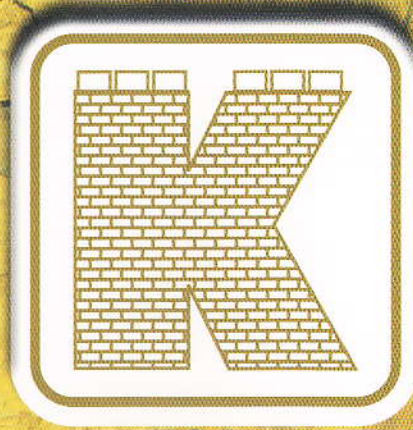


*Khyber Tobacco Company Limited*



**60th**  
**Annual Report**  
*June 2015*



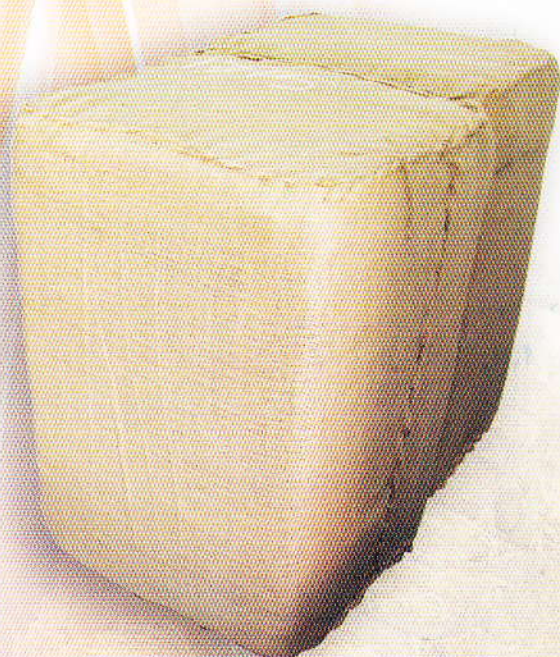
## KPIs

|                             |                            | 2015            | 2014            | 15 vs 14       |
|-----------------------------|----------------------------|-----------------|-----------------|----------------|
| <b>Sales Revenue</b>        | <b>(Rupees in Million)</b> | <b>1,541.82</b> | <b>1,385.68</b> | <b>156.14</b>  |
| - Local Sales               | (Rupees in Million)        | 1,333.68        | 968.08          | 365.60         |
| - Export Sales              | (Rupees in Million)        | 208.15          | 417.60          | (209.45)       |
| <b>Profit After Tax</b>     | <b>(Rupees in Million)</b> | <b>101.43</b>   | <b>141.90</b>   | <b>(40.47)</b> |
| <b>Earning Per Share</b>    | <b>(Rupees per Share)</b>  | <b>84.39</b>    | <b>118.38</b>   | <b>(33.99)</b> |
| <b>Shareholder's Equity</b> | <b>(Rupees in Million)</b> | <b>547.13</b>   | <b>444.61</b>   | <b>102.52</b>  |
| <b>Return on Equity</b>     | <b>(%)</b>                 | <b>18.54</b>    | <b>32.00</b>    | <b>(13.46)</b> |
| <b>Current Ratio</b>        |                            | <b>2.08</b>     | <b>2.48</b>     | <b>(0.40)</b>  |



## ***Vision Statement***

To outperform nationally and internationally and be on top through Teamwork, Quality, Brand Recognition and Customer Services



## ***Mission Statement***

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



### **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.

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## **Corporate Information**

### **Board of Directors**

Mr. Waseem Ur Rehman  
Mr. Muhammad Sayyad  
Mr. Liaqat Ali Khan  
Mr. Bilalzada  
Mr. Shafiq Afzal Khan  
Mr. Hazrat Bilal  
Mr. Khalil Ur Rehman

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

### **Audit Committee**

Mr. Muhammad Sayyad  
Mr. Liaqat Ali Khan  
Mr. Shafiq Afzal Khan

Chairman  
Member  
Member

### **Human Resource Committee**

Mr. Liaqat Ali Khan  
Mr. Muhammad Sayyad  
Mr. Shafiq Afzal Khan

Chairman  
Member  
Member

### **Senior Management**

Mr. Waseem Ur Rehman

Chief Executive

### **Company Secretary**

Mr. Liaqat Ali Khan

### **Share Registrar**

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

### **Bankers**

National Bank of Pakistan  
MCB Bank Limited  
Askari Bank Limited  
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: +92-937-870380,843329  
Fax: +92-937-843329

