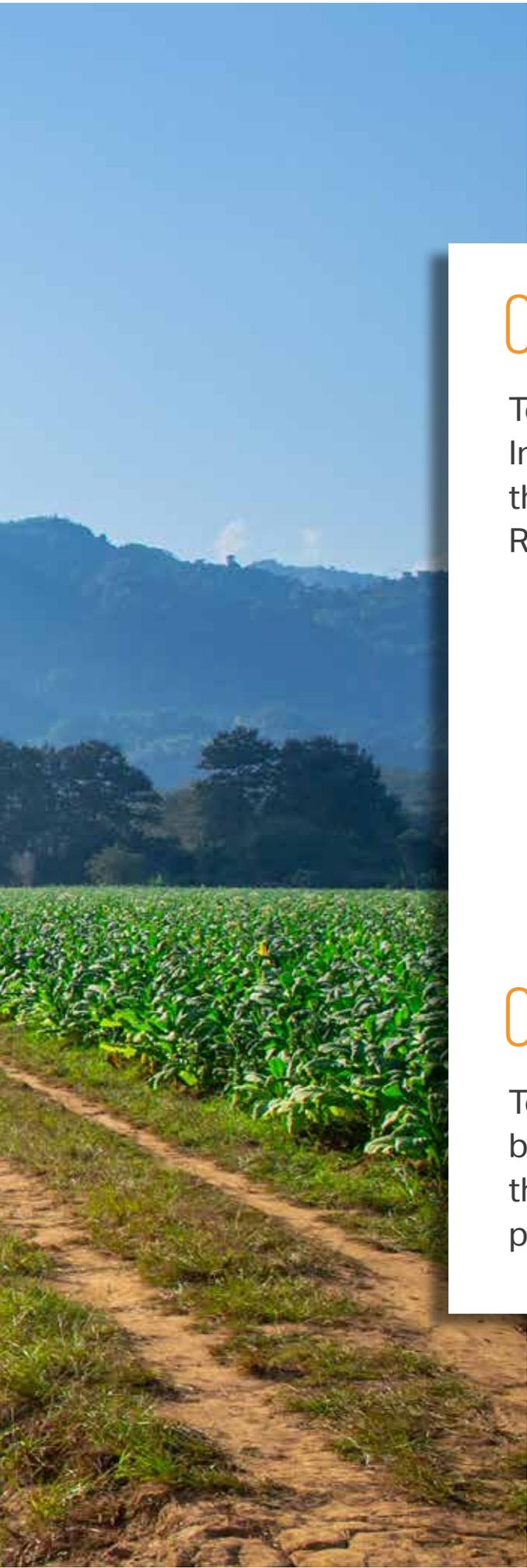
Impetus of Growth

ANNUAL REPORT 2021



KHYBER TOBACCO COMPANY LIMITED





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.

CHAIRMAN'S REVIEW



I am pleased by the performance of Khyber Tobacco Company Limited ("the Company") for the year ended June 30, 2021. The year 2020-21 has been one of many political and economic developments. In an effort to stabilize the economy and improve macroeconomic indicators of the Country, the government had to take some difficult decisions. Increase in interest rates and devaluation of Pak rupee have had an adverse impact on the business industry. During the year, there was an increase in cost of production due to inflationary factors and rise in finance costs due to short term loans for expansion. We are hopeful that during the next financial year the situation will considerably improve as the market condition has improved favorably.

The Company in the year under review contributed an amount of Rs. 1.73 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 will improve significantly 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 in the near future.

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

Rahat Ullah
Chairman

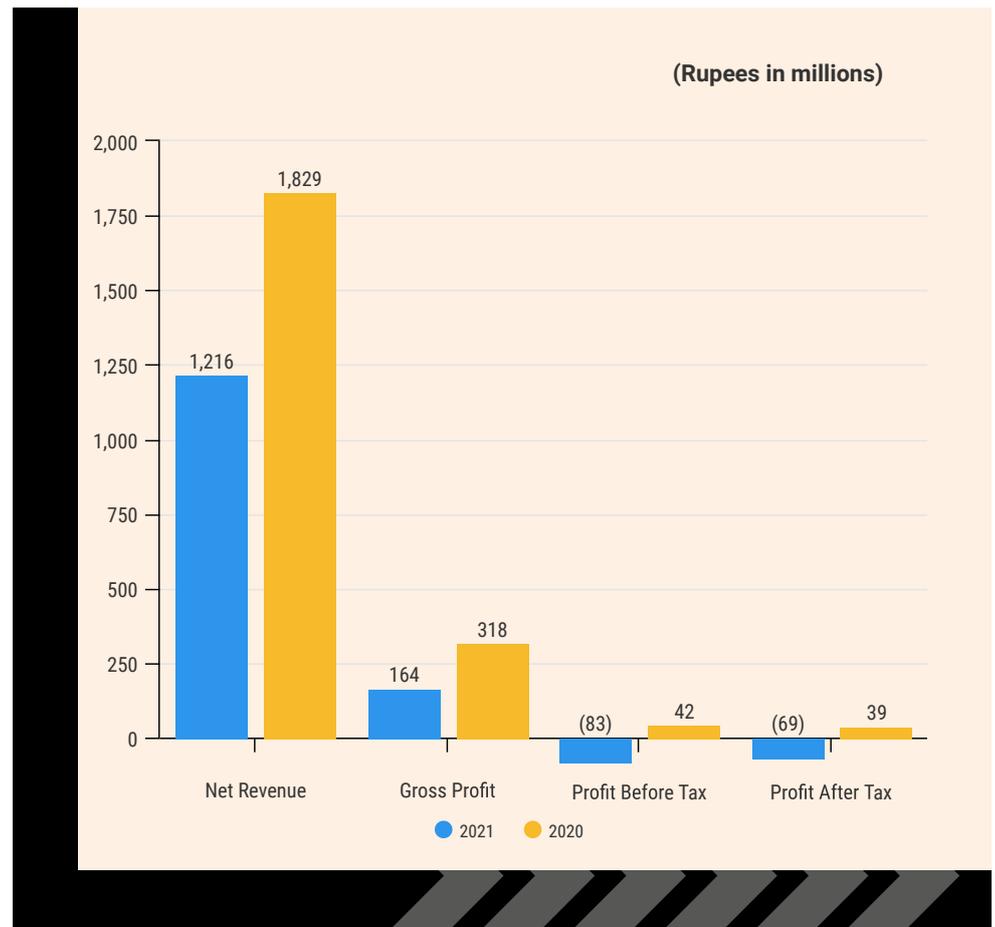
DIRECTORS' REPORT



On behalf of the Board of Directors of Khyber Tobacco Company Limited take great pleasure in presenting the 66th Annual Report and the audited financial statements along with the auditors' report thereon for the year ended June 30, 2021.

THE COMPANY'S FINANCIAL RESULTS

Following is a brief statistical financial performance of the Company for the year ended 30 June 2021 as compared to the year ended 30 June 2020;



Production and Sales

PRODUCT	UNIT OF MEASUREMENT	PRODUCTION		SALE	
		2021	2020	2021	2020
RE-DRIED TOBACCO	KGS	1,688,142	2,116,043	45,416	3,089,857
CUT TOBACCO	KGS	858,470	758,060	108,700	104,917
CIGARETTES	STICKS (In Million)	868.67	761.86	859.24	759.06

During the year under review, the company re-dried 1.68 million Kgs tobacco at its Green Leaf Threshing plant as compared to 2.11 million Kgs in the last year. Local sale of re-dried tobacco has decreased by 3.04 million Kgs in the year under review as compared to local sale in the previous year.

DIRECTORS' REPORT

The production of cut tobacco has marginally increased by 0.100 million Kgs in the year under review compared to last year. During the year, the production of cigarettes increased to 854.55 million sticks as compared to 761.86 million sticks last year.

OPERATIONAL HIGHLIGHTS

In the past export of re-dried tobacco had been the main source of profitability of the Company. However, the Company's exports have declined drastically due to low demand of Pakistani Tobacco in the International Market. This is evident from decrease in net sales of Rs. 1.216 billion during the period under review as compared to net sales of Rs. 1.828 billion last year. Management of the Company has focused on local sales of cigarettes and has succeeded quite a lot in their endeavors to recover from the effects of low sales during the year. Management is continuously endeavoring to expand its local market by adding new customers to its existing customer base.

Loss before taxation for the year ended 30 June 2021 stood at Rs. (83.07) million as compared to Profit before tax of Rs. 42.01 for the last year. Loss after tax for the year ended 30 June 2021 amounted to Rs. (68.64) million as compared to Profit after tax of Rs.38.53 million for the last year.

Loss per share for the year ended 30 June 2021 has been Rs. (14.28) as compared to previous year's Profit per share of Rs. Rs.8.02.

BALANCE SHEET

The capital and reserves of the Company have decreased by Rs.67.51 million as compared to the last financial year. This

decrease in the capital reserves of the company is mainly due to Loss during the current period.

PLANTS' PERFORMANCE

The company's management has been striving to upgrade the installed Plant & Machinery at all departments. However, the currently 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. The 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 Cigarette Making & Cigarette Packing for improving the quality of the company's brands.

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

QUALITY ASSURANCE

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

MARKETING

The Company is facing stiff competition in both local and international market. However, the 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. The 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 therefore the management is striving continuously to improve the quality standards and to capture a good market for its re-dried and cut tobacco in the United Arab Emirates, South Africa, Germany, Belgium, Turkey, Egypt and the Philippines.

HEALTH, SAFETY AND ENVIRONMENT

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

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

SOCIAL RESPONSIBILITY

The Company regards itself as a responsible corporate citizen. 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.19 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.

DIRECTORS' REPORT

EMPLOYEE RETIREMENT BENEFITS

The Company is running an unfunded gratuity scheme for all the permanent employees of the company. A provision of Rs.11.71 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 Regulations 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 conscious of the level of trust shareholders have in them and the immense responsibility 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

Name of Director	No. of meetings attended
Mrs. Sameera Irfan Chief Executive	4
Mr. Rahat Ullah Non-Executive Director	4
Mr. Pir Farhan Shah Executive Director	4
Mr. Pir Waris Shah Non-Executive Director	4
Mr. Zia Ur Rehman Non-Executive Director	4
Mr. Hazrat Bilal Non-Executive Director	4
Mr. Khalil Ur Rehman Non-Executive Director	4

COMMITTEES OF THE BOARD

In order to ensure effective implementation of a sound internal control system and compliance with the Code of Corporate Governance, the Board has constituted the undermentioned committees, comprising of members given below.-

Audit Committee	HR and Remuneration Committee
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 ensures to be compliant with the listing regulations of Pakistan Stock Exchange. 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

DIRECTORS' REPORT

Code of Corporate Governance have been framed and reviewed by the Board and shall be approved shortly.

AUDITORS

The Auditors M/S Yousuf Adil & Co. Chartered Accountants retired at the conclusion of the 66th Annual General Meeting. The Audit Committee and the Board of Directors have recommended M/S Yousuf Adil & Co. Chartered Accountants to be reappointed as auditors of the Company till the next Annual General Meeting.

PATTERN OF SHAREHOLDING

The Pattern of Shareholding as at June 30, 2021 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.

