KHYBER TOBACCO COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2024

	Note	2024 Rupees	2023 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	7	69,226,040	69,226,040
Unappropriated profit		2,342,162,638	3,352,438,743
Revenue reserves	7.4	3,312,465	3,312,465
Revaluation surplus on property, plant and equipment	8	281,742,430	368,963,006
		2,696,443,573	3,793,940,254
LIABILITIES			
NON CURRENT LIABILITIES			
Employee retirement benefits	9	120,231,933	87,810,788
Deferred taxation	10	179,827,028	105,942,415
Lease liabilities	11	133,674,327	-
		433,733,288	193,753,203
CURRENT LIABILITIES			
Current portion of lease liabilities	11	99,564,887	-
Trade and other payables	12	7,832,548,264	3,439,663,984
Unclaimed dividend		16,669,221	16,171,291
Loan from sponsors - unsecured	13	901,035,638	101,035,638
Accrued markup on loan from sponsors-un-secured	14	233,616,169	175,252,784
Provision for levy and taxation		44,530,446	126,065,096
		9,127,964,625	3,858,188,793
CONTINGENCIES AND COMMITMENTS	15		
TOTAL EQUITY AND LIABILITIES		12,258,141,486	7,845,882,250
NON CURRENT ASSETS			
Property, plant and equipment	16	2,824,478,195	2,744,656,198
Right of use asset	17	147,311,167	-
Long term deposits and prepayments	18	30,980,190	6,237,411
		3,002,769,552	2,750,893,609
CURRENT ASSETS			
Stock in trade	19	6,313,346,604	1,706,636,284
Stores, spare parts and loose tools		26,877,660	19,357,351
Trade debts	20	1,348,738,777	1,407,685,764
Advances, prepayments and other receivables	21	523,352,898	746,341,728
Prepaid levy		16,344,998	62,589,434
Advance income tax		82,025,802	65,899,896
Cash and bank balances	22	944,685,195	1,086,478,184
		9,255,371,934	5,094,988,641
TOTAL ASSETS		12,258,141,486	7,845,882,250

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

CHIEF EXECUTIVE OFFICER　　　　DIRECTOR　　　　DIRECTOR

KHYBER TOBACCO COMPANY LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2024

	Note	2024 Rupees	2023 Rupees
Revenue from contracts with customers - net	23	3,113,760,068	7,434,547,887
Cost of sales	24	(2,957,784,962)	(4,662,752,405)
Gross profit		155,975,106	2,771,795,482
Administrative expenses	25	(411,115,046)	(237,124,008)
Selling and distribution expenses	26	(206,347,167)	(293,248,789)
Impairment loss on financial assets	20.1	(77,590,728)	(61,954,517)
		(695,052,941)	(592,327,314)
Operating (loss) / profit		(539,077,835)	2,179,468,168
Other income	27	3,246,824	399,196,718
		(535,831,011)	2,578,664,886
Other expenses	28	(167,826,505)	(177,871,122)
Finance cost	29	(269,978,815)	(276,640,353)
		(437,805,320)	(454,511,475)
(Loss) / profit before income tax, final tax and minimum tax differential		(973,636,331)	2,124,153,411
Final tax and minimum tax differential	30	(44,463,206)	(88,971,015)
(Loss) / profit before tax		(1,018,099,537)	2,035,182,396
Taxation	31	(3,897,489)	(36,781,539)
(Loss) / profit for the year		(1,021,997,026)	1,998,400,857
Earnings per share - basic and diluted	32	(147.63)	288.68

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

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CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

KHYBER TOBACCO COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2024

	2024 Rupees	2023 Rupees
(Loss) / Profit for the year	(1,021,997,026)	1,998,400,857
Items that will not be reclassified to profit or loss:		
Surplus on revaluation of property, plant and equipment	-	-
Impact of change in tax rate on revaluation surplus	(71,651,878)	39,503,113
Remeasurement gain / (loss) on post retirement benefits liability	1,362,833	(8,984,073)
Related deferred tax	1,731,994	771,033
	(68,557,051)	31,290,073
Total comprehensive income for the year	(1,090,554,077)	2,029,690,930

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

KHYBER TOBACCO COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2024

	Share capital	Reserves			
		Capital reserves	Revenue reserves		Total
		Revaluation surplus on property, plant and equipment	General reserves	Unappropriated profit	
	Rupees				
Balance as at July 01, 2022	48,073,640	360,188,752	3,312,465	1,352,674,467	1,764,249,324
Total comprehensive income for the year					
Profit for the year	-	-	-	1,998,400,857	1,998,400,857
Other comprehensive income for the year	-	39,503,113	-	(8,213,040)	31,290,073
	-	39,503,113	-	1,990,187,817	2,029,690,930
Transfer from surplus on revaluation of property, plant and equipment - net of tax					
- on account of incremental depreciation	-	(20,319,913)	-	20,319,913	-
- on account of disposal	-	(10,408,946)	-	10,408,946	-
	-	(30,728,859)	-	30,728,859	-
Transactions with owners:					
Shares issued as fully paid bonus shares	21,152,400	-	-	(21,152,400)	-
Balance as at June 30, 2023	69,226,040	368,963,006	3,312,465	3,352,438,743	3,793,940,254
Total comprehensive income for the year					
(Loss) / Profit for the year	-	-	-	(1,021,997,026)	(1,021,997,026)
Other comprehensive income for the year	-	(71,651,878)	-	3,094,827	(68,557,051)
	-	(71,651,878)	-	(1,018,902,199)	(1,090,554,077)
Transfer from surplus on revaluation of property, plant and equipment - net of tax					
- on account of incremental depreciation	-	(15,568,698)	-	15,568,698	-
Transactions with owners:					
-Dividend distributed during the year	-	-	-	(6,942,604)	(6,942,604)
Balance as at June 30, 2024	69,226,040	281,742,430	3,312,465	2,342,162,638	2,696,443,573

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

KHYBER TOBACCO COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024

	Note	2024 Rupees	2023 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / Profit before income tax		(1,018,099,537)	2,035,182,396
Adjustments for:			
Depreciation on property, plant and equipment		302,642,763	168,355,772
Final tax and minimum tax differential		44,463,206	88,971,015
Provision for staff retirement benefits		38,936,080	25,147,539
Accrued liabilities written back		(3,246,824)	(23,025,824)
Advance from customer written back		-	(3,375,000)
Advance to supplier written off		65,012,237	560,343
Write off sales tax not to be claimed		-	9,035,649
Gain on disposal of property, plant and equipment		-	(1,671,651)
Impairment loss on financial assets		77,590,728	61,954,517
Exchange loss / (gain)		21,739,923	(371,124,243)
Finance cost		269,978,815	276,640,353
		817,116,928	231,468,470
Cash flows from operating activities before working capital changes		(200,982,609)	2,266,650,866
Effect on cash flows due to working capital changes			
(Increase) / decrease in stock in trade		(4,606,710,320)	163,340,695
Increase in store and spares		(7,520,309)	(3,004,119)
Increase in trade debts		(40,383,664)	(267,888,264)
Decrease / (Increase) in advances and prepayments		161,223,417	(491,592,578)
Increase in trade and other payables		4,350,796,588	1,405,184,515
		(142,594,288)	806,040,249
Cash (used in) / generated from operations		(343,576,897)	3,072,691,115
Gratuity paid		(5,152,102)	(9,349,751)
Income tax paid		(21,064,763)	(17,607,536)
Levy's paid		(16,344,998)	(88,971,015)
Finance cost paid		(186,105,739)	(257,598,255)
Lease rentals paid		(5,000,000)	-
WWF paid		-	(12,671,798)
Unclaimed dividend paid		(6,444,674)	(6,392)
		(240,112,276)	(386,204,747)
Net Cash (used in) / generated from operating activities.		(583,689,173)	2,686,486,368
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(333,361,037)	(908,212,669)
Security deposits		(24,742,779)	(1,290,000)
Net cash used in investing activities		(358,103,816)	(909,502,669)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt of loan		800,000,000	33,000,000
Repayment of loan		-	(1,402,864,362)
Net cash generated from / (used in) financing activities		800,000,000	(1,369,864,362)
Net (decrease) / increase in cash and cash equivalents (A+B+C)		(141,792,989)	407,119,337
Cash and cash equivalents at beginning of the year		1,086,478,184	679,358,847
Cash and cash equivalents at end of the year	22	944,685,195	1,086,478,184

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

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CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

KHYBER TOBACCO COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

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, 2024

The following standards, amendments and interpretations are effective for the year ended June 30, 2024. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

2.2.1 Standards or Interpretations with no significant impact

Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework

Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract

Annual Improvements to IFRS Standards 2018-2020 Cycle (related to IFRS 9, IFRS 16 and IAS 41)

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.