## ***Statement of Ethics and 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.

## ***Statement of Ethics and Business Practices***

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

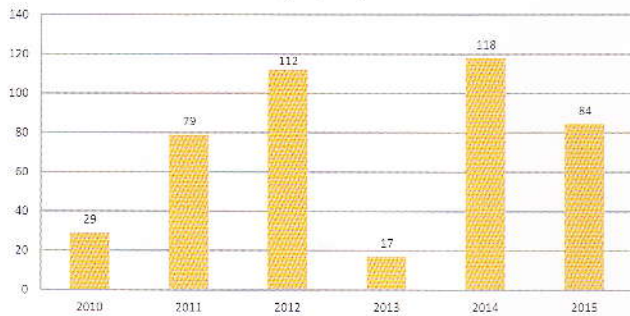
|                                           |      | 2015              | 2014   | 2013   | 2012   | 2011   | 2010   |
|-------------------------------------------|------|-------------------|--------|--------|--------|--------|--------|
|                                           |      | Rupees in Million |        |        |        |        |        |
| Financial Performance-Profitability       |      |                   |        |        |        |        |        |
| Gross Profit Margin                       | %    | 22.51             | 26.82  | 9.84   | 29.63  | 34.77  | 27.87  |
| Net Profit Margin                         | %    | 11.49             | 15.99  | 2.38   | 19.24  | 22.25  | 14.37  |
| Return on equity                          | %    | 18.54             | 32.00  | 7.40   | 54.10  | 90.08  | 334.69 |
| Operating Performance-Liquidity           |      |                   |        |        |        |        |        |
| Total Asset Turnover                      | Time | 0.90              | 1.10   | 1.10   | 0.91   | 2.36   | 2.96   |
| Fixed Asset Turnover                      | Time | 2.36              | 2.50   | 2.71   | 2.47   | 25.40  | 39.93  |
| Inventory Turnover                        | Time | 1.77              | 2.45   | 4.21   | 2.36   | 3.38   | 6.49   |
| Inventory Turnover                        | Days | 206.30            | 149.00 | 86.70  | 154.66 | 108.07 | 56.28  |
| Receivable turnover                       | Time | 7.61              | 8.57   | 5.34   | 7.46   | 8.12   | 7.34   |
| Receivable turnover                       | Days | 47.95             | 42.59  | 68.35  | 48.93  | 44.94  | 49.70  |
| Payable Turnover                          | Time | 4.11              | 3.68   | 2.86   | 4.85   | 7.15   | 5.29   |
| Payable Turnover                          | Days | 88.74             | 99.00  | 127.62 | 75.26  | 51.05  | 69.03  |
| Current Ratio                             |      | 2.08              | 2.48   | 1.59   | 1.82   | 1.68   | 1.00   |
| Quick Ratio                               |      | 0.78              | 0.83   | 0.89   | 0.72   | 0.79   | 0.59   |
| Capital Market/Capital Structure Analysis |      |                   |        |        |        |        |        |
| Earning per share (pre tax)               | Rs.  | 114.02            | 146.61 | 31.82  | 120.97 | 92.02  | 34.04  |
| Earning per share (after tax)             | Rs.  | 84.39             | 118.38 | 17.90  | 112.26 | 78.60  | 28.99  |
| Debt: equity                              | Rs.  | 0.76              | 0.53   | 1.19   | 1.17   | 1.34   | 10.04  |

## Financial Performance

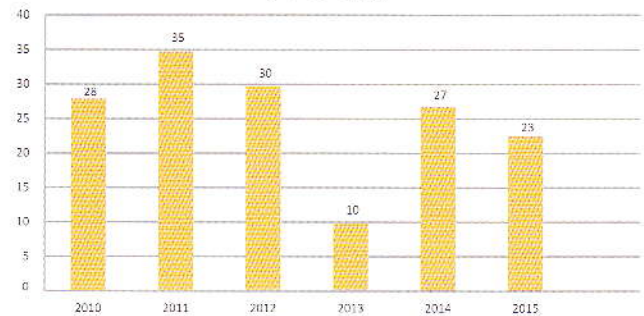
|                                         | 2015              | 2014     | 2013    | 2012    | 2011   | 2010   |
|-----------------------------------------|-------------------|----------|---------|---------|--------|--------|
|                                         | Rupees in Million |          |         |         |        |        |
| Summary of Balance sheet                |                   |          |         |         |        |        |
| Share Capital                           | 12.02             | 12.02    | 12.02   | 12.02   | 12.02  | 12.02  |
| Shareholder's funds/Equity              | 547.13            | 444.61   | 293.57  | 249.37  | 104.88 | 10.41  |
| Capital employed                        | 547.13            | 444.61   | 293.57  | 249.37  | 104.88 | 10.41  |
| Property, plant & Equipment             | 371.67            | 375.70   | 336.89  | 283.53  | 16.71  | 6.07   |
| Long term assets                        | 375.88            | 378.40   | 338.34  | 284.49  | 17.67  | 10.03  |
| Net Current Assets                      | 380.97            | 281.68   | 183.72  | 221.95  | 91.83  | 0.38   |
| Summary of Profit and Loss              |                   |          |         |         |        |        |
| Sale                                    | 882.72            | 890.00   | 914.46  | 701.35  | 424.52 | 242.45 |
| Gross Profit                            | 198.67            | 238.74   | 90.00   | 206.81  | 147.62 | 67.57  |
| Profit before tax                       | 137.04            | 176.21   | 38.26   | 145.39  | 110.59 | 40.91  |
| Profit after tax                        | 101.43            | 141.90   | 21.73   | 134.92  | 94.47  | 34.84  |
| Summary of Cash Flows                   |                   |          |         |         |        |        |
| Net cash flow from operating activities | (38.06)           | 107.40   | 109.73  | 13.52   | 21.83  | 12.81  |
| Net cash flow from investing activities | 62.56             | (138.10) | (74.08) | (17.40) | (9.25) | (5.35) |
| Net cash flow from financing activities | -                 | -        | -       | -       | -      | -      |
| Changes in cash and cash equivalents    | 24.51             | (30.70)  | 35.65   | (3.88)  | 12.58  | 7.46   |
| Cash and cash equivalents- Year end     | 51.19             | 26.69    | 57.39   | 21.74   | 25.62  | 13.05  |

## Graphical Analysis

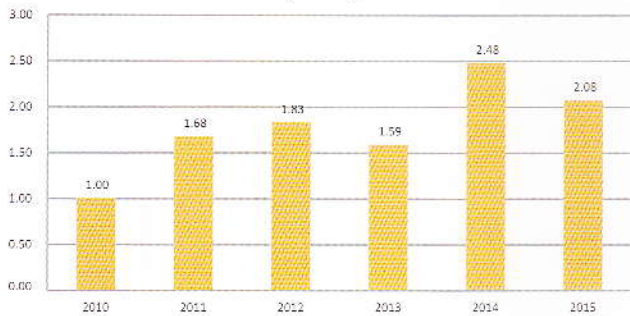
Earning Per Share-after tax  
(Rupees)



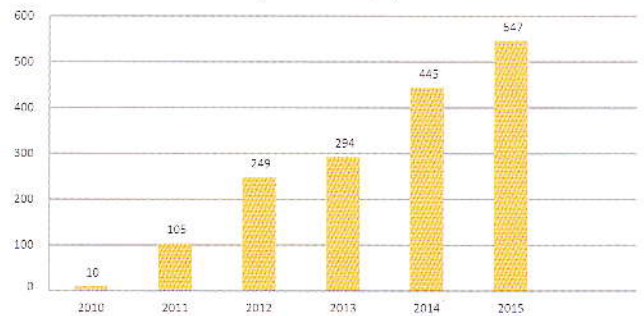
Gross Profit Margin  
(Percentage)