Tobacco export has been the main source of profitability of the Company in the past couple of years. However, the 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 bear results. We are hopeful that in the upcoming year, the Company will achieve 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 Cigarette Making Department (CMD) to further improve the quality of Re-dried Tobacco and Cigarettes. The ability to produce quality product will also enable the Company to expand local and International 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



Rahat Ullah
Chairman

06 October 2021



Sameera Irfan
Chief Executive

شیئر ہولڈنگ کی وضع

30 جون 2021ء کو شیئر ہولڈنگ کی وضع بمعہ کوڈ آف کارپوریٹ گورننس کے تحت اظہار ان مالیاتی اسٹیٹمنٹس کے ساتھ منسلک ہیں۔

ڈائریکٹرز، چیف ایگزیکٹو، چیف فنانسئیل آفیسر، سیکریٹری اور ان کے اہلیان اور کم سن بچوں کی جانب سے کمپنی کے حصص میں تجارت نہ کی گئی ہے۔

مستقبل کے امکانات

جیسا کہ پہلے بیان کیا جا چکا ہے انتظامیہ سگریٹ اور تمباکو خصوصاً ری ڈرائیڈ تمباکو کی فروخت کے لئے مقامی اور غیر ملکی منڈیوں پر توجہ دے رہی ہے کیونکہ غیر ملکی منڈیوں میں پاکستانی تمباکو کی بہت مانگ ہے۔ کمپنی اگلے مالیاتی سال کے دوران تمباکو اور سگریٹ کے برآمدی شعبہ میں اچھی کارکردگی کی توقع رکھتی ہے جس کی بدولت کمپنی خاطر خواہ منافع حاصل کرنے میں کامیاب ہو جائے گی۔

تمباکو کی برآمدگوشہ چند برسوں میں کمپنی کے منافع کا اہم ذریعہ رہا ہے۔ تاہم، برآمدی منڈیوں میں پاکستانی تمباکو کی طلب کئی مسائل کا شکار ہے جس کی بنیادی وجہ لاگت میں اضافہ، پاکستانی کسانوں کی جانب سے تمباکو کی غیر منظور شدہ اقسام کی کاشت اور ٹوبیکو انڈسٹری میں نان ٹوبیکو سے متعلق مواد (NTRM) کی شرح میں اضافہ شامل ہیں۔ کمپنی پاکستانی تمباکو کی برآمد میں رکاوٹوں پر قابو پانے کے لئے کوشاں ہے اور آخر کار کمپنی کی یہ کوششیں کامیاب ثابت ہوئی ہیں۔ ہم پر امید ہیں کہ آئندہ برس کمپنی برآمدی فروخت کے اہداف حاصل کرنے میں کامیاب ہو جائے گی۔

انتظامیہ پروسیڈنگ کے معیار کو بہتر کرنے کے لئے مسلسل کوشش کر رہی ہے تاکہ بین الاقوامی حریفوں سے مقابلہ کیا جاسکے جس کو مد نظر رکھتے ہوئے انتظامیہ نے پرائمری پروڈکشن ڈیپارٹمنٹ (PPD) اور سگریٹ میکانگ ڈیپارٹمنٹ (CMD) کو اپ گریڈ کیا ہے تاکہ ری ڈرائیڈ تمباکو اور سگریٹ کا معیار مزید بہتر کیا جاسکے۔ معیاری مصنوعات کی تیاری کمپنی کو مقامی و بین الاقوامی فروخت میں توسیع کے قابل بنانے کی جس میں برانڈ کی پہچان اور صارفین کی وفاداری کو بہتر بنانے کا عمل شامل ہے۔

اعترافات

آخر میں، بورڈ کی جانب سے میں اپنی مصنوعات پر اپنے معزز صارفین کے مسلسل بھروسہ کا شکریہ ادا کرتا ہوں۔ ہم اپنی برانڈز کی اعلیٰ ترین رینج میں توسیع کے لئے ہمہ وقت کوشاں ہیں۔ ہم اپنے ٹھیکے داران، تقسیم کنندگان اور مالیاتی اداروں کے وسیع تر تعاون کے بھی شکرگزار ہیں۔

ہمارے شیئر ہولڈرز اور تمام سٹیک ہولڈرز، سپلائرز، صارفین، مقامی کمیونٹی اور ہمارے پرجوش اور محنتی ملازمین کی غیر متزلزل حمایت کے بغیر یہ کبھی ممکن نہ ہوتا۔ میں یہاں ہر شعبہ میں کمپنی کی انتظامیہ، بورڈ آف ڈائریکٹرز کے اراکین اور عملہ کی ان تھک کوششوں کو بھی سراہتا ہوں۔ کیونکہ ان کے جذبہ خدمت اور ان تھک محنت کے بغیر رپورٹ میں بیان کردہ مالیاتی و فعالی نتائج پائیہ تکمیل تک نہ پہنچ پاتے۔

منجانب/ برائے بورڈ آف ڈائریکٹرز



شمرین عرفان
چیف ایگزیکٹو



پیر فرحان شاہ
کمپنی سیکریٹری

ڈائریکٹرز رپورٹ

بابت اختتام پذیر سال 30 جون 2021ء

بورڈ کمیٹیاں

مربوط داخلی کنٹرول کے نظام پر موثر عمل درآمد اور بورڈ آف کارپوریٹ گورننس کی تعمیل کو یقینی بنانے کے لئے بورڈ نے متعدد کمیٹیاں قائم کی ہیں۔ بورڈ نے مندرجہ ذیل اراکین پر مشتمل ایک کمیٹی قائم کی ہے:

ایچ آر اینڈ ریویژن کمیٹی	آڈٹ کمیٹی
مسٹر پیر وارث شاہ (چیرمین)	مسٹر ظہیر الرحمن (چیرمین)
مسٹر پیر فرحان شاہ (رکن)	مسٹر راحت اللہ (رکن)
مسٹر ضیاء الرحمن (سیکرٹری)	مسٹر ضیاء الرحمن (رکن)
	مسٹر پیر فرحان شاہ (سیکرٹری)

بورڈ آف ڈائریکٹرز کی معاوضہ پالیسی

بورڈ نے ڈائریکٹرز کے معاوضہ کے لئے ایکٹ اور ضوابط کے تحت پالیسی اور شفاف طریقہ ہائے کار مرتب کیا ہے۔ پالیسی کی نمایاں خصوصیات مندرجہ ذیل ہیں:

- بورڈ آف ڈائریکٹرز (BoD) بورڈ اجلاس میں شرکت کے لئے بورڈ آف ڈائریکٹرز کے اراکین کا معاوضہ ہمہ وقت طے اور منظور کرے گا۔
- بورڈ آف ڈائریکٹرز کے اراکین کی جانب سے پیش ذمہ داری اور مہارت کے مطابق ان کا مناسب مشاہیرہ طے کیا جائے گا۔ جس کا مقصد کمیٹی کو چلانے کے لئے درکار اراکین کو برقرار رکھنا اور انہیں مائل کرنا شامل ہے۔
- بورڈ آف ڈائریکٹرز یقینی بناتے ہیں کہ بورڈ آف ڈائریکٹرز کی موجودہ سطح بورڈ آف ڈائریکٹرز کے آزاد اراکین کی خود مختاری پر کسی بھی وقت اثر انداز نہیں ہوگی۔
- بورڈ آف ڈائریکٹرز کے اراکین کو مندرجہ ذیل کی مد میں سفری/ رہائشی/ لازمی اخراجات بھی ادا کئے جاسکتے ہیں:

(a) بورڈ اجلاس میں شرکت

(b) جنرل باڈی اجلاس میں شرکت

(c) کمپنی کے کاروباری امور

کارپوریٹ گورننس

کمپنی کاروباری سالمیت اور سٹیک ہولڈرز کے اعتماد کو یقینی بنانے کی غرض سے کارپوریٹ گورننس کے اعلیٰ معیار کو برقرار رکھنے کے لئے پرعزم ہے۔ بورڈ آف ڈائریکٹرز بہتر کارپوریٹ گورننس شیئر ہولڈرز کو جواب دہ ہے اور کمپنی کی انتظامیہ خصوصاً نان ایگزیکٹو ڈائریکٹرز کی خود مختاری کے ضمن میں کوڈ آف کارپوریٹ گورننس میں بیان کردہ بہترین عمل داری کے قواعد کی مسلسل تعمیل کر رہی ہے۔ کمپنی پاکستان سٹاک ایکسچینج کی لسٹنگ ریگولیشنز کی بیرونی میں پرعزم ہے۔ ویژن اور مشن اسٹیٹمنٹ، بنیادی اقدار، ضابطہ اخلاق اور کاروباری طریق عمل بورڈ نے ترتیب اور منظور کئے ہیں۔ کوڈ آف کارپوریٹ گورننس کے تحت درکار اہم پالیسیاں وضع کی گئی ہیں جس پر بورڈ نظر ثانی کر کے جلد ہی منظور کرے گا۔

آڈیٹرز

آڈیٹرز میسرز یوسف عادل اینڈ کو، چارٹرڈ اکاؤنٹنٹس چھیا سٹوئس سالانہ اجلاس عام کے اختتام پر ریٹائر ہو جائیں گے۔ آڈٹ کمیٹی اور بورڈ آف ڈائریکٹرز نے اگلے سالانہ اجلاس عام تک میسرز یوسف عادل اینڈ کو، چارٹرڈ اکاؤنٹنٹس کی بطور کمپنی آڈیٹرز دوبارہ تقرری کی سفارش کی ہے۔

بورڈ

بورڈ سات اراکین پر مشتمل ہے، جس میں سے پانچ نان ایگزیکٹو ڈائریکٹر اور 2 ایگزیکٹو ڈائریکٹر ہیں۔ چیئرمین اور چیف ایگزیکٹو آفیسر کا عہدہ بہتر گورننس کے لئے علیحدہ رکھا گیا ہے۔ ڈائریکٹرز کمپنی کو روانی سے چلانے اور اس کے اثاثہ جات کے تحفظ کی بابت شیئر ہولڈرز کے اُن پر بھروسہ اور عائد ذمہ داریوں سے متعلق کلی طور پر آگاہ ہیں۔ مستقل مزاجی اور معیار کو یقینی بنانے کی غرض سے بورڈ نے کاروبار چلانے اور بذریعہ خود مختار داخلی آڈیٹرز ان کی نگرانی کے لئے رسمی پالیسیاں ترتیب دی ہیں۔ جو کمپنی کی پالیسیوں پر عمل درآمد اور آڈٹ کمیٹی کو رپورٹ کی گئی خلاف ورزیوں پر کارروائی کو یقینی بناتے ہیں۔

بورڈ آف ڈائریکٹرز کے اجلاس

قانونی طور پر، بورڈ کمپنی کی کارکردگی کی نگرانی کے لئے ہر سہ ماہی میں کم از کم ایک مرتبہ اجلاس طلب کرتی ہے جس کا مقصد اس کی انتظامیہ کی بروقت اور موثر جوابدہی کو یقینی بنانا ہے۔ سال بھر میں بورڈ آف ڈائریکٹرز کے چار (04) اجلاس منعقد ہوئے اور ہر ڈائریکٹر کی حاضری حسب ذیل ہے۔ کمپنی کے ڈائریکٹرز اجلاسوں میں بورڈ کے فیصلوں میں کوئی ذاتی مفاد نہیں رکھتے۔

ڈائریکٹرز کی حاضری

نمبر شمار	نام ڈائریکٹر	اجلاس میں حاضری
1	مسٹر تمیر عرفان چیف ایگزیکٹو	4
2	مسٹر راحت اللہ نان- ایگزیکٹو ڈائریکٹر	4
3	مسٹر پیر فرحان شاہ ایگزیکٹو ڈائریکٹر	4
4	مسٹر پیر وارث شاہ نان- ایگزیکٹو ڈائریکٹر	4
5	مسٹر ضیاء الرحمن نان- ایگزیکٹو ڈائریکٹر	4
6	مسٹر حضرت بلال نان- ایگزیکٹو ڈائریکٹر	4
7	مسٹر خلیل الرحمن نان- ایگزیکٹو ڈائریکٹر	4

ڈائریکٹرز رپورٹ

بابت اختتام پذیر سال 30 جون 2021ء

حفظانِ صحت اور ماحولیات

کمپنی اپنے عملہ کی صحت اور تحفظ کو اولین ترجیح دیتی ہے جو اس کے افعال کا لازمی اور قابل قدر حصہ ہیں۔ حفاظتی اجلاس، واقعات کی رپورٹنگ، حفاظتی آڈٹ، بہتر ہائوس کیپنگ اور ہائی جین کنٹرول جیسے اقدامات عملہ میں حفاظت سے متعلق رویہ پیدا کرنے میں فعال اور مستقل کردار ادا کر رہے ہیں۔

کمپنی ماحولیاتی تحفظ میں فعال کردار ادا کرتی ہے تاکہ پلانٹ قائم ماحولیاتی معیارات پر ہمہ وقت تعمیل میں کام کریں۔ انتظامیہ محکمہ ماحولیاتی تحفظ پاکستان کے طے شدہ مربوط ماحولیاتی معیارات پر عمل پیرا ہے۔

سماجی ذمہ داری

کمپنی خود کو ذمہ داری کاروباری شہری شمار کرتی ہے۔ کمپنی معاشرے کی جانب اپنی سماجی ذمہ داریوں پر بہت سنجیدہ ہے اور غریب اور نادار طبقہ کی فلاح و بہبود میں فعال کردار پر فخر محسوس کرتی ہے۔ توانائی، بحران اور قانون و انصاف کی ابتوری سے ملک کے شدید متاثرہ علاقوں میں انتظامیہ علاقہ کے مقامی افراد کو ملازمت کے مواقع فراہم کرنے اور انہیں معاشرے کا ذمہ دار شہری بنانے پر ترجیح دیتی ہے۔ کمپنی نے کرناؤڈانس و باکے دوران 19 ملین روپے کی خطیر رقم عطیہ کی ہے۔

اہم فعالی و مالیاتی اعداد و شمار

گذشتہ پچھ برسوں کے لئے کمپنی کے اہم فعالی و مالیاتی اعداد و شمار ان مالیاتی اسٹیٹمنٹس کے ساتھ منسلک ہیں۔

