Khyber Tabacco Company Limited

Achieve Leadership of the Global Tobacco Industry

ANNUAL REPORT 2017

KPIs

	Categories	2017	2016	17 vs 16
1	Sale Revenue (million)	2,156.22	1,588.58	567.64
	- Local Sales	2,156.22	1,537.59	618.63
	- Export Sales	-	50.99	(50.99)
2	Profit after Tax (million)	189.93	69.61	117.87
3	Earning Per Share (million)	158.04	57.92	98.07
4	Shareholder's Equity (million)	804.35	608.99	197.24
5	Return on Equity (%)	23.17	11.15	11.67
6	Current Ratio	2.91	2.51	0.38


Khyber Tobacco
Company Limited
NTN : 2257984-2
KHYBER TOBACCO.CO LTD

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Our **Vision**

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

Our **Mission**

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

Core Values

Trust

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

Integrity

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

Passion to Win

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

Leadership

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

Ownership

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

Corporate **Information**

Board of Directors

Mr. Waseem Ur Rehman	Chief Executive/Director
Mr. Pir Waris Shah	Non-Executive Director
Mr. Pir Farhan Shah	Non-Executive Director
Mr. Fazle Rabbi	Executive Director
Mr. Shafiq Afzal Khan	Non-Executive Director
Mr. Hazrat Bilal	Non-Executive Director
Mr. Khalil Ur Rehman	Non-Executive Director

Audit Committee

Mr. Pir Farhan Shah	Chairman
Mr. Fazle Rabbi	Member
Mr. Shafiq Afzal Khan	Member

Human Resource Committee

Mr. Pir Waris Shah	Chairman
Mr. Pir Farhan Shah	Member
Mr. Shafiq Afzal Khan	Member

Senior Management

Mr. Waseem Ur Rehman	Chief Executive

Company Secretary

Mr. Pir Farhan Shah

Bankers

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

External Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Internal Auditors

Shahid Ahmad & Co.
Chartered Accountants

Registered Office

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

Share Registrar

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

Statement of Ethics & Business Practices

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

Abidance of Laws / Rules

• Conform to and abide by the KTC rules and obey all lawful orders and directives which may from time to time be given by any person or persons under whose jurisdiction, superintendence or control they may for the time being, be placed. They shall comply with and observe all applicable laws, regulations and KTC policies.

• Not bring or attempt to bring any political or other pressure / influence directly or indirectly to bear on the authorities / superior officers or indulge in derogatory pamphleteering, contribute or write letters to the news papers, anonymously or in their own name with an intent to induce the authority / superior officers to act in a manner inconsistent with rules, in respect of any matter relating to appointment, promotion, transfer, punishment, retirement or for any other conditions of service of employment.

Integrity

• Conduct themselves with the highest standards of ethics, professional integrity and dignity in all dealings with the public, clients, employees, and not engage in acts discreditable to KTC, the profession and the nation. If they become aware of any irregularity that might affect the interests of KTC, they shall inform the senior management immediately.

• Maintain all books, data, information and records with scrupulous integrity, reporting in an accurate and timely manner all transactions / reports.

• Avoid all such circumstances in which there is conflict of personal interest, or may appear to be in conflict, with the interests of KTC or its stakeholders.

• Not use their employment status to seek personal gain from those doing business or seeking to do business with KTC, nor accept any such gain if offered. They shall not accept any gift, favor, entertainment or other benefits

the size or frequency of which exceeds normal business contacts from a constituent or a subordinate employee of KTC or from persons likely to have dealings with KTC and candidates for employment in KTC.

Confidentiality

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

Professionalism

• Serve KTC honestly and faithfully and shall strictly serve KTC's affairs and the affairs of its constituents. They shall endeavor to promote the interest and goodwill of KTC and shall show courtesy and attention in all transactions / correspondence with officers of the Government, Banks & Financial Institutions, other establishments dealing with KTC, KTC's

constituents and the general public.
• Disclose and assign to KTC all interests in any invention, improvement, discovery or work of authorship that they may make or conceive and which may arise out of their employment with KTC. If their employment is terminated, all rights to the property and information generated or obtained as part of their employment relationship will remain the exclusive property of KTC.

Business / Work Ethics

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

Financial **Performance**

Financial Performance-Profitability

Rupees in Million

		2017	2016	2015	2014	2013	2012
Gross Profit Margin	%	38.34	23.29	22.51	26.82	9.84	29.63
Net Profit Margin	%	18.49	9.18	11.49	15.99	2.38	19.24
Return on equity	%	23.17	11.15	18.54	32.00	7.40	54.10
Operating Performance-Liquidity							
Total Asset Turnover	Time	0.72	0.67	0.90	1.10	1.10	0.91
Fixed Asset Turnover	Time	2.06	2.12	2.36	2.50	2.71	2.47
Inventory Turnover	Time	1.18	1.16	1.77	2.45	4.21	2.36
Inventory Turnover	Days	309.65	315.60	206.30	149.00	86.70	154.66
Receivable turnover	Time	3.29	3.93	7.61	8.57	5.34	7.46
Receivable turnover	Days	111.08	92.92	47.95	42.59	68.35	48.93
Payable Turnover	Time	3.43	2.70	4.11	3.68	2.86	4.85
Payable Turnover	Days	106.43	135.06	88.74	99.00	127.62	75.26
Current Ratio		2.91	2.51	2.08	2.48	1.59	1.82
Quick Ratio		1.46	0.78	0.78	0.83	0.89	0.72
Capital Market / Capital Structure Analysis							
Earning per share (pre tax)	Rs	233.35	67.58	114.02	146.61	31.82	120.97
Earning per share (after tax)	Rs	158.04	57.92	84.39	118.38	17.90	112.26
Debt: equity	Rs	0.68	0.62	0.76	0.53	1.19	1.17

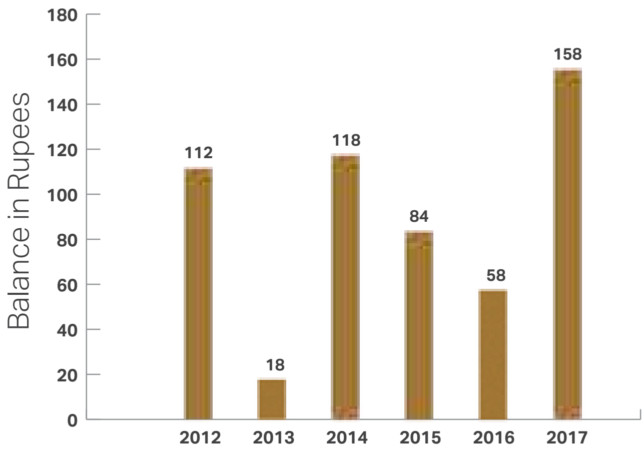
Financial **Performance**

Summary of Balance Sheet — **Rupees in Million**

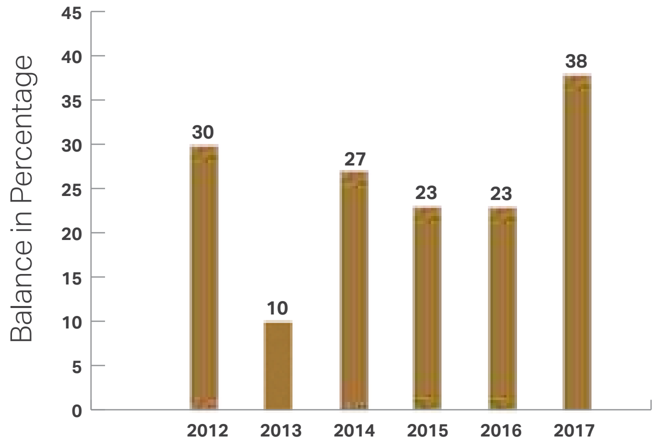
	2017	2016	2015	2014	2013	2012
Share Capital	12.02	12.02	12.02	12.02	12.02	12.02
Shareholder's funds/Equity	819.68	624.32	547.13	444.61	293.57	249.37
Capital employed	819.68	624.32	547.13	444.61	293.57	249.37
Property, plant & Equipment	652.72	342.28	371.67	375.70	336.89	283.53
Long term assets	657.66	347.82	375.88	378.40	338.34	284.49
Net Current Assets	697.88	475.64	380.97	281.68	183.72	221.95
Summary of Profit and Loss						
Sale	1,027.26	758.26	882.72	890.00	914.46	701.35
Gross Profit	393.88	176.63	198.67	238.74	90.00	206.81
Operating Profit	281.24	75.06	117.40	181.03	41.24	146.65
Profit before tax	280.45	81.22	137.04	176.21	38.26	145.39
Profit after tax	189.93	69.61	101.43	142.28	21.73	134.92
Summary of Cash Flows						
Net cash flow from operating activities	67.64	(19.07)	(38.06)	107.40	109.73	13.52
Net cash flow from investing activities	(2.35)	(14.45)	62.56	(138.10)	(74.08)	(17.40)
Net cash flow from financing activities	-	-	-	-	-	-
Changes in cash and cash equivalents	65.28	(33.53)	24.51	(30.70)	35.65	(3.88)
Cash and cash equivalents- Year end	82.95	17.67	51.19	26.69	57.39	21.74

