



# REACHING NEW AVENUES

ANNUAL REPORT 2022  
KHYBER TOBACCO COMPANY LIMITED





# ABOUT THIS REPORT

The Khyber Tobacco Company (KHTCL) Annual Report 2022 (the Report) integrates the following sections:

- Company Overview
- Chairman Reviews
- Directors' Report
- Chairman Audit Committee Report
- Statement of Compliance with CCG
- Standalone Financial Statements
- Consolidated Financial Statements
- Shareholders' Information

The Report is structured to assist our readers in assessing our business by providing information about state of affairs, performance and the outlook of KHTCL. It fairly addresses the material matters pertaining to the long term sustainability of the Company and its integrated performance. This Report comprises of strategic and operational review by the Board of Directors which encompasses financial reviews and analyses, overview of governance, risk management

and internal control frameworks. Our value creating business model supported by the outputs, outcomes and impacts of various forms of capitals associated with business activities, and how we look forward towards business opportunities, has also been explained. The Board has endorsed and authorized the release of their report on October 08, 2022.

## SCOPE AND BOUNDARY

Our Report covers the period from July 1, 2021 to June 30, 2022 and subsequent events up to the issuance of this report have also been explained in various sections of the Report. Operational and financial analyses and reviews are carried out by extracting financial information from the Audited Financial Statements for the year ended June 30, 2022 with relevant comparative information. The Financial Statements consistently comply with the requirements of:

- International Financial Reporting Standards (IFRS)
- Companies Act, 2017 and other applicable regulations

Chairman's Review, Directors' Report, Audit Committee's Report, Report on Compliance of Code of Corporate Governance (CCG), and other information contained in this Report have been structured in compliance with the requirements of Companies Act 2017, CCG, Listing Regulations of the Pakistan Stock Exchange (PSX) and other local and international good governance practices as promoted by ICAP / ICMAP, and PSX etc.

## FORWARD LOOKING STATEMENT

This Report includes 'Forward Looking Statement' which addresses our expected future business and financial performance / condition, sources of information and assumption used for projections / forecasts and our future course of action to manage the risks and capitalize on opportunities (known and unknown). Such statements are valid only for the date of publication.

## EXTERNAL ASSURANCES / REVIEWS

Description of the Report	External Reviews / Assurances
Review Report on the Statement of Compliance with the Code of Corporate Governance	Yousuf Adil Chartered Accountants
Independent Auditor's Report on the Audit of Financial Statements	Yousuf Adil Chartered Accountants
Entity Credit Rating	VIS Credit Rating Company Limited

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# FINANCIAL HIGHLIGHTS

EARNINGS PER  
**SHARE**  
FOR THE FINANCIAL  
YEAR ENDED 2022

**Rs. 65.62**

CONTRIBUTION  
TO NATIONAL  
EXCHEQUER

**Rs. 1,832**  
Million

RETURN ON  
EQUITY

**17.88%**

CURRENT  
RATIO

**0:98**

'22 Vs '21

		2022	2021	22 vs 21
Sales Revenue	(Rupees in Million)	4,418.91	3,090.16	1,328.75
- Local Sales	(Rupees in Million)	3,196.25	2,881.32	314.92
- Export Sales	(Rupees in Million)	1,222.67	208.84	1,013.83
Profit/(Loss) After Tax	(Rupees in Million)	315.45	(68.65)	384.10
Earning/(Loss) Per Share	(Rupees per Share)	65.62	(14.28)	79.90
Shareholder's Equity	(Rupees in Million)	1,764.25	1,230.96	533.29
Return on Equity	(%)	17.88	(5.58)	23.46
Current Ratio		0.98	0.97	0.01

SALES  
REVENUE  
Rs. 4,419  
Million



#### LOCAL SALES

Rs. 3,196 Million - 2022  
Rs. 2,881 Million - 2021

#### EXPORT SALES

Rs. 1,223 Million - 2022  
Rs. 209 Million - 2021

# OUR VISION

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



## OUR MISSION

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

# CORE VALUES

## LEADERSHIP

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

## PASSION TO WIN

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

## OWNERSHIP

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

## TRUST

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

## INTEGRITY

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





# STATEMENT OF ETHICS & BUSINESS PRACTICES

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

## Business / Work Ethics

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

## Professionalism

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

## Confidentiality

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

## Abidance of Laws / Rules

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

## Integrity

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

# RISK MANAGEMENT POLICY

A silhouette of a person rappelling down a rope is positioned on the left side of the page. The background is a warm, orange-hued sunset or sunrise scene with a mountain range visible in the distance. The overall aesthetic is adventurous and dynamic.

## BCR RISK & RISK MANAGEMENT

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

## STATEMENT FROM BOARD OF DIRECTORS

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

## RISK GOVERNANCE

The Board of Directors is responsible for determining the nature and extent of the significant risks the Company is willing to take to achieve its strategic objectives. The Board is supported by the Board Audit Committee in discharging its risk management related responsibilities which regularly reviews the effectiveness of the



Company's risk management processes and internal control systems. The Company's risk profile is also monitored through the internal reporting mechanisms of the Company.

## RISK IDENTIFICATION

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

## ASSESSMENT AND EVALUATION

Elaborate risk registers are used to assess and evaluate the risks in detail. Each identified risk is assessed and then categorised under one of the three levels (high / medium low) in terms of the likelihood of its occurrence

and the severity of its potential impact. Tolerance levels and trigger points are also defined for each identified risk.

## RISK MANAGEMENT

Following the identification of key risks faced by the Company, the respective functions develop elaborate strategies and plans to mitigate the impacts of these risks. The responsibility for managing each identified risk rests with the head of each function (risk owners), who reports regularly on the progress and effectiveness of the risk mitigation plans. Additionally, the potential impact of global trends and risks are also captured through input from the Risk Management process, which can be used to identify improvements in internal controls and risk mitigation plans in line with global best practices and experiences.

## MONITORING

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

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

## KEY SOURCES OF UNCERTAINTY & RISKS AND MITIGATING STRATEGIES

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

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

# RISK & OPPORTUNITY REPORT

Risk Description	Level	Impact	Mitigating Strategy
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## Strategic Risks

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

## Financial Risks

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

## Operational Risks

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

# WHISTLEBLOWER POLICY



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

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



# SPECIFIC PROCESSES USED TO ESTABLISH AND MONITOR THE CULTURE OF THE COMPANY



## CULTURE ESTABLISHMENT

Culture is the collective values, norms and beliefs of an organization. Our core values are the foundation of our business. A culture that promotes equality, fairness, health, safety, diversity and innovation, among others. These values are established and maintained over the years by Founders, the governing Boards, Higher management and employees. We maintain a collaborative, inclusive, non-discriminative and safe work culture, and provide equal opportunities to all employees. We have a 'Zero Tolerance' policy towards any kind of discrimination and harassment at the workplace based on the applicable laws and our internal directives. Our Codes of Business Conduct lays down acceptable professional behavior expected from our internal and external stakeholders



## CULTURE MONITORING

A formal code of conduct, encompassing all our cultural values, duly approved by the BOD is in place and communicated at all levels in the Company. Adherence to this code of conduct is compulsory for each and every employee of the Company.



# ENVIRONMENT PROTECTION

**Emission Control at Stationary Sources** The cigarette manufacturing involves generation of the dust. To control these, KHTCL has installed state of the art, European origin dust control equipment. Dust from tobacco processing could be sequestered and stored by trees & plants. As plants are considered lungs of the environment, a tree plant absorbs pollutant from the surrounding atmosphere and purifies the air. Inorganic pollutants are emitted from Green Leaf Threshing Plant which have adverse environmental impact, if not controlled. These pollutants are subject to control limits, laid down by Environmental Protection Agency.

# BOARD'S POLICY ON DIVERSITY

(ANTI- HARASSMENT POLICY & GENDER DIVERSITY POLICY)

Not with standing our legal obligations, KHTCL is committed to challenging discrimination and promoting social inclusion and equality of opportunity in the form of age, gender, and ethnicity, physical and mental ability. As per recent legal developments, Board has approved an Anti-Harassment Policy, which regardless of position of employees, is applicable to all employees while giving necessary facilities; company discourages any sort of discrimination at workplace and provides equal opportunities to all.



# GRIEVANCE POLICY

KHTCL in order to be has designated an investors section on website to handle Investor Relations & Grievance. The Company has a designated email ID as well as an online Complaint Form at its website for the Shareholders to lodge a complaint or query with the Management. Shareholders can also lodge a complaint or query using telephone, fax or conventional mail. This is to ensure that grievances notified by the shareholders are handled and resolved efficiently at appropriate level within shortest possible time frame

# CORPORATE SOCIAL RESPONSIBILITY



Proactiveness is every initiative to promote human rights, help communities and protect our natural environment.

## POLICY BRIEF & PURPOSE

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

## SCOPE

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





## POLICY ELEMENTS

Our company's social responsibility falls under two categories: compliance and Proactiveness.

Compliance refers to our company's commitment to legality and willingness to observe community values.

Proactiveness is every initiative to promote human rights, help communities and protect our natural environment.

## COMPLIANCE AND LEGALITY

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

## BUSINESS ETHICS

We will always conduct business with integrity and respect to human rights. We'll promote safety, fair dealing and respect towards the consumer anti-bribery and

anti-corruption practices which are the examples of CSR. Our company recognizes the need to protect the natural environment. Keeping our environment clean and unpolluted is a benefit to all. We'll always follow best practices when disposing garbage and using chemical substances. Stewardship will also play an important role.

## HUMAN RIGHTS

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

## DONATIONS AND AID

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

## VOLUNTEERING

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

## PRESERVING THE ENVIRONMENT

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

## COMMUNITY

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





## ENERGY POLICY

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

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

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

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

# HUMAN RESOURCE & REMUNERATION POLICY

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

### OBJECTIVE:

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

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

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

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

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

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

### REMUNERATION POLICY

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

### REMUNERATION OF THE BOARD COMMITTEES MEMBERS

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

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

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

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

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

### REMUNERATION OF THE EXECUTIVE DIRECTORS

#### CHIEF EXECUTIVE OFFICER

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

#### OTHER EXECUTIVE DIRECTORS

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

# OTHER CORPORATE GOVERNANCE

## STAKEHOLDERS' ENGAGEMENT

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

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

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

## ISSUES RAISED AT LAST AGM

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

## ADDRESSING INVESTORS GRIEVANCES

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

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

## BOARD MEMBERS' CONFLICT OF INTEREST

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



## **DIRECTORS TRAINING PROGRAMME**

The Company ensures that it congregates requirements of Securities & Exchange Commission of Pakistan (SECP) and meets the terms of criteria of Directors' Training Program (DTP) by attaining certification. During the year, (two) directors acquired training from Institute of Chartered Accountants of Pakistan in November 2021.

## **SAFEGUARDING OF RECORDS OF THE COMPANY**

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

## **INFORMATION TECHNOLOGY (IT) GOVERNANCE POLICY**

KTC has implemented an IT Governance Policy. The Policy forms the operating guidelines for securing the Company's IT resources and also reduces Company's exposure to

information practices that may compromise data availability, confidentiality and integrity.

## **RELATED PARTY TRANSACTIONS**

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

## **ACCESS OF SHAREHOLDERS ON COMPANY'S WEBSITE**

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

## **SHARE PRICE SENSITIVITY**

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

## **OPERATING SEGMENTS**

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

## **CAPITAL MANAGEMENT POLICY**

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

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

# KTC ON MEDIA



# SWOT ANALYSIS

## Strength

### EFFICIENT MANAGEMENT

- Deployment of resources to create valued product and utilization of resources to achieve cost benefit economies
- Favorable Return on capital
- Favorable productivity rates

### MARKETING EFFICIENCY

- Technical and 'economic efficiency
- Physical Marketing Facilities(transportation and storage)

### GEOGRAPHICALLY DIVERSIFIED

- in order to reduce the overall risk and improve returns. This method can be used by company to limit and manage risk.
- KHTCL has expanded its business geographically and hence established growth opportunities in global market.

### CONTROL OVER TOBACCO LEAF

- Properly packed and safely transportation from purchase centers
- Purchase of high quality tobacco

## Weakness

### WASTAGE IN MATERIAL IN PRODUCTION

- Unskilled workers

### ECONOMIES OF SCALE IN PRODUCTION

- Delay delivery of raw materials
- High inflationary effects

### BUSINESS PROCESS RE-ENGINEERING

- Currently company runs with the old methods of production and need to Business Process Reengineering involving the radical redesign of core business processes to achieve dramatic improvements in productivity, cycle times and quality.





## Opportunity

### GROWING DEMAND OF CIGARETTES DESPITE ANTI-SMOKING CAMPAIGN

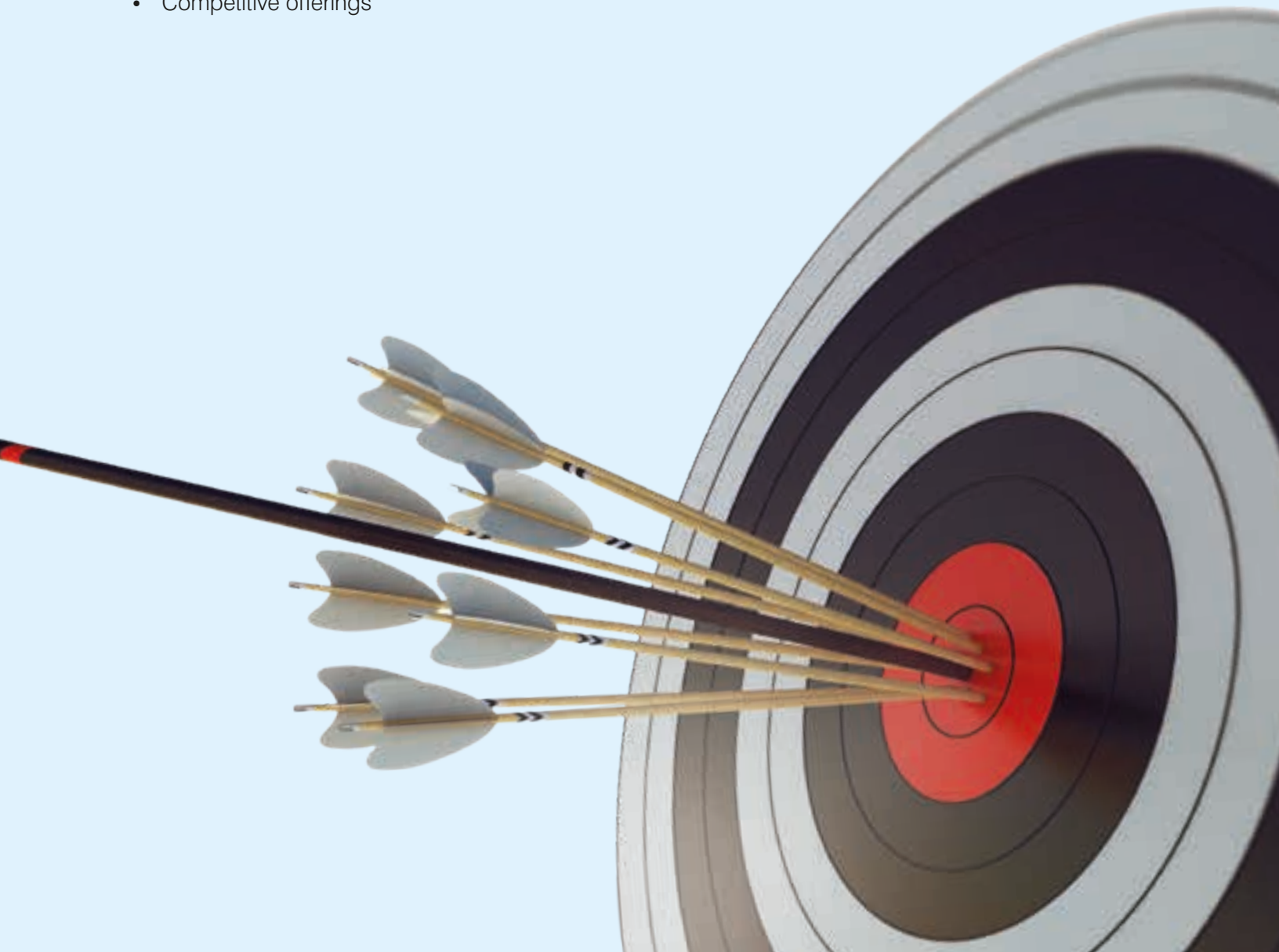
- Price breaks

### POTENTIAL FOR EXPORT

- Patents and trademarks
- Preferential treaties
- Customer needs and desires
- Competitive offerings

## Threats

- Competition In the local Market
- Increasing know how of cigarettes hazards
- Rising Taxes
- High Inflation
- Increase in energy cost
- Ban on sales promotion
- Change in consumer Behavior





//

Despite all these challenges, your Company managed to post an after-tax profit of Rs. 315.44 million through operational efficiencies, export of tobacco was the driving factor.