منافع منقسمہ

ڈائریکٹرز نے زیر جائزہ سال کے لئے منافع منقسمہ تجویز نہ کیا ہے۔

افراد کی قوت

کمپنی نے مالیاتی خدشات کو کم کرنے کے لئے ادارے کی افرادی قوت میں سرمایہ دار پر بہترین نتائج حاصل کرنے کی غرض سے اپنے انسانی وسائل کی حکمت عملی ترتیب دی ہے۔ ہم تربیت یافتہ اور قابل افراد کی دستیابی اور ادارے کے جاری اور مستقبل کے کاروباری منصوبوں میں حالیہ ورک فورس کی صلاحیتوں سے بھرپور استفادہ کو یقینی بنا کر اس مقصد کو حاصل کرنے کے لئے کوشاں ہیں تاکہ مستقبل میں برقراری اور کامیابی اور بھرپور استفادہ کے معیار پر پورا اتر جا سکے۔

ملازمین کی ریٹائرمنٹ کی مراعات

کمپنی اپنے تمام مستقل ملازمین کے لئے ان فنڈ ڈگریجو ایٹی سکیم چلا رہی ہے۔ ملازمین کی مراعات کے لئے حالیہ برس کی مالیاتی اسٹیٹمنٹس میں 11.71 ملین روپے کی خطیر رقم رکھی گئی ہے۔

کارپوریٹ گورننس

ہم بہتر کاروباری حس، جانبداری، جواب دہی اور سلیبت کے ساتھ بالواسطہ اور کنٹرول انتظامی سرگرمیوں کی مدد سے طریق عمل، روایات اور پالیسیوں کو اپنا کر کارپوریٹ گورننس کی بہترین عمل داری کو یقینی بناتے ہیں۔

ہم نے کمپنی کے سٹرکچرنگ، آپریٹنگ اور کنٹرولنگ نظام کی صورت میں کارپوریٹ گورننس کی شکل دی ہے تاکہ شیئر ہولڈرز، قرض داروں، ملازمین، صارفین اور سپلائرز کو مطمئن کرنے کے لئے طویل مدتی حکمت عملی کے ذریعے اہداف کو حاصل کیا جا سکے۔

کوڈ آف کارپوریٹ گورننس کے ضابطوں کا تعمیلی بیان ان مالیاتی اسٹیٹمنٹس کے ساتھ منسلک ہے۔

آپریٹنگ نکات

ری ڈرائیو تمباکو کی برآمدات میں کمپنی کے منافع کا بنیادی ذریعہ رہا ہے۔ تاہم کمپنی کی برآمدات پاکستانی تمباکو کی عالمی منڈی میں کم طلب کی وجہ سے حیران کن حد تک کم ہوئی ہیں۔ گذشتہ برس میں 1.828 بلین روپے کی خالص سیلز کے مقابلہ میں زیر جائزہ سال کے دوران 1.216 بلین روپے کی خالص سیلز اس کی بھرپور عکاسی کرتی ہے۔ کمپنی کی انتظامیہ مقامی سطح پر سگریٹ کی فروخت پر توجہ دے رہی ہے اور زیر جائزہ سال کے دوران فروخت کی کم سطح کے اثرات سے بحالی میں کافی حد تک کامیاب ہوئی ہے۔ انتظامیہ موجودہ صارفین کی تعداد میں نئے صارف شامل کر کے مقامی منڈی میں توسیع کے لئے پرعزم ہے۔

30 جون 2021ء کو اختتام پذیر سال کے لئے خسارہ ٹیکسیشن (83.07) بلین روپے رہا جب کہ گذشتہ سال کے دوران 42.01 بلین روپے منافع درج ہوا۔ 30 جون 2021ء کو اختتام پذیر سال کے لئے خسارہ علاوہ ٹیکسیشن (68.64) بلین روپے رہا جب کہ گذشتہ سال کے دوران 38.53 بلین روپے منافع درج ہوا۔

30 جون 2021ء کو اختتام پذیر سال کے لئے ادا شدہ سرمایہ پر کمپنی کی فی حصص نقصان (14.28) روپے رہی جب کہ گذشتہ برس میں فی حصص منافع 8.02 روپے درج ہوا۔

بیلنس شیٹ

کمپنی کا سرمایہ اور ذخائر میں گذشتہ مالیاتی سال کی نسبت 67.51 بلین روپے کی واقع ہوئی۔ سرمایہ کے ذخائر میں یہ کمی حالیہ مدت کے دوران خسارہ کی وجہ سے ہوئی۔

پلانٹ کی کارکردگی

کمپنی کی انتظامیہ تمام شعبوں میں پلانٹ اور مشینری کی تنصیب کو اپ گریڈ کرنے کے لئے کوشاں ہے۔ تاہم، حالیہ نصب شدہ پلانٹ اور مشینری اپنی صلاحیت کے مطابق کام نہیں کر رہا جس کی وجہ یہ ہے کہ زیادہ تر نصب پلانٹ اور مشینری اتنی پرانی ہے کہ وہ اپنی صلاحیت کے مطابق کام نہیں کر رہی۔ انتظامیہ تمام شعبوں میں نصب پلانٹ اور مشینری کی مسلسل اپ گریڈیشن اور موثر کارکردگی میں فعال کردار ادا کرتی ہے اور انتظامیہ نے کمپنی کی برانڈز کے معیار میں بہتری کے لئے سگریٹ کی تیاری اور پیکیٹنگ میں نمایاں پیش رفت کا آغاز کر دیا ہے۔

مذکورہ بالا تھاق کے باوجود زیر جائزہ سال کے دوران نصب شدہ پلانٹ اور مشینری نے تسلی بخش کارکردگی دکھائی۔

کوالٹی اشورنس

جیبرٹو بیکو کمپنی لمیٹڈ اپنی مصنوعات میں عمدگی اور معیار سے متعلق بہت حساس ہے۔ ان مقاصد کے حصول کو یقینی بنانے کے لئے مربوط کوالٹی کنٹرول طریقہ ہائے کار کا اطلاق کیا جاتا ہے۔ موجودہ معیار کو برقرار رکھنے کے لئے وقت کے ساتھ ساتھ کوالٹی اسیسٹنٹ ڈیپارٹمنٹ میں مسلسل بہتری جاری ہے۔

مارکیٹنگ

کمپنی قومی اور بین الاقوامی منڈیوں میں سخت مقابلہ کا سامنا کر رہی ہے۔ تاہم، انتظامیہ قومی اور بین الاقوامی منڈیوں میں اپنی برانڈز کی تشہیر کے لئے کوشاں ہے۔ کمپنی کی انتظامیہ اپنی برآمدات بڑھانے کے لئے پرعزم ہے اور اس ضمن میں انتظامیہ کچھ حد تک کامیاب ہوئی ہے۔ انتظامیہ پر امید ہے کہ مستقبل قریب میں یہ کوششیں کامیاب ثابت ہوں گی اور کمپنی برآمدات سے خاطر خواہ آمدنی دوبارہ حاصل کرنے کے میں کامیاب ہو جائے گی۔

برآمدی منڈی میں سخت مقابلہ اور اس کے معیارات پر پورا اترنے میں کمپنی کی ناکامی کمپنی کی برآمد کرنے کی صلاحیت پر اثر انداز ہوتی ہے۔ لہذا کمپنی ری ڈرائیو اور کٹ تمباکو کی برآمد پر زیادہ انحصار کر رہی ہے۔ اس تناظر میں کمپنی معیار میں بہتری کے لئے مسلسل کوششیں کر رہی ہے اور متحدہ عرب امارات، جنوبی افریقہ، جرمنی، نیجیم، ترکی، مصر اور فلپائن میں ری ڈرائیو اور کٹ ٹو بیکو کی منڈیوں میں اپنے قدم جما رہی ہے۔

ڈائریکٹرز رپورٹ

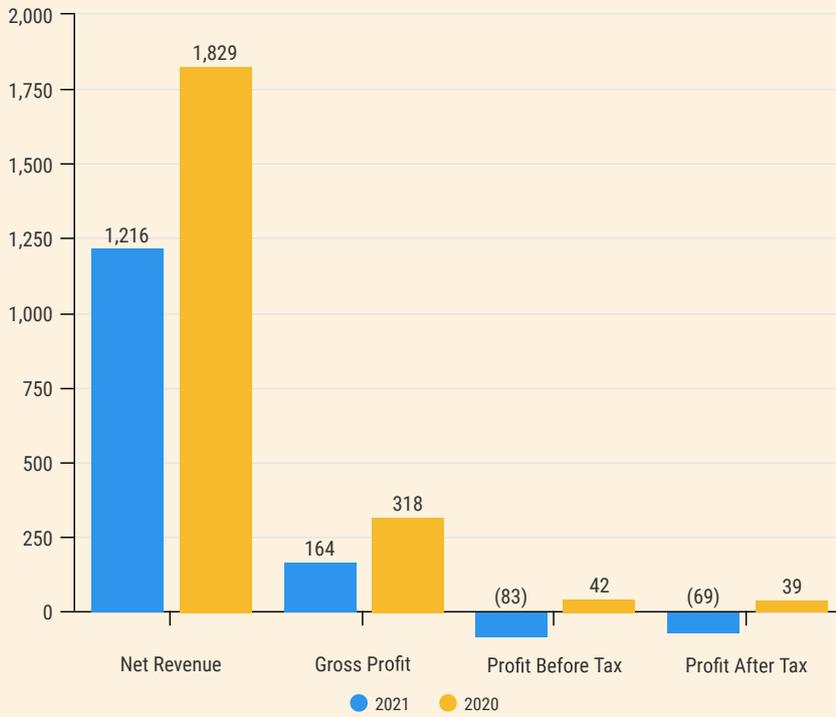
بابت اختتام پذیر سال 30 جون 2021ء

میں، خیبر ٹو بیکو کمپنی کے بورڈ آف ڈائریکٹرز کی جانب سے، اس پر مسرت موقع پر 30 جون 2021ء کو اختتام پذیر سال کے لئے چھیا سٹوئیں سالانہ رپورٹ اور پڑتال شدہ مالیاتی اسٹیٹمنٹس کے ہمراہ آڈیٹرز کی رپورٹ ازراہ مسرت پیش کرتا ہوں۔

کمپنی کے مالیاتی نتائج

30 جون 2020ء کو اختتام پذیر سال کے مقابلہ میں 30 جون 2021ء کو اختتام پذیر سال کے لئے کمپنی کی شمار یاتی مالیاتی کارکردگی کا خلاصہ حسب ذیل ہے۔

(Rupees in millions)



پیداوار اور فروخت

فروخت		پیداوار		پیمائش کی اکائی	پروڈکٹ
2020ء	2021ء	2020ء	2021ء		
3,089,857	45,416	2,116,043	1,668,142	کلوگرام	ری ڈرائیڈ تمباکو
104,917	108,700	758,060	858,470	کلوگرام	کٹ ٹو بیکو
759.06	859.24	761.86	854.55	سٹک (ملین میں)	سگریٹ

زیر جائزہ سال کے دوران کمپنی نے گرین لیف تھریٹنگ پلانٹ میں 1.68 ملین کلوگرام تمباکو ری ڈرائیڈ کیا جو گذشتہ سال کے دوران 2.11 ملین کلوگرام تھا۔ ری ڈرائیڈ تمباکو کی قومی فروخت میں گذشتہ سال کے مقابلہ میں زیر جائزہ سال کے دوران 3.04 ملین کلوگرام کمی واقع ہوئی۔

کٹ ٹو بیکو کی پیداوار میں گذشتہ سال کے مقابلہ میں زیر جائزہ سال کے دوران 0.100 ملین کلوگرام اضافہ ہوا۔ سال بھر میں، سگریٹ کی پیداوار گذشتہ سال میں 761.86 ملین سٹک کے مقابلہ میں 854.55 ملین سٹک اضافہ ہوا۔

ACHIEVEMENTS & CERTIFICATES



ACHIEVEMENTS & CERTIFICATES



The Federation of Pakistan Chambers of Commerce & Industry

CERTIFICATE OF ACHIEVEMENT

Awarded to

KHYBER TOBACCO COMPANY LIMITED, MARDAN
CONTRIBUTION TO THE NATIONAL ECONOMY (EMPLOYMENT GENERATION)

in recognition of outstanding achievement during 2020

Given on September 24, 2020

MUHAMMAD IQBAL TABISH
Secretary General



MIAN ANJUM NISAR
President





STATEMENT OF COMPLIANCE

WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019
FOR THE YEAR ENDED 30 JUNE 2021

Name of company: Khyber Tobacco Company Limited

Year ending: 30 June 2021

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

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;
4. The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. 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;
6. 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;

7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
9. The Directors Training could not be carried out during the year due to the COVID-19 Pandemic situation prevailing in the country.
10. Position of CFO remained vacant during the year. The board has approved appointment of Head of Internal Audit, including its remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. The financial statements of the Company were duly endorsed by the CEO and Company Secretary in place of CFO, before approval of the Board.
12. The Board has formed committees comprising of members given below. -