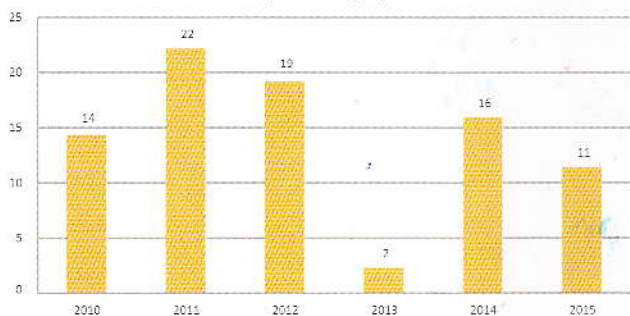
Current Ratio  
(Times)



Shareholder's Equity  
(Rs. in Million)



Net Profit Margin  
(Percentage)

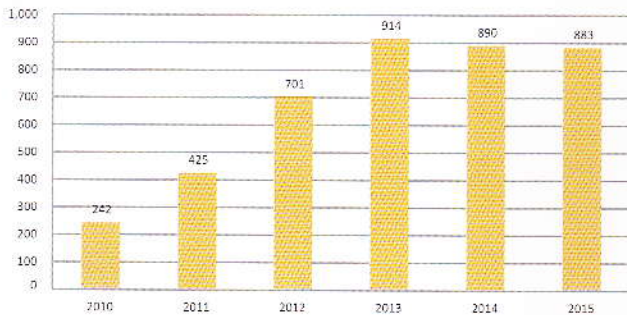


Sales Revenue vs Profit for the year  
(Rs. in Million)

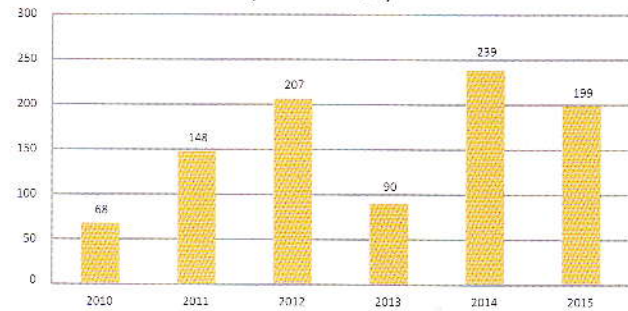


## Graphical Analysis

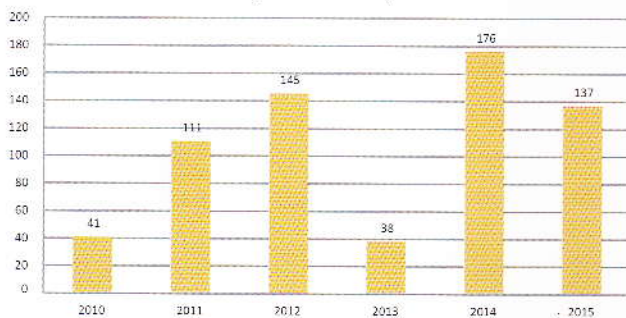
**Net Sales**  
(Rs. in Million)



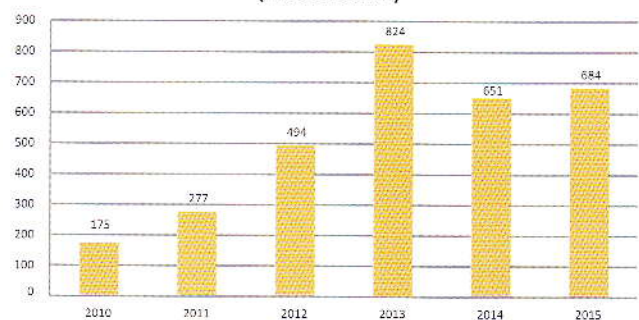
**Gross Profit**  
(Rs. in Million)



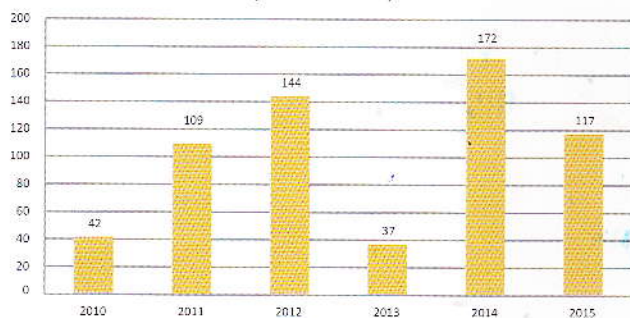
**Profit before tax**  
(Rs. in Million)



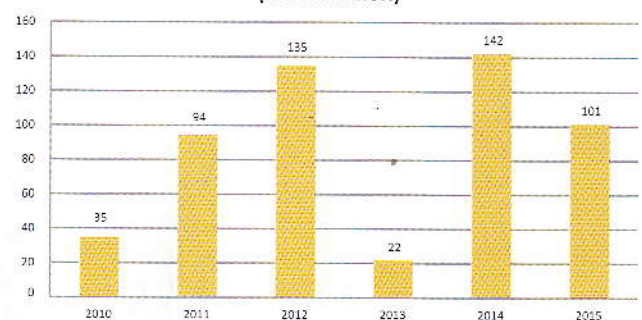
**Cost of Sales**  
(Rs. in Million)