	Effective from accounting period beginning on or after:
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 IAS 12 ' Income taxes' - International Tax Reform — Pillar Two Model Rules	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
Amendments to IFRS 16 ' Leases' -Clarification on how seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
Amendments to IAS 7 'Statement of Cash Flows' and 'IFRS 7 'Financial instruments disclosure' - Supplier Finance Arrangements	January 01, 2024
Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates' - Clarification on how entity accounts when there is long term lack of Exchangeability	January 01, 2025
IFRS 17 – Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17)	January 01, 2026
Amendments IFRS 9 'Financial Instruments' and IFRS 7 'Financial instruments disclosures' - Classification and measurement of financial instruments	January 01, 2026

Amendments to IFRS 10 and 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely

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

Other than the aforesaid amendments, 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 18 - Presentation and Disclosures in Financial Statements
- IFRS 19 - Subsidiaries without Public Accountability: Disclosures

3 ADOPTION OF NEW ACCOUNTING POLICY

3.1 Accounting for minimum taxes and final taxes

During May 2024, The Institute of Chartered Accountants of Pakistan (ICAP) issued a guide 'IAS 12 Application Guidance on Accounting for Minimum taxes and Final taxes' (the Guide) to provide guidance on accounting of minimum tax and final tax, as mentioned in the Income Tax Ordinance, 2001, under the requirements of relevant IFRS Accounting Standards and provide appropriate approaches to account for minimum taxes and final taxes in compliance with the requirements of IFRS Accounting Standards.

In view of the clarifications from ICAP, it has been established that minimum tax and final taxes do not meet the criteria of income tax expense as per IAS 12 (as these are not based on taxable profits), hence, it should be accounted for under IFRIC 21 'Levies' and IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.

The Guide issued by ICAP provides approaches to account for minimum and final regime taxes according to the facts and circumstances as applicable to the Company. Accordingly, the Company has adopted the following approach:

The Compnay first designates the amount calculated on taxable income using the notified tax rate as an income tax within the scope of IAS 12 'Income Taxes' and recognise it as current income tax expense. Any excess over the amount designated as income tax, is then recognised as a levy falling under the scope of IFRIC 21 "Levies"/IAS 37" Provisions, Contingent Liabilities and Contingent Assets".

Therefore, the effective rate of income tax is equal to the enacted rate of income tax and and the deferred tax will be calculated at such rate.

Super tax charged to entities as per provisions of Income Tax Ordinance, 2001, will be classified as either 'Income Tax' or 'levy' in accordance with guidance provided in the guide [i.e. if super tax calculation is based on taxable profits as defined in IAS 12, then, such super tax shall be recognised as 'income tax' otherwise such super tax shall qualify for recognition as 'levy' as per IFRIC 21 / IAS 37].

Advance taxes paid under any section of the Income Tax Ordinance, 2001, except minimum taxes paid under section 113, which are termed as levy as per the above guide will be classified as 'prepaid levies.

The above changes have been accounted for in these financial statements as per the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. The adoption of this policy did not result any material differences except for reclassifications which are presented as below:

	Current Classification	Previous Classification
	------------------Rupees------------------	
Effect of statement of financial position.		
Prepaid Levy	62,589,434	-
Advance income tax	65,899,896	128,489,330
	128,489,330	128,489,330
Effect on statement of profit or loss:		
As at June 30, 2023		
Final tax and minimum tax differential		
Final tax on receipts	72,902,737	-
Minimim tax differential	16,068,278	-
	88,971,015	
Provision for taxation		
-Current-for the year	37,094,081	126,065,096
-Deferred Tax	(312,542)	(312,542)
	36,781,539	125,752,554
Total Levy and income tax	125,752,554	125,752,554

3.2 Significant Accounting Policy to Material Accounting Policy Information

During the year, the Company adopted the Disclosure of Accounting Policies (Amendments to IAS 1) from January 01, 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting polices. Although the amendments did not result in any changes to the accounting policies themselves.

4 SIGNIFICANT ESTIMATES

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

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

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

Employee retirement benefits

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

Property, plant and equipment

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

Revaluation of fixed assets

Revaluation of fixed assets is carried out by independent professional valuer. Revalued amounts of non-depreciable items are determined by reference to local market values and that of depreciable items are determined by reference to present depreciated replacement values. The frequency of revaluation depends upon the changes in fair values of the items of property, plant and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required. Such frequent revaluations are unnecessary for items of property, plant and equipment with only insignificant changes in fair value. Instead, it may be necessary to revalue the item only every three or five years.

Impairment on financial assets

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

Taxation

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

Contingencies

The Company has disclosed its contingent liabilities for the pending litigations and claims against the Company based on its judgment and the advice of the legal advisors for the estimated financial outcome. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the 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 2023.

5 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

6 MATERIAL ACCOUNTING POLICY INFORMATION

6.1 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 13 to these financial statements. Full month depreciation is charged in the month of addition while no depreciation is charged in the month of disposal or derecognition.

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

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.

6.2 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

- 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.

6.3 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.

6.3.1 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.

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.

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.

6.3.2 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.

6.4 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.

6.5 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.

6.6 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.

6.7 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.

6.8 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.

6.9 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.

6.10 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.

6.11 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.

6.12 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.

6.13 Levy

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

(a) those outflows of resources that are within the scope of other standards.

(b) fines or other penalties that are imposed for breaches of the legislation.

In these financial statements, levy includes revenue taxes, if any, final taxes and super taxes which are based on other than taxable profits. The corresponding advance tax paid, except for minimum taxes under section 113, which are treated as levy are recognised in prepaid assets as 'prepaid assets'

Revenue taxes

Revenue taxes includes amount representing :

a)minimum tax paid under section 113 over income tax determined on income streams taxable at general rate of taxation and;

b)minimum tax withheld / collected / paid or computed over tax liability computed on (related income tax streams taxable at general rate of tax), is not adjustable against tax liability of subsequent tax years.

Amount over revenue taxes shall be treated as current income tax expense falling under the scope of IAS 12.

Final Taxes

Final taxes includes tax charged / withheld / paid on certain income streams under various provisions of Income Tax Ordinance, 2001 (Ordinance). Final tax is charged / computed under the Ordinance, without reference to income chargeable to tax at the general rate of tax and final tax computed / withheld or paid for a tax year is construed as final tax liability for the related stream of Income under the Ordinance.

Final tax paid is considered to be full and final discharge of the tax liability for the Company for a tax year related to that income stream.

6.13 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.

6.14 Contract liabilities

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

6.15 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.

6.16 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.

6.17 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.

6.18 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.

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.

7 SHARE CAPITAL

7.1 Authorized share capital

2024	2023		2024	2023
Number of shares			Rupees	Rupees
60,000,000	60,000,000	Ordinary shares of Rs 10 each	600,000,000	600,000,000

7.2 Issued, subscribed and paid up share capital

2024	2023		2024	2023
Number of shares			Rupees	Rupees
497,500	497,500	Ordinary shares of Rs. 10 each issued for cash	4,975,000	4,975,000
6,425,104	6,425,104	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	64,251,040	64,251,040
6,922,604	6,922,604		69,226,040	69,226,040

7.3 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.

7.4 The general reserves are used from time to time to transfer profits from un-appropriated profit. There is no policy of regular transfer. General reserves are not usable for profit distribution.

7.5 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:

	2024 Rupees	2023 Rupees
Long term borrowings	901,035,638	101,035,638
Total equity	3,130,176,861	3,987,693,457
Total capital	4,031,212,499	4,088,729,095
Gearing ratio	22%	2%

8 REVALUATION SURPLUS ON PROPERTY, PLANT AND EQUIPMENT

	2024 Rupees	2023 Rupees
Opening balance as on July 01	420,554,218	455,458,502
Surplus arising on property, plant and equipment recognized during the year	-	-
	420,554,218	455,458,502
Surplus transferred to unappropriated profit:		
- on account of incremental depreciation - net of tax	(15,568,698)	(20,319,913)
- on account of disposal - net of tax	-	(10,408,946)
- related deferred tax	(6,359,046)	(4,175,425)
	(21,927,744)	(34,904,284)
	398,626,474	420,554,218
Related deferred tax liability		
On revaluation surplus as on July 01	(51,591,212)	(95,269,750)
Recognized in OCI	-	-
Impact of change in tax rate	(71,651,878)	39,503,113
Effect due to incremental depreciation	6,359,046	4,175,425
	(116,884,044)	(51,591,212)
	281,742,430	368,963,006

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

9 EMPLOYEE RETIREMENT BENEFITS

	Note	2024 Rupees	2023 Rupees
Net defined benefit liability	9.1	120,231,933	87,810,788