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

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;
14. The Audit Committee meetings were held once every quarter and HR and Remuneration Committee meeting was held once during the year.
15. The board has outsourced the internal audit function to Shahid Ahmed & Co. who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the 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;

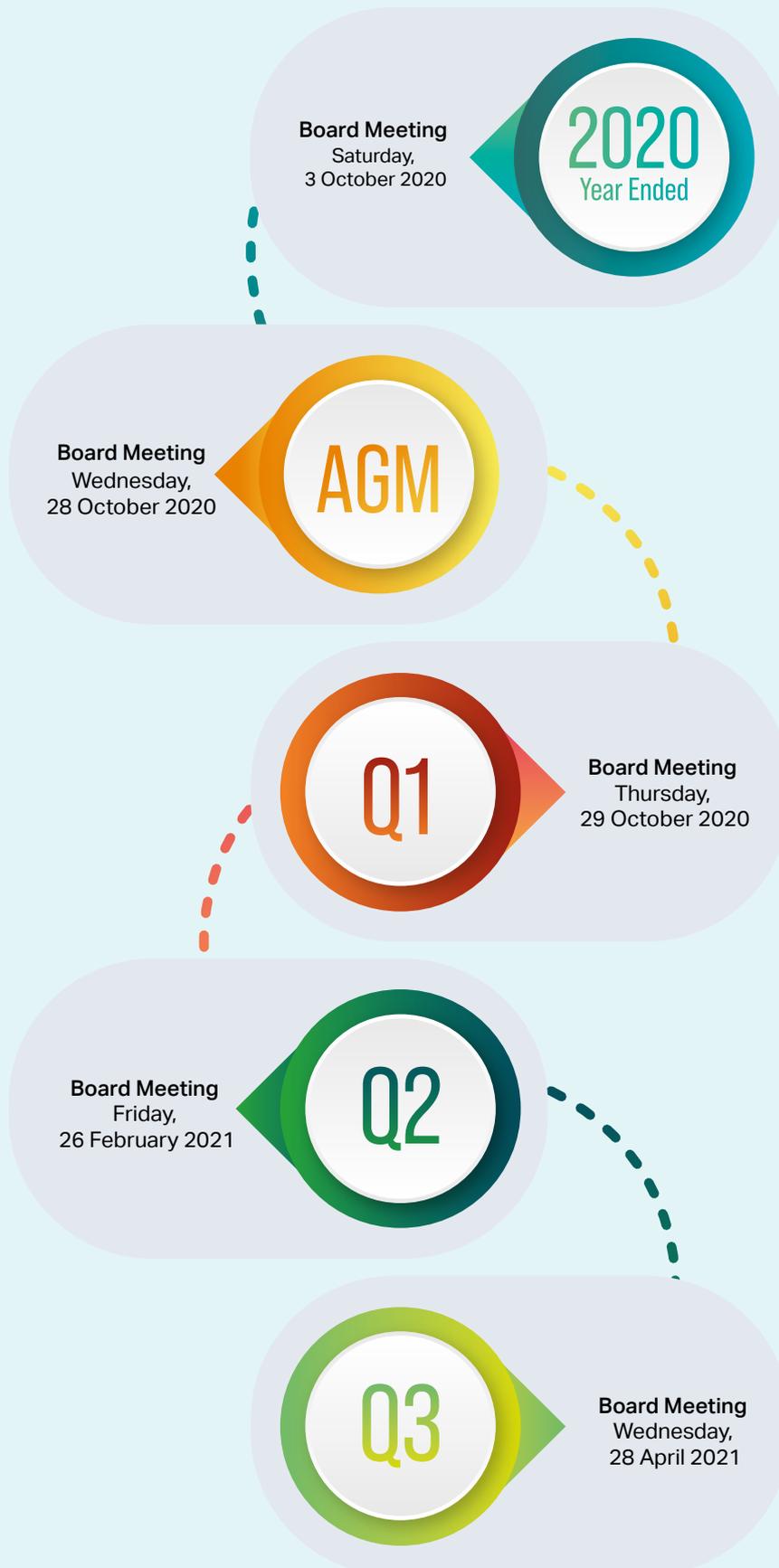
STATEMENT OF COMPLIANCE

WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019
FOR THE YEAR ENDED 30 JUNE 2021

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;
18. We confirm that all requirements of regulations 3, 6, 7, 8, 27,32, 33 and 36 of the Regulations have been complied with; and
19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below:

Regulation	Non-Compliance	Explanation
13,20,25	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.

FINANCIAL CALENDAR



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, 2020, December 31, 2020, March 31, 2021 and June 30, 2021.

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, 2020, December 31, 2020, March 31, 2021 and June 30, 2021 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, 2020, December 31, 2020, March 31, 2021 and June 30, 2021 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.

Deloitte Young & Rubicam

**Chartered Accountants
Engagement Partner:**

Rana M. Usman Khan

Lahore

Dated: October 04, 2021

NOTICE OF 66TH ANNUAL GENERAL MEETING

Notice is hereby given that the 66th Annual General Meeting of the members of Khyber Tobacco Company Limited will be held on Thursday, 28th October 2021 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 65th Annual General Meeting held on 28th October 2020.
2. To receive, consider and adopt the audited financial statements of the Company for the year ended 30 June, 2021 together with the Chairman's Review, Directors' and Auditors' Reports thereon.
3. To appoint Auditors for the year ending 30 June 2022 and to fix their remuneration. The Audit Committee and the Board of Directors have recommended M/S Yousuf Adil, Chartered Accountants to be appointed as auditors of the Company till the next Annual General Meeting.
4. To transact any other business with the permission of the Chair.

By Order of the Board

Mardan
06 October, 2021



Pir Farhan Shah
Company Secretary

NOTES:

1. Closure of Share Transfer books:

The Share Transfer Books of the Company will remain closed from 22nd October 2021 to 28th October 2021 (both days inclusive). Transfers received in order at the office of the Company's Share Registrar, Central Depository Company of Pakistan Limited, CDC House, 99-B, Block 'B', S.M.C.H.S. Main Shahrah-e-Faisal, Karachi, at the close of business on 21st October, 2021 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.

NOTICE OF 66TH ANNUAL GENERAL MEETING

- v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

4. CHANGE OF ADDRESS:

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

5. PLACEMENT OF ACCOUNTS ON WEBSITE.

The financial statements of the Company for the year ended June 30, 2021 along with reports have been placed at the website of the Company and can be down loaded from 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.

7. PARTICIPATION THROUGH VIDEO CONFERENCE

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.

66 وین سالانہ جنرل اجلاس کا نوٹس

- کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) یا اصلی پاسپورٹ پیش کرنا ہوگا۔
- (ii) کاروباری ادارہ کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/مختار نامہ بمعہ نامزد شخص کے نمونہ کے دستخط (اگر پہلے جمع نہیں کرایا گیا ہے) اجلاس کے انعقاد کے وقت پیش کرنا ہوگی۔
- (b) پراسیز کی تقرری کے لئے
- (i) فرد واحد کی صورت میں اکاؤنٹ ہولڈر یا ذیلی اکاؤنٹ ہولڈر اور/یا گروپ اکاؤنٹ میں سیکورٹیز اور ضوابط کے تحت شائع کردہ رجسٹریشن تفصیلات کے حامل اراکین کو مذکورہ بالا ہدایات کی پیروی میں پراسیز فارم جمع کرانا ہوگا۔
- (ii) پراسیز فارم کی گواہی دو افراد دیں گے جن کے نام، پتے اور شناختی کارڈ نمبر فارم پر درج ہوں گے۔
- (iii) مستفید ہونے والے مالک اور پراسیز کے شناختی کارڈ یا پاسپورٹ کی مصدقہ نقول پراسیز فارم کے ساتھ جمع کرائی جائیں۔
- (iv) پراسیز کو اجلاس کے انعقاد کے وقت اپنا اصلی شناختی کارڈ یا اصلی پاسپورٹ پیش کرنا ہوگا۔
- (v) کاروباری ادارہ کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/مختار نامہ بمعہ کاروباری ادارہ کی جگہ شرکت اور ووٹ کرنے والے نامزد شخص کے نمونہ کے دستخط (اگر پہلے جمع نہیں کرایا گیا ہو) کمپنی کو پراسیز فارم کے ساتھ جمع کرانا ہوں گے۔

4. پتہ میں تبدیلی

اراکین کو اپنے پتہ میں تبدیلی سے متعلق شیئر رجسٹرار میسرز سینٹرل ڈیپازٹری کمپنی آف پاکستان لمیٹڈ CDC ہاؤس، B-99، بلاک B، ایس ایم سی ایچ ایس، مرکزی شاہراہ فیصل، کراچی کو فوراً مطلع کرنے کی درخواست کی جاتی ہے۔

5. ویب سائٹ پر رکھاتوں کی اشاعت

30 جون 2021ء کو اختتام پذیر سال کے لئے کمپنی کی مالیاتی اسٹیٹمنٹس بمعہ رپورٹس کمپنی کی ویب سائٹ پر شائع کر دی گئی ہیں جنہیں www.khybertobacco.com سے ڈاؤن لوڈ کیا جاسکتا ہے۔

6. سالانہ مالیاتی اسٹیٹمنٹس کی برقی طریقے سے ترسیل

کمپنی قوانین کے تحت سالانہ پڑتا ہوا سالانہ مالیاتی اسٹیٹمنٹس کے ہمراہ متعدد رپورٹس بمعہ نوٹس برائے سالانہ اجلاس عام کمپنی کے اراکین کو برقی ذرائع سے تقسیم کرنے کی اجازت دیتے ہیں۔ اس سہولت کو حاصل کرنے کے خواہش مند اراکین اپنے ای میل ایڈریس سے متعلق آگاہ کریں۔

7. ویڈیو کانفرنس کے ذریعے شرکت

اگر کمپنی اجلاس کے انعقاد سے کم از کم 10 یوم قبل جغرافیائی مقام پر ہائش پذیر 10 فی صد یا زائد شیئر ہولڈنگ کے حامل اراکین سے اجلاس میں بذریعہ ویڈیو کانفرنس شرکت کی درخواست موصول کرتی ہے تو کمپنی ویڈیو کانفرنس سہولت کا انتظام کرے گی۔ درخواست فارم کا نمونہ مذکورہ بالا بیان کردہ کمپنی کی ویب سائٹ سے ڈاؤن لوڈ کیا جاسکتا ہے۔

66 ویں سالانہ جنرل اجلاس کا نوٹس

نوٹس ہذا سے مطلع کیا جاتا ہے کہ خیبر ٹو بیکو کمپنی لمیٹڈ کا چھٹا سالانہ اجلاس عام مورخہ 28 اکتوبر 2021ء کو بروز جمعرات دن 11:00 بجے کمپنی کے رجسٹرڈ آفس واقع نوشہرہ روڈ، مردان میں مندرجہ ذیل امور پر بحث کے لئے منعقد ہوگا:

عمومی امور

1. 28 اکتوبر 2020ء کو منعقدہ پینسٹھویں سالانہ اجلاس عام کی روئیداد کی توثیق کرنا۔
2. 30 جون 2021ء کو اختتام پذیر سال کے لئے کمپنی کی پڑتال شدہ مالیاتی اسٹیٹمنٹس کے ہمراہ چیئرمین کے تجزیہ، ڈائریکٹرز اور آڈیٹرز کی رپورٹ کو وصول کرنا، انہیں زیر غور لانا اور اپنانا۔
3. 30 جون 2022ء کو اختتام پذیر سال کے لئے آڈیٹرز کی تقرری کرنا اور ان کا مشاہیرہ طے کرنا۔ آڈٹ کمیٹی اور بورڈ آف ڈائریکٹرز نے اگلے سالانہ اجلاس عام تک میسرز یوسف عادل، چارٹرڈ اکاؤنٹنٹس کو کمپنی کا آڈیٹر مقرر کرنے کی سفارش کی ہے۔
4. چیئرمین کی اجازت سے دیگر امور پر بحث کرنا۔

بحکم بورڈ

Per Jahan Shah

پیئر فرحان شاہ
کمپنی سیکریٹری

مردان

06 اکتوبر 2021ء

مندرجات:

1. شیئر ٹرانسفر Books کی بندش
کمپنی کی شیئر ٹرانسفر Books مورخہ 22 اکتوبر 2021ء تا 28 اکتوبر 2021ء (بشمول دونوں ایام) بند رہیں گی۔ کمپنی کے شیئر رجسٹرار، سنٹرل ڈیپازٹری کمپنی آف پاکستان لمیٹڈ، CDC ہاؤس، 99-B، بلاک SMCHSB، مرکزی شاہراہ فیصل کو مورخہ 21 اکتوبر 2021ء کو کاروبار بند ہونے تک باقاعدہ موصول شدہ ٹرانسفرز کو مذکورہ بالا اہلیت کا تعین کرنے کے لئے بروقت وصولی شمار کیا جائے گا۔