**Operating Profit**  
(Rs. in Million)



**Profit after tax**  
(Rs. in Million)



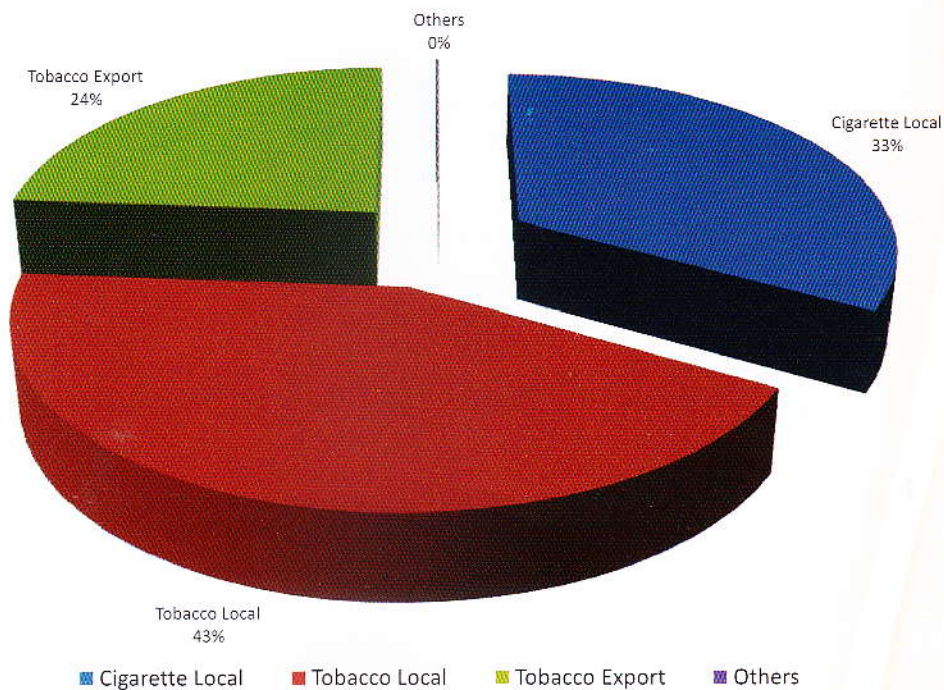
## Vertical Analysis

|                                       | 2015         | 2014         | 2013         | 2012         | 2011         | 2010         |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b><u>Profit and Loss Account</u></b> |              |              |              |              |              |              |
| Net Sales                             | 100.0        | 100.0        | 100.0        | 100.0        | 100.0        | 100.0        |
| Cost of Sales                         | 77.5         | 73.2         | 90.2         | 70.4         | 65.2         | 72.1         |
| <b>Gross Profit</b>                   | <b>22.5</b>  | <b>26.82</b> | <b>9.8</b>   | <b>29.6</b>  | <b>34.8</b>  | <b>27.9</b>  |
| Administrative Expenses               | 7.3          | 5.17         | 3.7          | 3.4          | 3.3          | 2.7          |
| Distribution Cost                     | 0.9          | 1.11         | 1.8          | 4.5          | 4.3          | 6.2          |
| Other Operating Expenses              | 1.0          | 1.3          | 0.3          | 1.2          | 1.5          | 1.9          |
| <b>Operating Profit</b>               | <b>13.3</b>  | <b>19.29</b> | <b>4.0</b>   | <b>20.6</b>  | <b>25.7</b>  | <b>17.1</b>  |
| Finance Cost                          | 0.3          | 0.54         | 0.3          | 0.2          | 0.6          | 0.3          |
| Other Operating Income                | 2.5          | 1.1          | 0.5          | 0.3          | 0.9          | 0.0          |
| <b>Profit before Taxation</b>         | <b>10.5</b>  | <b>17.69</b> | <b>4.2</b>   | <b>20.7</b>  | <b>26.1</b>  | <b>16.9</b>  |
| Taxation                              | 4.0          | 3.8          | 1.8          | 1.5          | 3.8          | 2.5          |
| <b>Profit for the Year</b>            | <b>6.4</b>   | <b>13.9</b>  | <b>2.4</b>   | <b>19.2</b>  | <b>22.3</b>  | <b>14.4</b>  |
| <b><u>Balance Sheet</u></b>           |              |              |              |              |              |              |
| Share Capital & Reserves              | 49.2         | 52.3         | 35.2         | 32.2         | 42.8         | 9.1          |
| Non-Current Liabilities               | 18.9         | 25.4         | 27.4         | 3.0          | 1.9          | -            |
| Current Liabilities                   | 31.9         | 22.3         | 37.4         | 64.8         | 55.3         | 90.9         |
| <b>Total Equity and Liabilities</b>   | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> |
| Non-Current Assets                    | 33.8         | 44.5         | 40.6         | 36.7         | 7.2          | 8.7          |
| Current Assets                        | 66.2         | 55.5         | 59.4         | 63.3         | 92.8         | 91.3         |
| <b>Total Assets</b>                   | <b>100.0</b> | <b>100</b>   | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> |