# CHAIRMAN'S REVIEW

I am pleased with the performance of Khyber Tobacco Company Limited ("the Company") for the year ended June 30, 2022.

During post Pandemic recovery, the world economy faced the challenge of higher international commodity prices. The situation got worse after the Russia-Ukraine war. As with all emerging market economies, these events affected our economy very badly. The ongoing political instability has made the fragile situation worse. The Central Bank is attempting to slow down the economy to contain the current account deficit. Despite all these challenges, your Company managed to post an after-tax profit of Rs. 315.44 million through operational efficiencies, export of tobacco was the driving factor.

The Company in the year under review contributed an amount of Rs. 1,832 million 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 shortly. 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 shortly.

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, and reduce regulatory duties on imports of raw materials 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 are carried out to confirm adherence to these codes. Any deviation is strictly dealt with. The Company also has an open-door policy for the recruitment of Special Persons. The Company continues to employ several individuals in suitable positions.

## ACKNOWLEDGMENT

I am pleased to report that the Board acknowledges its responsibility in respect of the 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 a 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 for 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 least gratitude towards our loyal and confident customers. The combined efforts of all have been instrumental in the healthy growth of the Company against all odds. We all pray for a peaceful, progressive, and prosperous Pakistan

On behalf of the Board



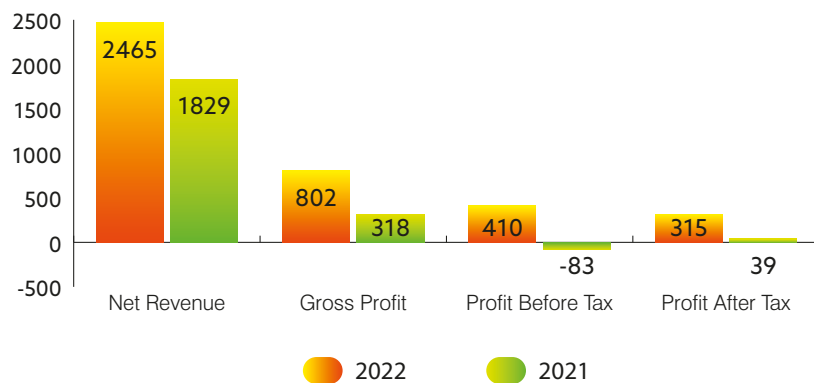
**Rahat Ullah**  
Chairman



# DIRECTORS' REPORT

I on behalf of the Board of Directors of Khyber Tobacco Company Limited take great pleasure in presenting the 67th Annual Report and the audited financial statements along with the auditors' report thereon for the year ended June 30, 2022.

## THE COMPANY'S FINANCIAL RESULTS



Following is a brief statistical financial performance of the Company for the year ended 30 June 2022 as compared to the year ended 30 June 2021;

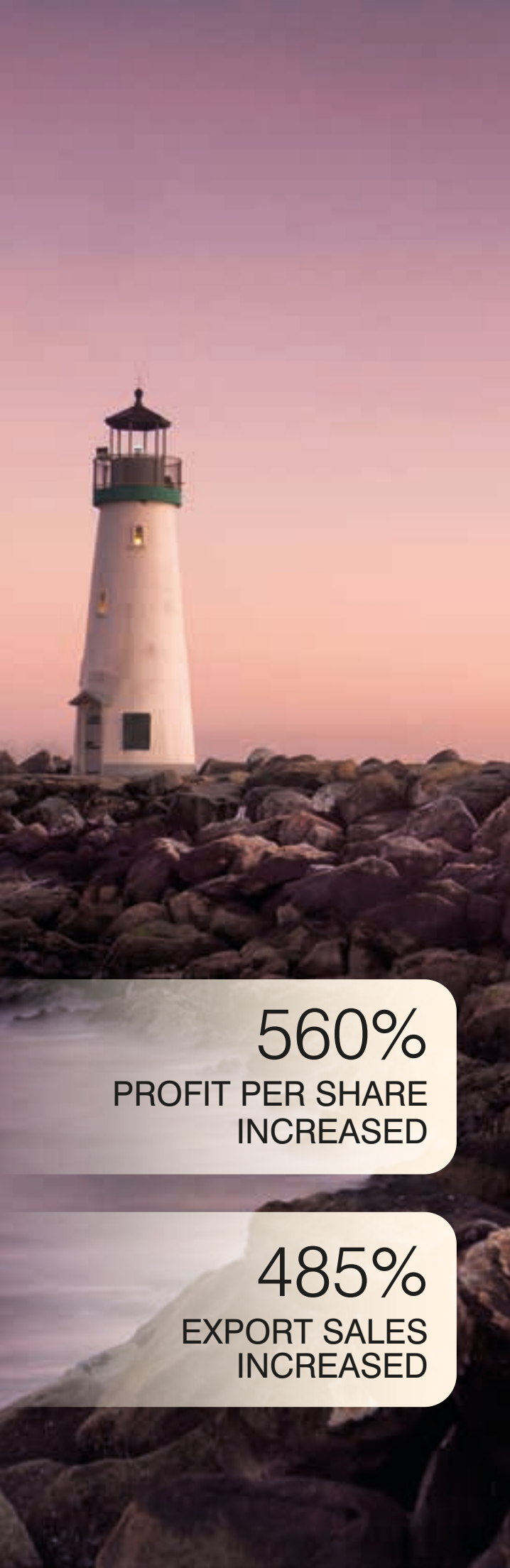
## PRODUCTION AND SALES

PRODUCT	UNIT OF MEASUREMENT	PRODUCTION		SALE	
		2022	2021	2022	2021
RE-DRIED TOBACCO	KGS	1,764,426	1,688,142	1,626,260	45,416
CUT TOBACCO	KGS	1,098,700	858,470	285,100	108,700
CIGARETTES	STICKS (In Million)	901.46	854.55	892.82	859.24

During the year under review, the company re-dried 1.76 million Kgs tobacco at its Green Leaf Threshing plant as compared to 1.68 million Kgs in the last year. Local and Export sale of re-dried tobacco has increased by 1.58 million Kgs in the year under review as compared to local sale in the previous year.

The production of cut tobacco has marginally increased by 0.240 million Kgs in the year under review as compared to last year. During the year, the production

**901.46**  
MILLION  
**CIGARETTES  
PRODUCTION**



**560%**  
PROFIT PER SHARE  
INCREASED

**485%**  
EXPORT SALES  
INCREASED

of cigarettes increased to 901.46 million sticks as compared to 854.55 million sticks last year.

### OPERATIONAL HIGHLIGHTS

The Company continued to focus on enhancing productivity across its value chain by ensuring effective cost management, lean operations, and modernization of machinery infrastructure. KTC's export initiative the current year resulted increase in exports of 1013.8 million during the period under review. KTC export initiatives have significant potential to grow in the coming years generating additional valuable foreign currency inflows.

Increase in Export sale is evident from increase in net sales of Rs. 1.222 billion during the period under review as compared to net sales of Rs. 208 Million last years. 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.

Profit before taxation for the year ended 30 June 2022 stood at Rs. 410.35 million as compared to loss before tax of Rs. 83.07 for the last year 30 June 2021. Profit after tax for the year ended 30 June 2022 amounted to Rs. 315.44 million as compared to loss after tax of Rs. 68.64 million for the last year 30 June 2021.

Profit per share for the year ended 30 June 2022 has been Rs. 65.62 as compared to previous year's 30 June 2021 Loss per share of Rs.14.28.

# DIRECTORS' REPORT

## BALANCE SHEET

The capital and reserves of the Company have increased by Rs. 533.29 million as compared to the last financial year 30 June 2021. This increase in the capital reserves of the company is mainly due to profits 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 Macking & 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, Egypt and Indonesia.

**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.

## KEY OPERATING AND FINANCIAL DATA

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

## DIVIDEND

The Directors have recommended 20% bonus shares i.e. 01 share for every 05 shares held.

## HUMAN CAPITAL

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

## EMPLOYEE RETIREMENT BENEFITS

The Company is running an unfunded gratuity scheme for all the permanent employees of the

company. A provision of Rs.13.81 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.



# DIRECTORS' REPORT

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
1. Mrs. Sameera Irfan Chief Executive	4
2. Mr. Rahat Ullah Non-Executive Director	4
3. Mr. Pir Farhan Shah Executive Director	4
4. Mr. Pir Waris Shah Non-Executive Director	3
5. Mr. Zia Ur Rehman Non-Executive Director	3

Name of Director	No. of Meetings Attended
6. Mr. Hazrat Bilal Non-Executive Director	4
7. 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 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 67th 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, 2022 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

Sameera Irfan  
Chief Executive

# GREEN ENERGY INITIATIVE

# ACHIEVEMENTS & CERTIFICATES







# ACHIEVEMENTS & CERTIFICATES









# STATEMENT OF COMPLIANCE

## WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

Name of company: Khyber Tobacco Company Limited

Year ending: 30 June 2022

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 have completed their training in DTP 59.
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 two directors 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;
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;

# STATEMENT OF COMPLIANCE

## WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

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

Regulation	Non-Compliance	Explanation
13,20,25,26	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.



Dated: 08 October 2022

Rahat Ullah  
Chairman



# 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, 2022 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, 2022.

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.



Chartered Accountants

Engagement Partner: Rana M Usman Khan

Lahore

Date: October 07, 2022

UDIN: CR2022100885KfdsVNBn

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

To the Chief Executive of Khyber Tobacco Company Limited

## 1. Introduction

We have been engaged to perform a reasonable assurance engagement on the annexed Statement of Free Float of Shares (the Statement) of Khyber Tobacco Company Limited (the Company) as of 30 September 2021, 31 December 2021, 31 March 2022 and 30 June 2022.

## 2. Applicable Criteria

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

## 3. Management's Responsibility for the Statement

Management is responsible for the preparation of the Statement as of 30 September 2021, 31 December 2021, 31 March 2022 and 30 June 2022 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

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

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 Regulations also forms part of our assurance procedures.

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

## 6. Opinion

In our opinion, the Statement as of 30 September 2021, 31 December 2021, 31 March 2022 and 30 June 2022 is prepared, in all material respects, in accordance with the PSX Regulations.

## 7. Restriction on use and distribution

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



Chartered Accountants

Lahore

Dated: October 06, 2022



# NOTICE OF 67TH ANNUAL GENERAL MEETING

Notice is hereby given that the 67th Annual General Meeting of the members of Khyber Tobacco Company Limited will be held on Friday, 28th October 2022 at 11.00 a.m. at Company registered office, Nowshera Road, Mardan to transact the following business;

## ORDINARY BUSINESS

1. To receive, consider and adopt the audited financial statements of the Company for the year ended 30 June, 2022 together with the Chairman's Review, Directors' and Auditors' Reports thereon.
2. To appoint Auditors for the year ending 30 June 2023 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.
3. To transact any other business with the permission of the Chair.

By Order of the Board



Pir Farhan Shah

Company Secretary

Mardan

06 October, 2022

# NOTICE OF 67TH ANNUAL GENERAL MEETING

## NOTES:

### 1. Closure of Share Transfer books:

The Share Transfer Books of the Company will remain closed from 21st October 2022 to 28th October 2022 (both days inclusive). Transfers received in order at the office of the Company's Share Registrar, CDC Share Registrar Services Limited, CDC House, 99-B, Block 'B', S.M.C.H.S. Main Shahrah-e-Faisal, Karachi, at the close of business on 20th October, 2022 will be in time to determine the above mentioned entitlement.

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

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

### 3. Guidelines for CDC Accountholders:

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

#### a) For attending the meeting:

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

#### b) For appointing proxies:

- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per regulations, shall submit the proxy form as per the above requirement.
- ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- iii) Attested copies of CNIC or the passport of the beneficial owner and of the proxy shall be furnished with the proxy form.
- iv) The proxy shall produce his/her original CNIC or original passport at the time of meeting.

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

**4. Change of Address:**

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

**5. Placement of Accounts on website/obtaining of physical copy.**

The financial statements of the Company for the year ended June 30, 2022 along with reports have been placed at the website of the Company and can be down loaded from [www.khybertobacco.com](http://www.khybertobacco.com). Members who desire to have a physical copy of the annual accounts may write to the Company Secretary and obtain the same from him.