9.1 Net defined benefit liability

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

Movement in the defined benefit liability

	2024 Rupees	2023 Rupees
Balance at beginning of the year	87,810,788	63,028,927
Charge for the year	38,936,080	25,147,539
Benefits paid during the year	(5,152,102)	(9,349,751)
Remeasurement (gain) / loss	(1,362,833)	8,984,073
Balance at the end of the year	120,231,933	87,810,788

9.2 Movement in the present value of defined benefit liability is as follows:

	2024 Rupees	2023 Rupees
Present value of defined benefit liability as at July 01	87,810,788	63,028,927
Current service cost	25,511,609	17,269,742
Interest cost	13,424,471	7,877,797
Benefits paid	(5,152,102)	(9,349,751)
Remeasurement (gain) / loss	(1,362,833)	8,984,073
Present value of defined benefit liability as at June 30	120,231,933	87,810,788

9.3 Expense recognized in profit or loss account is as follows

	2024 Rupees	2023 Rupees
Current service cost	25,511,609	17,269,742
Interest cost	13,424,471	7,877,797
	38,936,080	25,147,539

9.4 Charge for the year has been allocated as follows

	2024 Rupees	2023 Rupees
Cost of sales	22,270,786	13,329,947
Administrative expenses	12,689,620	8,798,859
Selling and distribution cost	3,975,674	3,018,733
	38,936,080	25,147,539

9.5 Remeasurement chargeable to other comprehensive income

Remeasurement (gain) / loss on defined benefit obligation	**(1,362,833)**	8,984,073

9.6 Key actuarial assumptions

The latest actuarial valuation was carried out, on June 30, 2024, using projected unit credit method with the following assumptions:

	2024	2023
	Percentage	Percentage
The following were the principal actuarial assumptions at the reporting date :		
Discount rate	**14.00%**	15.75%
Future salary growth	**14.00%**	15.75%
Employee turnover rate	**Moderate**	Moderate
Mortality rate	**SLIC 2001-2005 mortality table**	
Withdrawal rate	**Age dependent withdrawal table**	

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.

Maturity profile of the defined benefit obligation

At June 30, 2024 the weighted-average duration of defined benefit obligation was 12.10 years (2023: 12.37 years).

	2024	2023
	Rupees	Rupees
Distribution of timing of benefit payments (time in years)		
0 to 1 year	**9,480,583**	9,747,320
1 to 2 years	**3,828,960**	2,715,148
2 to 5 years	**27,188,535**	18,463,171
Above 5 years	**1,341,737,340**	1,454,492,606

9.7 Sensitivity Analysis

For changes of 100 basis points, present value of defined benefit obligation as at June 30, 2024 would have been as follows:

	Defined Benefit Obligation		
	Changes in assumptions	**Increase in assumptions**	**Decrease in assumptions**
	%	**Rupees**	
Discount rate	**14%**	**108,876,660**	**133,785,508**
Future salary growth	**14%**	**134,152,703**	**108,393,409**

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.

9.8 Estimated expense for next year

The Expected Expense for the next one year works out to Rs 49,816,551. This is the amount by which the Company needs to increase its provision for the next one year.

9.9 Risk associated with defined benefit plan

Salary risk (linked to inflation risk)

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

Demographic risks

Mortality risk

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

Withdrawal risk

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

9.10 Funding

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

10 DEFERRED TAXATION

		2024	2023
	Note	**Rupees**	Rupees
Deferred taxation	10.1	**179,827,028**	105,942,415

10.1 This comprises the following:

Deferred tax liability on taxable temporary differences arising in respect of:		
Property, plant and equipment	**226,670,899**	93,321,669
Revaluation surplus	**115,601,677**	50,308,845
Right of use asset	**42,720,238**	-
	384,992,814	143,630,514
Deferred tax asset on deductible temporary differences arising in respect of:		
Trade debtors	**(49,447,821)**	(11,115,446)
Employee retirement benefits	**(34,867,261)**	(10,504,375)
Lease Liability	**(67,639,372)**	
unabsorbed tax depreciation	**(53,211,332)**	
Tax credit on differential between minimum and ACT	**-**	(16,068,278)
	(205,165,786)	(37,688,099)
	179,827,028	105,942,415

10.2 Movement in temporary differences during the year

	Balance as at July 01, 2023	**Expense/ (Income) Recognized in profit or loss**	**Recognized in other comprehensive income**	**Balance as at June 30, 2024**
			Rupees	
Taxable temporary differences				
Property, plant and equipment	**93,321,669**	**133,349,230**	**-**	**226,670,899**
Right of use	**-**	**42,720,238**	**-**	**42,720,238**
Revaluation surplus	**50,308,845**	**(6,359,046)**	**71,651,878**	**115,601,677**
	143,630,514	**169,710,422**	**71,651,878**	**384,992,814**
Deductible temporary differences				
Allowance for expected credit losses	**(11,115,446)**	**(38,332,375)**	**-**	**(49,447,821)**
Lease liability	**-**	**(67,639,372)**	**-**	**(67,639,372)**
Unabsorbed tax depreciation	**-**	**(53,211,332)**	**-**	**(53,211,332)**
Provision for employee retirement	**(10,504,375)**	**(22,630,892)**	**(1,731,994)**	**(34,867,261)**
Tax credit	**(16,068,278)**	**16,068,278**	**-**	**-**
	(37,688,099)	**(165,745,693)**	**(1,731,994)**	**(205,165,786)**
	105,942,415	**3,964,729**	**69,919,884**	**179,827,028**

	Balance as at July 01, 2022	Expense/ (Income) Recognized in profit or loss	Recognized in other comprehensive income	Balance as at June 30, 2023
			Rupees	
Taxable temporary differences				
Property, plant and equipment	71,937,984	21,383,685	-	93,321,669
Revaluation surplus	93,987,387	(4,175,429)	(39,503,113)	50,308,845
	165,925,371	17,208,256	(39,503,113)	143,630,514
Deductible temporary differences				
Allowance for expected credit losses	(6,389,761)	(4,725,685)	-	(11,115,446)
Provision for employee retirement	(13,006,507)	3,273,165	(771,033)	(10,504,375)
Tax credit	-	(16,068,278)	-	(16,068,278)
	(19,396,268)	(17,520,798)	(771,033)	(37,688,099)
	146,529,103	(312,542)	(40,274,146)	105,942,415

		2024 Rupees	2023 Rupees
11 Lease Liabilities			
Liability against Right of use Asset	**11.1**	**233,239,214**	-
Current portion of liability against right of use		**(99,564,887)**	-
		133,674,327	
11.1 Movement of liability against right of use asset is			
Opening balance		**-**	-
Liability against right of use asset recognized		**196,414,888**	-
Interest on unwinding of liability against right of	29	**41,824,326**	-
Payments during the year		**(5,000,000)**	-
Closing balance		**233,239,214**	**-**

11.2 Maturity analysis of liability against right of use asset is as follows:

Less than one year	134,500,000	-
One to five years	168,165,000	-
Total undiscounted liability against right of use	302,665,000	-
Impact of discounting on liability against right of	(69,425,786)	-
	233,239,214	-

11.3 The lease liability contains building with plant and machinery taken on lease from Samsons Re-Drying & Processing Company (Pvt) Limited and land from Waseem-ur-Rehman (sponsor). Both are the related party of Khyber Tobacco Company Limited.

		2024 Rupees	2023 Rupees
12 TRADE AND OTHER PAYABLES			
Trade creditors	12.1	6,351,371,057	2,306,578,746
Accrued liabilities		53,278,301	37,274,559
Advance from customers	12.2	702,575,720	402,916,335
Workers' Profit Participation Fund	12.3	272,175,965	216,838,722
Workers' Welfare Fund		42,672,454	42,672,454
Withholding taxes		36,385,185	49,634,736
Sales tax and excise duty		248,751,850	304,683,923
Tobacco development cess	12.4	110,937,754	65,705,879
Royalty		14,399,978	13,358,630
		7,832,548,264	3,439,663,984

12.1 These includes balance payable to Samsons Re-Drying & Processing Company (Pvt) Limited amounting to Rs. 926 Million (2023: Rs 401.2 Million) which is a related party of the Company

12.2 Advance from customers of Rs. 216.20 million received in previous year (2023: Rs. 140.12 million) has been adjusted against sales.