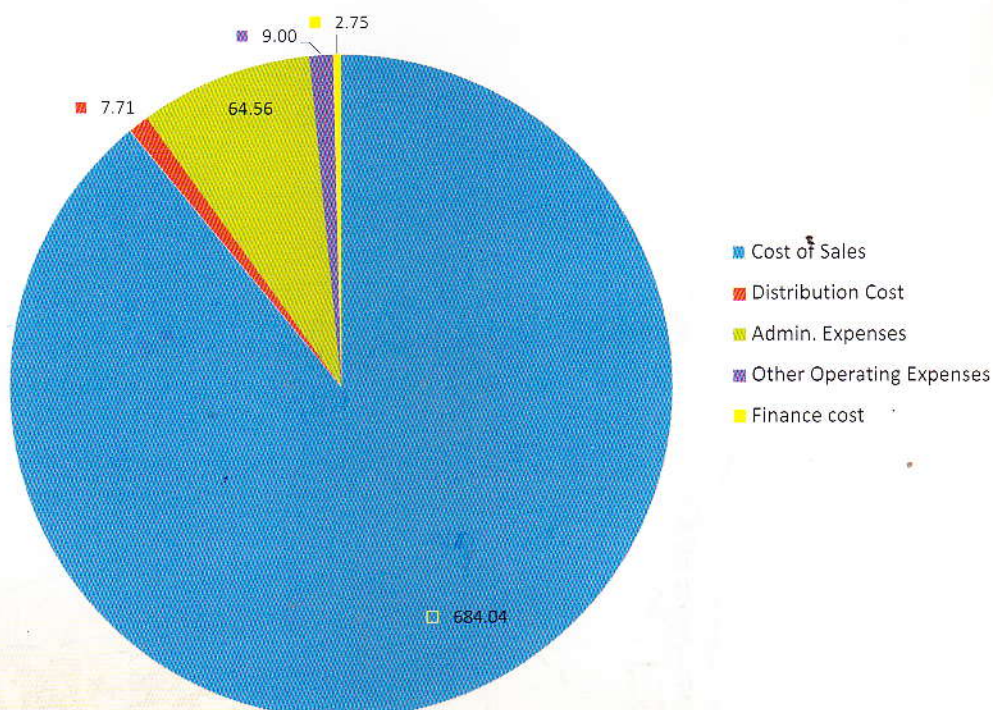
## Horizontal Analysis

|                                       | 2015         | 2014         | 2013          | 2012         | 2011         | 2010         |
|---------------------------------------|--------------|--------------|---------------|--------------|--------------|--------------|
| <b><u>Profit and Loss Account</u></b> |              |              |               |              |              |              |
| Net Sales                             | 264.1        | 267.1        | 277.2         | 189.3        | 75.1         | 100.0        |
| Cost of Sales                         | 291.1        | 272.4        | 371.4         | 182.2        | 58.3         | 100.0        |
| <b>Gross Profit</b>                   | <b>194.0</b> | <b>253.3</b> | <b>33.2</b>   | <b>207.5</b> | <b>118.5</b> | <b>100.0</b> |
| Administrative Expenses               | 900.3        | 612.9        | 428.4         | 270.9        | 118.6        | 100.0        |
| Distribution Cost                     | (48.8)       | (34.4)       | 9.0           | 108.3        | 21.1         | 100.0        |
| Other Operating Expenses              | 97.3         | 145.5        | (38.1)        | 80.0         | 36.1         | 100.0        |
| <b>Operating Profit</b>               | <b>182.9</b> | <b>313.6</b> | <b>(11.6)</b> | <b>247.6</b> | <b>162.8</b> | <b>100.0</b> |
| Finance Cost                          | 284.4        | 573.6        | 317.3         | 77.0         | 234.3        | 100.0        |
| Other Operating Income                | 18,558.8     | 7,716.7      | 3,706.7       | 1,881.7      | 3,155.8      | 100.0        |
| <b>Profit before Taxation</b>         | <b>235.0</b> | <b>284.9</b> | <b>(6.5)</b>  | <b>255.4</b> | <b>170.4</b> | <b>100.0</b> |
| Taxation                              | 486.8        | 460.2        | 172.2         | 72.5         | 165.7        | 100.0        |
| <b>Profit for the Year</b>            | <b>191.2</b> | <b>254.3</b> | <b>(37.6)</b> | <b>287.3</b> | <b>171.2</b> | <b>100.0</b> |
| <b><u>Balance Sheet</u></b>           |              |              |               |              |              |              |
| Share Capital & Reserves              | 5,156.4      | 4,171.4      | 2,720.3       | 2,295.7      | 907.6        | 100.0        |
| Non-Current Liabilities               | 100.0        | 100.0        | 100.0         | 100.0        | 100.0        | 100.0        |
| Current Liabilities                   | 239.1        | 81.8         | 198.3         | 156.7        | 29.9         | 100.0        |
| <b>Total Equity and Liabilities</b>   | <b>867.2</b> | <b>639.9</b> | <b>625.7</b>  | <b>574.3</b> | <b>113.4</b> | <b>100.0</b> |
| Non-Current Assets                    | 3,648.7      | 3,673.8      | 3,274.3       | 2,737.2      | 76.2         | 100.0        |
| Current Assets                        | 601.2        | 349.8        | 372.4         | 367.4        | 117.0        | 100.0        |
| <b>Total Assets</b>                   | <b>867.2</b> | <b>639.9</b> | <b>625.7</b>  | <b>574.3</b> | <b>113.4</b> | <b>100.0</b> |

**Breakup of Sales**  
(Percentage)



**Breakup of Costs**  
(Rupees in Million)



## **Notice of Annual General Meeting**

Notice is hereby given that the 60<sup>th</sup> Annual General Meeting of the members of Khyber Tobacco Company Limited will be held on Saturday; the 31<sup>st</sup> of October, 2015 at 11.00 a.m. at its registered office, i.e. Khyber Tobacco Company Limited, Nowshera – Malakand Road, Mardan to transact the following business;

### **ORDINARY BUSINESS**

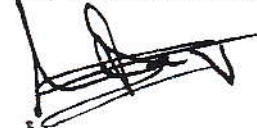
1. To confirm the minutes of the 59<sup>th</sup> Annual General Meeting held on 31 October, 2014.
2. To receive, consider and adopt the audited accounts of the company for the year ended 30 June, 2015 together with the Directors' and Auditors' Reports thereon.
3. To approve the final cash dividend @ 60% i.e. Rs 6 per share for the year ended 30 June 2015 as recommended by the Board of Directors.
4. To appoint Auditors for the year 2015-16 and fix their remuneration. The present auditors M/s KPMG Taseer Hadi & Co. Chartered Accountants will stand retired on the conclusion of this meeting.

### **OTHER BUSINESS**

1. To transact any other business with the permission of the chair.

09 October, 2015  
The Mardan

By Order of the Board



Liaqat Ali Khan  
Company Secretary

## Notes

1. The Share Transfer Books of the Company will be closed from Monday , 26 October, 2015 to Thursday, 05 November, 2015 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 23 October, 2015, will be in time to be entitled to vote and for the entitlement of dividend.
2. 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 deposited at the registered office of the Company not less than 48 hours before the time appointed for the Meeting and in default, forms of proxy will not be treated as valid.
3. Attendance of members who have deposited their shares into Central Depository Company of Pakistan Limited shall be in accordance with the following;
  - a) In Person
    - 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) By Proxy
    - 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 the meeting.
    - v) In case of a 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. Members are requested to promptly notify any change in their addresses to our Share Registrar, Central Depository Company of Pakistan Limited, CDC House, 99-B, Block 'B', S.M.C.H.S. Main Shahrah-e-Faisal, Karachi.