**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.



# نوٹس برائے سروسٹھواں سالانہ اجلاس عام

## (ا) اجلاس میں شرکت کے لئے

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

## (ب) پراکسیز کی تقرری کے لئے

- (i) فرد واحد کی صورت میں اکاؤنٹ ہولڈر یا ذیلی اکاؤنٹ ہولڈر اور/یا گروپ اکاؤنٹ میں سیکیورٹیز اور ضوابط کے تحت شائع کردہ رجسٹریشن تفصیلات کے حامل اراکین کو مذکورہ بالا ہدایات کی پیروی میں پر کسی فارم جمع کرنا ہوگا۔
- (ii) پر کسی 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 پر کسی کے شناختی کارڈ یا پاسپورٹ کی مصدقہ نقول پر کسی فارم کے ساتھ جمع کرائی جائیں۔
- (iv) پر کسی 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 پر کسی فارم کے ساتھ جمع کرنا ہوں گے۔

## 4. پتہ میں تبدیلی

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

## 5. ویب سائٹ پر کھاتوں کی اشاعت/فریکل کاپی حاصل کرنا۔

30 جون 2022ء 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](http://www.khybertobacco.com) سے ڈاؤن لوڈ کیا جاسکتا ہے۔ جو ممبران سالانہ کھاتوں کی فریکل کاپی حاصل کرنا چاہتے ہیں وہ کمپنی سیکریٹری کو لکھ سکتے ہیں اور ان سے حاصل کر سکتے ہیں۔

## 6. سالانہ مالیاتی اسٹیٹمنٹس کی برقی طریقے سے ترسیل

کمپنی قوانین کے تحت سالانہ پڑتال شدہ 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 رہائش 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۔

# نوٹس برائے سرسٹھواں سالانہ اجلاس عام

نوٹس ہذا سے مطلع کیا جاتا ہے کہ خیبر ٹوبیکو کمپنی لمیٹڈ کا سرسٹھواں سالانہ اجلاس عام مؤرخہ 28 اکتوبر 2022ء کو بروز جمعہ 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. 30 جون 2022ء 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۔
2. 30 جون 2023ء 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 میسر زیوسف عادل، چارٹرڈ اکاؤنٹنٹس کو کمپنی کا آڈیٹر مقرر کرنے کی سفارش کی ہے۔
3. چیئرمین کی اجازت سے دیگر امور پر بحث کرنا۔

محکم بورڈ



پیر فرحان شاہ  
کمپنی سیکریٹری

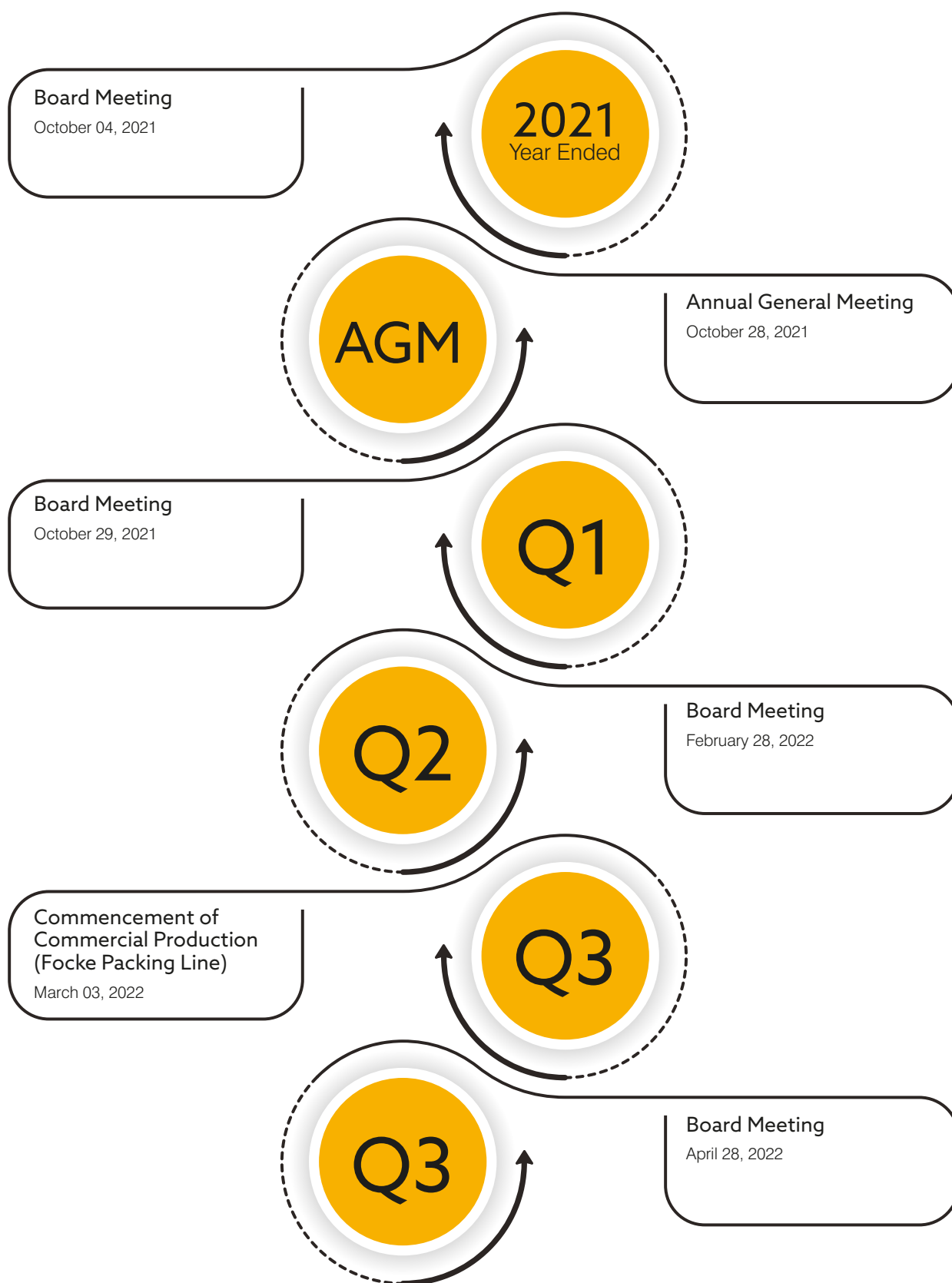
مردان

06 اکتوبر 2022ء

## مندرجات:

1. شیئر ٹرانسفر Books کی بندش  
کمپنی کی شیئر ٹرانسفر Books مؤرخہ 21 اکتوبر 2022ء تا 28 اکتوبر 2022ء (بشمول دونوں ایام) بند رہیں گی۔ کمپنی کے شیئر رجسٹرار، سی ڈی سی شیئر رجسٹرار سرورسز لمیٹڈ، CDC ہاؤس، 99-B، بلاک SMCHS-B، مرکزی شاہراہ فیصل کو مؤرخہ 20 اکتوبر 2022ء 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 عام میں شرکت اور ووٹ کرنے کا اہل کمپنی کا رکن پر کسی مقرر کرنے کا مجاز ہوگا اور ایسے پر کسی کو اس 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  
سی ڈی سی شیئر رجسٹرار سرورسز لمیٹڈ میں اپنے حصص جمع کروانے والے اراکین کی حاضری مندرجہ ذیل کے مطابق ہوگی:

# CALENDAR OF MAJOR EVENTS

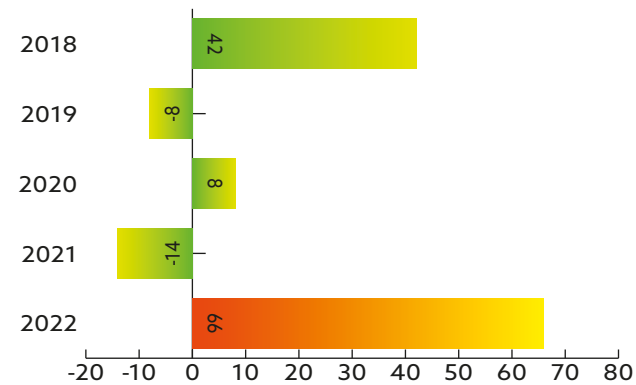




# GRAPHICAL ANALYSIS

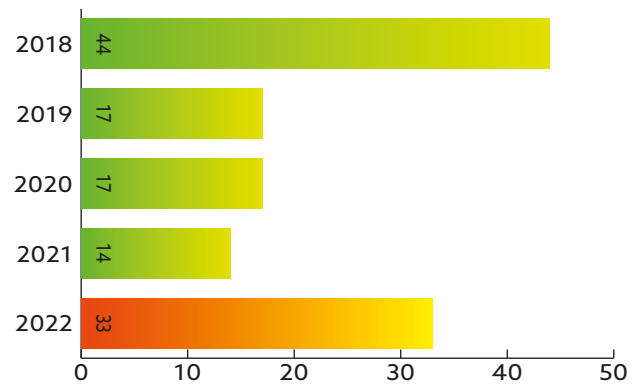
## Earning Per Share - After Tax

(Rs.)



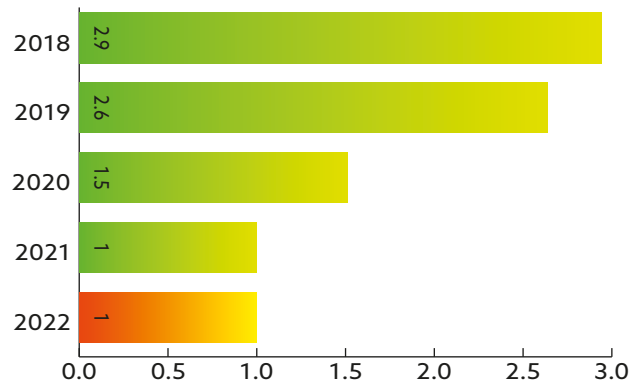
## Gross Profit Margin

(%)



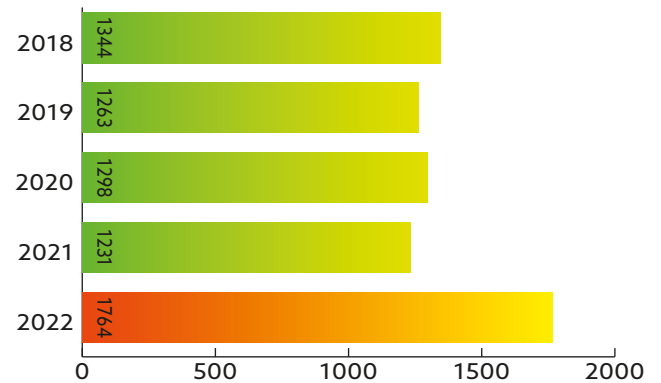
## Current Ratio

(Times)



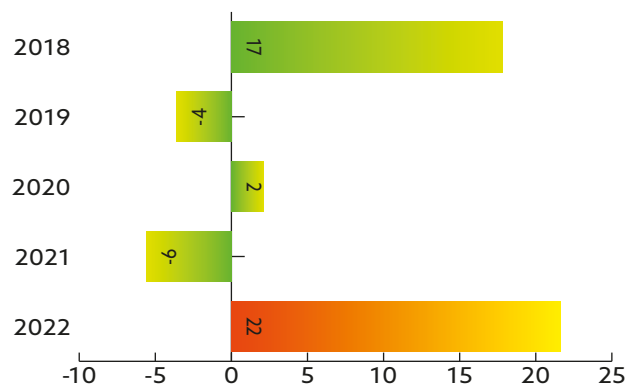
## Shareholder's Equity

(Rs. in Million)



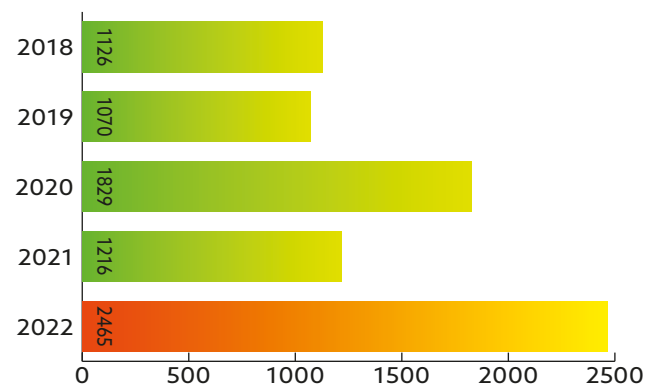
## Net Profit Margin

(Percentage)



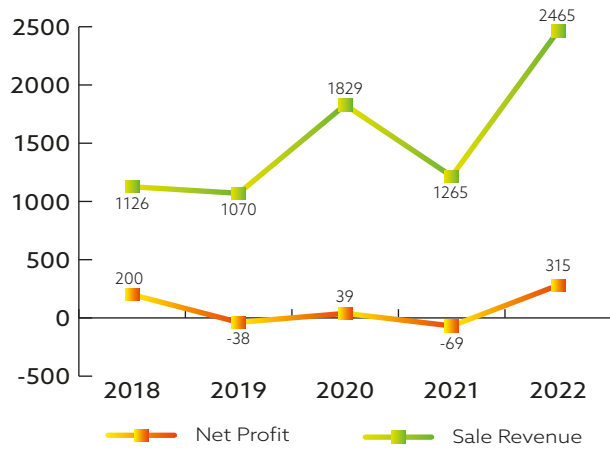
## Net Sales

(Rs. in Million)



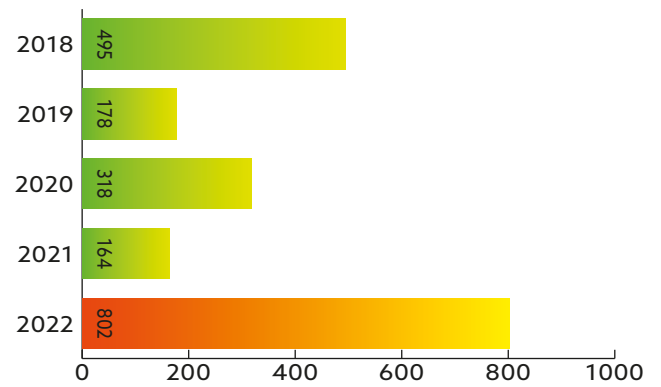
## Sales Revenue vs Profit for the Year

(Rs. in Million)



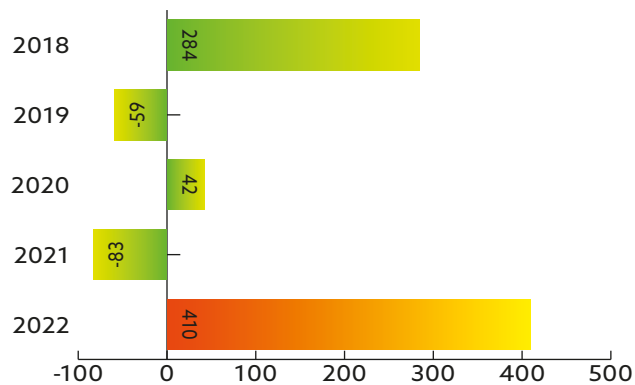
## Gross Profit

(Rs. in Million)



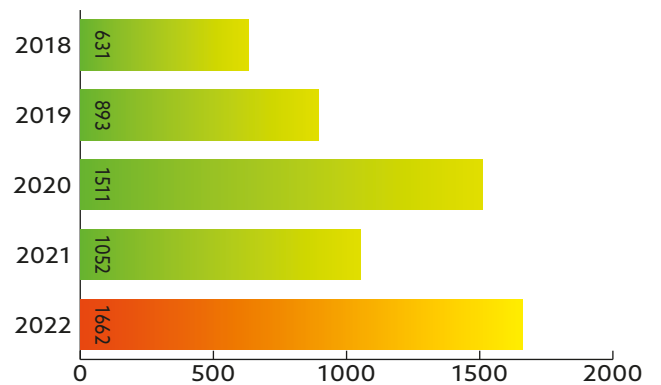
## Profit before Tax

(Rs. in Million)



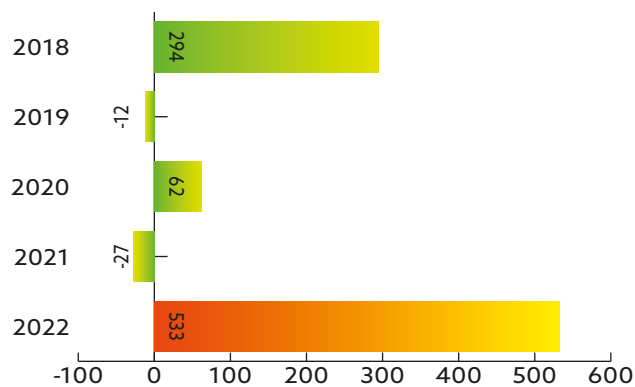
## Cost of Sales

(Rs. in Million)