Graphical Analysis

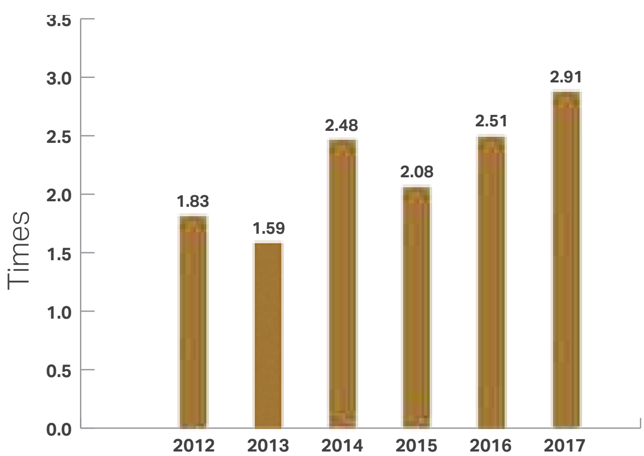
Earning Per Share-after tax



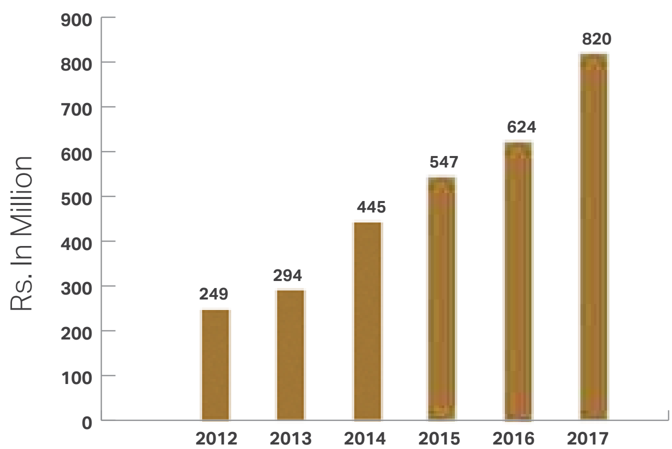
Gross Profit Margin



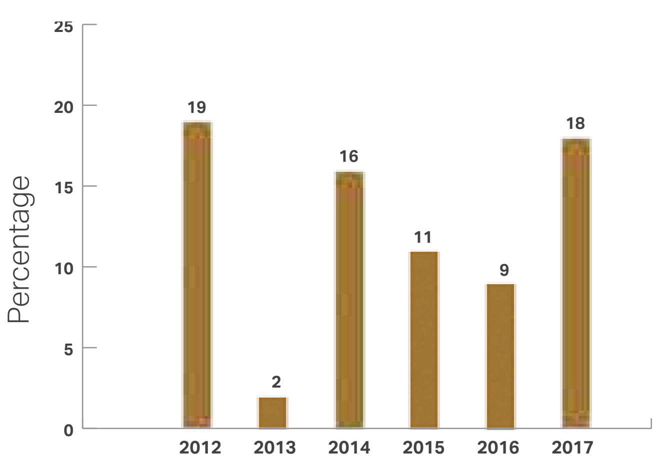
Current Ratio



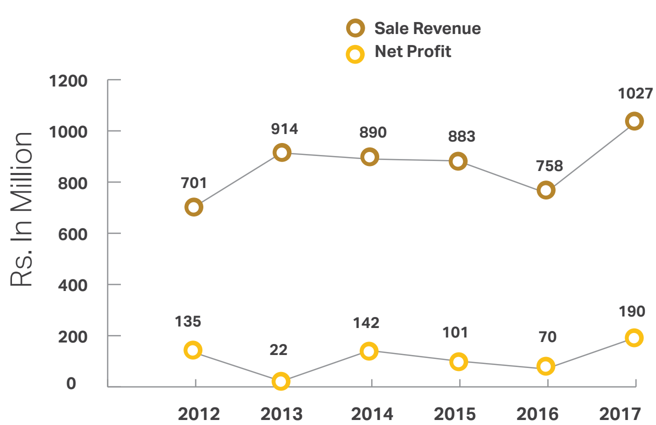
Shareholder's Equity



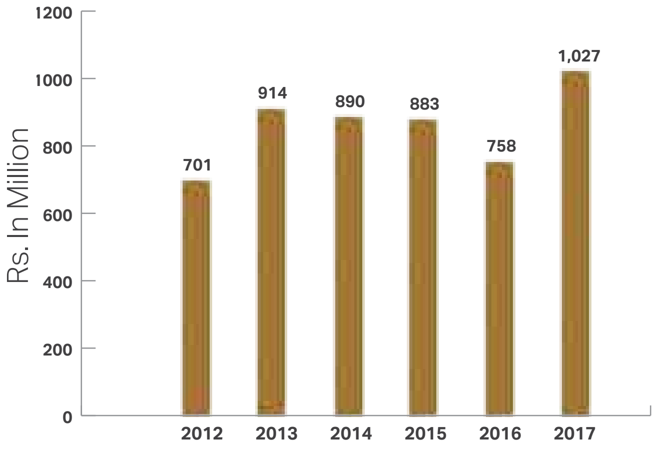
Net Profit Margin



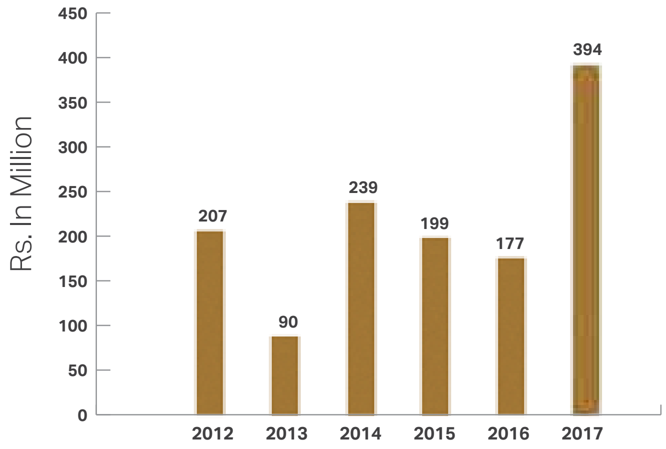
Sale revenue vs profit for the year



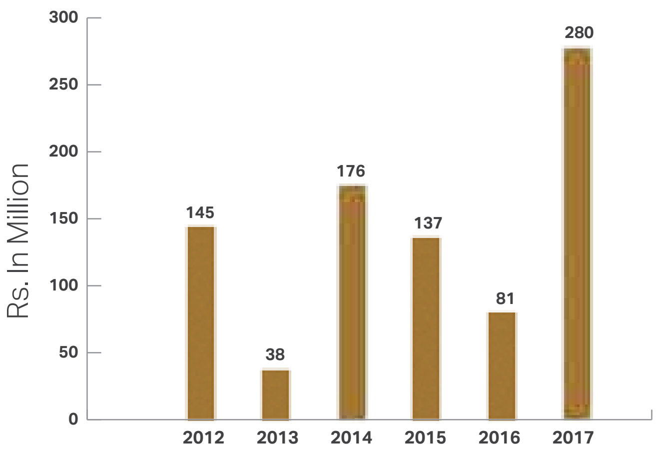
Net sales



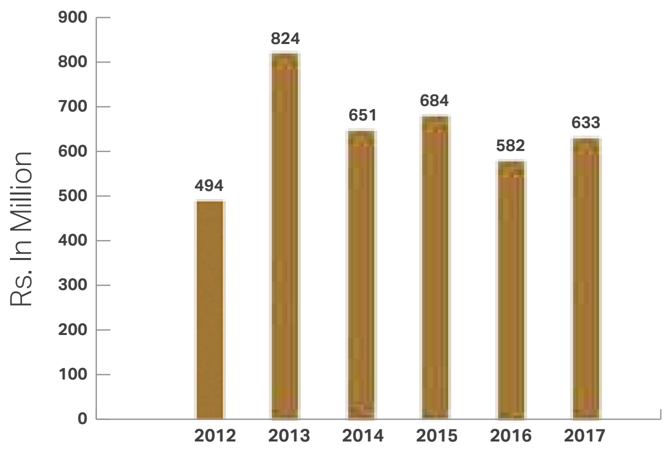
Gross Profit



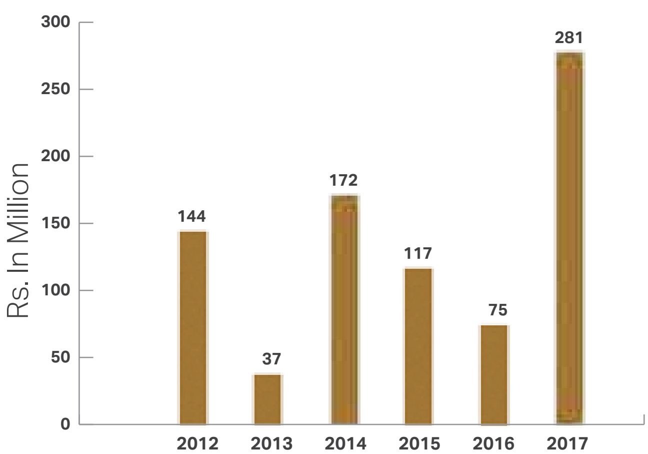
Profit before tax



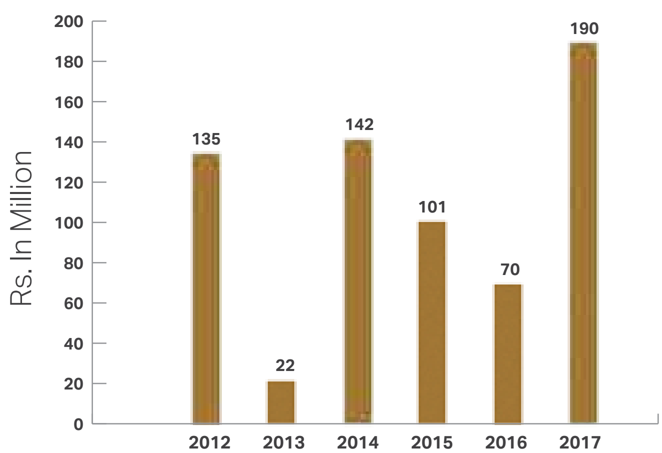
Cost of Sales



Operating Profit



Profit after tax



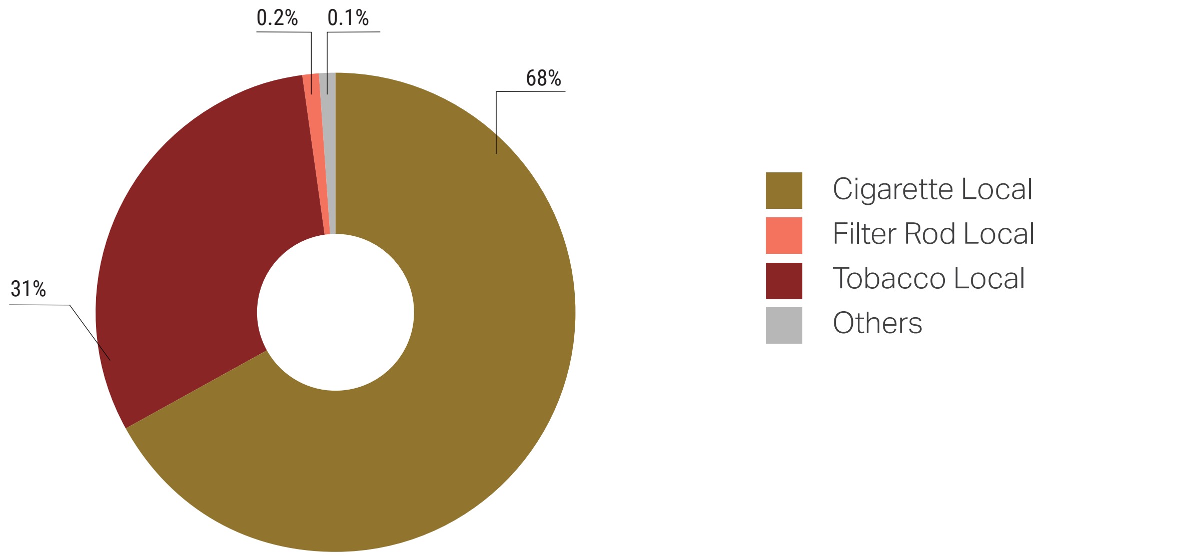
Vertical **Analysis**

	2017	2016	2015	2014	2013	2012
Profit and Loss Account						
Net Sales	100.0	100.0	100.0	100.0	100.0	100.0
Cost of Sales	61.7	76.7	77.5	73.2	90.2	70.4
Gross Profit	**38.3**	**23.3**	**22.51**	**26.8**	**29.6**	**34.8**
Administrative Expenses	8.5	9.5	8.51	5.2	3.8	3.4
Distribution Cost	0.4	3.1	1.02	1.1	1.8	4.5
Other Operating Expenses	2.1	0.8	1.2	1.3	0.3	1.2
Operating Profit	**27.4**	**9.9**	**11.79**	**19.3**	**20.6**	**25.7**
Finance Cost	0.3	0.6	0.36	0.5	0.3	0.2
Other Operating Income	0.3	1.4	3.0	1.1	0.5	0.3
Profit before Taxation	**27.3**	**7.9**	**8.47**	**19.8**	**20.7**	**26.1**
Taxation	8.8	1.5	4.7	3.9	1.9	1.5
Profit for the Year	**18.5**	**6.4**	**3.8**	**16.0**	**19.2**	**22.3**
Balance Sheet						
Share Capital & Reserves	47.6	54.8	49.2	52.3	35.2	32.2
Non-Current Liabilities	31.1	17.5	18.9	25.4	27.4	3.0
Current Liabilities	21.3	27.7	31.9	22.3	37.4	64.8
Total Equity and Liabilities	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Non-Current Assets	38.2	30.5	33.8	44.5	40.6	36.7
Current Assets	61.8	69.5	66.2	55.5	59.4	63.3
Total Assets	**100.0**	**100.0**	**100**	**100.0**	**100.0**	**100.0**

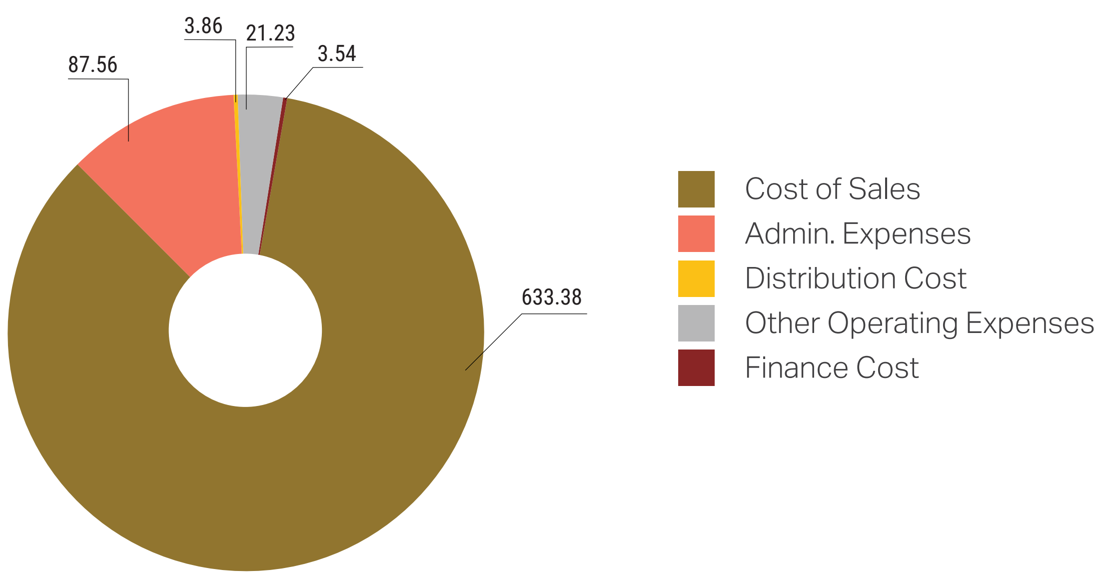
Horizontal **Analysis**

	2017	2016	2015	2014	2013	2012
Profit and Loss Account						
Net Sales	46.5	8.1	25.9	26.9	30.4	100.0
Cost of Sales	28.3	17.8	38.6	32.0	67.0	100.0
Gross Profit	**89.6**	**(15.0)**	**(4.4)**	**14.9**	**(56.7)**	**100.0**
Administrative Expenses	265.8	200.6	169.7	92.2	42.5	100.0
Distribution Cost	(87.7)	(25.4)	(75.4)	(68.5)	(47.7)	100.0
Other Operating Expenses	158.5	(24.3)	9.6	36.4	(65.6)	100.0
Operating Profit	**94.9**	**(48.0)**	**(18.6)**	**19.0**	**(74.6)**	**100.0**
Finance Cost	179.2	249.2	117.2	280.6	135.8	100.0
Other Operating Income	16.1	345.6	841.6	294.4	92.1	100.0
Profit before Taxation	**92.9**	**(44.1)**	**(5.7)**	**21.2**	**(73.7)**	**100.0**
Taxation	764.6	10.9	240.1	224.7	57.8	100.0
Profit for the Year	**40.8**	**(48.4)**	**(58.0)**	**5.4**	**(83.9)**	**100.0**
Balance Sheet						
Share Capital & Reserves	228.7	150.4	119.4	78.3	17.7	100.0
Non-Current Liabilities	100.0	100.0	100.0	100.0	100.0	100.0
Current Liabilities	36.5	17.5	32.1	(29.2)	16.2	100.0
Total Equity and Liabilities	**122.3**	**47.0**	**43.4**	**9.7**	**7.6**	**100.0**
Non-Current Assets	131.2	22.3	32.1	33.0	18.9	100.0
Current Assets	117.1	61.3	50.0	(3.8)	1.1	100.0
Total Assets	**122.3**	**47.0**	**43.4**	**9.7**	**7.6**	**100.0**

Breakup of Sales



Breakup of Costs



Notice of 62nd Annual General Meeting

Notice is hereby given that the 62nd Annual General Meeting of the members of Khyber Tobacco Company Limited will be held on the 28th of October, 2017 at 11.00 a.m. at its registered office, Nowshera Road, Mardan to transact the following business;

ORDINARY BUSINESS

1. To confirm the minutes of the Extra Ordinary General Meeting held on 20th of June 2017.
2. To receive, consider and adopt the audited financial statements of the company for the year ended 30 June, 2017 together with the Directors' and Auditors' Reports thereon.
3. To approve the final dividend in the form of cash dividend @ Rs. 33.21 per share and 3 for 1 bonus shares issue as recommended by the Board of Directors.
4. To appoint Auditors for the year ending 30 June 2018 and to fix their remuneration. The present auditors M/s KPMG Taseer Hadi & Co. Chartered Accountants will stand retired on the conclusion of this meeting and being eligible have offered themselves for re-appointment.
5. To transact any other business with the permission of the Chair.

Mardan
8 October, 2017

By Order of the Board

Pir Farhan Shah
Company Secretary

Notes:

1. Closure of Share Transfer books:

The Share Transfer Books of the Company will remain closed from October 21, 2017 to October 28, 2017 (both days inclusive). Transfers received in order at the office of the Company's Share Registrar, Central Depository Company of Pakistan Limited, CDC House, 99-B, Block 'B', S.M.C.H.S. Main Shahrah-e-Faisal, Karachi, at the close of business on October 20, 2017 will be in time to determine the above mentioned entitlement.

2. Participation in the Annual General meeting:

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

3. Guidelines for CDC Account holders:

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

a) For attending the meeting:

i) In case of individuals, the account holder or subaccount holder and/or the person whose securities are in group account and their registration details are uploaded as per regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.

ii) In case of corporate entities, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

b) For appointing proxies:

i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per regulations, shall submit the proxy form as per the above requirement.

ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

iii) Attested copies of CNIC or the passport of the beneficial owner and of the proxy shall be furnished with the proxy form.

iv) The proxy shall produce his/her original CNIC or original passport at the time of meeting.

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

4. Change of Address:

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

5. Payment of Cash Dividend Electronically

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

6. Confirmation for filing status of Members:

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

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

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

7. CNIC/NTN number on dividend warrant:

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

8. Placement of Accounts on website.

The financial statements of the Company for the year ended June 30, 2017 along with reports have been placed at the website of the Company www.khybertobacco.com.

9. Transmission of Annual Financial Statements through email

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

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

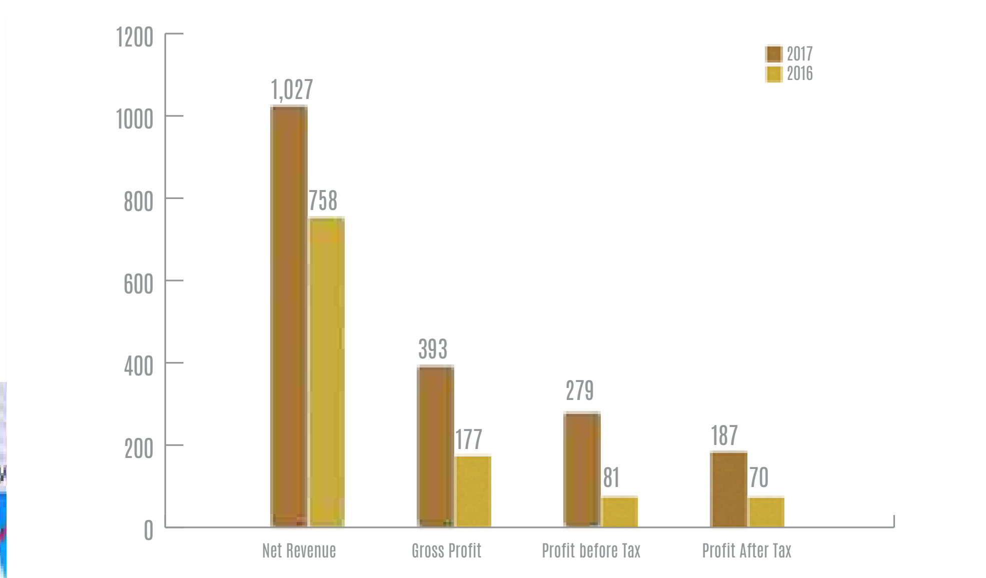
SECP through its SRO 470(I)/2016 dated May 31, 2016 have allowed companies to circulate the annual balance sheet, profit and loss account, auditors' report and directors' report etc. to its members through CD/DVD/USB at their registered address. In view of the above the member are requested to intimate if they desire to receive the financial statements and reports through any of these means. These are also available on Company's website www.khybertobacco.com.