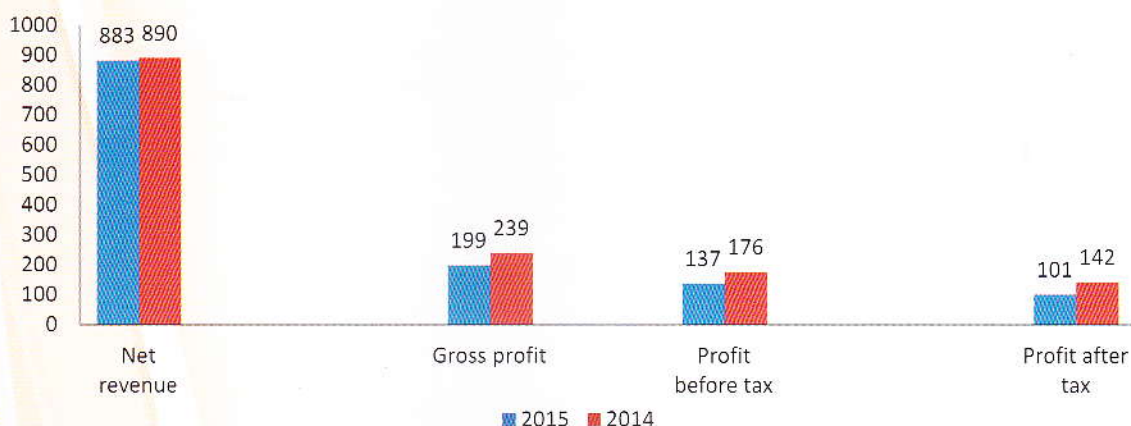
## DIRECTORS' REPORT

FOR THE YEAR ENDED JUNE 30, 2015

I, on behalf of the Board of Directors of Khyber Tobacco Company Limited take great pleasure in presenting the 60<sup>th</sup> Annual Report and the audited financial statements along with the auditors' report thereon for the year ended June 30, 2015.

### THE COMPANY'S FINANCIAL RESULTS

Following is a brief of the Company's financial performance for the year ended 30 June 2015 as compared to the year ended 30 June 2014; (Amounts are presented as Rs. in Millions)



### Production and Sales

| PRODUCT'S NAME   | UNIT OF MEASUREMENT | PRODUCTION |           | SALE      |           |
|------------------|---------------------|------------|-----------|-----------|-----------|
|                  |                     | 2015       | 2014      | 2015      | 2014      |
| RE-DRIED TOBACCO | KGS                 | 3,003,441  | 3,774,920 | 2,124,302 | 2,342,231 |
| CUT TOBACCO      | KGS                 | 405,809    | 373,400   | 33,000    | 36,025    |
| CIGARETTES       | STICKS (In Million) | 428.53     | 379.59    | 422.83    | 384.07    |

During the year under review, the company re-dried 3.0 million kgs tobacco at its Green Leaf Threshing plant as compared to 3.8 million kgs in the financial year 2013-14. During the year, the export and local sale of re-dried tobacco has declined to 2.1 million kgs compared to 2.3 million kgs in the financial year 2013-14, showing a decline of about 9%.

The production of cut tobacco has decreased from 0.401 million kgs last year to 0.373 million kgs in the current year.

During the year, the production of cigarettes has increased from 379.59 million sticks in 2013-14 to 428.53 million sticks in 2014-15. The sale of cigarettes has increased from 384.07 million sticks in 2013-14 to 422.83 million sticks in 2014-15. Increased sale of cigarettes in the local market has led to increased production of cigarettes in 2015 compared to financial year 2014.

### Operating Highlights

During the year, the overall gloomy economic, coupled with uncertain energy and law & order situation persisted generally all over the country and specifically in the province; badly affecting the operations and marketing activities of the Company, although management strived its best for the expansion of the local and international sale of tobacco and cigarettes but they succeeded in their endeavors up to an extent.

As in previous years, the management maintained its focus on the export sales of the Company. However, the Company's export sales decreased significantly from Rs. 417.60 million in Financial Year 14 to Rs. 208.15 million in Financial Year 2015 showing a decline of about 50%. Although there has been tremendous decrease in the export sales of the company, still the Company has been able to bring precious ample foreign exchange to the country in the situation where overall exports of the country are showing a declining trend. The management is focusing on sales of tobacco as well as cigarettes in foreign market because of the good demand of Pakistani tobacco as well as the handsome profit margins involved. The management is striving hard and strongly expects to redesign its strategy for the export sales of both cigarettes and processed tobacco in the coming years.

Profit before taxation for the year ended 30 June 2015 stood at Rs. 137.04 million as compared to profit of Rs. 176.21 million for the previous year. Profit after taxation for the year ended 30 June 2015 amounted to Rs. 101.43 million as compared to profit of Rs. 141.90 million for last year. The inability of the company to process sufficient export orders for the re-dried tobacco in the foreign market has been the main cause of decline in the profit this year compared to Financial Year 2014.

Earnings per share of the Company for the year ended 30 June 2015 on its paid up capital stood at Rs. 84.39 as compared to last year's earnings per share of Rs. 118.38.

## Balance Sheet

The capital and reserves of the Company have risen to Rs. 547.13 million as compared to Rs. 444.61 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.

## Plant's performance

The company's management is striving its best to upgrade the installed Plant & Machinery with the passage of time. Installation of the two new machines is an evidence of the management's endeavors to replace the old Plant & Machinery with newer machines. However the installed plant is not operated at the optimum level because of the fact that most of the installed plant and machinery is about 50 years old and is running at about 60% of its maximum capacity.

Your company's management is actively involved in procurement of up-graded and efficient plant and machinery in all the departments i.e. GLT (Green Leaf Threshing), PPD (Primary Production Department), CMD (Cigarette Making Department) and CPD (Cigarette Packing Department).