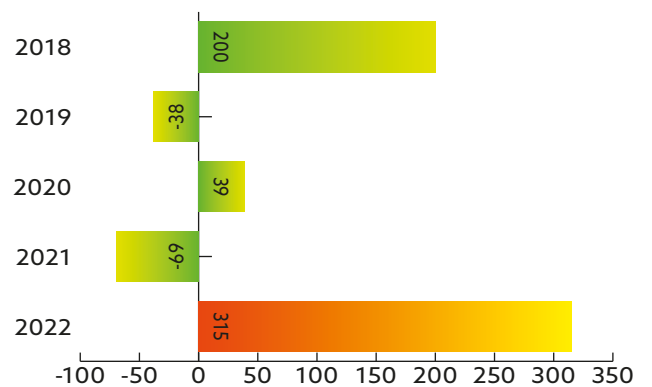
## Operating Profit

(Rs. in Million)



## Profit after Tax

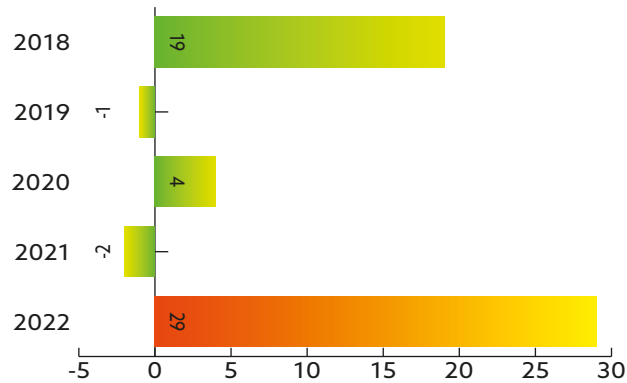
(Rs. in Million)



# GRAPHICAL ANALYSIS

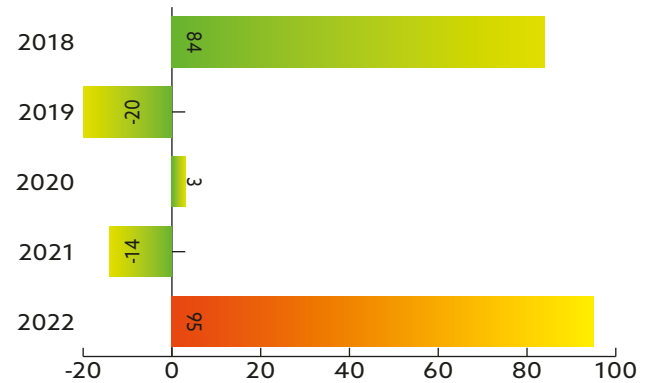
## Return on Capital Employed

(Rs. in Million)



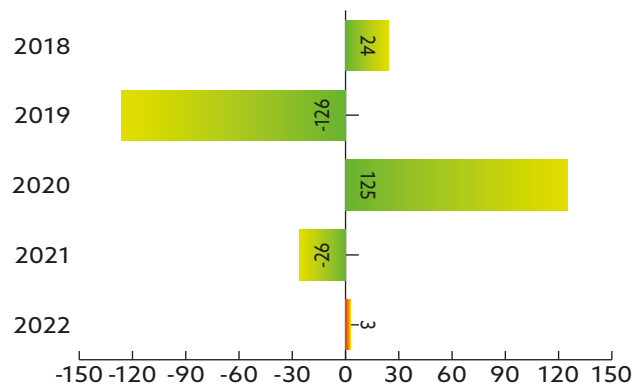
## Taxation

(Rs. in Million)



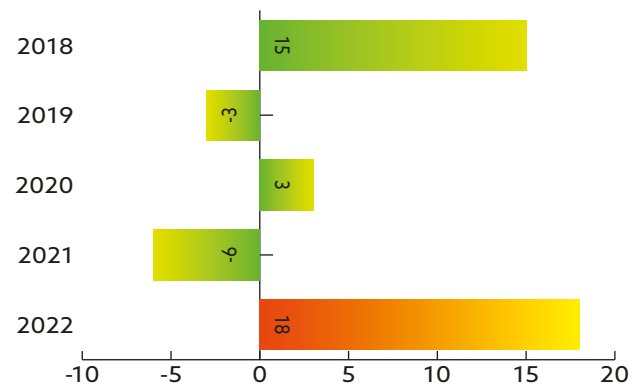
## Price Earning Ratio

(Times)



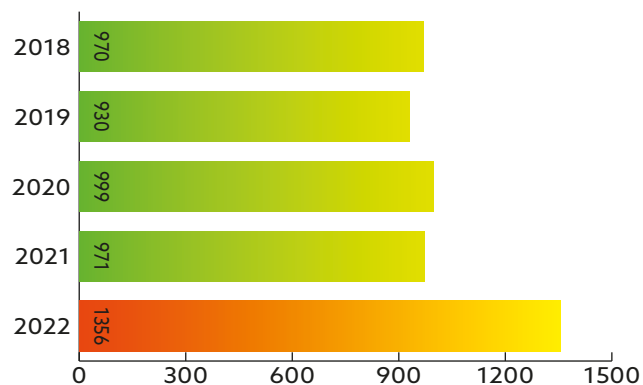
## Return on Equity

(Rs. in Million)



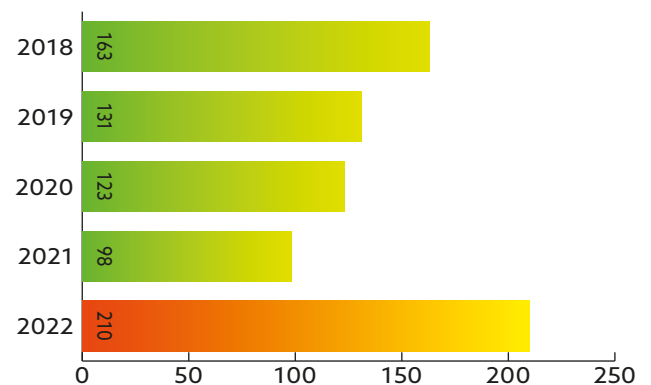
## Reserves

(Rs. in Million)



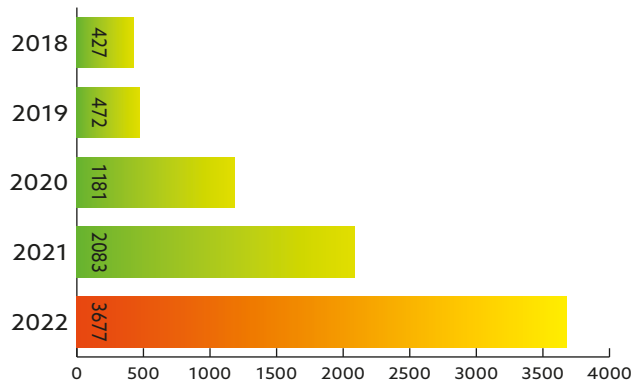
## Long Term Liabilities

(Rs. in Million)



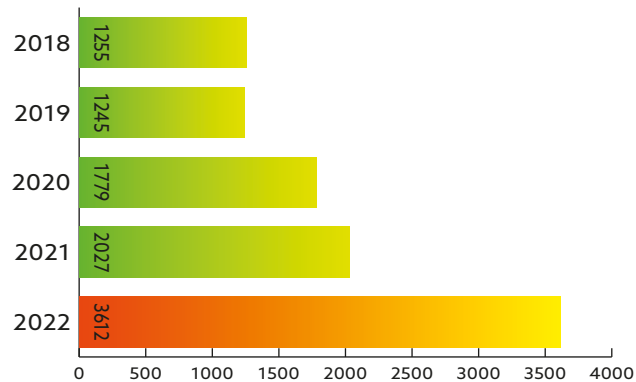
## Current Liabilities

(Rs. in Million)



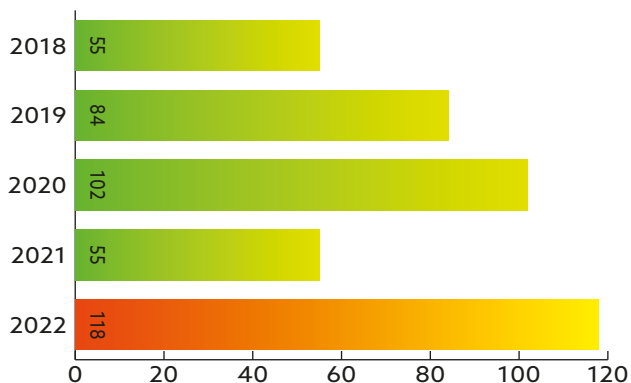
## Current Assets

(Rs. in Million)



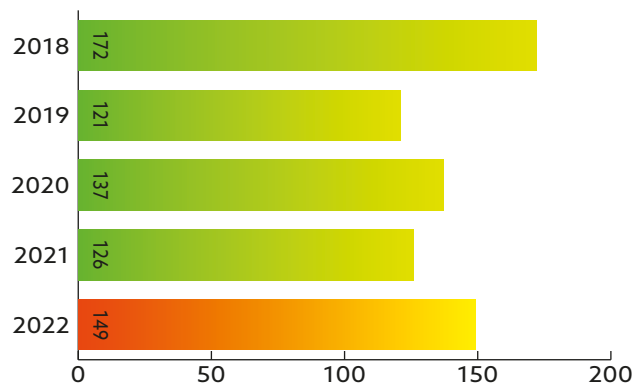
## Selling & Distribution Expense

(Rs. in Million)



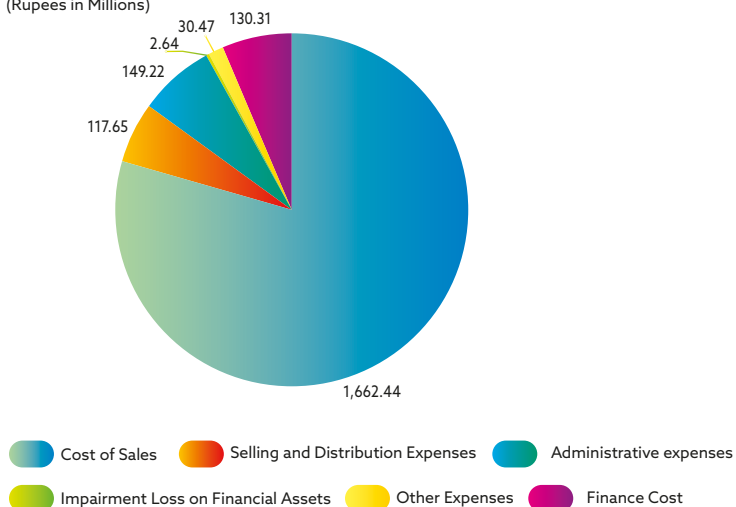
## Administrative Expense

(Rs. in Million)



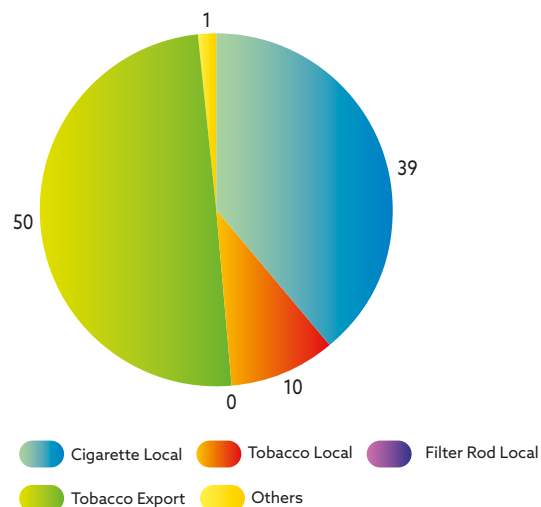
## Breakup of Costs

(Rupees in Millions)



## Breakup of Sales

(%)





# VERTICAL ANALYSIS

	2022	2021	2020	2019	2018	2017
<b>PROFIT AND LOSS ACCOUNT</b>						
Net Sales	100.0	100.0	100.0	100.0	100.0	100.0
Cost of Sales	67.4	86.5	82.6	83.4	56.0	61.7
<b>Gross Profit</b>	<b>32.6</b>	<b>13.5</b>	<b>17.4</b>	<b>16.6</b>	<b>44.0</b>	<b>38.3</b>
Administrative Expenses	6.1	10.4	7.5	11.3	15.2	8.5
Distribution Cost	4.8	4.5	5.6	7.8	4.9	0.4
Other Operating Expenses	0.1	0.2	1.8	2.8	1.8	2.1
<b>Operating Profit</b>	<b>21.6</b>	<b>2.2</b>	<b>2.6</b>	<b>(5.3)</b>	<b>22.0</b>	<b>27.4</b>
Finance Cost	6.5	4.4	1.1	4.3	0.9	0.3
Other Operating Income	1.6	1.5	0.8	4.1	4.1	0.3
<b>Profit before Taxation</b>	<b>16.6</b>	<b>5.1</b>	<b>2.3</b>	<b>(5.5)</b>	<b>25.2</b>	<b>27.3</b>
Taxation	3.9	(1.2)	0.2	(1.9)	7.5	8.8
<b>Profit for the Year</b>	<b>12.8</b>	<b>3.9</b>	<b>2.1</b>	<b>(3.6)</b>	<b>17.8</b>	<b>18.5</b>
<b>BALANCE SHEET</b>						
Share Capital & Reserves	31.2	36.1	49.9	67.7	69.5	67.6
Non-Current Liabilities	3.7	2.9	4.7	7.0	8.4	11.2
Current Liabilities	65.1	61.0	45.4	25.3	22.1	21.3
<b>Total Equity and Liabilities</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Non-Current Assets	35.9	40.6	31.6	33.3	35.1	38.2
Current Assets	64.1	59.4	68.4	66.7	64.9	61.8
<b>Total Assets</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

# HORIZONTAL ANALYSIS

	2022	2021	2020	2019	2018	2017
<b>PROFIT AND LOSS ACCOUNT</b>						
Net Sales	139.9	60.4	141.2	41.1	48.5	35.5
Cost of Sales	162.5	80.8	159.7	53.5	8.5	8.9
<b>Gross Profit</b>	<b>103.7</b>	<b>(7.0)</b>	<b>80.1</b>	<b>0.5</b>	<b>180.2</b>	<b>123.0</b>
Administrative Expenses	70.4	75.6	90.2	68.0	138.4	21.7
Distribution Cost	2,948.1	134.2	335.3	258.7	134.3	(83.5)
Other Operating Expenses	(87.5)	63.1	419.8	374.4	231.3	241.4
<b>Operating Profit</b>	<b>89.4</b>	<b>135.9</b>	<b>(37.4)</b>	<b>(175.6)</b>	<b>230.2</b>	<b>274.7</b>
Finance Cost	4,437.9	1590.2	349.4	941.1	116.1	(20.0)
Other Operating Income	1,289.8	76.9	40.7	318.8	332.6	(73.9)
<b>Profit before Taxation</b>	<b>46.3</b>	<b>(202.3)</b>	<b>(48.3)</b>	<b>(172.1)</b>	<b>249.8</b>	<b>245.3</b>
Taxation	4.8	(224.3)	(70.1)	(74.5)	625.7	679.6
<b>Profit for the Year</b>	<b>66.1</b>	<b>(198.6)</b>	<b>(44.6)</b>	<b>(188.3)</b>	<b>187.1</b>	<b>172.9</b>
<b>BALANCE SHEET</b>						
Share Capital & Reserves	115.2	63.7	72.7	68.0	78.8	9.0
Non-Current Liabilities	(60.9)	36.6	71.5	83.1	127.9	647.2
Current Liabilities	904.4	560.9	274.8	49.9	35.6	16.2
<b>Total Equity and Liabilities</b>	<b>228.2</b>	<b>199.6</b>	<b>128.6</b>	<b>63.9</b>	<b>69.9</b>	<b>51.2</b>
Non-Current Assets	208.0	298.1	136.8	78.7	95.3	89.1
Current Assets	240.7	156.3	125.0	57.4	58.8	34.6
<b>Total Assets</b>	<b>228.2</b>	<b>199.6</b>	<b>128.6</b>	<b>63.9</b>	<b>69.9</b>	<b>51.2</b>