Directors' Report

I, on behalf of the Board of Directors of Khyber Tobacco Company Limited take great pleasure in presenting the 62nd Annual Report and the audited financial statements along with the auditors' report thereon for the year ended June 30, 2017.

THE COMPANY'S FINANCIAL RESULTS

Following is a brief of the Company's financial performance for the year ended 30 June 2017 as compared to the year ended 30 June 2016; (Amounts are presented as Rs. in Millions).



Production & Sales

PRODUCT	UNIT OF MEASUREMENT	<------PRODUCTION-------> 2017	2016	SALE	
RE-DRIED TOBACCO	KGS	1,485,722	2,071,656	923,351	1,596,185
CUT TOBACCO	KGS	514,128	479,962	90,000	85,000
CIGARETTES	STICKS (In Million)	530.65	432.90	728.97	431.16

During the year under review, the company re-dried1.9 million Kgs tobacco at its Green Leaf Threshing plant as compared to 2.1 million Kgs in the financial year 2016. During the year, there was no export of re dried tobacco compared to 0.356M Kgs in the year 2016. Local sale of re-dried tobacco has declined to 0.923M Kgs in the year under review compared to local sale of 1.6M Kgs in the year 2016 showing a decline of about 42% which is mainly attributed to low demand of stem in the market.

The production of cut tobacco has increased to 0.514million Kgs in the current year under review compared to 0.479 million Kgs in the last financial year.

During the year, the production of cigarettes has increased from 432.90 million sticks in the last financial year to 530.65 million sticks in the year under review. The sale of cigarettes has increased from 431.16 million sticks in 2016 to 546.57million sticks in the year under review.

Operating Highlights

Export of re dried tobacco has been the main source of profitability of the Company in the past. However the Company's exports have stopped due to low demand of Pakistani Tobacco in the International Market. Management of the company focused on local sales of cigarettes and succeeded quite a lot in their endeavors. This is evident from Net sales of Rs. 1.027 Billion during the period under review as compared to Net Sales of Rs. 0.758 Billion last year. Management is continuously endeavoring to expand its local market by adding new customers to its existing customer base.

Profit before taxation for the year ended 30 June 2017 stood at Rs. 280 million compared to profit before tax of Rs. 81 million in the previous year. Profit after taxation for the year ended 30 June 2017 amounted to Rs.189.93 million compared to profit of Rs.69.61million in the last financial year. The ability of the company to increase its local customers' base is the main reason of the increase in profit this year compared to Financial Year 2016.

Earnings per share of the Company for the year ended 30 June 2017 on its paid up capital stood at Rs.158.04 as compared to last year's earnings per share of Rs. 57.92.

Balance Sheet

The capital and reserves of the Company have risen to Rs.819.68 million as compared to Rs.624.32 million at the end of the last financial year. This remarkable increase in the capital reserves of the company is the evidence of the managements' focus and determination to build a strong capital base of the company.

Plants' performance

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

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

Quality Assurance

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

Marketing

The Company is facing stiff competition in both local and international market. However management is striving continuously for the development of its brands in both the local and international markets. The Company's management is striving to boost its export sales and management has been able to succeed to some extent. However management is hopeful that these efforts will be more successful in near future and the Company will again be able to earn lucrative revenues from exports.

Stiff competition in the export market coupled with the inability of the company to meet the quality. requirements of the export market has been the main hurdle in the Company's ability to export. The Company, thus, has been dependent mainly upon the export of re-dried and cut tobacco and has captured a good market for its re-dried and cut tobacco in the United Arab Emirates, South Africa, Germany, Belgium, Turkey, Egypt and the Philippines.

Health, Safety and Environment

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

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

Social Responsibility

The Company regards itself as a responsible corporate citizen. With the resumption of operating activities, the Company has taken its social responsibilities, particularly towards the local community, very seriously and takes pride in its active participation in the development and welfare of the under-privileged. In the badly affected area of the country both by the energy crisis and the law and order situation, the management prefers to provide job opportunities to the local people of the area which greatly helps in the social up gradation of the local masses.

KEY OPERATING AND FINANCIAL DATA

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

DIVIDEND

The Directors have recommended a final cash dividend of Rs. 33.21 per share and a 3 for 1 bonus shares issue as dividend for the year under review.

HUMAN CAPITAL

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

EMPLOYEE RETIREMENT BENEFITS

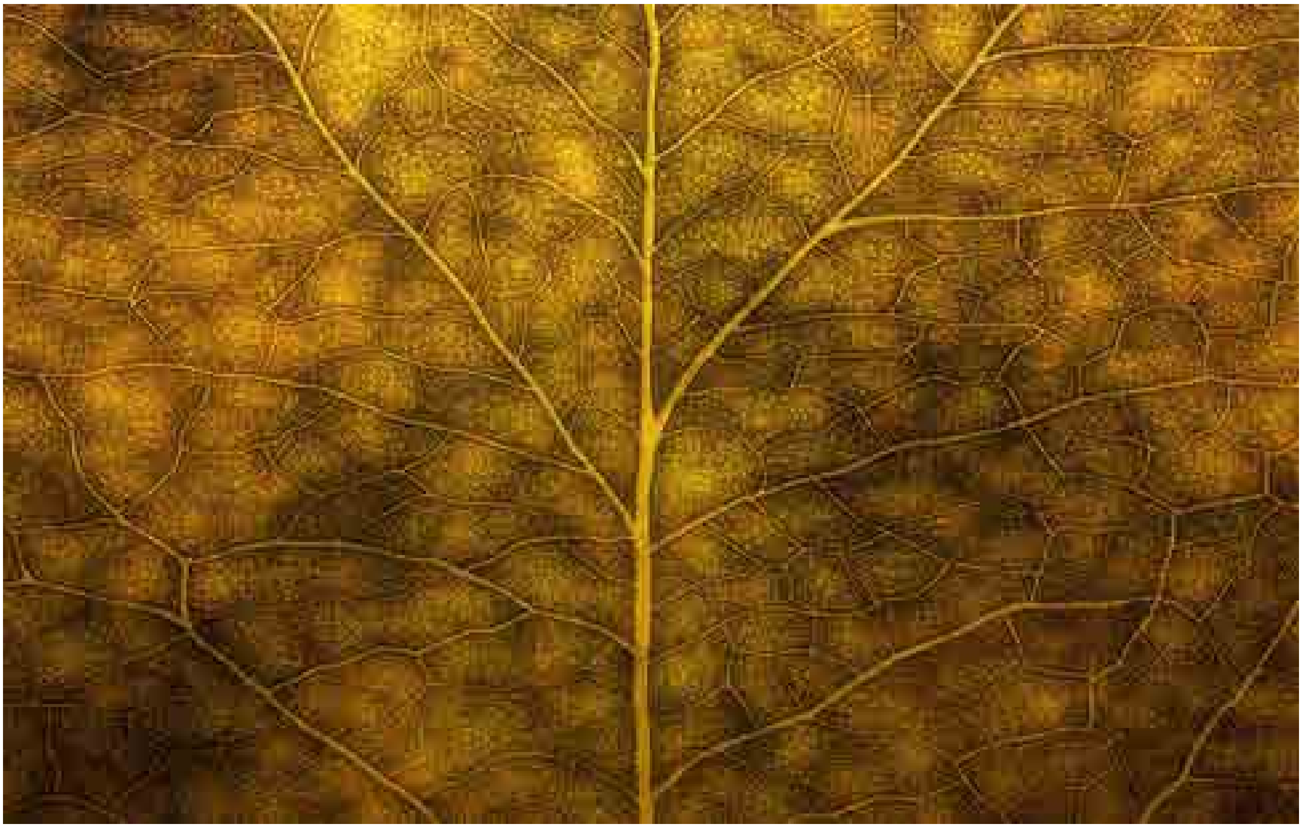
The Company is running an unfunded gratuity scheme for all the permanent employees of the company. A provision of Rs. 6.1 million was created in the current year's financial statements for employee benefits.

CORPORATE GOVERNANCE

We ensure best practices of Corporate Governance by adopting a set of processes, customs and policies, to help us direct and control management activities with good business sense, objectivity, accountability and integrity.

We have made corporate governance a system of structuring, operating and controlling the Company with a view to achieve long term strategic goals to satisfy shareholders, creditors, employees, customers and suppliers. We adhere to the best ethical practices and comply with applicable legal and regulatory requirements.

The Statement on Compliance with Code of Corporate Governance is annexed to these financial statements.



THE BOARD

The Board comprises of seven members, of which five are non-executive directors while the remaining two are executive directors. The position of Chairman and Chief Executive Officer are kept separate in line with good governance practices.

The Directors are fully aware of the level of trust that shareholders have in them and the immense responsibility that they have bestowed on them for smooth running of the Company and safe guarding its assets.

For the purpose of ensuring consistency and standardization, the Board has devised formal policies for conducting business and ensures their monitoring through an independent Internal Audit, which continuously ensures adherence to Company policies and reports any deviations observed to the Audit Committee.

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.

Seven (07) 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.

Sr.No.	Name	Board of Directors meetings
1	**Mr. Waseem ur Rehman** Chief Executive	4
2	**Mr. Pir Farhan Shah** Executive Director	7
3	**Mr.Pir Waris Shah** Non-Executive Director	6
4	**Mr. Fazli Rabbi** Director	7
5	**Mr. Shafiq Afzal Khan** Non-Executive Director	7
6	**Mr. Hazrat Bilal** Non-Executive Director	7
7	**Mr. Khalil Ur Rehman** Non-Executive Director	4

Committees of the Board

In order to ensure effective implementation of a sound internal control system and compliance with the Code of Corporate Governance, the Board has constituted various committees. Composition of these committees is annexed with this report.

Corporate Governance

The company is committed to high standards of corporate governance to ensure business integrity and upholding the confidence of all the stakeholders. The Board of Directors is accountable to the shareholders for good corporate governance and management of the company is continuing to comply with the provisions of best practices set out in the Code of Corporate Governance particularly with regard to independence of non-executive directors. The Company remains committed to conduct its business in line with the listing regulations of Pakistan Stock Exchange, which clearly define the role and responsibilities of the Board of Directors and management. Vision & Mission statements, Core values and Statement of Ethics & Business Practices have been prepared and approved by the Board. Significant policies as required under the Code of Corporate Governance have been framed and reviewed by the Board and shall be approved shortly.

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

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

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

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

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

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

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

AUDITORS

The Auditors Messrs KPMG Taseer Hadi & Co, Chartered Accountants retire at the conclusion of the 62nd Annual General Meeting and being eligible, have offered themselves for reappointment as Auditors for the ensuing financial year ending 30 June 2018.The Audit Committee in their meeting held on 07 October, 2017 has recommended the re-appointment of Messrs KPMG Taseer Hadi & Co, Chartered Accountants as the Auditors for the financial year ending 30 June, 2018.

PATTERN OF SHAREHOLDING

The pattern of shareholding as at June 30, 2017 along with disclosure as required under the Code of Corporate Governance is annexed to these financial statements.

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

FUTURE PROSPECTS

As mentioned earlier, management is focusing on local as well foreign market both for cigarettes and tobacco, especially re-dried tobacco because foreign market had good demand for Pakistani tobacco. The Company expects a good performance in both the tobacco and cigarette export sector in the coming financial year which will enable the Company to earn handsome profits.

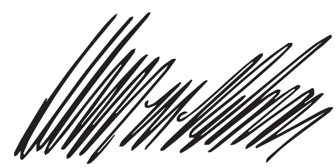
Tobacco export has been the main source of profitability of the Company in the past couple of years. However export of Pakistani Tobacco is faced with numerous problems in the Export market mainly increasing costs, cultivation of non recommended varieties of Tobacco by Pakistani Farmers and increased ratio of Non Tobacco Related Material (NTRM) in the Tobacco. The company is endeavoring to overcome these hurdles in export of Pakistani Tobacco but the efforts of the Company have not been much fruitful so far.

Management is continuously endeavoring to improve quality of processing to compete with international competitors for which purpose the management is continuously striving on up-gradation of the Green Leaf Threshing Line (GLT). The ability to produce quality product will also enable the Company to expand local sales by working on brand recognition and management.

Acknowledgements

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

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



Waseem Ur Rehman
Chief Executive

07 October 2017

گزشتہ کچھ سالوں میں تمباکو کی برآمد کمپنی کے منافع کمانے کا اہم ذریعہ رہا ہے. تاہم، برآمدات مارکیٹ میں پاکستانی تمباکو کی برآمد کو مختلف قسم کے مسائل کا سامنا ہے جن میں سے اہم، لاگت میں اضافہ، پاکستانی کسانوں کا غیر سفارشی تمباکو کی اقسام کی کاشت اور تمباکو میں غیر تمباکو سے متعلقہ مواد/ میٹریل (NTRM) کے تناسب میں اضافہ ہے. کمپنی پاکستان تمباکو کی برآمدات میں ان رکاوٹوں کو دور کرنے کی پوری سعی کر رہی ہے مگر ابھی تک کمپنی کی کاوش کا کوئی خاطر خواہ نتیجہ نہیں نکلا.
انتظامیہ کوالٹی کے مراحل کو بہتر بنانے کی مسلسل کوشش کر رہی ہے تاکہ بین الاقوامی مارکیٹ کے ساتھ مقابلہ کیا جا سکے، اس مقصد کیلئے انتظامیہ گرین لیف تھریشنگ لائن (GLT) کو اپ گریڈ کرنے (جدید بنانے) کی مسلسل کوشش کر رہی ہے.
برانڈ کی شناخت اور انتظامیہ پر کام کر کے معیاری مصنوعات تیار کرنے سے کمپنی مقامی مارکیٹ میں فروخت کو وسعت دے سکے گی.

اظہار تشکر:

آخر میں، میں بورڈ ہذا کی جانب سے اپنے معزز صارفین کی ہمارے مصنوعات پر مسلسل اعتماد کرنے پر شکر گزار ہوں. ہم اپنی مصنوعات کی رینج کو بہترین معیار کی خوبی کے ساتھ توسیع دینے کی ہمہ جہت کوشش کر رہے ہیں. ہم اپنے فروخت کنندہ گان (وینڈرز)، ڈسٹری بیوٹرز (تقسیم کنندہ گان) اور مالیاتی اداروں کے بیش بہا تعاون کے بھی شکر گزار ہیں.
یہ تمام امور ہمارے شیئر ہولڈرز، سپلائیرز، صارفین، مقامی کمیونٹی اور مخلص و محنتی ملازمین کی غیر متزلزل تعاون کے بغیر ممکن نہیں. میں کمپنی انتظامیہ، بورڈ آف ڈائریکٹرز کے ممبران اور تمام سٹاف کی ان تھک کاوشوں کا بھی ذکر کروں گا کیونکہ ان کی لگن اور سخت محنت کے بغیر، اس رپورٹ میں درج مالیاتی اور آپریشن نتائج کو تیار کرنا ممکن نہ تھا

وسیم الرحمان

چیف ایگزیکٹو

7 اکتوبر، 2017

ڈائریکٹرز رپورٹ

برائے اختتامی سال 30 جون، 2017ء

قواعد وضوابط کی فہرست میں درج تفصیل کے مطابق، کارپوریٹ گورننس کے بہترین قوانین میں سے کسی قسم کے کوئی میٹریل بے ضابطگی نہیں کی گئی.