2. سالانہ اجلاس عام میں شرکت

اجلاس میں شرکت اور ووٹ کرنے کا اہل کمپنی کارکن پر کسی مقرر کرنے کا مجاز ہوگا اور ایسے پر کسی کو اُس رکن کی جگہ شرکت، رائے دینے اور ووٹ دینے کا اختیار ہوگا۔ پر کسی فارم کمپنی سیکریٹری کو کمپنی کے رجسٹرڈ پتہ پر اجلاس کے انعقاد سے کم از کم 48 گھنٹے قبل جمع کروایا جائے۔

3. CDC اکاؤنٹ ہولڈرز کے لئے ہدایات

سنٹرل ڈیپازٹری کمپنی آف پاکستان لمیٹڈ میں اپنے حصص جمع کروانے والے اراکین کی حاضری مندرجہ ذیل کے مطابق ہوگی:

(a) اجلاس میں شرکت کے لئے

- (i) فرد واحد کی صورت میں اکاؤنٹ ہولڈر یا ذیلی اکاؤنٹ ہولڈر اور/یا گروپ اکاؤنٹ میں سیکورٹیز اور ضوابط کے تحت شائع کردہ رجسٹریشن تفصیلات کے حامل اراکین کو اجلاس کے انعقاد کے وقت شناخت ثابت کرنے کے لئے اپنا اصلی

HORIZONTAL ANALYSIS

	2021	2020	2019	2018	2017	2016
PROFIT AND LOSS ACCOUNT						
Net Sales	60.4	141.2	41.1	48.5	35.5	100.0
Cost of Sales	80.8	159.7	53.5	8.5	8.9	100.0
Gross Profit	(7.0)	80.1	0.5	180.2	123.0	100.0
Administrative Expenses	75.6	90.2	68.0	138.4	21.7	100.0
Distribution Cost	134.2	335.3	258.7	134.3	(83.5)	100.0
Other Operating Expenses	397.6	419.8	374.4	231.3	241.4	100.0
Operating Profit	(163.6)	(37.4)	(175.6)	230.2	274.7	100.0
Finance Cost	1,120.7	349.4	941.1	116.1	(20.0)	100.0
Other Operating Income	76.9	40.7	318.8	332.6	(73.9)	100.0
Profit before Taxation	(202.3)	(48.3)	(172.1)	249.8	245.3	100.0
Taxation	(224.3)	(70.1)	(74.5)	625.7	679.6	100.0
Profit for the Year	(198.6)	(44.6)	(188.3)	187.1	172.9	100.0
BALANCE SHEET						
Share Capital & Reserves	63.7	72.7	68.0	78.8	9.0	100.0
Non-Current Liabilities	36.6	71.5	83.1	127.9	647.2	100.0
Current Liabilities	560.9	274.8	49.9	35.6	16.2	100.0
Total Equity and Liabilities	199.6	128.6	63.9	69.9	51.2	100.0
Non-Current Assets	298.1	136.8	78.7	95.3	89.1	100.0
Current Assets	156.3	125.0	57.4	58.8	34.6	100.0
Total Assets	199.6	128.6	63.9	69.9	51.2	100.0

FINANCIAL PERFORMANCE

		2021	2020	2019	2018	2017	2016
Financial Performance- Profitability							
Gross Profit Margin	%	13.52	17.39	16.59	43.96	38.34	23.29
Net Profit Margin	%	(5.65)	2.11	(3.58)	17.75	18.49	9.18
Return on equity	%	(5.58)	2.97	(3.03)	14.87	16.33	9.26
Operating Performance- Liquidity							
Total Asset Turnover	Time	0.40	0.82	0.56	0.62	0.72	0.67
Fixed Asset Turnover	Time	1.11	2.56	1.66	1.69	2.06	2.12
Inventory Turnover	Time	1.22	2.26	1.32	0.99	1.18	1.16
Inventory Turnover	Days	300.17	161.33	275.60	367.80	309.65	315.60
Receivable turnover	Time	4.31	5.80	3.92	3.03	3.29	3.93
Receivable turnover	Days	84.68	62.96	93.23	120.54	111.08	92.92
Payable Turnover	Time	2.33	5.35	6.55	5.96	3.43	2.70
Payable Turnover	Days	156.46	68.21	55.73	61.24	106.43	135.06
Current Ratio		0.97	1.51	2.64	2.94	2.91	2.51
Quick Ratio		0.49	0.89	1.36	1.20	1.46	0.78
Capital Market/Capital Structure Analysis							
Earning per share (pre tax)	Rs	(17.28)	8.74	(12.17)	59.10	58.34	67.58
Earning per share (after tax)	Rs	(14.28)	8.02	(7.96)	41.57	39.51	57.92
Debt: equity	Rs	1.77	1.00	0.48	0.44	0.48	0.51

OTHER STATEMENTS

	2021	2020	2019	2018	2017	2016
	Rupees in Million					
Summary of Balance sheet						
Share Capital	48.07	48.07	48.07	48.07	12.02	12.02
Shareholder's funds/Equity	1,230.96	1,298.47	1,262.99	1,343.91	1,163.09	751.74
Capital employed	1,230.96	1,298.47	1,262.99	1,343.91	819.68	624.32
Property, plant & Equipment	1,379.78	818.90	610.79	674.44	652.72	342.28
Long term assets	1,384.54	823.55	621.65	679.17	657.66	347.82
Net Current Assets	2,026.89	1,778.78	1,244.92	1,255.41	697.88	475.64
Summary of Profit and Loss						
Sale	1,216.04	1,828.70	1,070.17	1,125.70	1,027.26	758.26
Gross Profit	164.35	318.04	177.56	494.86	393.88	176.63
Operating Profit/(Loss)	212.08	61.93	(12.39)	293.71	281.24	75.06
Profit/(Loss) before tax	(83.08)	42.01	(58.52)	284.13	280.45	81.22
Profit/(Loss) after tax	(68.65)	38.54	(38.27)	199.86	189.93	69.61
Summary of Cash Flows						
Net cash flow from operating activities	236.63	(43.32)	261.76	86.44	67.64	(19.07)
Net cash flow from investing activities	(665.32)	(286.23)	(60.88)	(92.34)	(2.35)	(14.45)
Net cash flow from financing activities	905.40	140.00	-	-	-	-
Changes in cash and cash equivalents	476.71	(189.55)	200.88	(5.90)	65.28	(33.53)
Cash and cash equivalents - Year end	558.29	81.58	277.92	77.04	82.95	17.67

OTHER STATEMENTS

ROE	(Net Profit/Revenues)*(Revenues/Total Assets)*(Total Assets/Shareholders Equity)
Net Profit/Revenue =	(0.06)
Revenues/Total Assets=	0.36
Total Assets/Shareholders Equity=	2.77
ROE	%age (5.58)

FREE CASH FLOW-FOR THE YEAR ENDED JUNE 30, 2021

	2020-21	2019-20	2018-19	2017-18
Net cash provided by operating activities	236,630,180	(43,322,740)	261,763,149	86,439,035
Less: Capital additions & Investment	240,081,405	(146,227,350)	(60,884,730)	(92,342,901)
Add: Net Debt Issued	-	-	-	-
FCF Total	476,711,585	(189,550,090)	200,878,420	(5,903,866)

SUMMARY OF CASH FLOW STATEMENT FOR LAST 6 YEARS

	2021	2020	2019	2018	2017	2016
Profit / (loss) before taxation	(83,077,291)	42,012,780	(58,520,783)	28,413,266	280,454,828	81,221,506
Net cash flow from operating activities	259,361,206	(43,322,740)	456,571,640	86,439,035	67,635,539	(19,074,556)
Net cash flow from investing activities	(665,318,595)	(286,227,350)	(60,884,729)	(92,342,901)	(2,354,009)	(14,454,943)
Net cash generated from financing activities	905,400,000	140,000,000	-	-	-	-
Net increase/(decrease) in cash and cash equivalents	476,711,585	(189,550,090)	200,878,419	(5,903,866)	65,281,530	(33,529,499)
Cash and cash equivalents at beginning of the period	81,581,195	271,131,285	77,042,866	82,946,732	17,665,202	51,194,701
Cash and cash equivalents at end of the period	558,292,780	81,581,195	277,921,285	77,042,866	82,946,732	17,665,202
	81,581,195	271,131,285	77,042,866	82,946,732	17,665,202	51,194,701

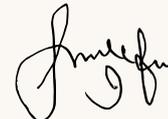
STATEMENT OF FREE FLOAT OF SHARES

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;

	30-09-2020	31-12-2020	31-03-2021	30-06-2021
Total Outstanding Shares	4,807,364	4,807,364	4,807,364	4,807,364
Less: Government Holdings	-	-	-	-
Less: Shares held by Directors/Sponsors/ Senior Management Officers and their associates	-	-	-	-
Less: Shares in Physical form	4,402,551	4,389,167	4,381,105	4,377,180
Less: Shares held by Associate Companies/ Group Companies (Cross Holding)	-	-	-	-
Less: Shares issued under Employees Stock Option Schemes that cannot be sold in the open market in normal course	-	-	-	-
Less: Treasury Shares	-	-	-	-
Less: Any other category that are barred from selling at the review date	-	-	-	-
Free Float	404,813	418,197	426,259	430,184



Director



Chief Executive





FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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, 2021 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, 2021.

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.	10,11	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.
ii.	19	The Company is in non-compliance with Regulations 25.

Deloitte Young & Rubicam

Chartered Accountants

Engagement Partner:

Rana Usman Khan

Lahore

Date: October 04, 2021

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 2021, 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 2021 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>Revenue Recognition</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 23 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"> • Obtaining an understanding of and assessing the design and implementation and operating effectiveness of relevant controls around recognition of revenue; • Assessing the appropriateness of the Company’s accounting policies for revenue recognition and compliance of those policies with applicable accounting standards; • 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); • Testing timeliness of revenue recognition by comparing individual sales transactions before and after the year end to underlying documents; and • Evaluated the adequacy and appropriateness of disclosures made in the financial statements.

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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KHYBER TOBACCO COMPANY LIMITED

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

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 & Rubicam

Chartered Accountants

Lahore

Date: October 04, 2021

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

		2021	2020
	Note	Rupees	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
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		967,360,313	995,587,814
Revaluation surplus on property, plant and equipment	7	212,209,916	251,498,354
		1,230,956,334	1,298,472,273
LIABILITIES			
NON CURRENT LIABILITIES			
Employee retirement benefits	8	43,642,581	34,974,436
Deferred tax liabilities	9	54,296,223	88,055,599
		97,938,804	123,030,035
CURRENT LIABILITIES			
Trade and other payables	10	1,020,730,718	1,023,648,590
Unclaimed dividend		16,407,772	17,179,781
Loan from ex-Chief Executive Officer	11	1,045,400,000	140,000,000
		2,082,538,490	1,180,828,371
CONTINGENCIES AND COMMITMENTS			
	12		
TOTAL EQUITY AND LIABILITIES		3,411,433,628	2,602,330,679

		2021	2020
	Note	Rupees	
NON CURRENT ASSETS			
Property, plant and equipment	13	1,379,775,858	818,898,367
Intangible assets	14	-	-
Long term deposits	15	4,767,411	4,647,411
		1,384,543,269	823,545,778
CURRENT ASSETS			
Stores, spare parts and loose tools	17	26,881,360	-
Stock in trade	16	999,308,866	730,487,456
Trade debts	18	177,744,981	386,489,386
Advances and other receivables	19	244,765,674	463,946,861
Advance income tax	20	19,896,698	42,924,919
Advance duty	21	-	73,355,084
Cash and bank balances	22	558,292,780	81,581,195
		2,026,890,359	1,778,784,901
TOTAL ASSETS		3,411,433,628	2,602,330,679

The annexed notes from 1 to 41 form an integral part of these financial statements



Chief Executive



Director



Director

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2021

		2021	2020
	Note	Rupees	
Sales - net	23	1,216,036,389	1,828,703,290
Cost of sales	24	(1,051,687,762)	(1,510,666,257)
Gross profit		164,348,627	318,037,033
Administrative expenses	25	(126,366,350)	(136,876,081)
Selling and distribution cost	26	(54,774,014)	(101,828,450)
Impairment loss on financial assets	18.1	(10,141,207)	(16,590,963)
Other operating expenses	27	(20,802,041)	(15,728,979)
Other income	29	18,746,615	14,914,204
Operating (loss) / profit		(28,988,370)	61,926,764
Finance cost	28	(54,088,921)	(19,913,984)
(Loss) / profit before taxation		(83,077,291)	42,012,780
Taxation	30	14,430,961	(3,475,941)
(Loss) / profit for the year		(68,646,330)	38,536,839
Earnings / (loss) per share - basic and diluted	31	(14.28)	8.02