# FINANCIAL PERFORMANCE

		2022	2021	2020	2019	2018	2017
<b>Financial Performance- Profitability</b>							
Gross Profit Margin	%	32.55	13.52	17.39	16.59	43.96	38.34
Net Profit Margin	%	21.62	(2.21)	2.11	(3.58)	17.75	18.49
Return on equity	%	17.88	(5.58)	2.97	(3.03)	14.87	16.33
<b>Operating Performance- Liquidity</b>							
Total Asset Turnover	Time	0.54	0.40	0.82	0.56	0.62	0.72
Fixed Asset Turnover	Time	1.45	1.11	2.56	1.66	1.69	2.06
Inventory Turnover	Time	1.16	1.22	2.26	1.32	0.99	1.18
Inventory Turnover	Days	314.98	300.17	161.33	275.60	367.80	309.65
Receivable turnover	Time	5.21	4.31	5.80	3.92	3.03	3.29
Receivable turnover	Days	70.08	84.68	62.96	93.23	120.54	111.08
Payable Turnover	Time	2.30	2.33	5.35	6.55	5.96	3.43
Payable Turnover	Days	158.82	156.46	68.21	55.73	61.24	106.43
Current Ratio		0.98	0.97	1.51	2.64	2.94	2.91
Quick Ratio		0.47	0.49	0.89	1.36	1.20	1.46
<b>Capital Market/Capital Structure Analysis</b>							
Earning per share (pre tax)	Rs	85.36	(17.28)	8.74	(12.17)	59.10	58.34
Earning per share (after tax)	Rs	65.62	(14.28)	8.02	(7.96)	41.57	39.51
Debt: equity	Rs	2.20	1.77	1.00	0.48	0.44	0.48

# OTHER STATEMENTS

	2022	2021	2020	2019	2018	2017
	Rupees in Million					
<b>Summary of Balance sheet</b>						
Share Capital	48.07	48.07	48.07	48.07	48.07	12.02
Shareholder's funds/Equity	1,764.25	1,230.96	1,298.47	1,262.99	1,343.91	1,163.09
Capital employed	1,764.25	1,230.96	1,298.47	1,262.99	1,343.91	819.68
Property, plant & Equipment	2,020.83	1,379.78	818.90	610.79	674.44	652.72
Long term assets	4.95	1,384.54	823.55	621.65	679.17	657.66
Net Current Assets	3,624.68	2,026.89	1,778.78	1,244.92	1,255.41	697.88
<b>Summary of Profit and Loss</b>						
Sale	2,464.71	1,216.04	1,828.70	1,070.17	1,125.70	1,027.26
Gross Profit	802.27	164.35	318.04	177.56	494.86	393.88
Operating Profit/(Loss)	532.75	(26.93)	61.93	(12.39)	293.71	281.24
Profit/(Loss) before tax	410.35	(83.08)	42.01	(58.52)	284.13	280.45
Profit/(Loss) after tax	315.45	(68.65)	38.54	(38.27)	199.86	189.93
<b>Summary of Cash Flows</b>						
Net cash flow from operating activities	204.30	236.63	(43.32)	261.76	86.44	67.64
Net cash flow from investing activities	(508.74)	(665.32)	(286.23)	(60.88)	(92.34)	(2.35)
Net cash flow from financing activities	425.50	905.40	140.00	-	-	-
Changes in cash and cash equivalents	558.29	476.71	(189.55)	200.88	(5.90)	65.28
Cash and cash equivalents - Year end	679.36	558.29	81.58	277.92	77.04	82.95



# OTHER STATEMENTS

ROE	(Net Profit/Revenues)*(Revenues/Total Assets)*(Total Assets/Shareholders Equity)	
Net Profit/Revenue =		0.13
Revenues/Total Assets=		0.44
Total Assets/Shareholders Equity=		3.20
<b>ROE</b>	<b>%age</b>	<b>17.88</b>

## FREE CASH FLOW-FOR THE YEAR ENDED JUNE 30, 2022

	2021-22	2020-21	2019-20	2018-19
Net cash provided by operating activities	204,301,808	236,630,180	(43,322,740)	261,763,149
Less: Capital additions & Investment	(83,235,741)	240,081,405	(146,227,350)	(60,884,730)
Add: Net Debt Issued	-	-	-	-
<b>FCF Total</b>	<b>121,066,067</b>	<b>476,711,585</b>	<b>(189,550,090)</b>	<b>200,878,420</b>

## SUMMARY OF CASH FLOW STATEMENT FOR LAST 6 YEARS

	2022	2021	2020	2019	2018	2017
Profit / (loss) before taxation	410,354,534	(83,077,291)	42,012,780	(58,520,783)	28,413,266	280,454,828
Net cash flow from operating activities	235,228,879	259,361,206	(43,322,740)	456,571,640	86,439,035	67,635,539
Net cash flow from investing activities	(508,735,741)	(665,318,595)	(286,227,350)	(60,884,729)	(92,342,901)	(2,354,009)
Net cash generated from financing activities	425,500,000	905,400,000	140,000,000	-	-	-
Net increase/(decrease) in cash and cash equivalents	121,066,067	476,711,585	(189,550,090)	200,878,419	(5,903,866)	65,281,530
Cash and cash equivalents at beginning of the period	558,292,780	81,581,195	271,131,285	77,042,866	82,946,732	17,665,202
Cash and cash equivalents at end of the period	<b>679,358,847</b>	<b>558,292,780</b>	<b>81,581,195</b>	<b>277,921,285</b>	<b>77,042,866</b>	<b>82,946,732</b>

# STATEMENT OF FREE FLOAT OF SHARES

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

	30/09/2021	31/12/2021	31/03/2022	30/06/2022
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	4,369,919	4,369,455	4,368,354	4,245,920
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	437,445	437,909	439,010	561,444



Director



Chief Executive

# QUARTERLY ANALYSIS 2021-22

	1st Quarter	2nd Quarter
<b>Turnover - net</b>	251,553,837	456,590,843
Cost of sales	(222,013,831)	(391,677,795)
<b>Gross profit</b>	29,540,006	64,913,048
Administrative expenses	(40,689,338)	(38,156,168)
Other operating expenses	(2,523,460)	(2,523,460)
Impairment loss on financial assets	-	-
Distribution cost	(16,592,026)	(19,179,691)
Finance cost	(25,528,824)	(37,051,029)
Other income	5,595,800	(3,518,325)
<b>Profit (Loss) before taxation</b>	(50,197,842)	(35,515,625)
Taxation	(44,212,417)	21,661,383
<b>Profit (Loss) for the period</b>	(94,410,259)	(13,854,242)
Earnings (Loss) per share - basic and diluted	(19.64)	(2.88)
<b>Production</b>		
Cigarette-cartons	22,848	22,346
Tobacco - Kg's	1,065,624	698,802
<b>Sale</b>		
Cigarette-cartons	21,421	22,455
Tobacco - Kg's	280,090	378,479

		(Rupees)
3rd Quarter	4th Quarter	Annual
441,886,152	1,314,678,299	2,464,709,131
(260,325,470)	(788,426,206)	(1,662,443,302)
181,560,682	526,252,093	802,265,829
(33,833,970)	(36,536,370)	(149,215,846)
(1,302,871)	(24,117,051)	(30,466,842)
-	(2,642,973)	(2,642,973)
(22,707,073)	(59,173,672)	(117,652,462)
(37,016,607)	(30,709,618)	(130,306,078)
182,798	36,112,633	38,372,906
86,882,959	409,185,042	410,354,534
(21,574,783)	(50,779,932)	(94,905,749)
65,308,176	358,405,110	315,448,785
13.59	74.55	65.62
21,749	17,996	84,939
-	-	1,688,142
20,949	20,603	85,428
53,241	31,375	743,185



# STATEMENT OF VALUE ADDITION

	2022		2021	
WEALTH GENERATED	Rupees	%	Rupees	%
Gross sales	4,418,912,216	100%	3,090,163,726	100%
<b>WEALTH DISTRIBUTED</b>				
Bought in material and services	1,400,093,735	31.68%	853,937,151	27.63%
<b>To employees</b>				
Salaries, Benefits and other costs	259,087,621	5.86%	190,494,664	6.16%
<b>To Government</b>				
Income tax, sales tax, FED and others	1,935,011,487	43.79%	1,869,886,547	60.51%
<b>To Society</b>				
Donations	426,371	0.01%	3,125,455	0.10%
<b>To Providers of Capital</b>				
Dividend	-	0.00%	-	0.00%
<b>To Company</b>				
Depreciation for the period	136,330,998	3.09%	104,321,104	3.38%
Retained Profit	687,962,005	15.57%	68,398,805	2.21%
	4,418,912,217	100%	3,090,163,726	100%

The background is a collage of financial-themed elements. It includes a blue-toned image of a hand holding a smartphone, with a bright light reflecting off the screen. Overlaid on this are various financial graphics: a line graph with an upward-pointing arrow, a bar chart, and several floating numbers and percentages such as '210.95', '149.16', '23.26', and '1.41%'. There are also faint dollar signs and a watermark that reads 'Poptika'.

# FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

# 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 2022, 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 2022 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.

Key audit matter	How the matter was addressed in our audit
<p><b>Revenue Recognition</b></p> <p>The Company's sales comprise of revenue from the local and export sale of cigarettes and raw tobacco which has been disclosed in note 21 to the financial statements.</p> <p>Revenue from sale of goods is recognized at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods or on date of bill of lading and at transaction price net of trade discounts (note 5.12).</p> <p>We identified revenue recognition as key audit matter as it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not have been recognized based on transfer of control to the customers in line with the accounting policy adopted and may not have been recognized in the appropriate period.</p>	<p>Our audit procedures to evaluate revenue recognition, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of and assessing the design and implementation and operating effectiveness of relevant controls around recognition of revenue;</li> <li>• Assessed the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards;</li> <li>• Checked on a sample basis whether the recorded local and export sales transactions are based on satisfaction of performance obligation (i.e. dispatch of goods and after issue of gate passes for local sales and shipment of goods for export sales);</li> <li>• Tested timeliness of revenue recognition by comparing individual sales transactions before and after the year end to underlying documents; and</li> <li>• Evaluated the adequacy and appropriateness of disclosures made in the financial statements.</li> </ul>

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

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

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

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

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

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



# INDEPENDENT AUDITOR'S REPORT

To the members of Khyber Tobacco Company Limited

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.



Chartered Accountants  
Lahore

Date: October 08, 2022

UDIN: AR202210088MjnugxCpU

# STATEMENT OF FINANCIAL POSITION

As at June 30, 2022

		2022	2021
	Note	Rupees	Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Share capital	6	48,073,640	48,073,640
Unappropriated profit		1,352,674,467	967,360,313
Revenue reserves		3,312,465	3,312,465
Revaluation surplus on property, plant and equipment	7	360,188,752	212,209,916
		1,764,249,324	1,230,956,334
<b>LIABILITIES</b>			
<b>NON CURRENT LIABILITIES</b>			
Employee retirement benefits	8	63,028,927	43,642,581
Deferred tax liabilities	9	146,529,103	54,296,223
		209,558,030	97,938,804
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	2,161,578,213	1,020,730,718
Unclaimed dividend		16,177,683	16,407,772
Loan from sponsors and directors - unsecured	11	1,470,900,000	1,045,400,000
Provision for taxation - net	12	27,993,619	-
		3,676,649,515	2,082,538,490
<b>CONTINGENCIES AND COMMITMENTS</b>	13		
<b>TOTAL EQUITY AND LIABILITIES</b>		5,650,456,869	3,411,433,628

		2022	2021
	Note	Rupees	Rupees
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	14	2,020,833,135	1,379,775,858
Long term deposits	15	4,947,411	4,767,411
		2,025,780,546	1,384,543,269
<b>CURRENT ASSETS</b>			
Stock in trade	16	1,869,976,979	999,308,866
Stores, spare parts and loose tools		38,657,747	26,881,360
Trade debts	17	768,673,257	177,744,981
Advances and prepayments	18	255,309,493	244,765,674
Advance income tax - net	12	-	19,896,698
Cash and bank balances	19	679,358,847	558,292,780
		3,611,976,323	2,026,890,359
Non-current assets classified as held for sale	20	12,700,000	-
<b>TOTAL ASSETS</b>		<b>5,650,456,869</b>	<b>3,411,433,628</b>

The annexed notes from 1 to 39 form an integral part of these financial statements



Chief Executive



Director



Director



# STATEMENT OF PROFIT OR LOSS

For the year ended June 30, 2022

		2022	2021
	Note	Rupees	Rupees
<b>Revenue from contracts with customers - net</b>	<b>21</b>	<b>2,464,709,131</b>	1,216,036,389
Cost of sales	<b>22</b>	<b>(1,662,443,302)</b>	(1,051,687,762)
<b>Gross profit</b>		<b>802,265,829</b>	164,348,627
Administrative expenses	<b>23</b>	<b>(149,215,846)</b>	(126,366,350)
Selling and distribution expenses	<b>24</b>	<b>(117,652,462)</b>	(54,774,014)
Impairment loss on financial assets	<b>17</b>	<b>(2,642,973)</b>	(10,141,207)
		<b>(269,511,281)</b>	(191,281,571)
<b>Operating profit/(loss)</b>		<b>532,754,548</b>	(26,932,944)
Other income	<b>25</b>	<b>38,372,906</b>	18,746,615
		<b>571,127,454</b>	(8,186,329)
Other expenses	<b>26</b>	<b>(30,466,842)</b>	(20,802,041)
Finance cost	<b>27</b>	<b>(130,306,078)</b>	(54,088,921)
		<b>(160,772,920)</b>	(74,890,962)
<b>Profit / (loss) before taxation</b>		<b>410,354,534</b>	(83,077,291)
Taxation	<b>28</b>	<b>(94,905,749)</b>	14,430,961
<b>Profit / (loss) for the year</b>		<b>315,448,785</b>	(68,646,330)
Earnings / (loss) per share - basic and diluted	<b>29</b>	<b>65.62</b>	(14.28)

The annexed notes from 1 to 39 form an integral part of these financial statements



Chief Executive



Director



Director

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2022

	2022 Rupees	2021 Rupees
<b>Profit / (loss) for the year</b>	<b>315,448,785</b>	(68,646,330)
<b>Items that will not be reclassified to profit or loss:</b>		
Surplus on revaluation of property, plant and equipment	<b>277,159,799</b>	-
Remeasurement gain / (loss) on post retirement benefits liability	<b>(8,510,471)</b>	1,508,898
Related deferred tax	<b>(49,048,921)</b>	(378,507)
	<b>219,600,407</b>	1,130,391
<b>Total comprehensive income / (loss) for the year</b>	<b>535,049,192</b>	(67,515,939)

The annexed notes from 1 to 39 form an integral part of these financial statements