کمپنی ہذا کی گزشتہ چھ سالوں کی اہم آپریٹنگ اور مالیاتی اعداد وشمار کا خلاصہ اس رپورٹ کے ساتھ لف ہے.

آڈیٹرز:

آڈیٹرز ایم/ایس کے پی ایم جی ہادی اینڈ کو، چارٹرڈ اکاؤنٹنڈ 62 ویں سالانہ جنرل میٹنگ کے اختتام پر ریٹائر ہو گئے ہیں اور یہ دوبارہ بطور آڈیٹرز برائے مالیاتی اختتامی سال 30 جون 2018 میں تعینات کی پیش کش کیلیئے اہل ہیں. جیسا کہ آڈٹ کمیٹی نے ایم/ایس کے پی ایم جی ہادی اینڈ کو، چارٹرڈ اکاؤنٹنڈ کو بطور آڈیٹرز برائے مالیاتی اختتامی سال 30 جون 2018 کے لئے ان کی تعنیاتی کی سفارش کی ہے.

شیئر ہولڈنگ کا طریقہ کار:

30 جون 2017 کے مطابق کمپنی ہذا کے شیئر ہولڈنگ کا طریقہ کار بمع کارپوریٹ گورننس کے قانون کے مطابق مطلوبات اس مالیاتی گوشوارے کے ساتھ لف ہذا ہے.

ڈائریکٹرز،، چیف ایگزیکٹو، چیف فنانشل آفیسر، سیکرٹری اور ان کی بیویاں اور نابالغ بچے کا کمپنی ہذا میں کسی قسم کا کوئی ٹریڈنگ شیئر نہیں ہے.

مستقبل کا نقطہ نظر:

جیسا کہ پہلے بیان کیا گیا ہے کہ انتظامیہ سگریٹ اور تمبا کو، خاص طور پر دوبارہ خشک کیے گئے تمبا کو کیلیئے مقامی مارکیٹ کے ساتھ ساتھ بین الاقوامی مارکیٹ پر بھی اپنی توجہ مرکوز کیے ہوئے ہے کیونکہ بین الاقوامی مارکیٹ میں پاکستانی سگریٹ کی ایک اچھی طلب ہے. کمپنی آئندہ مالیاتی سال کے دوران تمبا کو اور سگریٹ کے برآمدات کے شعبے میں اچھی کارکرگی کی توقع رکھتی ہے جس سے کمپنی ایک اچھا منافع حاصل کر سکے گی.

کارپوریٹ گورننس:

کمپنی ہذا نے عہد کیا ہے کہ وہ کارپوریٹ گورننس کا ایک اعلی معیار قائم کرے گا تا کہ کاروباری سالمیت/راست بازی کو یقینی بنائے اور تمام سٹیک ہولڈرز کے اعتماد کو قائم رکھے. بورڈ آف ڈائریکٹرز، کمپنی کی اچھی کارپوریٹ گورننس اور نظم ونسق کے سلسلہ میں سٹیک ہولڈرز کے سامنے جواب دہ ہیں اس لئے وہ کارپوریٹ گورننس کے قانون میں درج بہترین پریکٹس کے شرائط پر باقاعدگی سے عمل پیرا ہیں، خاص طور پر نان-ایگزیکٹو ڈائریکٹرز کے آزادانہ رویے کے سلسلہ میں (محتاط ہے). کمپنی ہذا پاکستان اسٹاک ایکسچینج کے قوانین کے فہرست کے مطابق اپنا کاروبار کرنے کے عہد پر قائم ہے جس میں واضح طور پر بورڈ آف ڈائریکٹرز اور انتظامیہ کی ذمہ داریاں بیان کی گئی ہیں. نقطہ نظر اور مشن سٹیٹمنٹ، بنیادی اقدار، اخلاقیات اور کاروباری طریقہ کار کے بارے میں بیانات تیار کیے گئے ہیں جو بورڈ ہذا سے منظور شدہ ہے. کارپوریٹ گورننس کے قانون کے تحت مطلوب اہم پالیسیاں تشکیل دی گئی ہیں جس کا بورڈ نے جائزہ لیا ہے اور جلد ہی اس کی منظوری دی جائے گی.

کارپوریٹ گورننس کے قانون کے مطلوبات کے مطابق درج ذیل مخصوص بیانات دیئے گئے ہیں:

زیر جائزہ سال کے دوران کمپنی ہذا کے حصص میں چیف ایگزیکٹو آفیسر، ڈائریکٹرز، کمپنی سیکریٹری اور ان کی بیویاں اور نابالغ بچے کی طرف سے کوئی لین دین نہ ہے.

کمپنی ہذا کے انتظامیہ نے جو مالیاتی گوشوارہ تیار کیا ہے وہ اس کے معاملات، اس کے آپریشن کے نتائج، کیش فلوز، اور ایکویٹی میں تبدیلی کو شفاف طریقے سے پیش کرتا ہے.

مناسب اکاؤنٹنگ پالیسیاں اختیار کی گئی ہیں جنہیں مالیاتی گوشوارے تیار کرنے میں باقاعدگی سے لاگو کیا جا رہا ہے. اکاؤنٹنگ تخمینے مناسب اور ٹھوس فیصلے پر مبنی ہیں.

بین الاقوامی اکاؤنٹنگ معیارات جیسا کہ پاکستان میں لاگو ہے، ان کے مالیاتی گوشوارے تیار کرنے میں پیروی کی جاتی ہے.

انٹرنل کنٹرولز کا نظام ڈیزائن کے لحاظ سے مضبوط ہے اور اس پر موئثر طریقے سے عمل درآمد اور نگرانی کی گئی ہے. مذکورہ نظام بہتری کیلئے ضرورت کے مطابق مسلسل جائزہ لیا جاتا ہے.

موجودہ صورت حال میں کمپنی ہذا کی جاری صلاحیت پر کسی قسم کا کوئی شبہ نہ ہے.

ڈائریکٹرز کی شمولیت/حاضری

برائے اختتامی سال 30 جون، 2017ء

	ڈائریکٹر کا نام	شامل ہونے والے اجلاس کی تعداد
1)	جناب وسیم الرحمان چیف ایگزیکٹوء	04
2)	جناب پیر فرحان شاہ نان-چیف ایگزیکٹوء	07
3)	جناب پیر وارث شاہ نان-چیف ایگزیکٹوء	06
4)	جناب فضلی رابی ایگزیکٹوء ڈائریکٹر	07
5)	جناب شفیق افضل خان نان-چیف ایگزیکٹوء	07
6)	جناب حضرت بلال نان-چیف ایگزیکٹوء	06
7)	جناب خلیل الرحمٰن نان-چیف ایگزیکٹو	07

بورڈ کمیٹی:

ٹھوس داخلی کنٹرول سسٹم پر موثر عمل درآمد کو یقینی بنانے اور کارپوریٹ گورننس کے قانون پر عمل درآمد کیلئے، بورڈ ہذا نے مختلف کمیٹیاں تشکیل دی ہیں۔ان کمیٹیوں کی درجہ بندی/ تفصیل اس رپورٹ کے ساتھ لف ہے۔

ہم نے کارپوریٹ گورننس کو کمپنی کی ایک ساختی نظام کی تشکیل، آپریٹنگ اور کنٹرولنگ کیلئے اس نظریے کی تحت بنایا ہے تاکہ لمبی مدت کی حکمت عملی کے اہداف حاصل کرکے شیئر ہولڈرز، کریڈیٹرز، ملازمین، صارفین اور سپلائیرز کو مطمئن کیا جاسکے. ہم بہترین اخلاقی طریقہ کار سے وابستہ ہیں اور قابل عمل قانونی اور ریگولیٹری مطلوبات پر عمل پیرا ہیں

بورڈ ہذا:

بورڈ ہذا ساتھ (07) ممبران پر مشتمل ہے جس میں سے پانچ نان ایگزیکٹو ڈائریکٹرز ہیں جبکہ باقی دو ایگزیکٹو ڈائریکٹرز ہیں. چیئرمین اور چیف ایگزیکٹو آفیسر کا عہدہ اچھی انتظامی امور کی بناپر الگ سے بیان کیا گیا ہے. ڈائریکٹرز حضرات اس اعتماد کی سطح سے پوری طرح آگاہ ہیں جو شیئر ہولڈرز ان پر رکھتے ہیں اور یہ وہ عظیم ذمہ داری جو انہوں نے کمپنی ہذا کو شفاف طریقے سے چلنے اور اس کے اثاثہ جات کی تحفظ کی بابت انہیں تفویض کی ہے.

ہم آہنگی اور معیار کے مقاصد کو یقینی بنانے کیلئے، بورڈ ہذا نے کاروبار کرنے کیلئے باقاعدہ رسمی پالیسیاں ترتیب دی ہیں اور ایک آزاد داخلی آڈٹ (نظام) کے ذریعہ سے اس کی نگرانی کو یقینی بنایا ہے جو مسلسل کمپنی پالیسیوں کی استواری کو یقینی بناتا ہے اور اس سلسلہ میں کسی قسم کے انحراف پر آڈٹ کمیٹی کو رپورٹ کرتا ہے.

بورڈ آف ڈائریکٹرز کا اجلاس/میٹنگ

قانونی طور پر، بورڈ ہذا کے لئے ضروری ہے کہ وہ ہر سہ ماہی میں ایک مرتبہ اجلاس منعقد کریں تاکہ وہ اپنی انتظامیہ کی موثر اور بروقت احتساب کیلئے کمپنی کی کارکردگی کی نگرانی کرسکے.

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

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اہم آپریٹنگ اور مالیاتی اعداد و شمار:

ان مالیاتی گوشواروں کے ساتھ گزشتہ چھ سالوں کے کمپنی کی اہم آپریٹنگ اور مالیاتی اعداد و شمار کا ایک خلاصہ لف ہذا ہے

ڈیوڈنڈ:

ڈائریکٹرز نے حتمی کیش ڈیوڈنڈ مبلغ 32.7 روپے فی حصص اور 3 برائے 1 بونس شیئرز جو کہ زیر جائزہ سال کیلئے بطور ڈیوڈنڈ جاری کیا گیا ہے، کی سفارش کی ہے.

انسانی وسائل / سرمایہ:

کمپنی ہذا کی انسانی وسائل کی حکمت عملی نے مالیاتی خسارے کو کم سے کم کرنے کے سلسلہ میں انسانی وسائل کو منظّم کرنے کیلئے زیادہ سے زیادہ سرمایہ کاری کی ہے. ہم اس ہدف کو ہنرمند اور قابل افراد کی فراہمی اور موجودہ انسانی وسائل کی قابلیتوں کو اداروں کے موجودہ اور مستقبل کے کاروباری منصوبوں اور مطلوبات کے ساتھ ہم آہنگ کر کے حاصل کرنے میں کوشاں ہیں تاکہ زیادہ سے زیادہ فوائد حاصل کیے جا سکے اور مستقبل کی بقا اور سلامتی کو محفوظ بنایا جا سکے.

سہولیات برائے ریٹائرڈ ملازمین:

کمپنی ہذا، کمپنی کے تمام مستقل ملازمین کیلئے ایک نان فنڈ گریجویٹی سکیم چلا رہی ہے. ملازمین کی سہولیات کے لئے حالیہ سال کے مالیاتی گوشوارے میں مبلغ 6.1 ملین روپے فراہم کیے گئے ہیں.

کارپوریٹ گورننس:

ہم طریقہ کار کے ایک شیڈول / مراحل کے ایک سیٹ، روایات اور پالیسیوں کو اختیار کر کے کارپوریٹ گورننس کی بہترین پریکٹس کو یقینی بنا رہے ہیں تاکہ یہ ایک اچھے کاروباری احساس، بامقصد، قابل احتساب اور دیانت داری سے براہ راست اور کنٹرول انتظامی سرگرمیوں میں ہماری مدد کر سکیں.

کامیابی سے ہمکنار ہوئی اور کمپنی ہذا دوبارہ برآمدات سے منافع بخش آمدنی حاصل کر سکے گی.

برآمدات مارکیٹ میں سخت مقابلہ اور کمپنی کی برآمدات مارکیٹ کے کوالٹی کے ضروری مطلوبات کو پورا کرنے کی نا اہلیت، کمپنی کی برآمدات کرنے کی صلاحیت میں اہم رکاوٹیں ہیں. لہذا، کمپنی زیادہ تر دوبارہ خشک کی گئی اور کٹ تمبا کو برآمد کرنے پر انحصار کرتی ہے اور متحدہ عرب امارات، جنوبی افریقہ، جرمنی، بلجیم، ترکی، مصر اور فلپائن میں دوبارہ خشک کی گئی اور کٹ تمباکو کی ایک اچھی/وسیع مارکیٹ پر قابض ہے.

صحت، تحفظ اور ماحول:

کمپنی اپنے اُن اہلکار کی صحت اور تحفظ کو اولین ترجیح دیتا ہے جو اس کمپنی کو چلانے میں ضروری اور قیمتی معاون کار/ جزو ہیں. ابتدائی اقدامات میں بشمول سیفٹی میٹنگ (تحفظ کے بارے میں اجلاس)، حادثے/ واقعے کے بارے میں رپورٹ کرنا، سیفٹی آڈیٹس، گوڈ ہاؤس کیپنگ (کمپنی کی اچھے طریقے سے دیکھ بھال کرنا)، حفظان صحت کا کنٹرول جیسے امور کو بھر پور اور با قاعدگی سے اپنے تمام اہلکاروں کے تحفظ کے لئے ان پر عمل کیا جاتا ہے.

کمپنی ہذا اس امر کی یقین دہانی کے ساتھ بھر پور انداز سے ماحول کی تحفظ کیلیئے کوشاں ہیں کہ اُس کے پلانٹس ہمہ وقت مجوزہ ماحولیاتی کوالٹی معیار پر پورا اترتے ہیں. انتظامیہ نے " پاکستان اتھارٹی برائے تحفظ ماحولیات " کی مقرر کردہ سخت ماحولیاتی کوالٹی معیارات کو بھی پورا کرنے پر اپنی توجہ مرکوز کی ہوئی ہے.

سماجی ذمہ داریاں:

کمپنی خود بھی اپنی ذات کو ایک ذمہ دار کارپوریٹ شہری سمجھتا ہے. آپریٹنگ سرگرمیوں کی از سرنو آغاز کے ساتھ، کمپنی ہذا نے اپنی سماجی ذمہ داریاں بھی سنبھال لی ہیں، خاص طور پر مقامی کمیونٹی کیلیئے اس ذمہ داری کو بہت سنجیدگی سے لیا ہے اور پسے ہوئے طبقے کی فلاح و بہود کے لئے اپنی شرکت کو باعث فخر سمجھتا ہے. توانائی کے بحران اور خراب امن وامان کی صورت حال سے بری طرح متاثرہ ملک کے علاقوں کیلیئے، انتظامیہ ہذا اُن علاقوں کے مقامی لوگوں کو نوکری کے مواقع فراہم کرنے

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بیلنس شیٹ

کمپنی ہذا کا سرمایہ اور ذخائر میں گزشتہ مالیاتی سال کے اختتام پر مبلغ 624.32 ملین روپے کے مقابلے میں مبلغ 819.68 ملین روپے کا اضافہ ہوا ہے. کمپنی کے سرمایے کے ذخائر میں شاندار اضافہ، انتظامیہ کی جانب سے ایک مضبوط سرمایہ کاری کی بنیاد پر کمپنی کی تعمیر کے لئے اس کی مرکوز توجہ اور کاوش کا ثبوت ہے.