The annexed notes from 1 to 41 form an integral part of these financial statements



Chief Executive



Director



Director

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

		2021	2020
	Note	Rupees	
(Loss) / profit for the year		(68,646,330)	38,536,839
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement gain / (loss) on post retirement benefits liability	8.5	1,508,898	(4,305,835)
Related tax impact		(378,507)	1,248,692
		1,130,391	(3,057,143)
Total comprehensive (loss) / income for the year		(67,515,939)	35,479,696

The annexed notes from 1 to 41 form an integral part of these financial statements



Chief Executive



Director



Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

	Share capital	Revenue reserve		Capital reserve	Total
		General reserve	Unappropriated profit	Revaluation surplus on property, plant and equipment	
Rupees					
Balance as at 01 July 2019	48,073,640	3,312,465	927,091,669	284,514,803	1,262,992,577
Total comprehensive income for the year					
Profit for the year	-	-	38,536,839	-	38,536,839
Other comprehensive income for the year	-	-	(3,057,143)	-	(3,057,143)
Total comprehensive income for the year	-	-	35,479,696	-	35,479,696
Transfer from surplus on revaluation of property, plant and equipment - net of tax	-	-	33,016,449	(33,016,449)	-
Balance as at 30 June 2020	48,073,640	3,312,465	995,587,814	251,498,354	1,298,472,273
Total comprehensive income for the year					
Loss for the year	-	-	(68,646,330)	-	(68,646,330)
Other comprehensive income for the year	-	-	1,130,391	-	1,130,391
Total comprehensive income for the year	-	-	(67,515,939)	-	(67,515,939)
Transfer from surplus on revaluation of property, plant and equipment - net of tax	-	-	39,288,438	(39,288,438)	-
Balance as at 30 June 2021	48,073,640	3,312,465	967,360,313	212,209,916	1,230,956,334

The annexed notes from 1 to 41 form an integral part of these financial statements



Chief Executive



Director



Director

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 Rupees	2020 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / profit before taxation		(83,077,291)	42,012,780
Adjustments for:			
Depreciation on property, plant and equipment	13.1	104,321,104	76,429,811
Intangible assets written off		-	7,901,568
Trade creditors written back		(2,350,363)	(14,300,543)
Advance to supplier written off		6,711,703	1,186,466
Advances from customers written back		-	(613,661)
Provision for employee retirement benefits	8.3	11,718,925	8,551,193
Impairment loss on financial assets	18.1	10,141,207	16,590,963
Exchange (gain) / loss on foreign transaction		(2,678,302)	2,493,423
Finance cost	28	54,088,921	19,913,984
		181,953,195	118,153,204
Operating cash flows before working capital changes		98,875,904	160,165,984
Working capital changes			
(Increase) / decrease in current assets			
Stock in trade		(268,821,410)	(125,551,660)
Stores, spare parts and loose tools		(26,881,360)	-
Trade debts		198,603,198	(158,699,468)
Advances and prepayments		215,147,786	(377,736,586)
Advance duty		73,355,084	(35,097,630)
(Decrease) / Increase in current liabilities			
Trade and other payables		(30,917,996)	578,523,036
		160,485,302	(118,562,308)
Cash generated from operations		259,361,206	41,603,676
Employee retirement benefits paid		(1,541,882)	(1,317,460)
Income tax paid		3,321,299	(64,972,547)
Finance cost paid		(23,738,434)	(3,927,973)
Unclaimed dividend paid		(772,009)	(14,708,436)
Net cash generated / (used in) from operating activities		236,630,180	(43,322,740)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(665,198,595)	(284,537,824)
Additions to intangible assets		-	(1,689,526)
Security deposits		(120,000)	-
Net cash used in investing activities		(665,318,595)	(286,227,350)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan from sponsors and directors - unsecured		905,400,000	140,000,000
Net cash generated from financing activities		905,400,000	140,000,000
Net increase / (decrease) in cash and cash equivalents		476,711,585	(189,550,090)
Cash and cash equivalents at beginning of the year		81,581,195	271,131,285
Cash and cash equivalents at end of the year		558,292,780	81,581,195

The annexed notes from 1 to 41 form an integral part of these financial statements



Chief Executive



Director



Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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, 2021

The following standards, amendments and interpretations are effective for the year ended June 30, 2021. 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.

2.2.1 Standards or Interpretations with no significant impact

**Effective from
Accounting period
beginning on or after**

Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions	June 01, 2020
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 IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of material	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

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

2.3 New accounting standards / amendments and IFRS interpretations that are not yet effective

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.

2.3.1 Standards or Interpretations that are not yet effective Effective from annual period beginning on or after:

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 01, 2021
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions extended beyond June 30, 2021	April 01, 2021
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
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
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates	January 01, 2023
Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.	January 01, 2023

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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.

Revaluation of fixed assets

Revaluation of fixed assets is carried out by independent professional valuer. Revalued amounts of non-depreciable items are determined by reference to local market values and that of depreciable items are determined by reference to present depreciated replacement values.

The frequency of revaluation depends upon the changes in fair values of the items of property, plant and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required. Such frequent revaluations are unnecessary for items of property, plant and equipment with only insignificant changes in fair value. Instead, it may be necessary to revalue the item only every three or five years.

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.

Contingencies

The Company has disclosed its contingent liabilities for the pending litigations and claims against the Company based on its judgment and the advice of the legal advisors for the estimated financial outcome. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the balance sheet date. However, based on the best judgment of the Company and its legal advisors, the likely outcome of these litigations and claims is remote and there is no need to recognize any liability at the balance sheet date.

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.

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.

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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. Intangibles assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. Impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment.

Subsequent expenditure

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

Amortization

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in statement

of profit or loss based on the amortization rates as disclosed in note 14 to the financial statements. Depreciation on additions to property, plant and equipment is charged on prorata basis from the date on which the item of property, plant and equipment is acquired or capitalized while no depreciation is charged from the date on which property, plant and equipment is disposed off / derecognized.

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

4.3 Stock in trade

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

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

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

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

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

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

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.

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

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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.

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).

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.

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).

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

Subsequently the financial liabilities are measured using 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.

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.

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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.

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.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re measurements of the lease liability.

The lease liability is measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate or if there is a change in Company's estimate of the amount expected to be payable under a

NOTES TO THE FINANCIAL STATEMENTS

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residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in the statement of profit or loss if the carrying amount of the right of use asset has been reduced to zero.

5 SHARE CAPITAL

5.1 Authorized share capital

Ordinary shares of Rs 10 each

2021		2020	
Number of shares		Rupees	
60,000,000	20,000,000	600,000,000	200,000,000

5.2 Issued, subscribed and paid up share capital

2021		2020	
Number of shares		Rupees	
497,500	497,500	4,975,000	4,975,000
4,309,864	4,309,864	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 59,765 i.e. 1.24% (2020: 69,765 i.e. 1.45%) 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 determine 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.

		2021	2020
		Rupees	
7	REVALUATION SURPLUS ON PROPERTY PLANT AND EQUIPMENT		
	Balance as at 01 July	335,711,612	382,835,275
	Surplus transferred to unappropriated profit in respect of incremental depreciation charged during the year:		
	- Net of deferred tax	(39,288,438)	(33,016,449)
	- Related deferred tax liability	(13,155,583)	(14,107,214)
		(52,444,021)	(47,123,663)
	Balance as at 30 June	283,267,591	335,711,612
	Related deferred tax liability		
	Balance as at 01 July	(84,213,258)	(98,320,472)
	On incremental depreciation charged during the year	13,155,583	14,107,214
		(71,057,675)	(84,213,258)
		212,209,916	251,498,354

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

		2021	2020
	Note	Rupees	Rupees
8	EMPLOYEE RETIREMENT BENEFITS		
	Net defined benefit liability	43,642,581	34,974,436

8.1 Net defined benefit liability

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

		2021	2020
	Note	Rupees	
Movement in the defined benefit liability			
		34,974,436	23,434,868
	Balance at beginning of the year		
	Charge for the year	11,718,925	8,551,193
	Benefits paid during the year	(1,541,882)	(1,317,460)
	Remeasurement loss / (gain)	(1,508,898)	4,305,835
	Balance at the end of the year	43,642,581	34,974,436

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	Note	2020	2019
		Rupees	
8.2	Movement in the present value of defined benefit liability is as follows:		
	Present value of defined benefit liability as at 01 July	34,974,436	23,434,868
	Current service cost	8,555,102	5,874,997
	Interest cost	3,163,823	2,676,196
	Benefits paid	(1,541,882)	(1,317,460)
	Remeasurements:		
	Actuarial loss / (gain) from changes in financial assumptions	(1,508,898)	4,305,835
	Present value of defined benefit liability as at 30 June	43,642,581	34,974,436
8.3	Expense recognized in profit or loss account is as follows		
	Current service cost	8,555,102	5,874,997
	Interest cost	3,163,823	2,676,196
		11,718,925	8,551,193
8.4	Charge for the year has been allocated as follows		
	Cost of sales	24.2	6,241,946
	Administrative expenses	25.1	4,573,020
	Selling and distribution cost	26.1	903,960
		11,718,926	8,551,193
8.5	Remeasurement chargeable to other comprehensive income		
	Remeasurement loss / (gain) on defined benefit obligation	(1,508,898)	4,305,835

8.6 Key actuarial assumptions

The latest actuarial valuation was carried out, on 30 June 2021, using projected unit credit method with the following assumptions:

	2021	2020
	Percentage	Percentage
The following were the principal actuarial assumptions at the reporting date :		
Discount rate	10.25%	9.25%
Future salary growth	10.25%	9.25%
Employee turnover rate	Moderate	Moderate
Mortality rate	SLIC 2001-2005 mortality table	
Withdrawal rate	Age dependent withdrawal table	

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 2021, the weighted-average duration of defined benefit obligation was 12.68 years (2020: 9.25 years).

	2021 Rupees	2020 Rupees
Distribution of timing of benefit payments (time in years)		
1	6,056,943	5,014,215
2	1,005,559	1,370,537
3 to 5	5,140,824	3,751,959
5 and above	187,202,875	125,662,357

8.7 Sensitivity analysis

For a change of 100 basis points, present value of defined benefit obligation as at 30 June 2021 would have been as follows:

	Changes in assumptions	Defined benefit obligation	
		Increase in assumption	Decrease in assumption
Rupees			
Discount rate	1%	(39,520,768)	48,562,345
Future salary growth	1%	48,695,705	(39,345,354)

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. 13.71 million (2020: Rs. 12.12 million).

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9	DEFERRED TAX LIABILITIES	2021 Rupees	2020 Rupees
	This comprises the following:		
	Deferred tax liability on taxable temporary differences arising in respect of:		
	Property, plant and equipment (at cost)	36,461,600	19,478,322
	Revaluation surplus	71,057,675	84,213,258
		107,519,275	103,691,580
	Deferred tax asset on deductible temporary differences arising in respect of:		
	Allowance for expected credit loss	(7,104,451)	(6,862,644)
	Provision for employee benefits	(10,947,742)	(8,773,337)
	Unused losses	(20,062,919)	-
	Minimum Tax as per section 113	(15,107,940)	-
		(53,223,052)	(15,635,981)
		54,296,223	88,055,599

9.1 Movement in temporary differences for the year

	Balance as at 01 July 2020	Recognized in profit or loss	Recognized in other com- prehensive income	Balance as at 30 June 2021
Taxable temporary differences				
Property, plant and equipment	19,478,322	16,983,278	-	36,461,600
Revaluation surplus	84,213,258	(13,155,583)	-	71,057,675
	103,691,580	3,827,695	-	107,519,275
Deductible temporary differences				
Allowance for expected credit losses	(6,862,644)	(241,807)	-	(7,104,451)
Provision for employee retirement benefits	(8,773,337)	(2,552,912)	378,507	(10,947,742)
Unused losses and credits	-	(20,062,919)	-	(20,062,919)
Minimum Tax as per section 113	-	(15,107,940)	-	(15,107,940)
	88,055,599	(34,137,883)	378,507	54,296,223

	Balance as at 01 July 2019	Recognized in profit or loss	Recognized in other com- prehensive income	Balance as at 30 June 2020
Taxable temporary differences				
Property, plant and equipment	22,753,413	(3,275,091)	-	19,478,322
Intangible assets	98,320,472	(14,107,214)	-	84,213,258
	121,073,885	(17,382,305)	-	103,691,580
Deductible temporary differences				
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

		2021	2020
10	TRADE AND OTHER PAYABLES	Note	Rupees
	Trade creditors		443,856,693
	Accrued liabilities	10.1	73,224,664
	Accrued markup on loan from sponsors and directors		8,822,367
	Contract liabilities		338,098,992
	Workers' welfare fund		6,366,590
	Workers' profit participation fund		74,804,948
	Withholding income tax		31,735,821
	Sales tax and excise duty	10.2	27,471,412
	Tobacco development cess		6,505,941
	Royalty		12,635,060
	Insurance		126,102
	Sales tax Punjab revenue authority		-
			1,023,648,590
			1,020,730,718

10.1 This includes an amount of Rs. 4.34 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.

10.2 This includes Rs.27.35 million (2020: 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).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

11 Loan from sponsors and directors - unsecured

		2021	2020
		Rupees	
	Interest free	31,000,000	-
	Interest bearing	10.1 1,014,400,000	140,000,000
		1,045,400,000	140,000,000
11.1	As at beginning of the year	140,000,000	-
	Loan receipt during the year	874,000,000	140,000,000
	As at end of the year	1,014,000,000	140,000,000

These represent unsecured loans received by the Company from its sponsors and directors for meeting the working capital requirements. The interest bearing loan from sponsors of Rs: 1,014 million carries interest at KIBOR + 2%. These loans are repayable after the period of twelve months from the receipt of each tranche of the loan. Out of total loans, an amount of Rs. 140 million is overdue and is repayable on demand. However, no such repayment has been demanded by the sponsors / directors.