		2024 Rupees	2023 Rupees
12.3 Movement in Workers' Profit Participation Fund			
Balance at beginning of the year		216,838,722	81,273,193
Interest on funds utilized in the Company's business		55,337,243	20,944,102
Payments made during the year		-	-
		272,175,965	102,217,295
Allocation for the year		-	114,621,427
Balance at end of the year		272,175,965	216,838,722
12.4 Movement of Tobacco devlopment Cess			
Balance at beginning of the year		65,705,879	23,316,742
Charged during the year		138,905,230	114,903,713
Payments made during the year		(93,673,355)	(72,514,576)
Balance at the end of the year		110,937,754	65,705,879
13 LOAN FROM SPONSORS - UNSECURED			
Loan from sponsors - unsecured	13.1	901,035,638	101,035,638
13.1 Movement in Loan from Sponsors-unsecured			
At the beginning of the year		101,035,638	1,470,900,000
Received during the year		800,000,000	33,000,000
Repaid during the year		-	(1,402,864,362)
At the end of the year		901,035,638	101,035,638

This loan is for meeting the working capital requirements of the company. The loan carries interest at **1 Year Kibor+ 2%**. If borrower defaults 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 shares of the company with mutual consent of both parties. However the decision of Board of directors of the Company shall be considered final in this regard.

14 ACCRUED MARKUP ON LOAN FROM SPONSORS-UN-SECURED

	2024 Rupees	2023 Rupees
Accrued markup on loan from sponsors-un-secured	**233,616,169**	175,252,784

15 CONTINGENCIES AND COMMITMENTS

Commitments:

	2024	2023
Letter of credit against import of tobacco	**220,386,948**	-
Short term lease rentals	**6,525,696**	6,525,696
Letters of guarantee issued by bank / insurance company	**6,046,900,000**	46,900,000
	6,273,812,644	53,425,696

Contingencies:

i Deputy Commissioner Inland Revenue, Corporate Zone II, Regional Tax Office, Peshawar passed assessment order under assessment order no. 33/2017 on 23 August 2017 under Federal Excise Act 2005 and Sales Tax Act 1990 amounting to Rs. 9.51 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 which has been decided against the Company and the Company has filed appeal in Appellant Tribunal Inland Revenue (ATIR) which has been decided in the favour of the Company via order no STA no 190/PB/20218 dated 4 September 2024 by ATIR.

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 of Rs. 376.2 million against the Company in lieu of alleged claims of non payment of taxes and duties. The Company has filed an appeal against the order before the Commissioner Appeals which was decided against the Company. The Company has filled second appeal on August 19,2019 against the order before the ATIR on and the matter is still pending for adjudication. The management, based on legal opinion, is confident that the eventual decision will be in favor of the Company.

iii Deputy Commissioner Inland Revenue, Corporate Zone II, Regional Tax Office, Peshawar passed an assessment order on January 29, 2018 under Federal Excise Act 2005 and Sales Tax Act 1990 amounting to Rs. 27.80 million against the Company in in lieu of alleged claims of non payment of taxes and duties. The Company has filled the appeal against the order before the Commissioner Appeals Inland Revenue Peshawar and the matter was decided against the Company. The Company has filled second appeal against the order before the ATIR and the matter is still pending for 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 for tax year 2018 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 on July 29, 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 January 17, 2019 under Federal Excise Act, 2005 and Sales Tax Act, 1990 of 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.

vi Additional Commissioner Inland Revenue, Zone I, Large Taxpayers Office, Islamabad passed an assessment order number 149068327 related to tax year 2021 on March 30, 2023 under section 122(5A) of the Income Tax Ordinance 2001 of Rs.271.78 million disallowing various expenses including advertisement, gratuity, discount on cigarette sales, bad debts and adding loan from sponsors into taxable income. The Company filed an appeal against the assessment order with the Commissioner Appeals Inland Revenue,Islamabad on April 26,2023 and the matter is pending for adjudication. Based on legal opinion, the management is confident that the eventual decision will favor the company.

vii Deputy Commissioner Inland Revenue ('DCIR') passed an assessment order in original No 11/2023 dated January 16, 2024 for the tax period July 2018 to June 2019 under section 11 of Sales Tax Act 1990 and assessed Rs. 130 million as recoverable from the Company along with penalty and default surcharge of Rs. 6.5 million. This include mainly the sales tax not paid on unmanufactured Tobacco of Rs. 127 million. Being aggreieved, the Company has filed an appeal before the Commissioner Appeal which is being transferred to ATIR due to enactment of the Tax Laws (Amendment) Act, 2024 and it is pending for adjudication, the management, based on legal opinion, is confident that the eventual decision will favor the Company as the majority of the tax liability is related to unmanufactured tobacco and the Company has previously defended such cases in different appeals before the ATIR.

viii Deputy Commissioner Inland Revenue ('DCIR') passed an assessment order in original no 10/2023 dated January 01, 2024 under section 11 of Sales Tax Act 1990 and assessed Rs. 4.79 million as recoverable from the Company along with penalty and default surcharge of amounting to Rs. 23.9 million in lieu of alleged claims of non payment of taxes and duties. The Company has filled the appeal against the order before the Commissioner Appeals and the matter is still pending for adjudication. The management, based on legal opinion, is confident that the eventual decision will be in favor of the Company.

ix Deputy Commissioner Inland Revenue ('DCIR') passed an assessment order under Fedral Excise Act, 2005 bearing reference no 36 dated March 03, 2020 and assessed Rs. 14.74 million as recoverable from the Company along with the penalty and default surcharge of Rs. 73.7 in lieu of alleged claims of non payment of taxes and duties. Being aggrieved, Company has filed an appeal before the Commissioner Appeal who has remanded back the case vide order no 33/2021 dated December 12, 2022 to the deputy commissioner for reassessment. Subsequent to year end, deputy commissioner has issued order again bearing reference no C.No.ST/69. dated July 12,2024 and demanded for 14.74 million.The Company has filed the appeal in ATIR 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.

x Deputy Commissioner Inland Revenue,Large Taxpayers Office, Peshawar passed an assessment order beiring number 100000202580320 related to tax year 2020 on August 02, 2024 under section 122(1) of the Income Tax Ordinance 2001 and assessed Rs.1,559 million by disallowing various expenses including advertisement, gratuity, discount on cigarette sales,export sales,stocks and adding loan from sponsors into taxable income. The company filed an appeal against the assessment order with Appellant Tribunal Inland Revenue (ATIR) Peshawar on August 28, 2024 and the matter is pending for adjudication. Based on legal opinion, the management is confident that the eventual decision will favor the company.

xi Additional Commissioner Inland Revenue,Large Taxpayers Office, Peshawar passed an assessment order bearing number 100000202580321 related to tax year 2023 on August 02, 2024 under section 122(1) of the Income Tax Ordinance 2001 and assessed Rs.872 million by adding back WWF, WPPF,purchases and opening stock in taxable income. The company filed an appeal against the assessment order with Appellant Tribunal Inland Revenue (ATIR) Peshawar on August 28, 2024 and the matter is pending for adjudication. Based on legal opinion, the management is confident that the eventual decision will favor the company.

xii Deputy Commissioner Inland Revenue, Zone I, Large Taxpayers Office, Peshawar passed an assessment order bearing number 100000202294584 related to tax year 2019 on July 30, 2024 under section 122(1) of the Income Tax Ordinance 2001 and assessed Rs.314 million by adding back various expenses into taxable income. The company filed an appeal against the assessment order with Appellant Tribunal Inland Revenue (ATIR) Peshawar on August 28, 2024 and the matter is pending for adjudication. Based on legal opinion, the management is confident that the eventual decision will favor the company.

16 PROPERTY, PLANT AND EQUIPMENT

	Note	2024 Rupees	2023 Rupees
Operating assets	16.1	2,514,598,799	2,722,351,683
Capital work-in-process	16.4	309,879,396	-
Capital stores		-	22,304,515
		2,824,478,195	2,744,656,198