پلانٹ کی کارگزاری / کارکردگی:

کمپنی انتظامیہ وقت گزرنے کے ساتھ ساتھ تمام شعبوں میں نصب شدہ پلانٹ اور مشینری کو آپ گریڈ کرنے کی بھرپور سعی کر رہی ہے. تاہم، نصب شدہ پلانٹ اور مشینری انتہائی سطح پر آپریٹ (چلایا) نہیں کیا جاتا کیونکہ حقیقت یہ ہے کہ ان میں سے زیادہ تر نصب شدہ پلانٹ اور مشینری بہت پرانی ہیں اور تمام شعبے میں ان نصب شدہ پلانٹ اور مشینری کی مناسب طریقے سے دیکھ بھال / مرمت نہیں کی جاتی.

اوپر مذکورہ حقائق کے باوجود، زیر جائزہ سال کے دوران، نصب شدہ پلانٹ اور مشینری تسلی بخش طریقے سے چل رہی ہیں.

معیار کی ضمانت:

خیبر ٹوبیکو کمپنی لمٹیڈ ایک ایسی کمپنی ہے جو مستعد طریقے سے چل رہی ہے اور معیار کے سلسلہ میں یہ بہت محتاط ہے. سخت ترین معیار کی پیمائش کا طریقہ کار لاگو کیا جاتا ہے تاکہ اس امر کو یقینی بنایا جا سکے کہ یہ / مقررہ اہداف حاصل ہو گئے ہیں. کوالٹی کے معیار میں وقت کے ساتھ ساتھ بہتری آ رہی ہے تاکہ جدید تقاضوں کے مطابق کوالٹی کے معیار کو ہم آہنگ کیا جا سکے.

مارکیٹنگ / بازار کاری:

کمپنی ہذا کو مقامی اور بین الاقوامی مارکیٹ میں سخت مقابلے کا سامنا ہے. تاہم انتظامیہ مسلسل کوشش کر رہی ہے کہ وہ اپنے برانڈز کو مقامی اور بین الاقوامی مارکیٹس میں فروغ دیتی رہے. کمپنی کی انتظامیہ اپنی برآمدات کی فروخت کی ترویج کر رہی ہے اور انتظامیہ کسی حد تک اس سلسلہ میں کامیاب ہوئی ہے. تاہم انتظامیہ پر امید ہے کہ مستقبل قریب میں یہ کاوشیں مزید

کٹ تمباکو کی پیداوار گزشتہ مالیاتی سال کے 0.479 ملین کلوگرامز کے مقابلے میں حالیہ زیر جائزہ سال میں 0.514 ملین کلوگرامز کا اضافہ ہوا ہے۔

اس سال کے دوران، سگریٹ کی پیداوار گزشتہ مالیاتی سال کے 530.65 ملین سٹکس کے مقابلے میں زیر جائزہ سال میں 432.90 ملین سٹکس کا اضافہ ہوا ہے۔ سگریٹ کی فروخت 2016 کے 431.16 ملین سٹکس کے مقابلے میں اس زیر جائزہ سال میں 546.57 ملین سٹکس کا اضافہ ہوا۔

آپریٹنگ (جاری کاروبار) کا سرسری جائزہ:

ماضی میں کمپنی ہذا کا سب سے اہم منافع بخش ذریعہ دوبارہ خشک کیے گئے تمباکو کی برآمد پر منحصر رہا ہے۔ تاہم کمپنی کی برآمدات بین الاقوامی مارکیٹ میں پاکستانی تمباکو کی طلب میں کمی کی وجہ سے رک چکی ہیں۔ کمپنی ہذا کی انتظامیہ نے مقامی سطح پر سگریٹ کی فروخت پر توجہ مرکوز کی ہے اور وہ اپنی اس کاوش میں بہت حد تک کامیاب ہوئے ہیں۔ اس کا ثبوت گزشتہ سال مجموعی فروخت مبلغ 0.758 ملین روپے کے مقابلے میں زیر جائزہ مدت کے دوران مجموعی فروخت مبلغ 1.027 ملین روپے ہے۔ انتظامیہ مسلسل کوشش کر رہی ہے کہ اپنے موجودہ صارفین کی بنیاد پر نئے صارفین کے اضافے کے ذریعے سے اپنی مقامی مارکیٹ میں توسیع کریں۔

منافع کی شرح گزشتہ سال ٹیکس کی کٹوتی سے پہلے منافع مبلغ 81 ملین روپے کے مقابلے میں اس سال کے اختتامی مدت 30 جون 2017 میں ٹیکس کی کٹوتی سے پہلے منافع مبلغ 280 ملین روپے ریکارڈ کیا گیا ہے۔ منافع کی شرح گزشتہ مالیاتی سال ٹیکس کی کٹوتی کے بعد منافع مبلغ 69.61 ملین روپے کے مقابلے میں اس سال کے اختتامی مدت 30 جون 2017 میں ٹیکس کی کٹوتی کے بعد منافع مبلغ 189.93 ملین روپے ہے۔ گزشتہ مالیاتی سال 2016 کے مقابلے میں اس سال منافع کی شرح میں اضافہ کی اہم وجہ کمپنی ہذا کی اپنے مقامی صارفین میں اضافہ ہے

کمپنی کی فی حصص آمدنی اس کے گزشتہ سال فی حصص آمدنی مبلغ 57.92 روپے کے مقابلے میں اس اختتامی سال 30 جون 2017 کے پیڈ اپ سرمایہ پر مبلغ 158.04 روپے ہے۔

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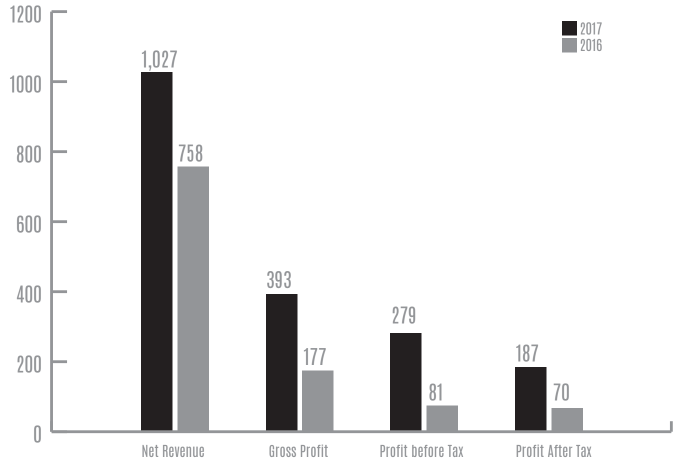
میرے لئے یہ خوشی کا باعث ہے کہ میں خیبر ٹوبیکو کمپنی لمٹیڈ کے ڈائریکٹرز کی جانب سے 62 ویں سالانہ رپورٹ اور آڈیڈٹ مالیاتی گوشوارہ بمع آڈیٹرز رپورٹ برائے اختتامی مدت 30 جون، 2017 پیش کر رہا ہوں.

کمپنی ہذا کے مالیاتی نتائج:

درج ذیل کمپنی ہذا کے گزشتہ اختتامی سال 30 جون 2016 کے مقابلے میں مالیاتی کارکردگی برائے اختتامی سال 30 جون 2017 کی جامع نتائج پیش کی گئیں ہیں: (رقوم ملین روپے میں دیئے گئے ہیں)



پیداوار اور فروخت:

مصنوعات	پیمائش کی اکائی	پیداوار		فروخت / سیلز	
		2017	2016	2017	2016
دوبارہ خشک کیا گیا تمباکو	کِلوگرامز	1,485,722	2,071,656	923,351	1,596,185
کٹ (کٹا ہوا) تمباکو	کلوگرامز	514,128	479,962	90,000	8,500
سگریٹ	سٹیک (ملین میں)	530.65	432.90	546.57	431.16

زیر جائزہ سال کے دوران، کمپنی ہذا نے گزشتہ مالیاتی سال 2016 2.1 ملین کلوگرامز تمباکو کے مقابلے میں اس سال 1.5 ملین کلوگرامز تمباکو کو اپنے گرین لیف تھریشنگ پلانٹ میں دوبارہ خشک کیا ہے. اس سال کے دوران، گزشتہ سال 2016 کے 0.356 ملین کلوگرامز کے مقابلے میں دوبارہ خشک کیا گیا کسی قسم کا کوئی تمباکو برآمد نہیں کیا. مقامی سطح پر دوبارہ خشک کیا گیا تمباکو کی گزشتہ سال 2016 کے فروخت 1.6 ملین کلوگرامز کے مقابلے میں زیر جائزہ سال کے دوران دوبارہ خشک کیا گیا تمباکو کی فروخت میں 0.923 ملین کلوگرامز کی واقع ہوئی جو تقریباً 42% کمی ظاہر کرتی ہے جس کی اہم وجہ مارکیٹ میں سٹم (تنا) کی طلب میں کمی ہے.

Review Report to the Members

on Statement of Compliance with the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the 'Code') prepared by the Board of Directors of Khyber Tobacco Company Limited (the 'Company') for the year ended 30 June 2017 to comply with the requirements of Listing Regulation 5.19.24 of the Pakistan Stock Exchange where the Company is listed.

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

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

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2017.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the note reference where these are stated in the Statement of Compliance:

i. As disclosed in point 5 of the Statement, the Company has not placed the significant policies and procedures on its website as required by the Code;

ii. As disclosed in point 6 of the Statement, significant policies of the Company have not been approved by the Board as required by the Code and the board is in process of developing a mechanism for an annual evaluation of the board's own performance and policy regarding level of materiality which was required to be put into place as required by the Code;

iii. As disclosed in point 10 of the Statement, the position of Chief Financial Officer remained vacant during the year and the board has not made appointment as required by the Code; and

iv. As disclosed in point 12 of the Statement, in the absence of CFO the financial statements of the Company were endorsed by CEO and Director/Company Secretary.

Islamabad
05 October 2017

KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement Partner: Riaz Pesnani

Statement of Compliance
(With the Code of Corporate Governance)

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 5.19.24 of listing regulations of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in following manner;

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors (the Board). At present the Board includes:

Category	Names
Independent Directors	Mr. Shafiq Afzal
	Mr. Pir Farhan Shah
	Mr. Pir Waris Shah
	Mr. Hazrat Bilal
	Mr. Khalil Ur Rehman
Executive Directors	Mr. Fazli Rabi
	Mr. Waseem Ur Rehman
Non-Executive directors	Mr. Shafiq Afzal
	Mr. Pir Farhan Shah
	Mr. Waris Shah
	Mr. Hazrat Bilal
	Mr. Khalil Ur Rehman

The independent directors meet the criteria of independence under clause 5.19.1.(b) of the CCG.

2. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking Company, a DFI or an NBFI or, being a Brokerof a stock exchange, has been declared as defaulter by that stock exchange.
4. During the year one casual vacancy occurred on the board, which was filled up by the Directors within 90 days.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures. However only Code of Conduct has been placed on the website as policies and procedures are yet to be approved by the board.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. These documents except for the significant policies have been approved by the Board. The board is also in the process of developing a mechanism for an annual evaluation of the Board's own performance and policy regarding level of materiality which shall be effective in forthcoming financial year.

7. All powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non- executive directors, have been taken by the board/ shareholders.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board met at least once in every quarter and written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board has been making arrangements for orientation course for its director to apprise them of their duties and responsibilities.

10. There was new appointment of Company secretary, however the position of Chief Financial Officer remained vacant during the year.

11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by the CEO and Company Secretary in place of CFO, before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code except wherever mentioned otherwise.

15. The board has formed an audit committee. It comprises three members, two of whom including chairman of the committee, are independent / non-executive directors.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed a Human Resource and Remuneration committee. It comprises three members, of whom majority are non-executive directors and chairman of the committee is a non executive director.

18. The Board outsourced its internal audit function to M/s Shahid Ahmed & Co, Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

20. The statutory auditors or persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The closed period, prior to the announcement of interim/final results, and business decisions,

which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange.

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.

23. The Company has complied with the requirement relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from said list.

24. We confirm that all other material principles enshrined in the Code have been complied with, except for whatever mentioned otherwise with reasons, toward which reasonable progress is being made by the company to seek compliance by the end of next accounting year.

(WASEEM UR REHMAN)
Chief Executive

Auditors' report to the members

We have audited the annexed balance sheet of Khyber Tobacco Company Limited ("the Company") as at 30 June 2017 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion-

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting polices consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the Company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2017 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in Central Zakat Fund established under section 7 of that Ordinance.

Islamabad

KPMG Taseer Hadi & Co
Chartered Accountants
Engagement Partner
Riaz Pesnani

Financial Statements

For the year ended 30 June, 2017

Balance Sheet
As at 30 June, 2017

	Note	2017	2016
		Rupees	
SHARE CAPITAL AND RESERVES			
Share capital	4	12,018,410	12,018,410
General reserve		3,312,465	3,312,465
Unappropriated profit		804,353,180	608,991,341
		819,684,055	624,322,216
Surplus on revaluation of property, plant and equipment - net of tax	5	343,404,204	127,417,025
NON-CURRENT LIABILITIES			
Deferred liabilities	6	192,449,850	71,717,539
CURRENT LIABILITIES			
Trade and other payables	7	313,051,450	315,092,780
Provision for taxation - net	8	52,998,555	-
		1,721,588,114	1,138,549,560

CONTINGENCIES AND COMMITMENTS 9

The annexed notes 1 to 29 form an integral part of these financial statements.

Chief Executive

Director

	Note	2017	2016
		Rupees	
NON-CURRENT ASSETS			
Property, plant and equipment	10	652,719,504	342,282,345
Intangible assets	11	925,586	1,527,031
Long term deposits		4,010,411	4,010,411
		657,655,501	347,819,787
CURRENT ASSETS			
Stock in trade	12	528,336,344	546,317,189
Trade debts	13	441,194,843	184,027,433
Advances and prepayments	14	11,454,694	29,829,170
Advance income tax - net	8	-	12,890,779
Cash and bank balances	15	82,946,732	17,665,202
		1,063,932,613	790,729,773
		1,721,588,114	1,138,549,560

Chief Executive

Director

Profit and Loss Account

For the year ended 30 June, 2017

	Note	2017	2016
		Rupees	
Turnover - net	16	1,027,260,696	758,263,979
Cost of sales	17	(633,375,911)	(581,635,916)
Gross profit		393,884,785	176,628,063
Distribution cost	18	(3,859,919)	(23,390,907)
Administrative expenses	19	(87,560,318)	(71,963,515)
Other operating expenses	20	(21,227,876)	(6,218,112)
Finance cost	21	(3,542,880)	(4,430,865)
Other income	22	2,761,036	10,596,842
Profit before tax		280,454,828	81,221,506
Income tax expense	23	(90,520,597)	(11,611,430)
Profit for the year		189,934,231	69,610,076
Earnings per share - Basic and diluted	27	158.04	57.92

The annexed notes 1 to 29 form an integral part of these financial statements.

Chief Executive

Director

Statement of Comprehensive Income

For the year ended 30 June, 2017

	2017	2016
	Rupees	
Profit for the year	189,934,231	69,610,076
Other comprehensive income for the year		
Items that will not be reclassified to profit and loss account		
Remeasurement gain on defined benefit obligation	1,408,649	181,359
Related tax	(422,595)	(54,132)
Comprehensive income transferred to equity	986,054	127,227
Other comprehensive income not transferred to equity		
Items that will not be reclassified to profit and loss account		
Surplus on revaluation of property, plant and equipment - net of tax	245,547,051	-
Total comprehensive income for the year	436,467,336	69,737,303

The annexed notes 1 to 29 form an integral part of these financial statements.