12 CONTINGENCIES AND COMMITMENTS

12.1 Commitments:

		2021	2020
		Rupees	
	Letters of credit against import of machinery and packing material	65,964,643	173,322,668
	Short term lease rentals	6,200,218	1,757,077
	Letter of guarantee issued by bank on behalf of company	900,000	900,000

12.2 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 passed assessment order on July 18, 2019 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.
- iii) 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.

- iv)** 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.
- v)** 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.
- 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 still 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 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 has 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.
- viii)** Deputy Commissioner Inland Revenue, Unit-II, Range 1, Large Tax Payers Office, Islamabad, passed an assessment order on April 15, 2021, under the Sales Tax Act 1990 amounting to Rs. 352.28 million against the Company for alleged claims of failure to charge and pay Sales Tax against the supply of unmanufactured tobacco during the period from January 2016 to December 2020. The Company had filed an appeal against the order before the Appellate Tribunal Inland Revenue Islamabad and the matter is still pending adjudication. The management, based on legal opinion, is confident that the eventual decision will be in favor of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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
Cost / revalued amounts								
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
Balance as at 01 July 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
Additions during the year	2,721,204	48,531,347	3,511,536	144,340	380,800	17,377,860	592,531,508	665,198,595
Transfers	-	265,135,129	-	-	-	-	(265,135,129)	-
Balance as at 30 June 2021	278,141,310	913,990,409	60,069,179	3,122,456	3,586,440	30,262,440	592,522,008	1,881,694,242
Accumulated depreciation								
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
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
Balance as at 01 July 2020	107,583,625	249,948,523	24,362,952	1,436,377	2,669,681	11,596,122	-	397,597,280
Charge for the year	17,845,296	76,004,118	5,401,342	280,163	624,047	4,166,138	-	104,321,104
Balance as at 30 June 2021	125,428,921	325,952,641	29,764,294	1,716,540	3,293,728	15,762,260	-	501,918,384
Carrying value - June 2021	152,712,389	588,037,768	30,304,885	1,405,916	292,712	14,500,180	592,522,008	1,379,775,858
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
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;

		2021	2020
	Note	Rupees	
Cost of sales	24	96,272,721	72,982,447
Administrative expenses	25	8,048,383	3,447,365
		104,321,104	76,429,812

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	7,002,773	2,721,204	174,286	9,549,691
Plant and machinery	269,294,976	313,666,476	64,303,354	518,658,098
Furniture and fittings	2,060,788	144,340	466,760	1,738,368
30 June 2021	278,358,537	316,532,020	64,944,400	529,946,157
30 June 2020	269,770,642	8,587,895	23,258,844	252,486,327

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 The revalued amounts has been measured under level 2 of the IFRS 13.

		2021	2020
	Note	Rupees	Rupees
14	INTANGIBLE ASSETS		
	Computers software	-	-
	Capital work in progress	-	-
		-	-
14.1	Balance as at 01 July	-	-
	Amortization	-	-
	Balance as at 30 June	-	-
	Amortization rate	30%	30%
14.2	Balance as at 01 July	-	6,212,042
	Additions	-	1,689,528
	Written off	-	(7,901,570)
	Balance as at 30 June	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 Rupees	2020 Rupees
15	LONG TERM DEPOSITS		
	Sui Northern Gas Pipelines Limited	3,660,151	3,660,151
	Others	1,107,260	987,260
		4,767,411	4,647,411
16	STOCK IN TRADE		
	Raw material	693,149,193	600,518,399
	Packing and other material	296,071,239	112,939,713
	Work in process	-	3,856,473
	Finished goods	10,088,434	13,172,871
		999,308,866	730,487,456
17	SPARES AND LOOSE TOOLS		
	Spares and loose tools	26,881,360	-
		26,881,360	-
18	TRADE DEBTS		
	Local - unsecured	206,066,490	364,664,725
	Foreign - unsecured	-	49,182,222
		206,066,490	413,846,947
	Allowance for expected credit losses	18.1 (28,321,509)	(27,357,561)
		177,744,981	386,489,386
18.1	Movement in allowance for expected credit losses		
	Balance as at 01 July	27,357,561	10,766,598
	Impairment losses on financial assets	10,141,207	16,590,963
	Bad debts written off	(9,177,259)	-
	Balance as at 30 June	28,321,509	27,357,561
19	ADVANCES AND OTHER RECEIVABLES		
	Advances to suppliers	119,610,960	30,412,427
	Advances against letter of credit	12,843,916	364,148,555
	Income tax refundable	112,310,798	69,385,879
		244,765,674	463,946,861
20	ADVANCE INCOME TAX		
	Provision for the year	30 (19,706,922)	(22,047,627)
	Payments made during the year / withheld	39,603,620	64,972,546
	Balance as at 30 June	19,896,698	42,924,919
21	ADVANCE DUTY		
	Federal Excise Duty	-	73,355,084

		2021 Rupees	2020 Rupees
22	CASH AND BANK BALANCES		
	Cash in hand	236,822	416,195
	Cash at bank - Current accounts		
	- Foreign currency	66,591	64,799
	- Local currency	557,989,367	81,100,201
		558,055,958	81,165,000
		558,292,780	81,581,195
23	SALES - NET		
	Gross sales		
	- Local	2,881,323,342	2,925,230,784
	- Export	208,840,384	574,468,954
		3,090,163,726	3,499,699,738
	Government levies		
	- Excise duty	1,426,425,100	1,280,700,140
	- Sales tax	403,857,827	349,261,908
		(1,830,282,927)	(1,629,962,048)
	Discounts	(43,844,410)	(41,034,400)
		1,216,036,389	1,828,703,290
24	COST OF SALES		
	Raw and packing material consumed	24.1 704,392,565	1,251,155,695
	Salaries, wages and other benefits	24.2 101,477,890	98,712,772
	Fuel and power	41,465,860	42,489,851
	Stores and spares consumed	89,013,064	41,524,501
	Repair and maintenance	2,226,249	4,541,391
	Royalty	24.3 4,261,740	3,736,710
	Short term lease rentals	3,752,630	-
	Depreciation	13.1 96,272,721	72,982,447
	Insurance	1,884,133	3,568,301
		1,044,746,852	1,518,711,668
	Opening work in process	3,856,473	310,361
	Closing work in process	-	(3,856,473)
	Cost of goods manufactured	1,048,603,325	1,515,165,556
	Opening finished stock	13,172,871	8,673,572
	Closing finished stock	(10,088,434)	(13,172,871)
		1,051,687,762	1,510,666,257
24.1	Raw and packing materials consumed		
	Opening balance	713,458,112	595,951,863
	Raw and packing material purchases	980,154,885	1,368,661,944
	Closing balance	(989,220,432)	(713,458,112)
		704,392,565	1,251,155,695

24.2 This includes Rs. 6.24 million (2020: Rs 4.55 million) in respect of post retirement benefits.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

24.3 Details of royalty expenses is as follows:

Name	Relationship with Company	2021	2020
		Rupees	
Walton Tobacco Company (Private) Limited	None	141,300	544,590
National Tobacco Industries (Private) Limited	None	4,120,440	3,192,120
		4,261,740	3,736,710

	Note	2021	2020
		Rupees	
25 ADMINISTRATIVE EXPENSES			
Salaries, wages and other benefits	25.1	71,882,153	73,181,758
Security charges		4,168,072	3,952,544
Fuel and power		4,282,037	7,550,432
Communication		2,338,174	2,058,599
Travelling		1,798,713	5,039,377
Printing and stationery		2,154,635	1,628,299
Depreciation	13.1	8,048,383	3,447,365
Legal and professional		5,685,267	6,048,682
Auditors' remuneration	25.2	2,576,750	2,342,500
Repair and maintenance		1,688,551	-
Short term lease rentals		1,396,330	1,556,900
Advertisement		144,355	135,001
Donations	25.3	3,125,455	18,390,523
Others		17,077,475	11,544,101
		126,366,350	136,876,081

25.1 This includes Rs. 4.57 million (2020: Rs. 3.33 million) in respect of post retirement benefits.

25.2 Auditors' remuneration	2021	2020
	Rupees	
Audit services		
Annual audit fee	1,212,750	1,102,500
Half yearly review fee	632,500	575,000
Out of pocket expenses	550,000	500,000
	2,395,250	2,177,500
Non audit services		
Other certification charges	181,500	165,000
	181,500	165,000
	2,576,750	2,342,500

25.3 Donations

Donations made to party exceeding Rs. 500,000 includes Mardan Medical Complex.

	Note	2021 Rupees	2020 Rupees
26	SELLING AND DISTRIBUTION COST		
	Salaries, wages and other benefits	12,966,549	8,676,588
	Customs, clearance and freight on export	4,094,266	29,312,613
	Freight on local sale	8,061,700	8,418,400
	Product research and branding cost	16,003,500	12,021,750
	Advertisement	12,648,000	29,826,099
	Training of sales staff	999,999	13,573,000
		54,774,014	101,828,450
26.1	This includes Rs. 0.90 million (2020: Rs 0.66 million) in respect of post retirement benefits.		
		2021 Rupees	2020 Rupees
27	OTHER OPERATING EXPENSES		
	Workers' Profit Participation Fund	-	2,077,592
	Workers' Welfare Fund	-	2,069,930
	Advance to supplier write-off	6,711,703	1,186,466
	Exchange loss - net	-	2,493,423
	Intangible written off	-	7,901,568
	Sales tax receivable written off	14,090,338	-
		20,802,041	15,728,979
28	FINANCE COST		
	Interest expense	48,350,487	15,986,011
	Bank charges	5,738,434	3,927,973
	Unwinding cost on deferred GIDC	-	-
		54,088,921	19,913,984
29	OTHER INCOME		
	Scrape sales	13,717,950	-
	Trade creditors written back	2,350,363	14,300,543
	Advances from customer written back	-	613,661
	Exchange gain - net	2,678,302	-
		18,746,615	14,914,204
30	TAXATION		
	Current tax		
	- Current Year	17,196,344	22,047,627
	- Prior year	2,510,578	-
		19,706,922	22,047,627
	Deferred	(34,137,883)	(18,571,686)
	Tax expense for the year	(14,430,961)	3,475,941

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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

	2021	2020
	%	
Applicable tax rate	29	29
PY adjustment	(3)	-
Income chargeable at different rate	(8)	(8)
Tax effect of tax credits	-	(15)
Others	(1)	2
	17	8

30.2 Tax Assessments up to and including tax year 2020 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.

31 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.

	2021	2020
	Rupees	
(Loss) / Profit attributable to ordinary shareholders	(68,646,330)	38,536,839
Weighted-average number of ordinary shares at 30 June	4,807,364	4,807,364
Basic (loss) / earnings per share	(14.28)	8.02

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

	2021	2020
32 CAPACITY AND PRODUCTION		
Available capacity (million cigarettes per annum)	3,364	1,585
Actual production (million cigarettes)	854	761

32.1 Actual production was sufficient to meet the market demand.

Production capacity has been increased due to the installation of a new cigarette manufacturing machine during the year. This machine is connected to another new packing machine which is in the testing phase. Therefore, the available capacity could not be effectively used during the year.

33. 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.

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.