16.1 OPERATING ASSETS

	Buildings on leasehold land	Plant and machinery	Tools and electrical appliances	Furniture and fittings	Office equipment	Vehicles	Total
	Rupees						
COST / REVALUED AMOUNTS							
Balance at July 01, 2022	265,435,000	1,238,710,001	104,337,758	2,369,750	3,666,440	24,777,440	1,639,296,389
Additions	4,125,087	32,316,800	4,057,623	39,200	162,000	36,312,215	77,012,925
Disposals	-	(38,860,349)	-	-	-	-	(38,860,349)
Transfers	-	1,273,506,193	-	-	-	-	1,273,506,193
Balance at June 30, 2023	269,560,087	2,505,672,645	108,395,381	2,408,950	3,828,440	61,089,655	2,950,955,158
Balance at July 01, 2023	**269,560,087**	**2,505,672,645**	**108,395,381**	**2,408,950**	**3,828,440**	**61,089,655**	**2,950,955,158**
Additions	-	**55,594,859**	**4,903,767**	-	-	**162,894**	**60,661,520**
Disposals	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Balance at June 30, 2024	**269,560,087**	**2,561,267,504**	**113,299,148**	**2,408,950**	**3,828,440**	**61,252,549**	**3,011,616,678**
ACCUMULATED DEPRECIATION							
Balance at July 01, 2022	-	-	36,529,709	-	3,606,420	20,633,574	60,769,703
Charge for the year	17,212,246	136,261,435	9,624,282	216,670	40,460	5,000,678	168,355,771
Disposals	-	(522,000)	-	-	-	-	(522,000)
Balance at June 30, 2023	17,212,246	135,739,435	46,153,991	216,670	3,646,880	25,634,252	228,603,474
Balance at July 01, 2023	**17,212,246**	**135,739,435**	**46,153,991**	**216,670**	**3,646,880**	**25,634,252**	**228,603,474**
Charge for the year	**17,321,932**	**229,721,734**	**10,092,063**	**216,806**	**43,740**	**11,018,129**	**268,414,404**
Disposals	-	-	-	-	-	-	-
Balance at June 30, 2024	**34,534,178**	**365,461,169**	**56,246,054**	**433,476**	**3,690,620**	**36,652,381**	**497,017,878**
Carrying value - June 2024	**235,025,909**	**2,195,806,335**	**57,053,094**	**1,975,474**	**137,820**	**24,600,168**	**2,514,598,800**
Carrying value - June 2023	252,347,841	2,369,933,210	62,241,390	2,192,280	181,560	35,455,403	2,722,351,684
Rate of depreciation per annum	**7.14%**	**10%**	**10%**	**10%**	**30%**	**20%**	

		Note	2024 Rupees	2023 Rupees
16.2	Depreciation on property, plant and equipment has been allocated as follows;			
	Cost of sales	24	302,642,763	159,595,550
	Administrative expenses	25	14,875,363	8,760,222
			317,518,126	168,355,772

16.3 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;

	Cost	Accumulated depreciation	Carrying value
	Rupees	Rupees	Rupees
Buildings on leasehold land	13,814,562	2,667,493	11,147,069
Plant and machinery	2,500,724,835	478,565,487	2,022,159,348
Furniture and fittings	1,912,302	1,037,475	874,827
30 June 2024	2,516,451,699	482,270,455	2,034,181,244

	Cost	Accumulated depreciation	Carrying value
	Rupees	Rupees	Rupees
Buildings on leasehold land	13,814,562	1,649,636	12,164,926
Plant and machinery	2,445,129,976	254,292,593	2,190,837,383
Furniture and fittings	1,912,302	865,368	1,046,934
30 June 2023	2,460,856,840	256,807,597	2,204,049,243

16.3.1 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.

16.4 CAPITAL WORK IN PROGRESS

	2024 Rupees	2023 Rupees
Opening	-	442,306,449
Additions	309,879,396	831,199,744
Disposals	-	-
Transfer to property plant and equipment	-	(1,273,506,193)
Balance as at June 30	309,879,396	-

17 RIGHT OF USE ASSET

	2024 Rupees	2023 Rupees
Cost		
Opening	-	-
Addition during the year	196,414,889	-
	196,414,889	-
Accumulated depreciation		
Opening balance	-	-
Charge for the year	49,103,722	-
	49,103,722	-
Book value at year end	147,311,167	-

18 LONG TERM DEPOSITS AND PREPAYMENTS

	Note	2024 Rupees	2023 Rupees
Sui Northern Gas Pipelines Limited		6,058,151	3,660,151
Non-current portion of prepaid insurance		12,244,779	-
Others	18.1	12,677,260	2,577,260
		30,980,190	6,237,411

18.1 The Long term deposit contains refundable security deposit amounting to Rs 10 million paid to Samson Re-drying Processing Company (Pvt) Limited for acquiring the building with plant and machinery on lease during the year.

19 STOCK IN TRADE

	Note	2024 Rupees	2023 Rupees
Raw and packing material		6,071,638,700	1,358,636,376
Stock in transit		143,295,000	262,636,279
Finished goods		134,918,454	85,363,629
Less: provision for net realisable value		(36,505,550)	-
		6,313,346,604	1,706,636,284

20 TRADE DEBTS

	Note	2024	2023
Local - unsecured		1,451,702,927	670,099,972
Foreign - unsecured		67,545,577	830,504,791
		1,519,248,504	1,500,604,763
Allowance for expected credit losses	20.1	(170,509,727)	(92,918,999)
		1,348,738,777	1,407,685,764

20.1 Movement in allowance for expected credit losses

	2024	2023
Balance at begning of the year	92,918,999	30,964,482
Impairment losses recognized during the year	77,590,728	61,954,517
Balance at end of the year	170,509,727	92,918,999

21 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	2024	2023
Advances to suppliers	143,741,631	609,643,220
Advances against letter of credit	220,386,948	3,006,117
Prepaid insurance	10,519,161	539,583
Other receivables	42,205,576	29,144,700
Income tax refundable	106,499,582	104,008,108
	523,352,898	746,341,728

22 CASH AND BANK BALANCES

	2024	2023
Cash in hand	479,755	350,264
Cash at bank - current accounts		
- Foreign currency	325,105,078	310,460,179
- Local currency	619,100,362	775,667,741
	944,205,440	1,086,127,920
	944,685,195	1,086,478,184

23 REVENUE FROM CONTRACTS WITH CUSTOMERS - NET

	Note	2024	2023
Gross sales-own manafacturing			
- Local		4,562,457,259	5,072,866,142
- Export	23.1	835,354,533	6,245,818,155
		5,397,811,792	11,318,684,297
Gross sales-trading		1,773,386,214	183,445,188
Total Gross Revenue		7,171,198,006	11,502,129,485
Government levies			
- Excise duty		3,345,652,025	3,132,870,644
- Sales tax		711,785,913	751,078,766
		4,057,437,938	3,883,949,410
Less: Discounts		33,820,600	59,452,250
		3,113,760,068	7,434,547,887

23.1 Disaggregation of Revenue

In the following table, revenue from contracts with customer is disaggregated by primary geographical markets, major products and service line and timing of revenue recognition.

	2024 Rupees	2023 Rupees
Primary Geographical Markets		
Asia	**246,076,298**	210,678,539
Middle East	**589,278,235**	5,426,452,563
Europe	-	452,801,683
North east Africa	-	155,885,370
	835,354,533	6,245,818,155
Major products		
Tobacco	**826,592,076**	6,245,818,155
Cigarettes	**8,762,458**	-
	835,354,534	6,245,818,155

24 COST OF SALES

	Note	2024 Rupees	2023 Rupees
Raw and packing material consumed	24.1	**2,125,962,266**	4,152,062,777
Salaries, wages and other benefits		**287,842,893**	203,091,296
Fuel and power		**179,946,075**	146,712,294
Stores and spares consumed		**49,202,410**	59,583,711
Repair and maintenance		**4,335,755**	4,172,151
Royalty	24.2	**1,048,809**	2,419,140
Short term lease rental		**19,853,266**	11,245,891
Depreciation		**302,642,763**	159,595,550
Provision for net realisable value		**36,505,550**	2,166,009
Insurance		-	-
Others		-	2,002,248
Cost of goods manufactured		**3,007,339,787**	4,743,051,067
Opening finished stock		**85,363,629**	5,064,967
Closing finished stock		**(134,918,454)**	(85,363,629)
Cost of sales		**2,957,784,962**	4,662,752,405

24.1 Raw and packing materials consumed

	Note	2024 Rupees	2023 Rupees
Opening balance - raw and packing material		**1,358,636,376**	1,662,524,906
Opening balance - stock in transit		**262,636,279**	202,387,106
Raw and packing material purchases	24.1.1	**6,719,623,311**	3,908,423,420
Closing balance - raw and packing material		**(6,071,638,700)**	(1,358,636,376)
Closing balance - stock in transit		**(143,295,000)**	(262,636,279)
		2,125,962,266	4,152,062,777

24.1.1 Raw and packing material purchases and expenses

	2024 Rupees	2023 Rupees
Raw and packing material	**6,533,539,282**	3,764,227,373
Tobacco development cess	**138,905,230**	114,903,713
Consultancy charges	**17,768,076**	18,947,478
Freight in charges	**29,410,723**	10,344,856
	6,719,623,311	3,908,423,420

24.2 Details of royalty expense is as follows :

	Note	2024 Rupees	2023 Rupees
National Tobacco Industries (Private) Limited (NTI)	24.3	**740,856**	2,314,920
Walton Tobacco Company (Private) Limited (WTC)	24.3	**239,382**	104,220
		980,238	2,419,140

24.3 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)

25 ADMINISTRATIVE EXPENSES

	Note	2024 Rupees	2023 Rupees
Salaries, wages and other benefits		**164,009,338**	125,623,704
Fuel and power		**46,646,809**	10,010,238
Communication		**5,922,753**	2,652,022
Travelling		**18,266,907**	11,852,509
Printing and stationery		**5,322,876**	5,988,227
Depreciation		**14,875,363**	8,760,222
Legal and professional		**14,011,634**	9,675,181
Auditors' remuneration	25.1	**3,301,414**	3,172,350
Repair and maintenance		**2,052,585**	1,042,696
Insurance		**11,379,379**	-
Short term lease rentals		**1,108,800**	1,251,450
Advertisement		**67,500**	130,555
Donations	25.2	**2,600,000**	2,400,000
Others		**121,549,688**	54,564,854
		411,115,046	237,124,008

25.1 Auditors' remuneration includes following :

	Note	2024 Rupees	2023 Rupees
Audit services			
Annual audit fee		**1,746,360**	1,746,360
Half yearly review fee		**834,900**	834,900
Out of pocket expenses		**238,794**	238,794
Other certification charges		**481,360**	352,296
		3,301,414	3,172,350

25.2 This amount has been paid to Pak School and College System Mardan, which is owned by director of the Company Mr. Wasim ur Rehman.