Chief Executive

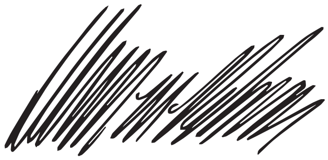
Director

Statement of Changes in Equity

For the year ended 30 June, 2017

	Share capital	General reserve	Unappropriated profit	Total
		Rupees		
Balance at 01 July 2015	12,018,410	3,312,465	531,803,587	547,134,462
Total comprehensive income for the year				
Profit for the year	-	-	69,610,076	69,610,076
Other comprehensive income for the year - net of tax	-	-	127,227	127,227
Transfer from surplus on revaluation of property, plant and equipment - net of tax	-	-	14,661,497	14,661,497
	-	-	84,398,800	84,398,800
Transactions with owners of the Company				
Distributions				
Final dividend 2015 @ Rs. 6 per share	-	-	(7,211,046)	(7,211,046)
	-	-	(7,211,046)	(7,211,046)
Balance at 30 June 2016	12,018,410	3,312,465	608,991,341	624,322,216
Balance at 01 July 2016	12,018,410	3,312,465	608,991,341	624,322,216
Total comprehensive income for the year				
Profit for the year	-	-	189,934,231	189,934,231
Other comprehensive income for the year - net of tax	-	-	986,054	986,054
Transfer from surplus on revaluation of property, plant and equipment - net of tax	-	-	16,459,964	16,459,964
	-	-	207,380,249	207,380,249
Transactions with owners of the Company				
Distributions				
Final dividend 2016 @ Rs. 10 per share	-	-	(12,018,410)	(12,018,410)
	-	-	(12,018,410)	(12,018,410)
Balance at 30 June 2017	12,018,410	3,312,465	804,353,180	819,684,055

The annexed notes 1 to 29 form an integral part of these financial statements.



Chief Executive

Director

Cash Flow Statement

For the year ended 30 June, 2017

	Note	2017	2016
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		280,454,828	81,221,506
Adjustments for:			
- Depreciation	10	42,397,570	39,754,540
- Amortisation	11	902,227	773,083
- Finance cost	21	3,542,880	4,430,865
- Liabilities - written back	22	(1,358,036)	(10,354,067)
- Stock in trade written off	19	3,012,193	-
- Reversal of provision for doubtful debts	22	(1,403,000)	-
- Provision for advances to suppliers	19	1,116,793	-
- Provision for gratuity	6.2.1	6,086,834	5,231,716
		54,297,461	39,836,137
		334,752,289	121,057,643
Changes in:			
- Stock in trade		14,968,652	(86,794,023)
- Trade debts		(255,764,410)	18,026,838
- Advances and prepayments		17,257,683	(12,595,452)
- Other receivable		-	-
- Trade and other payables		(2,806,628)	(27,976,010)
		(226,344,703)	(109,338,647)
Cash generated from operating activities		108,407,586	11,718,996
Finance cost paid		(3,542,880)	(4,430,865)
Income tax paid		(27,334,091)	(20,295,768)
Gratuity paid	6.2.1	-	-
Dividend paid		(9,895,076)	(6,066,919)
Net cash generated from/(used in) operating activities		67,635,539	(19,074,556)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	10	(2,053,227)	(12,356,409)
Increase in long term deposits		-	(1,251,260)
Acquisition of intangible assets	11	(300,782)	(847,274)
Proceeds from disposal of non-current asset held for sale		-	-
Net cash used in investing activities		(2,354,009)	(14,454,943)
Net increase/(decrease) in cash and cash equivalents		65,281,530	(33,529,499)
Cash and cash equivalents at beginning of the year		17,665,202	51,194,701
Cash and cash equivalents at end of the year	15	82,946,732	17,665,202

The annexed notes 1 to 29 form an integral part of these financial statements.

Chief Executive **Director**

Notes to the Financial Statements

For the year ended 30 June, 2017

1. THE COMPANY AND ITS OPERATIONS

Khyber Tobacco Company Limited (the “Company”) is a public listed company incorporated in Pakistan on 15 October 1954 under the Companies Act, 1913 repealed and replaced by the Companies Ordinance, 1984 and is listed on the Pakistan Stock Exchange (PSX). The Company is engaged in the manufacture and sale of cigarettes, cut tobacco and redried tobacco. The Company’s registered office is situated at Nowshera Malakand Road, Mardan.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified by the Commission, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

During the year, on 30 May 2017, the Companies Act, 2017 (the Act) was enacted which replaced and repealed the Companies Ordinance, 1984 (the repealed Ordinance). However, the Securities and Exchange Commission of Pakistan (SECP) through its Circular No. 17 of 2017 dated 20 July 2017 has advised that the Companies whose financial year closes on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

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

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

Notes to the Financial Statements
For the year ended 30 June, 2017

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

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following note:

a) **Property, plant and equipment**

The Company reviews the useful lives and residual values of property, plant and equipment on regular basis. Fair value of property, plant and equipment is determined by independent surveyors on market value. Any change in such 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, impairment and revaluation surplus and related deferred tax liability.

b) **Intangible assets**

Amortisation methods, useful lives and residual values of intangible assets are reviewed at each reporting date and adjusted if appropriate.

c) **Impairment of financial assets**

In making an estimate of future cash flows of the Company's financial assets, the management considers estimated cash flows and their terminal value for impairment testing.

d) **Impairment of non-financial assets**

e) **Stock in trade**

The Company reviews the carrying value of stock in trade to assess any diminution in the respective carrying values. Any change in estimates in future years might affect the carrying value of stock in trade. Net realisable value is determined with reference to estimated selling price less estimated cost of completion and expenditure to make the sales.

f) **Provision against trade debts, advances and other receivables**

The carrying amounts of trade debts, advances and other receivables are assessed on a regular basis and if there is any doubt about the realizability of their carrying amounts, appropriate amount of provision is made.

g) **Taxation**

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

Notes to the Financial Statements
For the year ended 30 June, 2017

The Company regularly reviews the trend of proportion of incomes under Presumptive Tax Regime and Normal Tax Regime income and the change in proportions, if significant, is accounted for in the year of change.

h) Provisions and contingencies

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability, it is disclosed as contingent liability.

i) Employee benefits

The present value of the obligation for gratuity and compensated absences depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the charge for the year include the discount rate, expected increase in eligible salary and mortality rate. Any changes in these assumptions will impact the carrying amount of obligation for gratuity and compensated leave absences.

j) Measurement of fair values

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

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

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

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

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

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

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

Notes to the Financial Statements
For the year ended 30 June, 2017

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2017:

- Amendments to IAS 12 Income Taxes are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on Company's financial statements.

- Amendments to IAS 7 Statement of Cash Flows are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

- Amendments to IFRS 2 Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.

- Transfers of Investment Property (Amendments to IAS 40 Investment Property-effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Company's financial statements.

- Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:

Notes to the Financial Statements

For the year ended 30 June, 2017

- Amendments to IFRS 12 Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The amendments are not likely to have an impact on Company's financial statements.

- Amendments to IAS 28 Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Company's financial statements.

- IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

- IFRIC 23 Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax.

In addition, the Companies Act, 2017 was enacted on 30 May 2017 and Securities and Exchange Commission of Pakistan (SECP) vide its circular 17 of 2017 has clarified that the companies whose financial year closes on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 applicable for financial year beginning on 01 July 2017 requires certain additional disclosures and changes for certain accounting treatments including accounting for surplus on revaluation of property, plant and equipment which may require change in the relevant accounting policy

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements:

Notes to the Financial Statements

For the year ended 30 June, 2017

3.1 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any impairment losses except for the buildings on leasehold land, plant and machinery, and furniture and fittings which are stated at revalued amounts less accumulated depreciation there on and accumulated impairment loss, if any. Items of CWIP are stated at cost less impairment loss, if any. These costs are transferred to respective items of property, plant and equipment when available for intended use.

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

Surplus arising out of revaluation of fixed assets is treated in accordance with the requirements of Section 235 of the Companies Ordinance, 1984.

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 profit and loss account. 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 capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight line method over their estimated useful lives, and is generally recognised in profit and loss account at rates given in note 10 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.

3.2 Intangible assets

Recognition and measurement

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

Notes to the Financial Statements
For the year ended 30 June, 2017

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit and loss account as incurred.

Amortization

Amortization of intangible assets, having finite useful life, is charged by applying straight line method, so as to write off the cost of assets at amortization rate as mentioned in note 11 to the financial statements. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.3 Stock in trade

Stocks of raw materials, work in process and finished goods are valued at lower of weighted average cost and net realizable value. Cost of raw material, work in process and finished goods comprises of direct materials, labor and appropriate manufacturing overheads. Net realizable value signifies estimated selling price less estimated cost of completion and estimated cost to sell.

3.4 Employee benefits

The accounting policy for defined benefit plan is described below:

3.4.1 Short-term employee benefits:

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

3.4.2 Defined benefit plans:

The Company operates the following defined benefit plan:

Defined benefit plan (gratuity)

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

Notes to the Financial Statements

For the year ended 30 June, 2017

3.5 Foreign currency currency transactions and translations

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

3.6 Provisions

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

3.7 Financial instruments

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

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

3.7.1 Non-derivative financial assets and financial liabilities

3.7.1.1 Recognition and derecognition

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

Notes to the Financial Statements
For the year ended 30 June, 2017

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

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

3.7.1.2 Non-derivative financial assets – Measurement

Loans and receivables	These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method, as reduced by appropriate provision for impairment. Know impaired assets are written off, while assets considered doubtful of recovery are fully provided for. The provision for these assets is based on the Company's assessment of the collectability of counterparty accounts. The Company regularly reviews assets which remain outstanding past their applicable payment terms and establishes provision and potential write offs by considering factors such as historical experience, credit quality, age of these assets and current economic conditions that may affect a counterparty's ability to pay.

3.7.1.3 Non-derivative financial liabilities – Measurement

Financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

3.7.1.4 Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

3.8 Impairment

3.8.1 Financial assets

Financial assets not classified at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on the terms that the Company would not consider otherwise and indication that a debtor will enter bankruptcy.

Notes to the Financial Statements

For the year ended 30 June, 2017

The Company considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit and loss account and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit and loss account.

An impairment loss is recognised in profit and loss account, and is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

3.8.2 Non-financial assets

At each reporting date, the Company reviews the carrying amount of its non-financial assets (other than stock in trade) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs).

The recoverable amount of an asset or CGU is greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

Notes to the Financial Statements

For the year ended 30 June, 2017

3.9 Revenue recognition

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when significant risk and rewards of ownership have been transferred to the customers, recovery of the consideration is probable, the associated costs and possible return of the goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of transfer of risk and rewards varies depending on the individual terms of the sale agreements. For some international shipments transfer occurs on the loading of goods onto the relevant carrier at the port.

3.10 Taxation

Income tax expense comprises current and deferred tax. It is recognized in profit and loss account except to the extent of items recognized directly in equity or in other comprehensive income.

3.10.1 Current tax

Current tax comprises the expected tax payable or refundable on the taxable income or loss for the year and any adjustment to the tax payable or refundable in respect of previous years. The amount of current tax payable or refundable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset if certain criteria are met. The charge for current taxation is based on taxable income at current rates of taxation enacted or substantially enacted at the reporting date, after taking into consideration available tax credits, rebates and tax losses, if any.

3.10.2 Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences on initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for the Company and the reversal of temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves. Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Notes to the Financial Statements

For the year ended 30 June, 2017

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantially enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset if certain criteria are met.

Taxable temporary difference are adjusted by the portion of income expected to fall under presumptive tax regime in accordance with the requirement of Accounting Technical Release - 27 of the Institute of Chartered Accountants of Pakistan. The effect of the adjustment is charged or credited to income currently

3.11 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances.

3.12 Share capital and dividend

Ordinary shares are classified as equity and recognised at their face value. Dividend distribution to the shareholders is recognised as liability in the period in which it is declared.

3.13 Earnings per share

The Company presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit and loss 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 and loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

		2017	2016
		Rupees	
4.	**SHARE CAPITAL**		
4.1	**Authorized share capital**	20,000,000	20,000,000

Authorised share capital comprises of 2,000,000 (2016: 2,000,000) ordinary shares of Rs. 10 each.

4.2 Issued, subscribed and paid up capital

2017	2016		2017	2016
Number of shares			Rupees	
497,500	497,500	Ordinary shares of Rs. 10 each, allotted for consideration paid in cash	4,975,000	4,975,000
704,341	704,341	Ordinary shares of Rs. 10 each, allotted as bonus shares	7,043,410	7,043,410
1,201,841	1,201,841		12,018,410	12,018,410

Notes to the Financial Statements
For the year ended 30 June, 2017

Directors of the Company hold 399,101 i.e. 33.21% (2016: 399,101 i.e. 33.21%) ordinary shares of Rs. 10 each at the reporting date.

	2017	2016
5. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - net of tax	**Rupees**	
Balance at 01 July	163,310,165	182,101,779
Surplus on revaluation during the year	350,781,502	-
Surplus transferred to unappropriated profit in respect of incremental depreciation charged during the year:		
- Net of deferred tax	(16,459,964)	(14,661,497)
- Related deferred tax liability	(7,054,270)	(4,130,117)
	(23,514,234)	(18,791,614)
Surplus on revaluation of property, plant and equipment as at 30 June	490,577,433	163,310,165
Related deferred tax liability		
On revaluation surplus at 01 July	(35,893,140)	(33,554,613)
On revaluation surplus during the year	(105,234,451)	-
On incremental depreciation charged during the year	7,054,270	4,130,117
Effect of change in ratio of export sales	(13,099,908)	(6,468,644)
	(147,173,229)	(35,893,140)
	343,404,204	127,417,025

		2017	2016
6 DEFERRED LIABILITIES	**Note**	**Rupees**	
Deferred taxation	6.1	165,382,861	49,328,735
Staff retirement benefit - gratuity	6.2	27,066,989	22,388,804
		192,449,850	71,717,539

Notes to the Financial Statements

For the year ended 30 June, 2017

6.1 Deferred tax liability is recognised on following major temporary differences:

	Note	2017	2016
Taxable temporary differences		**Rupees**	
Surplus on revaluation of property, plant and equipment		147,173,229	35,893,140
Excess of accounting book value of property, plant and equipment and intangible assets other than revalued amounts over their tax base		19,943,640	14,768,863
Deductible temporary differences			
Provisions for doubtful trade debts		(532,989)	(698,836)
Provisions for doubtful advances		(1,201,019)	(634,432)
	6.1.1	165,382,861	49,328,735

6.1.1 Movement of deferred tax liability is as follows:

	2017	2016
Balance at 01 July	49,328,735	43,828,797
Effect of tax on revaluation of property, plant and equipment	105,234,451	-
Effect of change in ratio of export sales, related to surplus on revaluation	13,099,908	6,468,644
Tax credit for the year	(2,280,233)	(968,706)
Balance at 30 June	165,382,861	49,328,735

6.2 Staff retirement benefit - gratuity

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

Movement in the liability recognised in the balance sheet

	Note	2017	2016
		Rupees	
Opening balance		22,388,804	17,338,447
Charge for the year	6.2.1	6,086,834	5,231,716
Payments made during the year		-	-
Remeasurement gain	6.2.2	(1,408,649)	(181,359)
Closing balance		27,066,989	22,388,804

Notes to the Financial Statements
For the year ended 30 June, 2017

Reconciliation of liability recognised in the balance sheet

	2017	2016
	Rupees	
Present value of defined benefit obligation	27,066,989	22,388,804

6.2.1 Charge to profit and loss account

	2017	2016
Current service cost	4,071,842	3,497,871
Interest cost	2,014,992	1,733,845
	6,086,834	5,231,716

6.2.2 Credit to statement of other comprehensive income

	2017	2016
Remeasurement gain on defined benefit obligation	(1,408,649)	(181,359)

The latest actuarial valuation was carried out on 30 June 2017 using projected unit credit method.