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.

## Marketing

As we know, the Company has re-started its production of Cigarettes about six years ago after a long spell of dependency on only the sale of re-dried tobacco, the Company is facing stiff competition in the local market. The management is striving for the development of its brands in both the local and international market.

As mentioned above, the company's majority of the installed Plant and Machinery is about 50 years old and not operating at the optimum level. This results in the inability of the company to meet the quality requirements of the export market. The Company, thus, is dependent mainly upon the export of re-dried 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

Your 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.

Your Company actively pursues protection and up gradation of the environment by ensuring that its plants continue to comply with established environmental quality standards at all times. The management is focusing also on meeting the

stringent environmental quality standards prescribed by the 'Environment Protection Authority of Pakistan'. To achieve the objective, your Company always participates in various environment uplift programs including the Tree Plantation drive each year by planting hundreds of plants and trees in our factory areas in order to put in our share towards the improvement of environment.

## **Social Responsibility**

Your 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 crises 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 60% i.e. Rs. 6 per share on the issued share capital of the company.

## **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 has introduced an unfunded gratuity scheme in the year 2010-11 for all the permanent employees of the company. A provision of Rs. 3.95 million was created in the current year's financial statements for employees' 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 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 per quarter to monitor the Company's performance aimed at

Four (04) meetings of the Board of Directors were held between 01 July 2014 to 30 June 2015 and the attendance of each director is given below. The Directors of the Company did not have any personal interest in decisions taken by the Board in these meetings.

## DIRECTORS' ATTENDANCE

|    | Name                                                   | No. of meetings attended |
|----|--------------------------------------------------------|--------------------------|
| 1) | <b>Mr. Waseem Ur Rehman</b><br>Chief Executive         | 2                        |
| 2) | <b>Mr. Liaqat Ali Khan</b><br>Executive Director       | 4                        |
| 3) | <b>Mr. Muhammad Sayyad</b><br>Non-Executive Director   | 4                        |
| 4) | <b>Mr. Bilalzada</b><br>Non-Executive Director         | 4                        |
| 5) | <b>Mr. Shafiq Afzal Khan</b><br>Non-Executive Director | 4                        |
| 6) | <b>Mr. Hazrat Bilal</b><br>Non-Executive Director      | 3                        |
| 7) | <b>Mr. Khalil Ur Rehman</b><br>Non-Executive Director  | 1                        |

## 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 shown on page 5 of the annual 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 the 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 listing regulations of the Stock Exchanges, which clearly define the role and responsibilities of the Board of Directors and the 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 are under review of the Board.

The following specific statements are being given to comply with the requirement 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 these financial statements.

## **AUDITORS**

The Auditors M/s KPMG Taseer Hadi & Co, Chartered Accountants retire at the conclusion of the 60<sup>th</sup> Annual General Meeting and are eligible for reappointment as Auditors. The Audit Committee in their meeting held on 08 October, 2015 has recommended the re-appointment of M/s KPMG Taseer Hadi & Co, Chartered Accountants as the Auditors for the financial year ending 30 June, 2016.

## **PATTERN OF SHAREHOLDING**

The pattern of shareholding as at June 30, 2015 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, the management is focusing on the foreign market for cigarettes and tobacco, especially re-dried tobacco because the foreign markets have good demand for Pakistani tobacco. The Company expects a good performance in the tobacco export sector in the coming financial year which will enable the Company to earn handsome profits.

The management is also working on the up-gradation and expansion of the installed Green Leaf Threshing line to enable the quality processing of heavy orders both in the local and international market. The management is also endeavoring for the expansion of local sales by working on brand recognition and management.

## **REMUNERATION OF CEO**

Remuneration of CEO was increased during the year from Rs. 0.75M per month to Rs. 1.5M per month. Further an allowance of Rs. 0.75 M per month was also paid to CEO for operating expenses.

## **Acknowledgments**

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.

The success we achieved 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.

08 October 2015

On behalf of the Board



Waseem ur Rehman  
Chief Executive

## **Review Report to the Members on Directors' Statement of Compliance with Best Practices of 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 2015 to comply with the requirements of Listing Regulation No. 35 of the Karachi Stock Exchange Limited, Listing regulation No. 35 of the Lahore Stock Exchange Limited, 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 primarily 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.

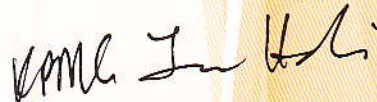
The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail 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 2015.

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 3 of the Statement, one of the resident directors is not registered as taxpayer as required under clause IV (a) of the Code;
- ii. As disclosed in point 5 of the Statement, the Company has not placed the Code of Conduct along with related policies and procedures at its website as required by the Code;
- iii. 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;
- iv. As disclosed in point 9 of the Statement, none of the directors attended training program during the year;
- v. 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
- vi. As disclosed in point 15 of the Statement, the audit committee does not consist of independent directors as required by the Code.

Islamabad  
08 October 2015

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

## Statement of Compliance (with the code of Corporate Governance)

**Name of Company:** Khyber Tobacco Company Limited  
**Year Ended:** 30 June 2015

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35 of Karachi Stock Exchange Limited and Lahore 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 interest on its board of directors. At present the board includes:

| Category                             | Names                |
|--------------------------------------|----------------------|
| Independent/ non-executive directors | Mr. Shafiq Afzal     |
|                                      | Mr. Muhammad Sayyad  |
|                                      | Mr. Bilalzada        |
|                                      | Mr. Hazrat Bilal     |
|                                      | Mr. Khalil Ur Rehman |
| Executive directors                  | Mr. Liaqat Ali Khan  |
|                                      | Mr. Waseem Ur Rehman |

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

2. The Directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
3. Except one, 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 member of a stock exchange, has been declared as defaulter by that stock exchange.
4. No casual vacancy occurred in the board of directors during the year.
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 related policies and procedures. However, the Company is in the process of placing the same on its website.
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 Boards own performance and policy regarding level of materiality which shall be effective in forthcoming financial year.