33.1 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:

33.1.1 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:

NOTES TO THE FINANCIAL STATEMENTS

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Bank	Rating		Rating agency	2021	2020
	Short term	Long term		Rupees	
Habib Bank Limited	A-1+	AAA	JCR-VIS	46,766,079	42,845,269
National Bank Of Pakistan	A-1+	AAA	JCR-VIS	1,869,949	23,550
Mcb Bank Limited	A1+	AAA	PACRA	38,945,293	45,841,819
Samba Bank Limited	A-1	AA	JCR-VIS	149,466	956,632
Askari Bank Limited	A1+	AA+	PACRA	483,169,087	355,646,285
				570,899,874	445,313,555

33.1.2 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:

	2021	2020
Financial assets:	Rupees	
Trade debts	177,744,981	386,489,386
Bank balances	558,055,958	81,165,000
Long term deposits	4,767,411	4,647,411
Advances to suppliers	11,9610,960	30,412,427
	860,179,310	502,714,224

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, 2021 the Company had approximately 23 (2020: 16) major local customers that owed more than Rs. 2 million each and accounted for approximately 96% (2020 : 97%) of local trade debts. Export debts amounting to Nil (2020 : Rs. 49.18 million) are unsecured.

	2021	2020
33.1.3 Impairment losses	Rupees	
The aging of trade debts at balance sheet date is as follows:		
Not past due	98,296,173	250,704,907
Past due upto 12 months	83,178,041	145,672,035
Over 12 months	24,592,276	17,470,005
	206,066,490	413,846,947

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

	2021	2020
	Rupees	
Balance as at 01 July	27,357,561	10,766,598
Impairment losses on financial assets	10,141,207	16,590,963
Bad debts written off	(9,177,259)	-
Balance as at 30 June	28,321,509	27,357,561

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.

33.2 Liquidity risk management

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

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

33.2.1 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	
	2021	2020
	Rupees	
Maturity up to one year		
Trade and other payables	525,760,279	538,664,886
Loan from sponsors and directors - unsecured	1,045,400,000	140,000,000
Unclaimed dividend	16,407,772	17,179,781

33.3 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.

33.3.1 Foreign currency risk management

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

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

The potential currency exposures are discussed below;

Transactional exposure in respect of non functional currency monetary items

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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:

	2021	2020
	USD	
Trade debts	-	291,540

Commitments outstanding at year end amounted to Rs. 65.96 million (2020: Rs. 173.32 million) relating to letter of credits for import of machinery.

The following significant exchange rates applied during the year:

Rupees per USD	2021	2020
Average rate	162.76	164.02
Reporting date rate	157.54	167.98

Sensitivity analysis

A 10 percent weakening of the Pak Rupee against the USD at June 30, 2021 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, 2020.

	2021	2020
	Rupees	
Decrease in statement of profit or loss	Nil	4,897,289

A 10 percent strengthening of the Pak Rupee against the USD at June 30, 2021 would have had the equal but opposite effect on USD to the amounts shown above, on the basis that all other variables remain constant.

33.3.2 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	2021	2020
	Rupees	
Loan from ex-Chief Executive Officer	1,045,400,000	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).

	Increase / (decrease) in basis points Points	Decrease / (increase) of profit Rupees
2021		1,081,778
2020	+ (-) 200	2,800,000

33.3.3 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.

33.3.4 Financial Instruments by Category

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

	2021	2020
	Rupees	
Assets as per statement of financial position - at amortized cost		
Trade debts	177,744,981	386,489,386
Cash and bank balances	558,292,780	81,581,195
Long term deposits	4,767,411	4,647,411
	740,805,172	472,717,992
Liabilities as per statement of financial position- at amortized cost		
Trade and other payables	755,342,369	1,023,648,590
Unclaimed dividend	16,407,772	17,179,781
Loan from ex-Chief Executive Officer	1,045,400,000	140,000,000
	1,817,150,141	1,180,828,371

34. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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.

35 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	20,140	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%
		2021	2020
Transaction with key management personnel		Rupees	
Receipt of loan from sponsors and directors		905,400,000	140,000,000
Mark up on loan from sponsors and directors		40,436,124	8,822,367
Remuneration of key management		2,445,000	27,420,000
		948,281,124	176,242,367

Markup outstanding balance on loan from sponsors and directors is Rs: 31.25 million (2020: Rs: 8.82 million).

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:

	Chief Executive Officer	Directors	Executives
30 June 2021			
Managerial remuneration	2,025,000	420,000	47,431,536
Number of persons	1	1	24
30 June 2020			
Managerial remuneration	27,000,000	420,000	33,575,528
Number of persons	1	1	16

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

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

36.3 Executive means an employee whose basic salary exceeds Rs. 1.20 million (2020: Rs. 1.20 million) during the year.

37 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Balance as at 01 July 2020	Amount received during the year	Amount repaid during the year	Balance as at 30 June 2021
Loan from sponsors and directors - unsecured	140,000,000	905,400,000	-	1,045,400,000

	2021	2020
	(Number)	
38 NUMBER OF PERSONS EMPLOYED		
Employees at year end	372	299
Average employees during the year	336	298

39 NON-ADJUSTING EVENTS AFTER THE REPORTING DATE

The Board of Directors in its meeting held on 04 October, 2021 proposed a final cash dividend of Rs Nil per share (2020: Rs. Nil per share) of the paid up capital for the year ended June 30, 2021, for approval of the members at the annual general meeting to be held on 28 October, 2021. These financial statements do not reflect these appropriations and the proposed dividend payable.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

40 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 04 October, 2021.

41 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
Directors and their spouse(s) and minor children			
MR. HAZRAT BILAL	1	10,000	0.21
MR. KHALIL UR REHMAN	1	10,000	0.21
MR. PIR FARHAN SHAH	1	20,140	0.42
MR. PIR WARIS SHAH	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
Associated Companies, undertakings and related parties	-	-	-
NIT and ICP	1	1,116	0.02
Government Sector	1	46,950	0.98
Banks Development Financial Institutions, Non-Banking Financial Institutions	-	-	-
Insurance Companies	2	166,543	3.46
Mutual Funds	1	1,155	0.02
Mutual Funds	-	-	-
General Public			
a. Local	1100	4,513,587	93.89
b. Foreign	4	2,100	0.04
Foreign Companies	-	-	-
Others	9	17303	0.36
Totals	1124	4,807,364	100.00

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:

Financial Year End	30/06/2021
Name of Auditor	YOUSUF ADIL CHARTERED ACCOUNTANTS
Security Name	KHYBER TOBACCO COMPANY LIMITED
Security Symbol	KHTC

	Note	Number of Securities
Balance at the end of period / year in the CDC's Nominee Holding in Members' / Certificate holders' Register	N-1	430,184
Balance of book entry security in the Central Depository Register at the end of period / year	N-2	430,184
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	402,854
Add: Additions during the period / year	27,330
Less: Deletions during the period / year	0
Balance at the end of year / period in the CDC's Nominee Holding in Members' / Certificate holders' Register	430,184

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

Balance at the beginning of the year in the Central Depository Register	402,854
Add: Additions during the period / year	27,330
Less: Deletions during the period / year	0
Balance at the end of year / period in the Central Depository Register	430,184

Reason for Difference and discrepancy (if any):

Regards,



Authorized Signatory (ies) / Company Secretary



FORM OF PROXY

66TH 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 Thursday,
October 28, 2021 and /or any adjournment thereof.

As witness my/our hand/seal this _____ day of _____ 2021.

Signed by _____

In the presence of _____

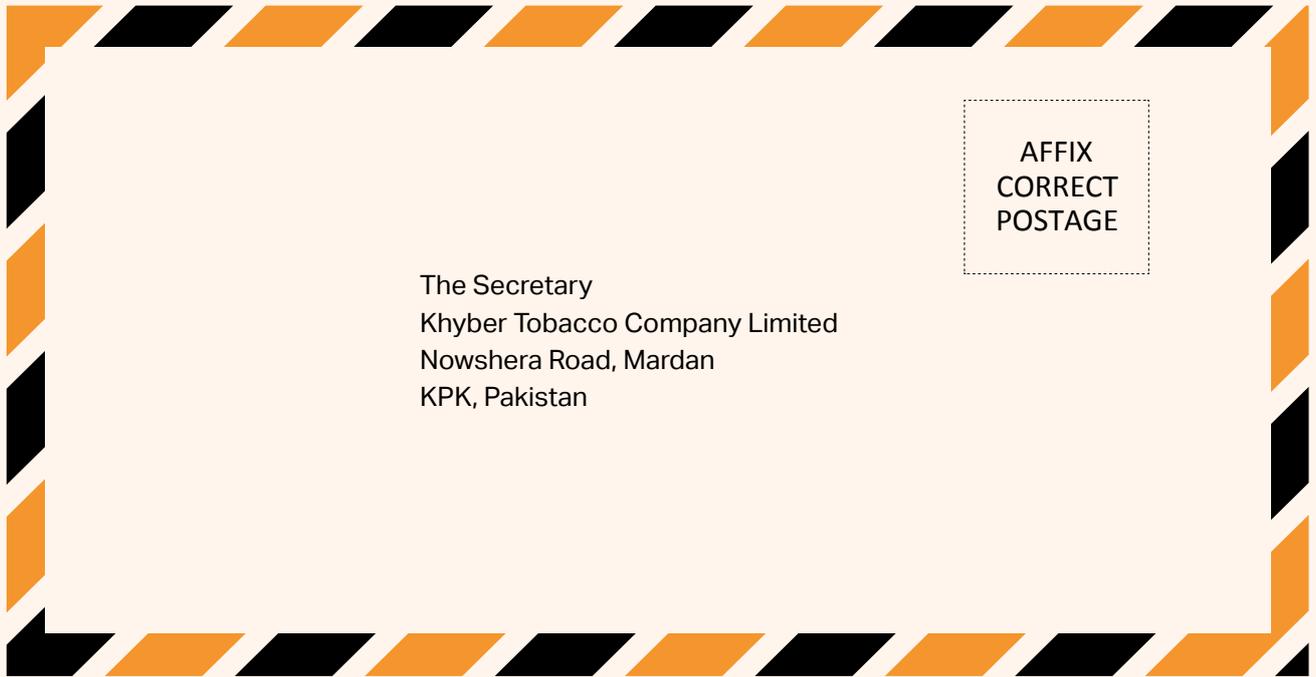
Folio No.	CDC Account No.	
	Participant ID	Account No.

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.

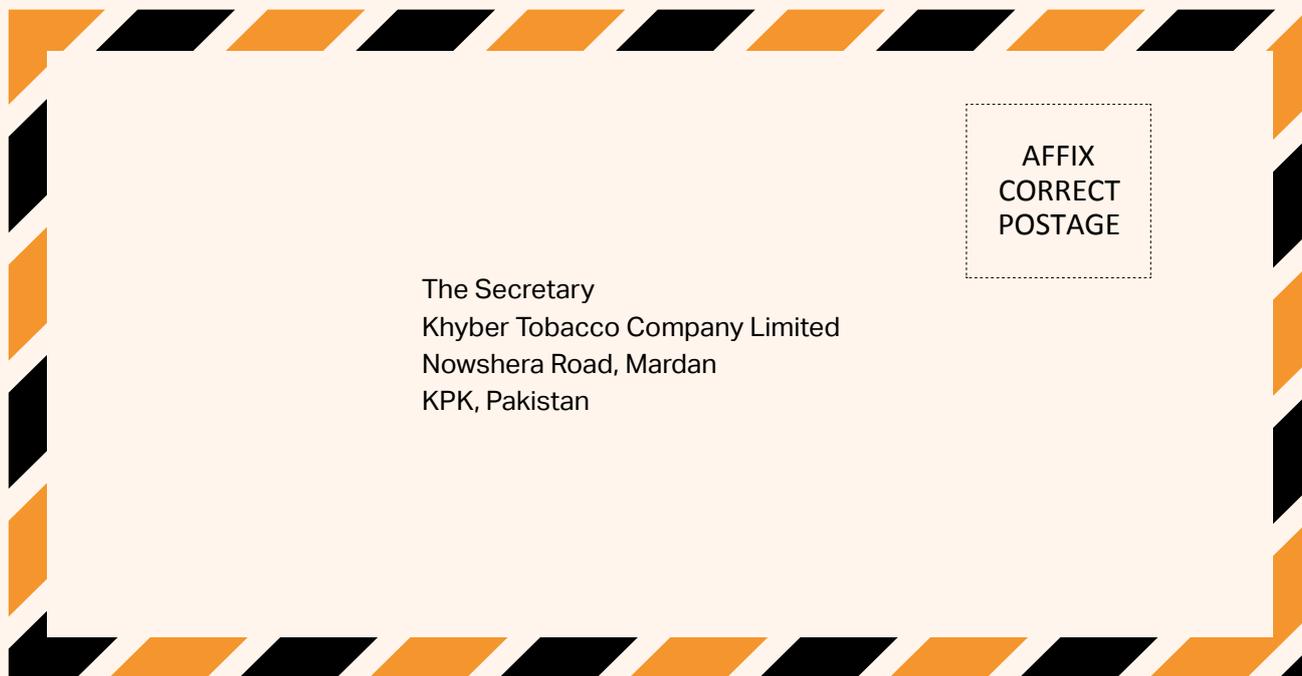
In addition to above the following requirements have to be met:

- 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)



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

AFFIX
CORRECT
POSTAGE



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

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