26 SELLING AND DISTRIBUTION EXPENSES

	2024 Rupees	2023 Rupees
Salaries, wages and other benefits	**51,384,334**	43,018,451
Customs, clearance and freight on export	**50,214,967**	176,067,082
Freight on local sale	**12,038,600**	13,031,000
Research	**48,163,120**	28,569,308
Promotion / advertisement	**17,546,146**	17,202,948
Training	**27,000,000**	15,360,000
	206,347,167	293,248,789

27 OTHER INCOME

	2024	2023
Gain on disposal of property, plant and equipment	-	1,671,651
Accrued liabilities written back	**3,246,824**	23,025,824
Advance from customer written back	-	3,375,000
Exchange gain	-	371,124,243
	3,246,824	399,196,718

28 OTHER EXPENSES

	2024	2023
Workers' Profit Participation Fund (WPPF)	-	114,621,427
Workers' Welfare Fund	-	42,672,454
Advances written off	**65,012,237**	560,343
Write off sales tax not to be claimed	-	9,035,649
Federal excise duty written off	**81,074,345**	10,981,249
Exchange loss	**21,739,923**	-
	167,826,505	177,871,122

29 FINANCE COST

	2024	2023
Bank charges	**13,235,746**	13,991,049
Interest on Workers' Profit Participation Fund	**55,337,243**	20,944,102
Interest on loan from sponsors	**159,581,500**	241,705,202
Interest on unwinding of liability against right of use asset	**41,824,326**	-
	269,978,815	276,640,353

30 FINAL TAX AND MINIMUM TAX DIFFERENTIAL

Final tax on receipts	**15,983,137**	72,902,737
Minimum tax differential	**28,547,309**	16,068,278
	44,530,446	88,971,015

31 TAXATION

Current tax		
- Current year	**-**	39,266,447
- Prior year	**(67,240)**	(2,172,366)
	(67,240)	37,094,081
Deferred tax	**3,964,729**	(312,542)
	3,897,489	36,781,539

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

	2024 %	2023 %
Applicable tax rate	**29.00**	29.00
Super tax @ 4% / 1%	**-**	4.00
Prior year adjustment	**(0.01)**	(0.10)
Impact of rate change	**(2.97)**	-
Impact of expenses not deductible for tax purposes	**(9.54)**	-
Income chargeable at different rate	**(6.94)**	(23.40)
Unused tax losses and tax credits	**-**	(0.25)
Others	**(9.25)**	(3.33)
	0.29	23.00

32 EARNINGS PER SHARE - BASIC AND DILUTED

The calculation of

	2024 Rupees	2023 Rupees
(Loss) / profit attributable to ordinary shareholders	**(1,021,997,026)**	1,998,400,857
Weighted-average number of ordinary shares at 30 June	**6,922,604**	6,922,604
Basic earnings per share	**(147.63)**	288.68

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

33 CAPACITY AND PRODUCTION

	2024	2024
Available capacity (million cigarettes per annum)	**9,288**	9,288
Actual production (million cigarettes)	**631**	933

33.1 There has been no change in the available production capacity (million cigarettes per annum). However, the actual prodcution of cigarettes has been decreased in the current year due to the decrease in market demand.

34 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.

34.1 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.

34.1.1 Counterparties

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

Trade debts

Trade debts are essentially due from both foreign and 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.

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	2024	2023
	Short term	Long term		Rupees	Rupees
Habib Bank Limited	A-1+	AAA	JCR-VIS	**112,701,753**	197,016,475
National Bank Of Pakistan	A-1+	AAA	JCR-VIS	**841,127**	841,127
Mcb Bank Limited	A1+	AAA	PACRA	**47,669,512**	149,861,721
Samba Bank Limited	A-1	AA	JCR-VIS	**2,173**	2,199,065
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	**88,590,951**	23,540,680
Bank of Punjab	A1+	AA+	PACRA	**99,999,666**	-
Askari Bank Limited	A1+	AA+	PACRA	**433,000,258**	712,668,852
				782,805,440	1,086,127,920

34.1.2 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:

	2024 Rupees	2023 Rupees
Financial assets:		
Trade debts	**1,348,738,777**	1,407,685,764
Bank balances	**782,805,440**	1,086,127,920
Long term deposits	**30,980,190**	6,237,411
	2,162,524,407	2,500,051,095

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, 2024 the Company had approximately 21 (2023: 27) major local customers that owed more than Rs. 68 million each and accounted for approximately 99% (2023 : 98%) of local trade debts. Export debts amounting to Rs. 67.60 Million (2023 : Rs. 830 million) are unsecured.

34.1.3 Impairment losses

	Expected credit losses		Aging of trade debts	
	2024 Rupees	2023 Rupees	2024 Rupees	2023 Rupees
Not past due	**-**	-	**77,268,120**	471,766,748
Past due upto 12 months	**69,223,696**	63,426,136	**1,340,694,353**	999,345,152
Over 12 months	**101,286,031**	29,492,863	**101,286,031**	29,492,863
	170,509,727	92,918,999	**1,519,248,504**	1,500,604,763

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

	2024 Rupees	2023 Rupees
Balance as at July 01	**92,918,999**	30,964,482
Impairment losses on financial assets	**77,590,728**	61,954,517
Balance as at June 30	**170,509,727**	92,918,999

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.

34.2 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.

34.2.1 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.

	2024 Rupees	2023 Rupees
Maturity up to one year		
Trade and other payables	**6,419,049,336**	1,723,697,610
Unclaimed dividend	**16,669,221**	16,177,683
Loan from sponsors	**901,035,638**	1,470,900,000
Accrued markup on loan from sponsors	**233,616,169**	175,252,784
	7,570,370,364	3,386,028,077

34.3 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.

34.3.1 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:

	2024 USD	2023 USD
Cash and Bank	1,166,087	1,085,661
Trade debts	243,705	2,895,172

Commitments outstanding at year end is 220 Million (2023: Nil) relating to letter of credits for import of tobacco

The following significant exchange rates applied during the year:

Rupees per USD	2024	2023
Average rate	282.37	246.05
Reporting date rate	278.15	286.60

Sensitivity analysis

A 10 percent weakening of the Pak Rupee against the USD at June 30, 2024 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, 2023.

	2024 Rupees	2023 Rupees
(Decrease) / Increase in statement of profit or loss	(102,199,703)	62,920,257

A 10 percent strengthening of the Pak Rupee against the USD at June 30, 2024 would have had the equal but opposite effect on USD to the amounts shown above, on the basis that all other variables remain constant.

34.3.2 Interest rate risk

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

Profile

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

Floating rate instruments

Financial liabilities	2024 Rupees	2023 Rupees
WPPF payable	272,175,965	216,838,722
Loan from sponsors	901,035,638	101,035,638
Accrued markup on Loan from sponsors.	233,616,169	175,252,784
	1,406,827,772	493,127,144

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
2024	+ (-) 200	23,464,232
2023	+ (-) 200	6,357,487

34.3.3 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.

34.3.4 Financial Instruments by category

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

	2024	2023
Assets as per statement of financial position - at amortized cost	**Rupees**	Rupees
Trade debts	1,348,738,777	1,407,685,764
Cash and bank balances	944,685,195	1,086,478,184
Long term deposits	30,980,190	6,237,411
	2,324,404,162	2,500,401,359
Liabilities as per statement of financial position- at amortized cost		
Trade and other payables	6,419,049,336	2,532,464,720
Unclaimed dividend	16,669,221	16,171,291
Loan from sponsors and directors - unsecured	901,035,638	101,035,638
Accrued markup on loan from sponsors	233,616,169	175,252,784
	7,570,370,364	2,824,924,433

35 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.