Chief Executive



Director



Director

# STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2022

	Share capital	Reserves			Total
		Capital reserves	Revenue reserves		
		Revaluation surplus	General reserves	Unappropriated profit	
Rupees					
Balance as at July 01, 2020	48,073,640	251,498,354	3,312,465	995,587,814	1,298,472,273
Total comprehensive (loss) 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
		-	-	(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 June 30, 2021	48,073,640	212,209,916	3,312,465	967,360,313	1,230,956,334
Total comprehensive income for the year					
Profit for the year	-	-	-	315,448,785	315,448,785
Surplus on revaluation of property, plant and equipment	-	226,354,676	-	-	226,354,676
Other comprehensive loss for the year	-	-	-	(8,510,471)	(8,510,471)
	-	226,354,676	-	306,938,314	533,292,990
Transfer from surplus on revaluation of property, plant and equipment - net of tax					
- on account of incremental depreciation	-	(72,332,596)	-	72,332,596	-
- on account of disposal	-	(6,043,244)	-	6,043,244	-
	-	(78,375,840)	-	78,375,840	-
Balance as at June 30, 2022	48,073,640	360,188,752	3,312,465	1,352,674,467	1,764,249,324

The annexed notes from 1 to 39 form an integral part of these financial statements



Chief Executive



Director



Director

# STATEMENT OF CASH FLOWS

For the year ended June 30, 2022

	Note	2022 Rupees	2021 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit / (loss) before taxation		410,354,534	(83,077,291)
<b>Adjustments for:</b>			
Depreciation on property, plant and equipment	14	136,330,997	104,321,104
Provision for staff retirement benefits	8	13,816,423	11,718,925
Trade creditors written back		-	(2,350,363)
Provision for WPPF written back		43,023,439	-
Advance to supplier written off		-	6,711,703
Impairment loss on financial assets	17	(2,642,973)	10,141,207
Exchange loss / (gain) on foreign transaction	25	10,259,833	(2,678,302)
Finance cost	27	130,306,078	54,088,921
		-	-
		331,093,797	181,953,195
Cash flows from operating activities before working capital changes		741,448,331	98,875,904
<b>Effect on cash flows due to working capital changes</b>			
Increase in stock in trade	16	(870,668,113)	(268,821,410)
(Increase)/decrease in store and spares		(11,776,387)	(26,881,360)
(Increase)/decrease in trade debts	17	(590,928,276)	198,603,198
(Increase)/decrease in advances and prepayments	18	(10,543,819)	215,147,786
Decrease in advance income tax		19,896,698	73,355,084
Increase/(decrease) trade and other payables	10	957,800,445	(30,917,996)
		(506,219,452)	160,485,302
<b>Cash generated from operations</b>		235,228,879	259,361,206
Gratuity paid	8	(2,940,548)	(1,541,882)
Income tax paid	12	(23,522,402)	3,321,299
Finance cost paid	27	(2,164,658)	(23,738,434)
WWF / WPPF		(2,069,374)	-
Unclaimed dividend paid		(230,089)	(772,009)
		(30,927,071)	(22,731,026)
<b>Net cash (used in) / generated from operating activities</b>		204,301,808	236,630,180
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment	14	(525,040,742)	(665,198,595)
Security deposits	15	(180,000)	(120,000)
Proceeds from sale of fixed asset		16,485,001	-
<b>Net cash used in investing activities</b>		(508,735,741)	(665,318,595)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Receipt of loan	35	471,500,000	905,400,000
Repayment of loan		(46,000,000)	-
<b>Net cash generated from in financing activities</b>		425,500,000	905,400,000
<b>Net increase in cash and cash equivalents</b>		121,066,067	476,711,585
<b>Cash and cash equivalents at beginning of the year</b>		558,292,780	81,581,195
<b>Cash and cash equivalents at end of the year</b>		679,358,847	558,292,780

The annexed notes from 1 to 39 form an integral part of these financial statements



Chief Executive



Director



Director

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2022

## 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, 2022

The following standards, amendments and interpretations are effective for the year ended June 30, 2022. 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**

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

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.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2022

## 2.3.1 Standards or Interpretations that are not yet effective

	Effective from Accounting period beginning on or after
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
Annual Improvements to IFRS Standards 2018-2020 Cycle (related to IFRS 9, IFRS 16 and IAS 41)	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
Amendments to IFRS 10 and 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely
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	

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2022

## **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 reporting 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 reporting date.

The accounting policies, significant judgements, estimates and assumptions used by the management in preparation of these financial information are the same as those applied in preparation of audited annual financial statements for the year ended 30 June 2021.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2022

## **4 ACCOUNTING CONVENTION**

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

- buildings on Lease hold land, plant and machinery and furnitures and fixtures
- recognition of certain employee retirement benefits at present value

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

### **5.1 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.

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 for more than one year then the amount is capitalized 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 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2022

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.

## 5.2 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.

## 5.3 Financial instruments

Financial assets and financial liabilities are recognized 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.

### 5.3.1 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2022

## **Classification of financial assets**

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

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

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

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

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

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

### **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 debt instruments. 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.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2022

## **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.

### **5.3.2 Financial liabilities**

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

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

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.

### **5.4 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.

### **5.5 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.

### **5.6 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2022

## **5.7 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.

## **5.8 Trade and other payables**

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

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

## **5.10 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.

## **5.11 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.

## **5.12 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 local 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2022

## **5.13 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.

## **5.14 Contract liabilities**

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

## **5.15 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.

## **5.16 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.

## **5.17 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.

## **5.18 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2022

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 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.

## 6 SHARE CAPITAL

### 6.1 Authorized share capital

2022	2021		2022	2021
Number of shares			Rupees	Rupees
60,000,000	60,000,000	Ordinary shares of Rs 10 each	600,000,000	600,000,000

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

2022	2021		2022	2021
Number of shares			Rupees	Rupees
497,500	497,500	Ordinary shares of Rs. 10 each issued for cash	4,975,000	4,975,000
4,309,864	4,309,864	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	43,098,640	43,098,640
4,807,364	4,807,364		48,073,640	48,073,640

6.3 All the 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.

### 6.4 Capital management

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

The Company manages capital by maintaining gearing ratio at certain levels. This ratio is calculated as long-term borrowings divided by total capital. Total capital is calculated as 'equity' shown in the statement of financial position plus long-term borrowings. The gearing ratio is as follows:

	2022	2021
	Rupees	Rupees
Long term borrowings	-	-
Total equity	1,973,807,354	1,328,895,138
<b>Total capital</b>	<b>1,973,807,354</b>	<b>1,328,895,138</b>
<b>Gearing ratio</b>	<b>0%</b>	<b>0%</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2022

		2022 Rupees	2021 Rupees
<b>7</b>	<b>REVALUATION SURPLUS ON PROPERTY, PLANT AND EQUIPMENT</b>		
	Opening balance as on July 01	283,267,591	335,711,612
	Surplus arising on property, plant and equipment recognized during the year	277,159,799	-
		<b>560,427,390</b>	<b>335,711,612</b>
	<b>Surplus transferred to unappropriated profit:</b>		
	- on account of incremental depreciation - net of tax	(72,332,596)	(39,288,438)
	- on account of disposal - net of tax	(6,043,244)	-
	- related deferred tax	(26,593,048)	(13,155,583)
		<b>(104,968,888)</b>	<b>(52,444,021)</b>
		<b>455,458,502</b>	<b>283,267,591</b>
	<b>Related deferred tax liability</b>		
	On revaluation surplus as on July 01	(71,057,675)	(84,213,258)
	Recognized in OCI	(50,805,123)	-
	Effect due to incremental depreciation	26,593,048	13,155,583
		<b>(95,269,750)</b>	<b>(71,057,675)</b>
		<b>360,188,752</b>	<b>212,209,916</b>

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

		2022 Rupees	2021 Rupees
	<b>Note</b>		
<b>8</b>	<b>EMPLOYEE RETIREMENT BENEFITS</b>		
	Net defined benefit liability <b>8.1</b>	<b>63,028,927</b>	43,642,581
<b>8.1</b>	<b>Net defined benefit liability</b>		
	Company operates an unfunded gratuity scheme of its employees, details of which are as follows:		
	<b>Movement in the defined benefit liability</b>		
	Balance at beginning of the year	<b>43,642,581</b>	34,974,436
	Charge for the year	<b>13,816,423</b>	11,718,925
	Benefits paid during the year	<b>(2,940,548)</b>	(1,541,882)
	Remeasurement loss / (gain)	<b>8,510,471</b>	(1,508,898)
	Balance at the end of the year	<b>63,028,927</b>	43,642,581



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2022

	2022 Rupees	2021 Rupees
<b>8.2 Movement in the present value of defined benefit liability is as follows:</b>		
Present value of defined benefit liability as at July 01	<b>43,642,581</b>	34,974,436
Current service cost	<b>9,493,762</b>	8,555,102
Interest cost	<b>4,322,661</b>	3,163,823
Benefits paid	<b>(2,940,548)</b>	(1,541,882)
Remeasurement loss / (gain)	<b>(8,510,471)</b>	(1,508,898)
Present value of defined benefit liability as at June 30	<b>63,028,927</b>	43,642,581
<b>8.3 Expense recognized in profit or loss account is as follows</b>		
Current service cost	<b>9,493,762</b>	8,555,102
Interest cost	<b>4,322,661</b>	3,163,823
	<b>13,816,423</b>	11,718,925
<b>8.4 Charge for the year has been allocated as follows</b>		
Cost of sales	<b>9,584,400</b>	6,241,945
Administrative expenses	<b>3,507,225</b>	4,573,020
Selling and distribution cost	<b>816,337</b>	903,960
	<b>13,907,962</b>	11,718,925
<b>8.5 Remeasurement chargeable to other comprehensive income</b>		
Remeasurement (gain) / loss on defined benefit obligation	<b>(8,510,471)</b>	(1,508,898)
<b>8.6 Key actuarial assumptions</b>		
The latest actuarial valuation was carried out, on June 30, 2022, using projected unit credit method with the following assumptions:		

	2022 Percentage	2021 Percentage
<b>The following were the principal actuarial assumptions at the reporting date :</b>		
Discount rate	<b>13.50%</b>	10.25%
Future salary growth	<b>13.50%</b>	10.25%
Employee turnover rate	<b>Moderate</b>	Moderate
Mortality rate	<b>SLIC 2001-2005 mortality table</b>	
Withdrawal rate	<b>Age dependent withdrawal table</b>	

The rates assumed were based on the SLIC 2001-2005 ultimate mortality tables. The table given in Annexure 4 shows the death rates per thousand per annum at each age. This is the latest table available in the country and is being used for most actuarial calculations.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2022

## Maturity profile of the defined benefit obligation

At June 30, 2022 the weighted-average duration of defined benefit obligation was 12.79 years (2021: 12.68 years).

	2022 Rupees	2021 Rupees
Distribution of timing of benefit payments (time in years)		
0 to 1 year	6,690,282	6,056,943
1 to 2 years	1,941,337	1,005,559
2 to 5 years	11,746,431	5,140,824
Above 5 years	547,472,237	187,202,875

## 8.7 Sensitivity Analysis

For changes of 100 basis points, present value of defined benefit obligation as at June 30, 2022 would have been as follows:

	Changes in assumptions %	Increase in assumptions Rupees	Decrease in assumptions
Discount rate	1	57,076,177	70,134,088
Future salary growth	1	70,326,687	56,822,843

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2022

			2022	2021
	Note		Rupees	Rupees
<b>9</b>	<b>DEFERRED TAX LIABILITIES</b>	<b>9.1</b>	<b>146,529,103</b>	54,296,223
<b>9.1</b>	<b>This comprises the following:</b>			
	<b>Deferred tax liability on taxable temporary differences arising in respect of:</b>			
	Property, plant and equipment (at cost)		71,937,984	36,461,600
	Revaluation surplus		93,987,387	71,057,675
			<b>165,925,371</b>	107,519,275
	<b>Deferred tax asset on deductible temporary differences arising in respect of:</b>			
	Allowance for expected credit loss		(6,389,761)	(7,104,451)
	Provision for employee benefits		(13,006,507)	(10,947,742)
	Unused losses		-	(20,062,919)
	Minimum Tax as per section 113		-	(15,107,940)
			<b>(19,396,268)</b>	(53,223,052)
			<b>146,529,103</b>	54,296,223

## 9.2 Movement in temporary differences during the year

	Balance as at July 01, 2021	Expense/ (Income) Recognized in profit or loss	Recognized in other comprehensive income	Balance as at June 30, 2022
<b>Taxable temporary differences</b>				
Property, plant and equipment	36,461,600	35,476,384	-	71,937,984
Revaluation surplus	71,057,675	(27,875,411)	50,805,123	93,987,387
	<b>107,519,275</b>	<b>7,600,973</b>	<b>50,805,123</b>	<b>165,925,371</b>
<b>Deductible temporary differences</b>				
Allowance for expected credit losses	(7,104,451)	714,690	-	(6,389,761)
Provision for employee retirement benefits	(10,947,742)	(302,563)	(1,756,202)	(13,006,507)
Unused losses and credits	(20,062,919)	20,062,919	-	-
Minimum tax under section 113 of ITO, 2001	(15,107,940)	15,107,940	-	-
	<b>(53,223,052)</b>	<b>35,582,986</b>	<b>(1,756,202)</b>	<b>(19,396,268)</b>
	<b>54,296,223</b>	<b>43,183,959</b>	<b>49,048,921</b>	<b>146,529,103</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2022

	Balance as at July 01, 2020	Expense/ (Income) Recognized in profit or loss	Recognized in other comprehensive income	Balance as at June 30, 2021
<b>Taxable temporary differences</b>				
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
<b>Deductible temporary differences</b>				
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 under section 113 of ITO, 2001	-	(15,107,940)	-	(15,107,940)
	(15,635,981)	(37,965,578)	378,507	(53,223,052)
	88,055,599	(34,137,883)	378,507	54,296,223

		2022	2021
	Note	Rupees	Rupees
<b>10 TRADE AND OTHER PAYABLES</b>			
Trade Creditors		<b>1,431,130,705</b>	341,383,539
Accrued liabilities	<b>10.1</b>	<b>56,821,758</b>	81,098,894
Accrued markup on loan from sponsors and directors		<b>156,210,687</b>	31,258,491
Advance from customers		<b>234,776,165</b>	265,388,349
Workers' Profit Participation Fund		<b>81,273,193</b>	74,804,948
Workers' Welfare Fund		<b>12,671,798</b>	6,366,590
Withholding taxes		<b>20,522,794</b>	22,400,241
Sales tax and excise duty	<b>10.3</b>	<b>65,319,911</b>	115,477,254
Tobacco development cess		<b>23,316,742</b>	10,533,057
Royalty		<b>21,064,039</b>	16,896,800
Insurance		-	62,752
Other payables		<b>58,470,421</b>	55,059,803
		<b>2,161,578,213</b>	1,020,730,718

**10.1** This includes an amount of 2.05 million (2021 :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** Advance from customers amounting to Rs. 222.3 million (2021: Rs. 310.90 million ) has been adjusted against sales.

**10.3** This includes Rs. 51.57 million (2021: Rs. Nil ) recovered by Deputy Commissioner Inland Revenue, Large Tax Payer Unit, Islamabad, under section 48 (ca) of the Sales Tax Act, 1990 read with Sales Tax Rules, 2006 from the bank accounts of the Company. Refer note 12(ii).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2022

	Note	2022 Rupees	2021 Rupees
<b>11</b>	<b>LOAN FROM SPONSORS AND DIRECTORS - UNSECURED</b>		
Interest bearing	<b>11.1</b>	<b>1,470,900,000</b>	1,014,400,000
Interest free		-	31,000,000
		<b>1,470,900,000</b>	1,045,400,000
<b>11.1</b>	<b>Interest bearing</b>		
At the beginning of the year		<b>1,014,400,000</b>	140,000,000
Received during the year		<b>456,500,000</b>	874,000,000
Repaid during the year		-	-
At the end of the year		<b>1,470,900,000</b>	1,014,000,000

## Loan from sponsors and directors - unsecured

This loan is for meeting the working capital requirements of the company. The loan carries interest at **KIBOR + 2%**. If borrower default on its payment and fails to cure said default within a reasonable amount of time lender will have the option to declare the entire remaining amount of principle and any accrued interest immediately due and payable. The loan if becoming payable or even otherwise shall be convertible into ordinary share of the company with mutual consent of both parties. However the decision of BOD of the Company shall be considered final in this regard.