	2017	2016
Actuarial assumptions	Percentage	
The following were the principal actuarial assumptions at the reporting date :		
Discount rate	8%	9%
Future salary growth	8%	9%
Employee turnover rate	Moderate	Moderate

Assumption regarding future mortality has been based on published statistics and mortality tables. The mortality rates are based on State Life Insurance Corporation (SLIC) 2001-05 table.

At 30 June 2017, the weighted-average duration of defined benefit obligation was 17.11 years (2016: 14.70 years).

6.2.3 Sensitivity analysis

For a change of 100 basis points, present value of defined benefit obligation as at 30 June 2017 would have been as follows:

	30 June 2017		30 June 2016	
	Increase	Decrease	Increase	Decrease
	Rupees			
Discount rate (1% movement)	(3,222,031)	2,177,509	(2,269,309)	2,754,473
Future salary growth (1% movement)	2,253,277	(3,323,879)	2,824,326	(2,363,200)

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.

Risk associated with defined benefit plan

Notes to the Financial Statements
For the year ended 30 June, 2017

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.

6.2.4 Funding

- The net defined benefit liability in respect of gratuity scheme is unfunded.
- The company expects gratuity expense for the next financial year to be Rs. 6,173,788 (2016: Rs. 6,051,960).

			2017	2016
7	**TRADE AND OTHER PAYABLES**	**Note**	**Rupees**	
	Creditors		120,356,462	157,247,700
	Accrued liabilities	7.1	15,378,403	14,051,742
	Advances from customers		81,849,704	62,162,882
	Unclaimed dividend		10,423,532	8,300,198
	Workers' Profit Participation Fund	7.2	51,875,214	33,843,325
	Workers' Welfare Fund		6,171,269	1,846,131
	Withholding tax payable		1,024,033	1,046,798
	Sales tax and excise duty payable		15,471,714	17,331,298
	Tobacco development cess payable		10,370,916	19,262,706
	Other payable		130,203	-
			313,051,450	315,092,780

7.1 This includes remuneration payable to Chief Executive Officer amounting to Rs. 2.25 million (2016: Rs. 2.3 million).

Notes to the Financial Statements

For the year ended 30 June, 2017

7.2	Workers' Profit Participation Fund	Note	2017 Rupees	2016 Rupees
	Balance at the beginning of the year		33,843,325	27,130,023
	Provision for the year	20	15,084,135	4,371,981
	Interest on funds utilised in the Company's business	7.2.1	2,947,754	2,341,321
			51,875,214	33,843,325

7.2.1 Interest is calculated using interest rate of KIBOR + 2.5% (2016: KIBOR + 2.5%) as per the guidance given in The Companies' Profits (Workers' Participation) Rules, 1971.

8	PROVISION FOR TAXATION / (ADVANCE TAX) - NET	2017 Rupees	2016 Rupees
	Advance tax at the beginning of the year	(12,890,779)	(5,229,278)
	Provision for the year	92,800,830	12,580,135
	Adjustment	422,595	54,132
	Payments made during the year	(27,334,091)	(20,295,768)
	Provision for taxation / (advance tax) at the end of the year	52,998,555	(12,890,779)

9 CONTINGENCIES AND COMMITMENTS

9.1 Contingencies:

a) Federal Board of Revenue (FBR) has issued show cause notices under Federal Excise Act 2005 and Sales Tax Act 1990 amounting to Rs 14.04 million and Rs 1.9 million respectively. The Company has duly responded the notices and no further proceedings have initiated. The Company is expecting a favorable outcome. Based on expert legal advice, the management is confident that the cases will be decided in favor of the Company.

b) Assessment order No.22/2016 dated 27 June 2016 passed by the Deputy Commissioner (RTO) Peshawar imposing Federal Excise Duty and Sales Tax amounting to Rs 23.8 million and Rs 7.07 million respectively was adjudged against the Company. Appeal was filed by the Company against the said assessment order number before the Income Tax Appellate Tribunal which set aside the above mentioned assessment order on 26 September 2017 being presumptive/assumptive in nature. Based on expert legal advice, the management is confident that the case will be decided in favour of the Company.

b) For tax related contingencies refer note 23.

9.2	Commitments:	2017 Rupees	2016 Rupees
a)	Letters of credit against import of spares	829,598	1,278,700
b)	Leasehold land	69,065	75,971

Notes to the Financial Statements
For the year ended 30 June, 2017

10 PROPERTY, PLANT AND EQUIPMENT

	Buildings on leasehold land	Plant and machinery	Tools and equipments	Furniture and fittings	Office equipments	Vehicles	Capital work in progress	Total
				Rupees				
Cost / revalued amounts								
Balance at 01 July 2015	145,845,745	278,720,869	13,075,239	1,558,080	2,072,740	2,596,074	23,253,600	467,122,347
Additions	-	6,482,678	5,582,706	-	-	291,025	-	12,356,409
Transfers	-	-	14,600,000	-	-	6,668,000	(23,253,600)	(1,985,600)
Balance at 30 June 2016	145,845,745	285,203,547	33,257,945	1,558,080	2,072,740	9,555,099	-	477,493,156
Balance at 01 July 2016	145,845,745	285,203,547	33,257,945	1,558,080	2,072,740	9,555,099	-	477,493,156
Additions	-	342,104	1,048,673	501,850	160,600	-	-	2,053,227
Surplus on revaluation	125,664,913	224,521,078	-	595,511	-	-	-	350,781,502
Transfers	-	-	-	-	-	-	-	-
Balance at 30 June 2017	271,510,658	510,066,729	34,306,618	2,655,441	2,233,340	9,555,099	-	830,327,885
Accumulated depreciation								
Balance at 01 July 2015	32,909,220	53,066,894	5,630,260	340,056	1,605,111	1,904,730	-	95,456,271
Charge for the year	9,375,798	25,415,109	2,635,859	140,227	467,629	1,719,918	-	39,754,540
Balance at 30 June 2016	42,285,018	78,482,003	8,266,119	480,283	2,072,740	3,624,648	-	135,210,811
Balance at 01 July 2016	42,285,018	78,482,003	8,266,119	480,283	2,072,740	3,624,648	-	135,210,811
Charge for the year	9,944,265	27,560,874	3,010,844	152,756	8,913	1,719,918	-	42,397,570
Balance at 30 June 2017	52,229,283	106,042,877	11,276,963	633,039	2,081,653	5,344,566	-	177,608,381
Carrying amounts :								
- At 30 June 2016	103,560,727	206,721,544	24,991,826	1,077,797	-	5,930,451	-	342,282,345
- **At 30 June 2017**	219,281,375	404,023,852	23,029,655	2,022,402	151,687	4,210,533	-	652,719,504
Rates of depreciation per annum								
At 30 June 2016	7.14%	10%	10%	10%	30%	20%		
At 30 June 2017	7.14%	10%	10%	10%	30%	20%		

Notes to the Financial Statements
For the year ended 30 June, 2017

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

	Note	2017	2016
		Rupees	
Cost of sales	17	34,650,668	32,002,322
Administrative expenses	19	7,746,902	7,752,218
		42,397,570	39,754,540

10.2 Buildings on leasehold land, plant and machinery and furniture and fittings were revalued on 27 April 2017. Valuation was carried out by an independent valuer, Aim Associates Limited under the market value basis. This revaluation resulted in a net surplus of Rs. 396.27 million. Had there been no revaluation, related figure of revalued assets would have been as follows;

	Opening cost	Additions	Closing cost	Accumulated depreciation	Carrying value
			Rupees		
Buildings on leasehold land	3,093,325	-	3,093,325	1,391,917	1,701,408
Plant and machinery	178,695,668	342,104	179,037,772	46,366,941	132,670,831
Furniture and fittings	1,236,263	501,850	1,738,113	1,360,156	377,957
30 June 2017	183,025,256	843,954	183,869,210	49,119,014	134,750,196
30 June 2016	176,542,578	6,482,678	183,025,256	34,975,354	148,049,902

11 INTANGIBLE ASSETS

	Note	2017	2016
		Rupees	
Computer software			
Balance at 01 July		1,527,031	1,452,840
Additions		300,782	847,274
Amortisation	11.1	(902,227)	(773,083)
Balance at 30 June		925,586	1,527,031
Amortisation rate		30%	30%

11.1 Amortisation on intangible assets has been allocated as follows:

	Note	2017	2016
		Rupees	
Cost of sales	17	703,737	586,783
Administrative expenses	19	198,490	186,300
		902,227	773,083

12 STOCK IN TRADE

	2017	2016
Raw and packing material	522,264,841	528,498,267
Work in process	963,992	-
Finished stock	5,107,511	17,818,922
	528,336,344	546,317,189

Notes to the Financial Statements
For the year ended 30 June, 2017

		Note	2017	2016
			Rupees	
13	**TRADE DEBTS**			
	Considered good		441,194,843	184,027,433
	Considered doubtful		1,776,631	3,179,631
			442,971,474	187,207,064
	Provision for doubtful debts		(1,776,631)	(3,179,631)
			441,194,843	184,027,433
14	**ADVANCES AND PREPAYMENTS**			
	Advances to suppliers			
	- considered good		11,454,694	29,700,602
	- considered doubtful		4,003,396	2,886,603
			15,458,090	32,587,205
	Provision for doubtful advances		(4,003,396)	(2,886,603)
	Prepayments		-	128,568
			11,454,694	29,829,170
15	**CASH AND BANK BALANCES**			
	Cash in hand		85,429	49,996
	Cash at bank			
	Current accounts			
	- Foreign currency		42,458	42,385
	- Local currency	15.1	82,818,845	17,572,821
			82,861,303	17,615,206
			82,946,732	17,665,202

15.1 This includes Rs. 829,598 (2016: Rs.1,278,700) lien marked by a bank against letter of credit issued on behalf of the Company - Also refer note 9.2.

		2017	2016
16	**TURNOVER - NET**	Rupees	
	Gross turnover		
	- Local	2,156,219,661	1,537,588,251
	- Export	-	50,991,928
		2,156,219,661	1,588,580,179
	Government levies		
	- Excise duty	(828,938,158)	(620,861,992)
	- Sales tax	(263,569,977)	(174,405,208)
		1,063,711,526	793,312,979
	Trade discount	(36,450,830)	(35,049,000)
		1,027,260,696	758,263,979

Notes to the Financial Statements
For the year ended 30 June, 2017

			2017	2016
17	**COST OF SALES**	**Note**	**Rupees**	
	Raw and packing material consumed	17.1	479,221,469	454,950,765
	Royalty		2,952,577	2,674,890
	Fuel and power		30,537,625	34,234,489
	Stores, spare parts and loose tools consumed		19,413,401	10,321,154
	Repair and maintenance		2,864,972	1,460,402
	Salaries, wages and other benefits	17.2	47,849,519	46,819,811
	Insurance		1,267,432	1,376,581
	Machine hiring charges		370,452	4,345,280
	Processing cost		1,751,640	-
	Rent		45,000	-
	Depreciation	10.1	34,650,668	32,002,322
	Amortisation	11.1	703,737	586,783
			621,628,492	588,772,477
	Work in process at 01 July		-	76,502
	Work in process at 30 June		(963,992)	-
	Cost of goods manufactured		620,664,500	588,848,979
	Finished stock at 01 July		17,818,922	10,605,859
	Finished stock at 30 June		(5,107,511)	(17,818,922)
			633,375,911	581,635,916

17.1 Raw and packing materials consumed

Balance at 01 July		528,498,267	448,840,805
Raw and packing material purchases		476,000,236	534,608,227
Stock in trade written off	19	(3,012,193)	-
Balance at 30 June		(522,264,841)	(528,498,267)
		479,221,469	454,950,765

17.2 Salaries, wages and other benefits include staff retirement benefits amounting to Rs. 3.1 million (2016: Rs. 4.1 million).

		2017	2016
18	**DISTRIBUTION COST**	**Rupees**	
	Customs, clearance and freight on export	84,783	18,074,607
	Freight on local sale	3,775,136	2,398,900
	Exhibition cost	-	2,917,400
		3,859,919	23,390,907

Notes to the Financial Statements

For the year ended 30 June, 2017

19 ADMINISTRATIVE EXPENSES	Note	2017	2016
		Rupees	
Salaries, wages and other benefits	19.1	43,280,246	43,791,019
Fuel and power		4,853,260	5,072,222
Communication		1,861,213	1,733,705
Printing and stationary		1,277,596	1,092,884
Security charges		3,560,603	3,434,556
Depreciation	10.1	7,746,902	7,752,218
Amortisation	11.1	198,490	186,300
Legal and professional		3,418,479	2,590,481
Auditors' remuneration	19.2	3,389,016	1,715,391
Repair and maintenance		13,609	1,766,879
Provision for advances to suppliers		1,116,793	-
Rent expenses		714,500	840,000
Provision for doubtful debts		-	-
Advertisement		225,630	110,000
Sales tax arrears and surcharge		12,437,387	-
Stock in trade written off		3,012,193	-
Others		454,401	1,877,860
		87,560,318	71,963,515

19.1 Salaries, wages and other benefits include staff retirement benefits amounting to Rs. 2.96 million (2016: Rs. 1.1 million)

19.2 Auditors' remuneration	Note	2017	2016
		Rupees	
Annual audit fee		850,000	800,000
Half yearly review fee		575,000	525,000
Other certification charges		415,000	165,000
Tax consultancy fee		978,075	-
Out of pocket expenses		570,941	225,391
		3,389,016	1,715,391

20 OTHER OPERATING EXPENSES	Note	2017	2016
Workers' Profit Participation Fund		15,084,135	4,371,981
Workers' Welfare Fund		6,143,741	1,846,131
		21,227,876	6,218,112

21 FINANCE COST	Note	2017	2016
Bank charges		410,499	1,003,839
Interest on Workers' Profit Participation Fund	7.2.1	2,947,754	2,341,321
Exchange loss - net		184,627	1,085,705
		3,542,880	4,430,865

Notes to the Financial Statements
For the year ended 30 June, 2017

		2017	2016
22	**OTHER INCOME**	**Rupees**	
	Income from assets other than financial assets		
	Scrap sale	-	242,775
	Liabilities - written back	1,358,036	10,354,067
	Reversal of provision for doubt debts	1,403,000	-
		2,761,036	10,596,842
23	**INCOME TAX EXPENSE**		
	Current		
	- For the year	92,800,830	27,499,989
	- Prior year	-	(14,919,854)
		92,800,830	12,580,135
	Deferred	(2,280,233)	(968,706)
		90,520,597	11,611,429

23.1 Numerical reconciliation between tax charge and product of accounting profit multiplied by the applicable tax rate is as follows:

	2017	2016
	Rupees	
Accounting profit	280,454,828	81,221,506
Applicable tax rate	31%	32%
Effect of rebates	(2,409,735)	(1,358,331)
Tax effect of prior year	-	(14,919,853)
Tax effect of export income charged at lower tax rate	-	(1,400,247)
Effect of change is ratio of export sales	4,904,010	1,611,855
Permanent difference	1,085,325	1,687,123
	90,520,597	11,611,429

23.2 The assessments of the Company up to and including the Tax Year 2016 stood finalized under the Self Assessment Scheme envisaged in the Income Tax Ordinance, 2001.

23.3 Deputy Commissioner Inland Revenue RTO Peshawar issued show cause notice under Section 161/205 of the Income Tax Ordinance 2001 against the Company for tax year 2015. The amount confronted is Rs. 45.6 million for which evidence has been submitted but no further proceeding has been initiated by Deputy Commissioner Inland Revenue (RTO) Peshawar. The Company is expecting the favourable outcome. Based on the expert legal advise, the management is confident the case will be decided in favour of the Company.