36 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. Balances are disclosed in relevant notes.

36.1 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 36.2 of these financial statements.

Name	Basis of relationship	Nature	2024 Rupees	2023 Rupees
Samsons Re-drying and Processing Company	Associated Undertaking	Purchases	**624,799,450**	337,279,550
Wasim ur Rehman	Sponsor	Loan received	**800,000,000**	33,000,000
		Markup expense	**159,581,500**	200,598,707
Sami ur Rehman	Sponsor	Markup expense	-	170,447,663

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

Name	Basis of relationship	Shareholding % age
Mrs. Samera Irfan	Chief Executive Officer	**0.04%**
MR. Pir Farhan Shah	Company Secretary	**0.09%**
Mr. Shahzad Javed Panni	Independent-director	**0.04%**
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%**
Mrs. Sonia Farooq	Director	**0.04%**
Mr. Wasim ur Rehman	Ex Director	**64.33%**
Mr. Sami ur Rehman	Ex Director	**0.21%**
Samson Redrying and Processing (Private) Limited	Associated Undertaking	**0.00%**

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

37 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
June 30, 2024		**Rupees**	
Managerial remuneration	**3,600,000**	**420,000**	**139,945,280**
Number of persons	**1**	**1**	**56**
June 30, 2023			
Managerial remuneration	3,600,000	420,000	85,116,809
Number of persons	1	1	48

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

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

37.3 Meeting fee amounting to Rs. 450,000 has been paid to independent director Mr. Shahzad Javed Panni

37.4 Executive means an employee whose basic salary exceeds Rs. 1.20 million (2023: Rs. 1.20 million) during the year.

38 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Balance as at July 01, 2023	Amount received during the year	Amount repaid during the year	Balance as at June 30, 2024
			Rupees	
Loan from sponsors and directors - unsecured	101,035,638	800,000,000	-	901,035,638
Commitments - un-claimed dividend	16,171,291	-	(497,930)	16,669,221
	117,206,929	800,000,000	(497,930)	917,704,859

39 NUMBER OF PERSONS EMPLOYED

	2024 (Number)	2023 (Number)
Employees at year end	595	598
Average employees during the year	597	529
Factory employees at the year end	460	460
Average factory employees during the year	460	344

40 RECLASSIFICATION

Corresponding figures have been rearranged and reclassified, wherever considered necessary, for the purposes of comparison and to reflect the substance of the transactions. Following major reclassifications have been made during the period:

Reclassified from	Reclassified to	Reason	Rupees
Advance income tax	Provision for taxation	For better presentation	126,065,096
Advance income tax	Prepaid Levy's	For better presentation	62,589,434
Trade and other payables	Accrued markup on Loan from Sponsors	For better presentation	233,616,169

41 DATE OF AUTHORIZATION FOR ISSUE

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

42 GENERAL

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

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CHIEF EXECUTIVE OFFICER DIRECTOR DIRECTOR

KHYBER
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Annexure B

DIRECTORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2024

On behalf of the Board of Directors of Khyber Tobacco Company Limited, I take great pleasure in presenting the 69th Annual Report and the audited financial statements along with the auditors' report thereon for the year ending June 30, 2024.

THE COMPANY'S FINANCIAL RESULTS

The financial performance of the Company for the year ended 30 June 2024 as compared to the year ended 30 June 2023 has been as follows;

- **Production and Sales**

PRODUCT	UNIT OF MEASUREMENT	PRODUCTION		SALE	SALE
		2024	2023	2024	2023
RE-DRIED TOBACCO	KGS	5,512,983	6,508,107	0	1,626,260
CUT TOBACCO	KGS	1,063,613	1,988,686	523,060	979,317
CIGARETTES	STICKS (In Million)	635.00	1,301.11	587.276	892.82

- **Economic Overview**: Pakistan is committed to achieving macroeconomic stabilization and moving towards sustainable and inclusive growth. There are challenges, but the determination to address them is strong. The government is actively working to resolve long-standing issues that have hindered progress and prosperity in various sectors of the economy. Addressing external account vulnerability and fiscal mismanagement, which directly impact inflation, are central to the corrective policy actions being implemented. It is hoped that as these measures are put into place and developed, the difficulties faced by the Companies will be reduced.

- **Production Highlights:** During the year under review, production of cut tobacco declined by (0.9251) million kilograms compared to the previous year. Additionally, the production of cigarettes also declined to (666.11) million sticks, up from 1301.11 million sticks in the preceding year.

- **Government Regulations:** In 2022, the Government took significant steps to regulate the tobacco industry by introducing a Track and Trace System, which has been vigorously enforced. At Khyber Tobacco Company Limited (KTC), we ensured full compliance with the Track & Trace System. It is noteworthy that the government is extending this system to cover other product categories related to tobacco and nicotine. In this regard, a Statutory Regulatory Order (SRO) has been issued.

Operational Highlights

Throughout the year, your Company remained steadfast in its commitment to enhancing productivity and efficiency across its entire value chain. Key operational initiatives that have been taken included:

- **Cost Management:** Rigorous cost management strategies were implemented, ensuring that resources were utilized optimally to maintain competitiveness in challenging economic conditions.

- **Lean Operations:** KTC embraced lean principles to streamline processes, eliminate waste, and improve overall operational efficiency. This lean approach helped us to make use of the most available resources.

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- **Modernization of Machinery:** Investment in the modernization of machinery infrastructure has been a focal point. This step allowed us to keep pace with technological advancements and enhance the quality and efficiency of our operations.

- **Export Growth:** During the reporting period, there has been a significant decline in the demand for Pakistani tobacco in the international market, resulting in low export orders for the Company from its foreign customers. The Company has taken initiatives to increase export sales in 2025 expecting to lead a notable increase in export orders and valuable foreign exchange inflows.

- **Sales Performance:** Our commitment to growth extends to both local and international markets. This is evident as the company has secured more export and local sales orders in the first quarter of the 2025 fiscal year.

- **Net Sales:** A substantial decline in net sales has arrived at Rs. 3113.7 million during the reporting period as compared to Rs. 7,434.5 million in the previous year. This decline reflects low sales both in local and international markets.

Financial Performance

I am pleased to report that financial performance demonstrates the positive outcomes of these efforts:

- **Profit Before Taxation:** For the year ending on June 30, 2024, the Company suffered a total loss of Rs. (1,018.099) million before taxation as compared to a profit of Rs. 1035.182 million in the prior fiscal year.

- **Profit After Taxation:** For the year ending on June 30, 2024, the Company suffered a total loss of Rs. (1,021.997) million before taxation as compared to a profit of Rs. 1998.400 million in the prior fiscal year.

- **Earnings Per Share (EPS):** The loss per share for the year ending on June 30, 2024, stood at Rs. (147.63) compared to the previous year's EPS of Rs. 288.68.

Balance Sheet

The company's capital and reserves as of June 30, 2024, declined by a total of Rs. (1097.4) million compared to the increase in the previous fiscal year, when the figure was Rs. 3,793.9 million.

The decrease in capital and reserves is primarily due to economic and political instability, higher inflation rates, and low export orders during the current reporting period.

Plant Performance

The Company remains committed to upgrading its plant and machinery across all departments. However, it's important to note that our existing machinery, while being actively maintained and upgraded, operates below its capacity, since it depends on the demand for different products. Significant efforts have been directed toward enhancing our cigarette-making and packing processes to elevate the quality of our brand offerings.

Despite these challenges, we are pleased to report that during the year under review, our installed plant and machinery continued to operate satisfactorily.

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Quality Assurance

Quality is a paramount focus for the Company. We maintain a strong emphasis on efficiency and quality consciousness throughout our operations. Stringent quality control procedures are rigorously applied to ensure that we meet our quality objectives. Our commitment to quality extends to continuous improvement efforts, allowing us to stay aligned with evolving industry standards.

Marketing

In a fiercely competitive landscape, both locally and internationally, our management remains dedicated to the development of our brand presence. This commitment extends to our local and international markets. While we have made progress in boosting our export sales, we recognize the need for further growth. We are optimistic that our ongoing efforts will yield more substantial results shortly, allowing us to once again realize lucrative revenues from exports.

Challenges persist in the export market, primarily related to meeting stringent quality requirements. As a result, our export focus has primarily revolved around re-dried and cut tobacco. We continue to intensify our efforts to elevate quality standards and establish a solid market presence for our re-dried and cut tobacco products in regions such as the United Arab Emirates, South Africa, Germany, Belgium, Turkey, Egypt, and the Philippines.

Health, Safety, and Environment

The Company places the highest priority on the health and safety of our invaluable personnel, who are integral to our operations. We actively promote safe behavior through initiatives such as safety meetings, incident reporting, safety audits, good housekeeping practices, and rigorous hygiene controls.