	2022 Rupees	2022 Rupees
<b>12</b>	<b>PROVISION FOR TAXATION LESS ADVANCE TAX PAYMENTS</b>	
Provision for the year	<b>51,516,021</b>	19,706,922
Payments made during the year	<b>(23,522,402)</b>	(39,603,620)
Provision for taxation / (advance tax) -net	<b>27,993,619</b>	(19,896,698)
<b>13</b>	<b>CONTINGENCIES AND COMMITMENTS</b>	
<b>Commitments:</b>		
Letter of credit against import of machinery and packing material	<b>498,161,420</b>	65,964,643
Short term lease rentals	<b>5,975,745</b>	6,200,218
Letter of guarantee issued by bank on behalf of the Company	<b>900,000</b>	900,000
	<b>505,037,165</b>	73,064,861

## 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 on December 11, 2018 and the matter is 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 June 30, 2022

- 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. 498 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 Commissioner Appeals-1 Islamabad and the matter was decided against the Company. The Company had filed second appeal against the order before the Appellate Tribunal Inland Revenue Islamabad on September 08, 2022 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. Further an amount of Rs. 51 million has recovered against this assessment order as disclosed in note 10.3 of these financial statements.
- 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 on August 30, 2019 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.
- 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 on June 14, 2020 and the matter is pending adjudication. The management, based on legal opinion, is confident that the eventual decision will be in favor 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 favor 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 on August 30, 2019 and the matter is pending adjudication. The management, based on legal opinion, is confident that the eventual decision will be in favor 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 filed appeal against the order before Commissioner Inland Revenue (Appeals) Peshawar and the matter was decided against the company. The Company filed appeal against the order before the Appellate Tribunal Inland Revenue. The management, based on legal opinion, is confident that the eventual decision will be in favor of the Company. The likely outcome of the litigation is estimated at Rs.0.2 million.
- 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 on June 21, 2021 and the matter is 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 June 30, 2022

- ix** Deputy Commissioner Inland Revenue, Corporate Zone II, Regional Tax Office, Peshawar passed assessment order under assessment order no. 33/2017 on 23 August 2017 under Federal Excise Act 2005 and Sales Tax Act 1990 amounting to Rs. 9.51 million against the Company in lieu of alleged claims of non payment of taxes and duties. The Company has filed appeal against the order before the Commissioner Inland Revenue (Appeals) Peshawar December 11, 2018 and adjudication of the same is pending.
- x** Deputy Commissioner Inland Revenue, Corporate Zone II, Regional Tax Office, Peshawar passed assessment order no. 53/2017 on November 21, 2017 under Federal Excise Act 2005 and Sales Tax Act 1990 amounting to Rs. 3.29 million against the Company in lieu of alleged claims of non payment of taxes and duties. The Company filed appeal against the order before the Commissioner Inland Revenue (Appeals) Peshawar and the assessment order was set aside by the Commissioner Inland Revenue (Appeals) Peshawar vide order-in-appeal no. 278/2018 and remanded the case back to the concerned Deputy Commissioner Inland Revenue for fresh adjudication.
- xi** Deputy Commissioner Inland Revenue, Corporate Zone II, Regional Tax Office, Peshawar passed assessment order no. 54/2017 on November 21, 2017 under Federal Excise Act 2005 and Sales Tax Act 1990 amounting jointly to Rs. 3.12 million against the Company in lieu of alleged claims of non payment of taxes and duties. The Company filed appeal against the order before the Commissioner Inland Revenue (Appeals) Peshawar and the assessment order was set aside by the Commissioner Inland Revenue (Appeals) Peshawar vide order-in-appeal no. 279/2018 and remanded the case back to the concerned Deputy Commissioner Inland Revenue for fresh adjudication.
- xii** Deputy Commissioner (Audit-I) Inland Revenue, Unit I-Range I, Range-I LTO ISLAMABAD,FBR passed an assessment order no. 100000120450439 on March 31, 2022 under Income Tax Ordinance 2001 amounting to Rs. 225,373,475 against the Company in lieu of alleged claims of non payment of Income Tax. The Company filed appeal against the order before the Commissioner Inland Revenue (Appeals-1) Islamabad April 29, 2022 and the matter is pending adjudication. The management, based on legal opinion, is confident that the eventual decision will be in favor of the Company.
- xiii** Deputy Commissioner (Audit-I) Inland Revenue, Unit I-Range I, Range-I LTO ISLAMABAD,FBR passed an Order in Original no.06 of 2022 on June 27, 2022 under Sales Tax Act 1990 amounting to Rs. 100,023,615 against the Company in lieu of alleged claims of non payment of Sales Tax. The Company filed appeal against the order before the Commissioner Inland Revenue (Appeals-1) Islamabad July 27, 2022 and the matter is pending adjudication. The management, based on legal opinion, is confident that the eventual decision will be in favor of the Company.
- xiv** Deputy Commissioner (Audit-I) Inland Revenue, Unit I-Range I, Range-I LTO ISLAMABAD,FBR passed an assessment order no. 455 on June 25, 2022 under Income Tax Ordinance 2001 amounting to Rs.89,835,363 against the Company in lieu of alleged claims of non payment of Income Tax. The Company filed appeal against the order before the Commissioner Inland Revenue (Appeals-1) Islamabad July 25, 2022 and the matter is 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 June 30, 2022

14	PROPERTY, PLANT AND EQUIPMENT	Buildings on leasehold land	Plant and machinery	Tools and electrical appliances	Furniture and fittings	Office equipment	Vehicles	Capital work in progress	Total
COST / REVALUED AMOUNTS									
Rupees									
	Balance at July 01, 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	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 at June 30, 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
	Balance at July 01, 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
	Additions	139,783	92,383,249	44,268,579	134,734	80,000	-	388,034,397	525,040,742
	Disposals	-	(18,937,003)	-	-	-	(5,485,000)	-	(24,422,003)
	Transfers	-	538,249,956	-	-	-	-	(538,249,956)	-
	Assets classified as held for sale	-	(12,700,000)	-	-	-	-	-	(12,700,000)
	Elimination due to revaluation	(143,305,299)	(419,860,960)	-	(2,003,683)	-	-	-	(565,169,942)
	Revaluation surplus	130,459,206	145,584,350	-	1,116,243	-	-	-	277,159,799
	Balance at June 30, 2022	265,435,000	1,238,710,001	104,337,758	2,369,750	3,666,440	24,777,440	442,306,449	2,081,602,838
ACCUMULATED DEPRECIATION									
	Balance at July 01, 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 at June 30, 2021	125,428,921	325,952,641	29,764,294	1,716,540	3,293,728	15,762,260	-	501,918,384
	Balance at July 01, 2021	125,428,921	325,952,641	29,764,294	1,716,540	3,293,728	15,762,260	-	501,918,384
	Charge for the year	17,876,379	105,230,753	6,765,415	287,144	312,692	5,858,614	-	136,330,997
	Disposals	-	(11,322,434)	-	-	-	(987,300)	-	(12,309,734)
	Elimination due to revaluation	(143,305,300)	(419,860,960)	-	(2,003,684)	-	-	-	(565,169,944)
	Balance at June 30, 2022	-	-	36,529,709	-	3,606,420	20,633,574	-	60,769,703
	Carrying value - June 2022	265,435,000	1,238,710,001	67,808,049	2,369,750	60,020	4,143,866	442,306,449	2,020,833,135
	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
	Rate of depreciation per annum	7.14%	10%	10%	10%	30%	20%		
14.1	Disposal of property, plant and equipment								
Particulars of assets		Buyer	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain/(loss)	Relationship	
MG HS (CAR)		Muhammad Hamad Jamil	5,485,000	987,300	4,497,700	4,583,334	85,634	COO	
Two Cig Making Machines		CM Tobacco Industries	18,937,003	11,322,434	7,614,569	11,000,000	3,385,431	None	
June 30, 2022			24,422,003	12,309,734	12,112,269	15,583,334	3,471,065		
June 30, 2021			-	-	-	-	-		

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2022

		2022	2021
	Note	Rupees	Rupees
<b>14.1</b>	Depreciation on property, plant and equipment has been allocated as follows;		
	Cost of sales	<b>126,681,723</b>	96,159,773
	Administrative expenses	<b>9,649,274</b>	8,021,638
		<b>136,330,997</b>	104,181,411

- 14.2** During the year, buildings on leasehold land, plant and machinery and furniture and fittings of the Company has been revalued as at June 30, 2022 by "Unicorn International Surveyors" (UIS) which is independent valuer not connected with the Company. UIC is on panel of Pakistan Banks Association as 'Any Amount' asset valuator. It is also on the panel of State Bank of Pakistan, possesses appropriate qualification and recent experience in fair value measurements. The management of the Company believes that fair values are not materially different from revalued amounts determined by the valuers. Valuation was carried out by an independent valuer, under the market value basis. This revaluation resulted in a net surplus of Rs. 277.15 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	<b>9,549,691</b>	<b>139,783</b>	<b>871,597</b>	<b>8,817,877</b>
Plant and machinery	<b>518,658,098</b>	<b>630,633,205</b>	<b>145,003,007</b>	<b>1,004,288,296</b>
Furniture and fittings	<b>1,738,368</b>	<b>134,734</b>	<b>693,396</b>	<b>1,179,706</b>
<b>30 June 2022</b>	<b>529,946,157</b>	<b>630,907,722</b>	<b>146,568,000</b>	<b>1,014,285,879</b>
<b>30 June 2021</b>	278,358,537	316,532,020	69,940,400	529,946,157

- 14.2.1** Forced Sales Value (FSV) of buildings on leasehold land, plant and machinery and furniture and fittings were Rs. 66.35 million, Rs. 375.42 million and 0.71 million respectively as at June 30, 2022. The revalued amounts has been measured under level 2 of the IFRS 13.

## **15 LONG TERM DEPOSITS**

	2022	2021
	Rupees	Rupees
Sui Northern Gas Pipelines Limited	<b>3,660,151</b>	3,660,151
Others	<b>1,287,260</b>	1,107,260
	<b>4,947,411</b>	4,767,411

## **16 STOCK IN TRADE**

	2022	2021
	Rupees	Rupees
Raw and packing material	<b>1,662,524,906</b>	989,220,432
Stock in transit	<b>202,387,106</b>	-
Finished stock	<b>5,064,967</b>	10,088,434
	<b>1,869,976,979</b>	999,308,866

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2022

		2022	2021
	Note	Rupees	Rupees
<b>17</b>	<b>TRADE DEBTS</b>		
	Local - unsecured	177,488,259	206,066,490
	Foreign - unsecured	622,149,480	-
		799,637,739	206,066,490
	Allowance for expected credit losses	17.1 (30,964,482)	(28,321,509)
		768,673,257	177,744,981
<b>17.1</b>	<b>Movement in allowance for expected credit losses</b>		
	Balance as at July 01	28,321,509	27,357,561
	Impairment losses on financial assets	2,642,973	10,141,207
	Bad debts written off	-	(9,177,259)
	Balance as at June 30	30,964,482	28,321,509
<b>18</b>	<b>ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES</b>		
	Advances to suppliers	109,962,082	119,610,960
	Advances against letter of credit	13,345,684	12,843,916
	Income tax refundable	132,001,727	112,310,798
		255,309,493	244,765,674
<b>19</b>	<b>CASH AND BANK BALANCES</b>		
	Cash in hand	1,448,198	236,822
	Cash at bank - current accounts		
	- Foreign currency	83,199	66,591
	- Local currency	677,827,450	557,989,367
		677,910,649	558,055,958
		679,358,847	558,292,780

- 20** Two cigarette making machines, one HLP machine, one cellophane machine and one wrapping machine have been classified as non-current assets held for sale as at the reporting date, in accordance with International Financial Reporting Standards "Non-Current Assets Held for Sale and Discontinued Operations" (IFRS - 5) as management has intention to sell these assets within next 12 months. These assets have been transferred from plant and machinery at lower of carrying value or fair value less cost to sell in current situation. Fair value less cost to sell of these assets is more than carrying value of assets as per IAS 16 "Property, Plant and Equipment."



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2022

		2022	2021
	Note	Rupees	Rupees
<b>21</b>	<b>REVENUE FROM CONTRACTS WITH CUSTOMERS - NET</b>		
Gross sales			
- Local		3,196,246,172	2,881,323,342
- Export		1,222,666,044	208,840,384
		4,418,912,216	3,090,163,726
Government levies			
- Excise duty		1,482,213,745	1,426,425,100
- Sales tax		429,275,340	403,857,827
		1,911,489,085	1,830,282,927
Less: Discounts		42,714,000	43,844,410
		2,464,709,131	1,216,036,389
<b>22</b>	<b>COST OF SALES</b>		
Raw and packing material consumed	22.1	1,291,516,831	704,392,565
Salaries, wages and benefits		135,667,844	101,477,890
Fuel and power		50,408,245	41,465,860
Stores and spares consumed		40,640,845	89,013,064
Repair and maintenance		2,182,797	2,226,249
Royalty	22.2	4,697,490	4,261,740
Short term lease rental		3,727,091	3,752,630
Depreciation		126,681,723	96,272,721
Insurance		1,896,969	1,884,133
		1,657,419,835	1,044,746,852
Opening work in process		-	3,856,473
Closing work in process		-	-
<b>Cost of goods manufactured</b>		1,657,419,835	1,048,603,325
Opening finished stock		10,088,434	13,172,871
Closing finished stock		(5,064,967)	(10,088,434)
		1,662,443,302	1,051,687,762
<b>22.1</b>	<b>Raw and packing materials consumed</b>		
Opening balance		989,220,432	713,458,112
Raw and packing material purchases		2,167,208,411	980,154,885
Closing balance		(1,662,524,906)	(989,220,432)
Stock in transit		(202,387,106)	-
		1,291,516,831	704,392,565
<b>22.2</b>	<b>Details of royalty expense is as follows :</b>		
National Tobacco Industries (Private) Limited (NTI)		3,502,920	4,120,440
Walton Tobacco Company (Private) Limited (WTC)		1,194,570	141,300
		4,697,490	4,261,740
<b>22.3</b>	There is no relationship other than ordinary course of business. Registered address of WTC and NTI is ( Chittar Parti, Mirpur, Azad Kashmir : Mora Seedha Bhimber, Azad Kashmir )		