23.4 For the Tax Year 2016, the Company has received a notice from Deputy Commissioner Inland Revenue (DCIR) for the income tax audit, but no further proceedings has been initiated by DCIR.

23.5 Change in applicable income tax rate from 32% to 31% is due to change in relevant Income Tax Laws.

Notes to the Financial Statements
For the year ended 30 June, 2017

23.6 The Board of Directors in their meeting held on October 7, 2017 has proposed dividend for the year ended 30 June 2017 (refer note 29.2) which complies with requirements of Section 5A of the Income Tax Ordinance, 2001. Accordingly, no provision for tax on undistributed reserves has been recognized in these financial statements for the year ended 30 June 2017.

24 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

A FAIR VALUES

24.1 Classifications and fair values

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

	Note	Carrying amount				Fair value			
		Held to maturity	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
					Rupees				
30 June 2017									
Financial assets not measured at fair value									
Long term deposits		-	4,010,411	-	4,010,411	-	-	-	-
Trade debts	13	-	441,194,843	-	441,194,843	-	-	-	-
Cash and bank balances	15	-	82,946,732	-	82,946,732	-	-	-	-
		-	528,151,986	-	528,151,986	-	-	-	-
Financial liabilities not measured at fair value									
Trade and other payables	7 & 24.2	-	-	198,163,814	198,163,814	-	-	-	-
30 June 2016									
Financial assets not measured at fair value									
Long term deposits		-	4,010,411	-	4,010,411	-	-	-	-
Trade debts	13	-	184,027,433	-	184,027,433	-	-	-	-
Cash and bank balances	15	-	17,665,202	-	17,665,202	-	-	-	-
		-	205,703,046	-	205,703,046	-	-	-	-
Financial liabilities not measured at fair value									
Trade and other payables	7 & 24.2	-	-	213,442,965	213,442,965	-	-	-	-

Notes to the Financial Statements

For the year ended 30 June, 2017

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

24.3 Measurement of fair values

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

Non-derivative financial assets

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

Non-derivative financial liabilities

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

B Financial Risk Management

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

- Credit risk
- Liquidity risk
- Market risk

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

The Company’s risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company’s activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee oversees how management monitors compliance with the Company’s risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks being faced by the Company.

Notes to the Financial Statements
For the year ended 30 June, 2017

24.4 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from trade debts, deposits, margin on letter of credit and bank balances. The carrying amount of financial assets represents the maximum credit exposure. As part of these processes the financial viability of all counterparties is regularly monitored and assessed.

Concentration of credit risk

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

	2017	2016
	Rupees	
Long term deposits	4,010,411	4,010,411
Trade debts	441,194,843	184,027,433
Bank balances	82,861,303	17,615,206
	528,066,557	205,653,050

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

	2017	2016
	Rupees	
Banks	82,861,303	17,615,206
Others	445,205,254	188,037,844
	528,066,557	205,653,050

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

Impairment losses

The aging of trade debts at the reporting date is:

	30 June 2017		30 June 2016	
	Gross	**Impairment**	Gross	Impairment
	Rupees		Rupees	
Not due 1-30 days	162,347,485	-	128,208,490	-
Past due 31-90 days	196,547,302	-	14,805,021	-
Past due 91-180 days	7,975,464	-	21,199,928	-
Past due 181-365 days	65,457,223	-	19,813,994	-
Over 365 days	10,644,000	1,776,631	3,179,631	3,179,631
	442,971,474	1,776,631	187,207,064	3,179,631

Notes to the Financial Statements
For the year ended 30 June, 2017

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

	2017	2016
	Rupees	
Balance at 01 July	3,179,631	3,179,631
Provision made	-	-
Reversal of provision	(1,403,000)	-
Balance at 30 June	1,776,631	3,179,631

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

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

Credit quality of financial assets

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

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

	2017	2016
	Rupees	
Long term deposits		
Counterparties without external credit ratings	4,010,411	4,010,411
Trade debts		
Counterparties without external credit ratings	441,194,843	184,027,433

Bank balances

The Company held bank balance of Rs. 82,861,303 as at 30 June 2017 (2016: Rs. 17,615,206). Bank balances are held with banks which are rated A1+ to A-1+ based on PACRA rating.

24.5 Liquidity risk

Notes to the Financial Statements
For the year ended 30 June, 2017

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

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

		Contractual cash flows		
	Carrying amount	Total	6 months or less	6-12 months
30 June 2017	Rupees			
Financial liabilities				
Trade and other payables	198,163,814	198,163,814	198,163,814	-
30 June 2016				
Financial liabilities				
Trade and other payables	213,442,965	213,442,965	213,442,965	-

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

24.6 Market risk

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

24.6.1 Foreign currency risk

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

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

Notes to the Financial Statements
For the year ended 30 June, 2017

i. **Transactional exposure in respect of non functional currency monetary items**

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

ii. **Transactional exposure in respect of non functional currency expenditure and revenues**

Certain operating and capital expenditure is incurred by the Company in currencies other than the functional currency. These currency risks are managed as part of overall risk management strategy. The Company does not enter into forward exchange contracts.

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

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

30 June 2017	**Foreign Currency**			
	USD	**GBP**	**Euro**	**AED**
Trade debts	-	-	-	-
Advances to suppliers	43,997	4,625	44	-
Bank balance	405	-	-	-
Creditors	-	-	-	-
Net balance sheet exposure	44,402	4,625	44	-

30 June 2016	Foreign Currency			
	USD	GBP	Euro	AED
Advances to suppliers	162,970	-	-	227,500
Bank balance	405	-	-	-
Creditors	(57,859)	(10,756)	(17,512)	-
Net balance sheet exposure	105,516	(10,756)	(17,512)	227,500

The following significant exchange rates applied during the year

	Average rate		**Year-end spot rate**	
	2017	2016	**2017**	2016
USD	104.77	103.24	104.85	104.69
EURO	117.94	114.84	119.64	116.23
GBP	137.76	149.56	136.38	139.14
AED	28.66	28.12	28.8	28.51

Notes to the Financial Statements

For the year ended 30 June, 2017

iv. Foreign currency sensitivity analysis

A five percent strengthening (weakening) of the functional currency at 30 June would have increased (decreased) profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. This analysis is performed on the same basis for 2016.

	Profit or loss	
	Strengthening	**Weakening**
30 June 2017		
USD (5% movement)	232,777	(232,777)
Euro (5% movement)	263	(263)
GBP (5% movement)	31,538	(31,538)
AED (5% movement)	-	-
30 June 2016		
USD (5% movement)	552,323	(552,323)
Euro (5% movement)	(101,771)	101,771
GBP (5% movement)	(74,829)	74,829
AED (5% movement)	324,301	(324,301)

24.6.2 Interest rate risk

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

24.6.3 Equity price risk

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

24.7 DISCLOSURE REQUIREMENTS FOR ALL SHARES ISLAMIC INDEX

Following information has been disclosed with reference to circular No. 14 of 2015 dated 21 April 2016, issued by the Securities and Exchange Commission of Pakistan relating to "All Shares Islamic Index".

Description	Explanation
Long term deposits	Non-interest bearing
Trade debts	Non-interest bearing
Bank balances	Non-interest bearing

Notes to the Financial Statements

For the year ended 30 June, 2017

25 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	Chief Executive Officer	Directors	Executives
30 June 2017		Rupees	
Managerial remuneration	27,000,000	420,000	6,064,232
Gratuity	-	-	1,011,748
	27,000,000	420,000	7,075,980
Number of persons	1	2	7
30 June 2016			
Managerial remuneration	27,000,000	636,980	4,053,002
Gratuity	-	-	393,686
	27,000,000	636,980	4,446,688
Number of persons	1	2	5

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

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

26 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated companies, directors and their close family members, companies with common directorship, executives, key management personnel and major shareholders of the Company. Balances with related parties are disclosed in notes 4 and 7.1 and transactions with related parties are disclosed in note 25 to the financial statements. Transactions and balances with related parties other than those disclosed elsewhere in these financial statements are as follows:

	2017	2016
Transaction with key management personnel	Rupees	
Dividend paid	4,016,360	4,729,200
Short term loan received during the year	255,000,000	150,300,000
Repayment of short term loan	(255,000,000)	(150,300,000)

27 EARNINGS PER SHARE - Basic and diluted

a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

Notes to the Financial Statements

For the year ended 30 June, 2017

		2017	2016
i)	Profit attributable to ordinary shareholders (Rupees)	189,934,231	69,610,076
ii)	Weighted-average number of ordinary shares at 30 June	1,201,841	1,201,841
iii)	Basic earnings per share	158.04	57.92

b) Diluted earnings per share

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

		2017	2016
28	**PLANT CAPACITY**		
	Available capacity (million cigarettes per annum)	1,816	1,816
	Actual production (million cigarettes)	531	433

- Actual production was sufficient to meet the market demand.

29 GENERAL

		2017	2016
		(Number)	
29.1	**Number of persons employed**		
	Employees on year end	209	224
	Average employees during the year	219	221

29.2 The Board of Directors proposed final cash dividend at the rate of Rs. 33.21 per share and 3 for 1 bonus share issued in a meeting held on October 7, 2017.

29.3 These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on October 7, 2017.

Chief Executive **Director**

Pattern of Shareholding

As at 30 June 2017

No Of Shareholders	Shareholdings' Slab			Total Shares Held
386	1	to	100	12,197
246	101	to	500	64,918
56	501	to	1000	41,090
71	1001	to	5000	160,133
7	5001	to	10000	42,100
1	10001	to	15000	12,078
1	20001	to	25000	21,040
1	30001	to	35000	32,127
1	40001	to	45000	42,958
1	380001	to	385000	384,101
1	385001	to	390000	389,099
772				1,201,841

S.No.	Number of shares
Directors and their spouse(s) and minor children	401,636
Associated companies, undertakings and related parties	-
Executives	-
Public sector companies and corporations	43,248
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	369
Mutual Funds	-
General Public Foreign	
Foreign Companies	
Others	121
General Public Local	756,467
	1,201,841

Pattern of Shareholding
As at 30 June 2017

Categories of Shareholders	Shareholders	Shares Held	Percentage
Directors and their spouse(s) and minor children			
MR. WASEEM-UR-RAHMAN	1	384,101	31.96
MR. PIR FARHAN SHAH	1	5,035	0.42
MR. PIR WARIS SHAH	1	2,500	0.21
MR. HAZRAT BILAL	1	2,500	0.21
MR. FAZLI RABI	1	2,500	0.21
MR. SHAFIQ AFZAL KHAN	1	2,500	0.21
MR. KHALIL UR REHMAN	1	2,500	0.21
Associated Companies, undertakings and related parties	-	-	-
Executives	-	-	-
Public Sector Companies and Corporations	2	43,248	3.60
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	1	369	0.03
Mutual Funds	-	-	-
General Public			
a. Local	761	756,467	62.94
b. Foreign	-	-	-
Foreign Companies	-	-	-
Others	1	121	0.01
Totals	772	1,201,841	100.00
Share holders holding 5% or more		Shares Held	Percentage
MR. WASEEM-UR-RAHMAN		384,101	31.96
MR. UMAIR SAMI		389,099	32.38

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Form of Proxy

62nd Annual General Meeting

Khyber Tobacco Company Limited

I/We ______________________________ of ______________________ being member(s) of **Khyber Tobacco Company** and holding __________________ Ordinary Shares hereby appoint Mr./ Mrs./Miss_______________________ Of ___________________________ or failing him/her __________________ Of __________________ as my /our proxy in my/our absence to attend and vote for me / us and on my/ our behalf at the Annual General Meeting of the Company to be held on Tuesday, October 31, 2017 and /or any adjournment there of.

As witness my/our hand/seal this __________________day of_____________________ 2017.

Signed by ____

In the presence of ____

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

Signature on Five Rupees Revenue Stamps

____

(The signature should agree with the specimen registered with the Company)

Important:

1. This proxy form duly completed and signed must be received at the registered office of the company, Nowshera Road Mardan not less than 48 hours before the time of holding the meeting.
2. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the company, all such instruments of proxy shall be rendered invalid.

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

i. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.

ii. The proxy shall produce his original CNIC or original passport at the time of the meeting.

iii. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier along with proxy form to the company)

AFFIX
CORRECT
POSTAGE

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

مختارنامہ (پراکسی فارم)

بائیسٹھواں سالانہ اجلاس عام
خیبر تمباکو کمپنی لمیٹڈ

میں/ہم .... سکنہ .... بحیثیت ممبر (رکن) خیبر تمباکو کمپنی لمیٹڈ

اور حامل .... عام حصص، اپائنٹ مسٹر/مسز/مس ....

مسمی/مسمات .... کو یا ان کی غیر حاضری

کی صورت میں مسمی/مسمات ....

کو میرے/ہمارے ایماء پر بروز منگل 31 اکتوبر 2017ء کو خیبر تمباکو کمپنی نوشہرہ روڈ مردان میں منعقد ہونے والے کمپنی کے بائیسٹھواں سالانہ اجلاس عام میں حق رائے دہی استعمال کرنے یا کسی بھی التواء کی صورت میں اپنا/ہمارا بطور مختار نمائندہ (پراکسی) مقرر کرتا/کرتی ہوں/کرتے ہیں۔

جیسا کہ میرے/ہمارے ہاتھ گواہ ہو .... بتاریخ 2017ء

کو دستخط کئے گئے ....

ان کی موجودگی میں ....

فولیو نمبر	سی ڈی سی اکاؤنٹ نمبر	
	پارٹیسپنٹ آئی ڈی نمبر	اکاؤنٹ نمبر

دستخط پانچ روپے مالیت کے ریونیو ٹکٹ

....

دستخط حصص کنندہ

(دستخط کا کمپنی میں رجسٹرڈ نمونے کے ہو بہو ہونا ضروری ہے)

ضروری ہدایات:

۱۔ مختارنامہ (پراکسی فارم) اجلاس کے مقررہ وقت سے کم از کم ۴۸ گھنٹے قبل مکمل کوائف اور دستخط کے ساتھ کمپنی کے رجسٹرڈ آفس اٹک ہاؤس، مورگاہ، راولپنڈی میں جمع کرانا ضروری ہے۔

۲۔ اگر کوئی رکن ایک سے زائد پراکسی اختیار کرتا ہے اور پراکسی کے ایک سے زیادہ آلات کمپنی کے ساتھ ایک رکن کی طرف سے جمع کر دی جاتی ہے تو پراکسی کے اس طرح کے آلات کو غلط تصور کیا جائے گا۔

مذکورہ بالا ہدایات کے علاوہ درج ذیل ضروری شرائط بھی پوری کرنا لازمی ہیں۔

۱۔ مختارنامہ (پراکسی فارم) کے ہمراہ کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقول بھی منسلک کرنی ہوں گی۔

۲۔ مختار (پراکسی) کو اجلاس کے وقت اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا اصل پاسپورٹ پیش کرنا ہوگا۔

۳۔ کارپوریٹ ادارہ ہونے کی صورت میں بحیثیت ممبر (رکن)، بورڈ آف ڈائریکٹرز کی منظور شدہ قرارداد/پاور آف اٹارنی بمعہ نمونہ دستخط ہمراہ مختارنامہ (پراکسی فارم) کمپنی کو جمع کرانا ہوں گے۔

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The Secretary
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Nowshera Road, Mardan
KPK, Pakistan

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@jamapunji_pk

Khyber Tabacco Company Limited
Noshera Road, Mardan
Tel: +92-937-844668, 844639
Fax: +92-937-843329

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