Environmental protection is another core commitment. We ensure that our facilities consistently comply with established environmental quality standards. Furthermore, we are actively engaged in meeting the stringent environmental quality standards set by the 'Environment Protection Authority of Pakistan.'

Social Responsibility

As a responsible corporate citizen, The Company is deeply committed to its social responsibilities, particularly towards the local community. We take immense pride in our active participation in the development and welfare of the underprivileged, especially in areas affected by energy crises and law and order challenges. Our preference for providing job opportunities to residents in such areas contributes significantly to their social upliftment.

Key Operating and Financial Data

A summary of the Company's key operating and financial data for the past six years is attached to these financial statements, offering stakeholders valuable insights into our historical performance.

Dividend

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

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Human Capital

Our human resource strategy is laser-focused on maximizing the return on investment in our organization's human capital. Our approach seeks to minimize financial risk by aligning the supply of skilled and qualified individuals with the capabilities of our current workforce. This alignment with our ongoing and future business plans and requirements ensures that we not only maximize returns but also secure our future survival and success.

Employee Retirement Benefits

We operate an unfunded gratuity scheme for all permanent employees of the Company. In the current financial year, we have created a provision of Rs. 37.57 million in our accounts to cover employee benefits.

Corporate Governance

Our unwavering commitment to best practices in corporate governance is the bedrock of our business operations. We adhere to a comprehensive set of processes, customs, and policies that enable us to direct and control management activities with a strong sense of business acumen, objectivity, accountability, and integrity. This commitment extends to achieving long-term strategic goals aimed at satisfying shareholders, creditors, employees, customers, and suppliers. Furthermore, we rigorously adhere to the highest ethical standards and fully comply with all applicable legal and regulatory requirements.

The Statement on Compliance with the Code of Corporate Governance Regulations is attached to these financial statements, underscoring our dedication to transparency and good governance.

The Board

Our board comprises seven members, with six serving as non-executive directors and one as an executive director. To uphold best governance practices, we maintain a clear separation between the positions of Chairman and Chief Executive Officer.

Our Directors are acutely aware of the trust placed in them by our shareholders and the profound responsibility to ensure the smooth operation of the Company while safeguarding its assets.

In our pursuit of consistency and standardization, the Board has formulated formal policies to govern our business conduct. To monitor adherence to these policies, we maintain an independent Internal Audit function. This function diligently ensures compliance with Company policies and promptly reports any observed deviations to the Audit Committee, reinforcing our commitment to accountability and transparency.

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.

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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 Waris Shah** Non-Executive Director	4
4. **Mr. Zia Ur Rehman** Non-Executive Director	3
5. **Mr. Khalil Ur Rehman** Non-Executive Director	4
6. **Mrs. Sonia Farooq *** Independent Director	4
7. **Barrister Shahzad Javed Panni *** Independent Director	4

Committees of the Board

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
Barrister Shahzad Javed Panni (Chairman)	Mrs. Sonia Farooq (Chairman)
Mr. Khalil Ur Rehman (Member)	Mr. Pir Waris Shah (Member)
Mr. Rahat Ullah (Member)	Mr. Zia Ur Rehman (Secretary)
Mr. Zia Ur Rehman (Secretary)	

Remuneration Policy of Members of the Board of Directors

The Board has a formal policy and transparent procedures for the remuneration of directors by 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 create value addition.

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- The BoD shall ensure that the prevailing level of remuneration of the BoD does not at 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 unwavering in its commitment to maintaining high standards of corporate governance. We understand that upholding business integrity is paramount to instilling confidence among all our stakeholders. The Board of Directors is fully accountable to our shareholders for ensuring good corporate governance practices. Our management diligently complies with the provisions of best practices outlined in the Code of Corporate Governance, with particular emphasis on the independence of non-executive directors. Moreover, we diligently adhere to the listing regulations of the Pakistan Stock Exchange. Our vision and mission statements, core values, and statements of ethics and business practices have been meticulously prepared and duly approved by the Board. Furthermore, significant policies required under the Code of Corporate Governance have been crafted, and reviewed by the Board, and will be officially approved in due course.

Auditors

Following the 69th Annual General Meeting, our auditors, M/S Yousuf Adil Chartered Accountants have retired. Both the Audit Committee and the Board of Directors have jointly recommended the reappointment of M/S Yousuf Adil & Co. Chartered Accountants as auditors of the Company until the next Annual General Meeting.

Pattern of Shareholding

The Pattern of Shareholding as of June 30, 2024, is part of the annual report. Please refer to the same for a detailed breakdown.

Trading of Company Shares

We are pleased to report that the Directors, Chief Executive, Chief Financial Officer, the Secretary, and their spouses, as well as minor children, have not engaged in any trading activities related to the shares of the Company.

Future Prospects

Looking ahead, our management remains dedicated to expanding our presence in both local and foreign markets, particularly in the domains of cigarettes and tobacco, with a strong focus on re-dried tobacco due to its demand in international markets. We anticipate a robust performance in both the tobacco and cigarette export sectors in the upcoming financial year, which is poised to yield handsome profits.

While tobacco export has been a key driver of profitability, we acknowledge the challenges in the export market, including rising costs, cultivation of non-recommended tobacco varieties by Pakistani farmers, and increased levels of Non-Tobacco Related Material (NTRM) in tobacco. However, our

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persistent efforts to overcome these hurdles are beginning to yield positive results. We remain optimistic that the Company will achieve its targets to boost export sales in the forthcoming year.

Quality Enhancement

To remain competitive in the global arena, we are continuously working on improving our processing capabilities. Our management has invested in upgrading the Primary Production Department (PPD), Cigarette Making Department (CMD), and Cigarettes Packing Department to enhance the quality of re-dried tobacco and cigarettes. The ability to produce superior-quality products positions us to expand both local and international sales through enhanced brand recognition and customer loyalty.

Acknowledgments

In closing, on behalf of the Board, I extend our heartfelt gratitude to our valued customers for their unwavering trust in our products. We are committed to expanding our brand portfolio while maintaining the highest quality standards. We also express our appreciation to our vendors, distributors, and financial institutions for their extended support.

Our success story would not have been possible without the steadfast support of our shareholders and all stakeholders, including our suppliers, customers, local community, and our dedicated and hardworking employees. We wholeheartedly acknowledge the tireless efforts of our Company's management, ~~our~~ esteemed Board of Directors, and staff at all levels. Their dedication and hard work have been instrumental in achieving the financial and operational results outlined in this report.

On behalf of the Board of Directors

KHYBER TOBACCO COMPANY LTD. ★ MARDAN ★

Sameera Irfan
Chief Executive

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Chairman's Review

I am pleased with Khyber Tobacco Company Limited's (" the Company") performance for the year ended June 30, 2024.

At your Company, we strongly believe in giving back to the communities we serve. Sustainability is a key focus of everything we do, and we are proud to be at the forefront of the Environment, Social & Governance (ESG) movement. Shareholders now evaluate companies based on their ESG performance, as it provides insight into potential sustainability risks and helps them devise investment strategies. As one of the early adopters of corporate social responsibility (CSR) in Pakistan, your Company has embarked on a memorable journey towards embracing ESG.

At your Company, we prioritize responsible and ethical behavior in all operations. This serves as the basis for our culture and values. We believe that strong governance is essential for achieving sustainable, long-term growth. By upholding these principles, we can reach our goals and make ongoing progress.

Like other developing economies, the recent events have hurt our economy. The political instability has only added to the fragility of the situation. To address the current account deficit, the State Bank of Pakistan is taking measures to address the economy and slowly but surely the situation seems to be improving.

We are grateful to have the opportunity to fulfill our shareholders' need for sustained income during these inflationary times. The Company in the year under review contributed an amount of Rs. 4.270 billion in the form of Federal Excise Duty, Sales tax, Income tax, and other levies.

Future Outlook:

We are confident that the current situation will improve soon. Sales of cigarettes and tobacco in the local and international markets are expected to increase, leading to visible improvement in next year's results. Additionally, I may add that the Company is not experiencing any liquidity issues and does not require external financing.

The economic indicators of the Country are likely to show promising signs shortly. It is hoped that the 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. I also assure you that your Company is committed to good Corporate Governance.

Acknowledgment

I am pleased to report that the Board acknowledges its responsibility concerning 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 & and other stakeholders and shall continue contributing through a sustained supply of premium quality products to its valued Customers.

KHYBER
Tobacco Company Limited

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As Chairman 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. All combined efforts have been instrumental in the company's healthy growth against all odds. We all pray for a peaceful, progressive, and prosperous Pakistan

Rahat Ullah
Chairman

KHYBER TOBACCO COMPANY LTD. ★ MARDAN ★