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2022

			2022	2021
23	ADMINISTRATIVE EXPENSES	Note	Rupees	Rupees
	Salaries, wages and other benefits		87,341,428	76,050,225
	Fuel and power		8,230,558	4,282,037
	Communication		2,533,537	2,338,174
	Travelling		3,857,739	1,798,713
	Printing and stationery		2,315,169	2,154,635
	Depreciation		9,649,274	8,048,383
	Legal and professional		9,218,700	5,685,267
	Auditors' remuneration	23.1	2,605,735	2,576,750
	Repair and maintenance		785,600	1,688,551
	Short term lease rentals		1,977,794	1,396,330
	Advertisement		41,100	144,355
	Donations		426,371	3,125,455
	Others		20,232,841	17,077,475
			149,215,846	126,366,350
23.1	<b>Auditors' remuneration includes following :</b>			
	<b>Audit services</b>			
	Annual audit fee		1,455,300	1,212,750
	Half yearly review fee		695,750	632,500
	Out of pocket expenses		236,885	550,000
	Other certification charges		217,800	181,500
			2,605,735	2,576,750
24	<b>SELLING AND DISTRIBUTION COST</b>			
	Salaries, wages and other benefits-marketing		36,078,349	12,966,549
	Customs, clearance and freight on export		37,539,886	4,094,266
	Freight on local sale		9,929,400	8,061,700
	Research		16,514,680	16,003,500
	Promotion / advertisement		10,200,000	12,648,000
	Training		7,390,147	999,999
			117,652,462	54,774,014
25	<b>OTHER INCOME</b>			
	Disposal of property, plant and equipment		5,609,300	-
	Scrap sales		-	13,717,950
	WPPF written back		43,023,439	-
	Trade creditors and tobacco cess written back		-	2,350,363
	Exchange (loss) / gain		(10,259,833)	2,678,302
			38,372,906	18,746,615

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2022

		2022 Rupees	2021 Rupees
<b>26</b>	<b>OTHER EXPENSES</b>		
	Workers' Profit Participation Fund(WPPF)	22,038,375	-
	Workers' Welfare Fund	8,374,582	-
	Advance to supplier written-off	53,885	6,711,703
	Sales tax receivable written off	-	14,090,338
		<b>30,466,842</b>	<b>20,802,041</b>
<b>27</b>	<b>FINANCE COST</b>		
	Bank charges	2,164,658	5,738,434
	Interest on Workers' Profit Participation Fund	3,189,224	-
	Interest on loan from sponsors	124,952,196	48,350,487
		<b>130,306,078</b>	<b>54,088,921</b>
<b>28</b>	<b>TAXATION</b>		
	Current tax	51,516,021	17,196,344
	- Prior year	205,769	2,510,578
	Deferred tax	43,183,959	(34,137,883)
		<b>94,905,749</b>	<b>(14,430,961)</b>
<b>28.1</b>	<b>Relationship between accounting profit and tax expense is as follows:</b>		
		2022 %	2021 %
	Applicable tax rate	29	29
	PY adjustment	(0.05)	(3)
	Income chargeable at different rate	(1.70)	(8)
	Unused tax losses	(4.70)	-
	Super tax @ 1% and others	0.45	(1)
		<b>23</b>	<b>(17)</b>
<b>28.2</b>	Tax Assessments up to and including tax year 2021 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.		
<b>29</b>	<b>EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED</b>		
	The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.		
		2022 Rupees	2021 Rupees
	(Loss) / Profit attributable to ordinary shareholders	315,448,785	(68,646,330)
	Weighted-average number of ordinary shares at 30 June	4,807,364	4,807,364
	Basic (loss) / earnings per share	<b>65.62</b>	<b>(14.28)</b>
<b>29.1</b>	There is no dilution effect on earnings per share of the Company.		

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2022

30	CAPACITY AND PRODUCTION	2022	2021
	Available capacity (million cigarettes per annum)	4,145	3,364
	Actual production (million cigarettes)	850	854

**30.1** 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.

## **31. 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.

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

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

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

#### **31.1.1 Counterparties**

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2022

## Trade debts

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

## Banks

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

Bank	Rating		Rating agency	2022	2021
	Short term	Long term		Rupees	Rupees
Habib Bank Limited	A-1+	AAA	JCR-VIS	22,635,915	46,766,079
National Bank Of Pakistan	A-1+	AAA	JCR-VIS	841,127	1,869,949
Mcb Bank Limited	A1+	AAA	PACRA	26,208,892	38,945,293
Samba Bank Limited	A-1	AA	JCR-VIS	52,399	149,466
Askari Bank Limited	A1+	AA+	PACRA	628,172,316	483,169,087
				677,910,649	570,899,874

### 31.1.2 Exposure to credit risk

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

	2022	2021
	Rupees	Rupees
<b>Financial assets:</b>		
Trade debts	768,673,257	177,744,981
Bank balances	679,358,847	558,055,958
Long term deposits	4,947,411	4,767,411
	1,452,979,515	860,179,310

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, 2022 the Company had approximately 15 (2021: 23) major local customers that owed more than Rs. 2 million each and accounted for approximately 94% (2021 : 96%) of local trade debts. Export debts amounting to 629 million (2021 : Nil ) are unsecured.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2022

## 31.1.3 Impairment losses

	Expected credit losses		Aging of trade debts	
	2022	2021	2022	2021
	Rupees	Rupees	Rupees	Rupees
Not past due	-	-	635,609,362	98,296,173
Past due upto 12 months	6,171,111	3,729,233	139,397,124	83,178,041
Over 12 months	24,631,253	24,592,276	24,631,253	24,592,276
	30,802,364	28,321,509	799,637,739	206,066,490

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

	2022	2021
	Rupees	Rupees
Balance as at July 01	28,321,509	27,357,561
Impairment losses on financial assets	2,642,973	10,141,207
Bad debts written off	-	(9,177,259)
<b>Balance as at June 30</b>	<b>30,964,482</b>	28,321,509

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.

## 31.2 Liquidity risk management

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

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

### 31.2.1 Liquidity table

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

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

	2022	2021
	Rupees	Rupees
<b>Maturity up to one year</b>		
Trade and other payables	1,723,697,610	525,760,279
Unclaimed dividend	16,177,683	16,407,772
Loan from sponsors	1,470,900,000	1,045,400,000
	3,210,775,293	1,061,807,772

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2022

## 31.3 Market risk

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

### 31.3.1 Foreign currency risk management

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

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

The potential currency exposures are discussed below;

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

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

#### 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:

	2022	2021
	USD	USD
Trade debts	3,061,813	-

Commitments outstanding at year end amounted to Rs. 498 million (2021: Rs. 65.96 million) relating to letter of credits for import of machinery.

The following significant exchange rates applied during the year:

Rupees per USD	2022	2021
Average rate	206.00	162.76
Reporting date rate	205.50	157.54

#### Sensitivity analysis

A 10 percent weakening of the Pak Rupee against the USD at June 30, 2022 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, 2021.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2022

	2022	2021
	Rupees	Rupees
Decrease in statement of profit or loss	62,920,257	-

A 10 percent strengthening of the Pak Rupee against the USD at June 30, 2022 would have had the equal but opposite effect on USD to the amounts shown above, on the basis that all other variables remain constant.

## 31.3.2 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

	2022	2021
	Rupees	Rupees
<b>Financial liabilities</b>		
WPPF payable	81,273,193	74,804,948
Loan from sponsors	1,470,900,000	1,045,400,000
	<b>1,552,173,193</b>	<b>1,120,204,948</b>

### 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	Decrease / (increase) of profit
	Points	Rupees
<b>2022</b>	+ (-) 200	<b>30,932,711</b>
2021		1,081,778

## 31.3.3 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.

## 31.3.4 Financial Instruments by category

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2022

	2022	2021
	Rupees	Rupees
<b>Assets as per statement of financial position - at amortized cost</b>		
Trade debts	<b>768,673,257</b>	177,744,981
Cash and bank balances	<b>679,358,847</b>	558,292,780
Long term deposits	<b>4,947,411</b>	4,767,411
	<b>1,452,979,515</b>	740,805,172
	2022	2021
	Rupees	Rupees
<b>Liabilities as per statement of financial position- at amortized cost</b>		
Trade and other payables	<b>1,723,697,610</b>	755,342,369
Unclaimed dividend	<b>16,177,683</b>	16,407,772
Loan from sponsors and directors - unsecured	<b>1,470,900,000</b>	1,045,400,000
	<b>3,210,775,293</b>	1,817,150,141

## 32. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

## 33. 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.

- 33.1** Following are the related parties with whom the Company has entered into transactions during the year and balance as at year end other than Remuneration of key management personnel which is disclosed in note **33** of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2022

Name	Basis of relationship	Nature	2022	2021
			Rupees	Rupees
Samson Redrying and Processing (Private) Limited	Associated Undertaking	Sales	136,200,000	136,200,000
		Purchases	135,230,625	146,049,075
		Payable	299,194,234	265,379,859
Waseem ur Rehman	Ex Director	Loan received	278,500,000	353,000,000
		Loan payable	771,500,000	493,000,000
		Accrued Markup	80,728,770	21,460,327
		Markup Expense	59,268,443	21,460,327
Sami ur Rehman	Sponsor	Loan received	178,000,000	521,400,000
		Loan payable	669,400,000	521,400,000
		Accrued Markup	75,481,917	9,798,164
		Markup Expense	65,683,753	9,798,164
Khalil ur Rehman	Director	Loan received	15,000,000	21,000,000
		Loan repaid	36,000,000	-
		Loan payable	-	21,000,000
Rahat Ullah	Director	Loan repaid	10,000,000	-
		Loan received	-	10,000,000
		Loan payable	-	10,000,000

**33.2** Following are the related parties with whom the Company has agreement in place.

Name	Basis of relationship	Shareholding % age
Mrs. Samera Irfan	Chief Executive	0.04%
Mr. Pir Farhan Shah	Director	0.42%
Mr. Zia Ur Rehman	Director	0.10%
Mr. Khalil Ur Rehman	Director	0.21%
Mr. Rahat Ullah	Chairman	0.05%
Mr. Pir Waris Shah	Director	0.21%
Mr. Hazrat Bilal	Director	0.21%
Mr. Waseem ur Rehman	Ex Director	64.33%
Mr. Sami ur Rehman	Sponsor	0.21%
Samson Redrying and Processing (Private) Limited	Associated Undertaking	0.00%

**33.3** The company entered in to transactions with all its related parties in the ordinary course of business at prevailing market rates.

## **34 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
	Rupees		
<b>June 30, 2022</b>			
Managerial remuneration	3,600,000	420,000	82,545,732
Number of persons	1	1	41



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2022

	Chief Executive Officer	Directors	Executives
	Rupees		
June 30, 2021			
Managerial remuneration	2,025,000	420,000	47,431,536
Number of persons	1	1	24

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

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

**34.3** Executive means an employee whose basic salary exceeds Rs. 1.20 million (2021: Rs. 1.20 million) during the year.

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

	Balance as at July 01, 2021	Amount received during the year	Amount repaid during the year	Balance as at June 30, 2022
	Rupees			
Loan from sponsors and directors - unsecured	1,045,400,000	471,500,000	(46,000,000)	1,470,900,000

	2022 (Number)	2021 (Number)
<b>36 NUMBER OF PERSONS EMPLOYED</b>		
Employees at year end	460	372
Average employees during the year	416	336
Factory employees at the year end	227	175
Average factory employees during the year	201	189

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

The Board of Directors in its meeting held on October 08, 2022 proposed a bonus shares 20% i.e. 1 share for every 5 shares held of the paid up capital for the year ended June 30, 2022, for approval of the members at the annual general meeting to be held on October 28, 2022. These financial statements do not reflect these appropriations and the proposed bonus shares.

## **38 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 October 08, 2022.

## **39 GENERAL**

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



Chief Executive



Director



Director

# SHAREHOLDERS' INFORMATION

# PATTERN OF SHAREHOLDING

Categories of Shareholders	Shareholders	Shares Held	Percentage
<b>Directors and their spouse(s) and minor children</b>			
MR. HAZRAT BILAL	1	10,000	0.21
MR. KHALIL UR REHMAN	1	10,000	0.21
MR. PIR FARHAN SHAH	2	20,412	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
<b>Associated Companies, undertakings and related parties</b>	-	-	-
<b>NIT and ICP</b>	1	1,116.00	0.02
<b>Government Sector</b>	1	46,950	0.98
<b>Banks Development Financial Institutions, Non-Banking Financial Institutions</b>	-	-	-
<b>Insurance Companies</b>	3	166,543	3.46
<b>Mutual Funds</b>	-	-	-
<b>Mutual Funds</b>	-	-	-
<b>General Public</b>			
a. Local	1126	4,514,737	93.91
b. Foreign	1	1,000	0.02
<b>Foreign Companies</b>	-	-	-
<b>Others</b>	7	16,981	0.35
<b>Totals</b>	<b>1147</b>	<b>4,807,364</b>	<b>100.00</b>

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

# CDC NOMINEE HOLDINGS

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

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

Dear Sir,

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

<b>Financial Year End</b>	30/06/2022	
<b>Name of Auditor</b>	YOUSUF ADIL CHARTERED ACCOUNTANTS	
<b>Security Name</b>	KHYBER TOBACCO COMPANY LIMITED	
<b>Security Symbol</b>	KHTC	
	<b>Note</b>	<b>Number of Securities</b>
Balance at the end of period / year in the CDC's Nominee Holding in Members' / Certificate holders' Register	N-1	561,444
Balance of book entry security in the Central Depository Register at the end of period / year	N-2	561,444
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	430,184
Add: Additions during the period / year	131,260
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	561,444

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

### Number of Securities

Balance at the beginning of the year in the Central Depository Register	430,184
Add: Additions during the period / year	131,260
Less: Deletions during the period / year	0
Balance at the end of year / period in the Central Depository Register	561,444

Reason for Difference and discrepancy (if any):

Regards,



Authorized Signatory (ies) / Company Secretary



# FORM OF PROXY

## 67th 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 Friday, October  
28, 2022 and /or any adjournment thereof.

As witness my/our hand/seal this \_\_\_\_\_ day of \_\_\_\_\_ 2022.

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)





# مختارنامہ (پراکسی فارم)

67 ویں سالانہ جنرل اجلاس

خیبر ٹو بیکو کمپنی لمیٹڈ

مین ہم \_\_\_\_\_ سکنہ \_\_\_\_\_ تحشیت ممبر (رکن) خیبر تمباکو کمپنی لمیٹڈ  
اور حال \_\_\_\_\_ عام حصص، تقرری کرتا ہوں / کرتی ہوں / کرتے ہیں جناب / محترمہ \_\_\_\_\_  
سکنہ \_\_\_\_\_ یا ان کی غیر حاضری کی صورت میں جناب / محترمہ \_\_\_\_\_  
سکنہ \_\_\_\_\_ کو میرے / ہمارے ایما پر بروز جمعہ بتاریخ اکتوبر 28، 2022 کو خیبر ٹو بیکو کمپنی لمیٹڈ نوشہرہ روڈ مردان  
میں منعقد ہونے والے 67 واں سالانہ اجلاس میں عام حق رائے دہی استعمال کرنے یا کسی بھی التواء کی صورت میں بطور مختار نمائندہ پراکسی مقرر کرتا / کرتی ہوں / کرتے ہیں۔  
جیسا کہ میرے / ہمارے ہاتھ گواہ ہو۔ \_\_\_\_\_ بتاریخ \_\_\_\_\_ 2022  
کو دستخط کئے گئے۔  
ان کی موجودگی میں۔

فولیو نمبر	سی ڈی سی اکاؤنٹ نمبر
	پارٹیشنڈ آئی ڈی نمبر
	اکاؤنٹ نمبر

دستخط پانچ روپے مالیت کے ریونیو ٹکٹ

دستخط حصص کنندہ

(دستخط کا کٹینی میں رجسٹرڈ نمونے کے ہو، ہونا ضروری ہے)

ضروری ہدایات:

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