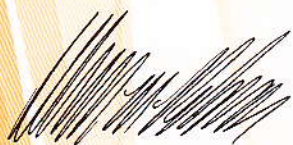
## **Statement of Compliance (with the code of Corporate Governance)**

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 and the board met at least once in every quarter. 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 meeting were appropriately recorded and circulated.
9. The Board had made arrangements for orientation course for its directors to apprise them of their duties and responsibilities and four members of the Board have completed the prescribed training under Code of Corporate Governance. However, during the year none of the directors attended the training program.
10. There was no new appointment of Company secretary or Internal Auditor, 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 CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by the CEO and Senior Finance Manager 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 CCG except wherever mentioned otherwise.
15. The board has formed an audit committee. It comprises 3 members, of whom 2 are non-executive directors and chairman of the committee is an independent / non-executive director.
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 as required by the CCG. 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 3 members, of whom majority are non-executive directors and chairman of the committee is an executive director.

## **Statement of Compliance (with the code of Corporate Governance)**

18. The Board outsourced its internal audit function to M/s Shahid Ahmad & 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(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the CCG have been complied with, except for whatever mentioned otherwise with reasons.

For & On Behalf of the Board



(Waseem ur Rehman)  
Chief Executive

## **Auditor's Report To The Members**

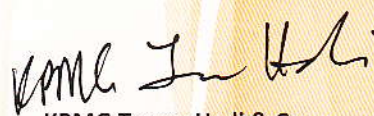
We have audited the annexed balance sheet of Khyber Tobacco Company Limited (the Company) as at 30 June 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then 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 policies 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 2015 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 Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance

Islamabad  
08 October 2015

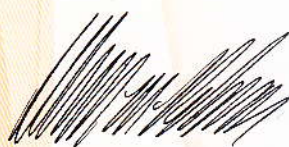
  
KPMG Taseer Hadi & Co.  
Chartered Accountants  
Engagement Partner  
Riaz Pesnani

## BALANCE SHEET

### AS AT 30 JUNE 2015

|                                                                             | Note | 2015<br>Rupees       | 2014<br>Rupees     |
|-----------------------------------------------------------------------------|------|----------------------|--------------------|
| <b>SHARE CAPITAL AND RESERVES</b>                                           |      |                      |                    |
| Share capital                                                               | 4    | 12,018,410           | 12,018,410         |
| General reserve                                                             |      | 3,312,465            | 3,312,465          |
| Unappropriated profit                                                       |      | 531,803,587          | 429,280,064        |
|                                                                             |      | 547,134,462          | 444,610,939        |
| <br>Surplus on revaluation of property,<br>plant and equipment - net of tax | 5    | 148,051,535          | 169,449,558        |
| <b>NON CURRENT LIABILITIES</b>                                              |      |                      |                    |
| Deferred liabilities                                                        | 6    | 61,662,875           | 46,022,755         |
| <b>CURRENT LIABILITIES</b>                                                  |      |                      |                    |
| Trade and other payables                                                    | 7    | 354,264,331          | 189,899,589        |
|                                                                             |      | <u>1,111,113,203</u> | <u>849,982,841</u> |
| <br><b>CONTINGENCIES AND COMMITMENTS</b>                                    | 8    |                      |                    |

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



CHIEF EXECUTIVE

## BALANCE SHEET AS AT 30 JUNE 2015

### NON CURRENT ASSETS

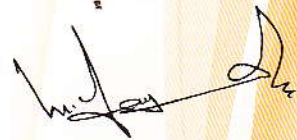
Property, plant and equipment  
Intangible  
Long term deposits

| Note | 2015<br>Rupees | 2014<br>Rupees |
|------|----------------|----------------|
| 9    | 371,666,076    | 375,701,793    |
| 10   | 1,452,840      | -              |
|      | 2,759,151      | 2,699,151      |
|      | 375,878,067    | 378,400,944    |

### CURRENT ASSETS

Stock in trade  
Trade debts  
Advances  
Prepayments  
Advance tax - net  
Other receivable  
Cash and bank balances  
Non current asset held for sale

|    |               |             |
|----|---------------|-------------|
| 11 | 459,523,166   | 313,714,910 |
| 12 | 202,054,271   | 29,860,674  |
| 13 | 17,233,718    | 6,956,517   |
|    | -             | 88,430      |
|    | 5,229,280     | 20,456,881  |
|    | -             | 360,900     |
| 14 | 51,194,701    | 26,687,155  |
| 15 | -             | 73,456,430  |
|    | 735,235,136   | 471,581,897 |
|    | 1,111,113,203 | 849,982,841 |



DIRECTOR

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2015

|                                               | Note | 2015<br>Rupees     | 2014<br>Rupees     |
|-----------------------------------------------|------|--------------------|--------------------|
| Turnover - net                                | 16   | 882,717,081        | 890,002,499        |
| Cost of sales                                 | 17   | (684,044,650)      | (651,266,517)      |
| <b>Gross profit</b>                           |      | <b>198,672,431</b> | <b>238,735,982</b> |
| Distribution cost                             | 18   | (7,709,517)        | (9,867,601)        |
| Administrative expenses                       | 19   | (64,557,906)       | (46,014,786)       |
| Other operating expenses                      | 20   | (9,001,409)        | (11,199,559)       |
| Finance cost                                  | 21   | (2,756,342)        | (4,825,331)        |
| Other income                                  | 22   | 22,390,588         | 9,378,589          |
| <b>Profit before taxation</b>                 |      | <b>137,037,845</b> | <b>176,207,294</b> |
| Taxation                                      | 23   | (35,610,825)       | (34,305,671)       |
| <b>Profit for the year</b>                    |      | <b>101,427,020</b> | <b>141,901,623</b> |
| <b>Earnings per share - basic and diluted</b> | 27   | <b>84.39</b>       | <b>118.38</b>      |

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



CHIEF EXECUTIVE



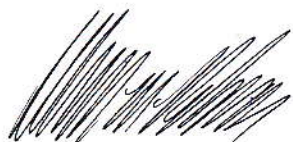
DIRECTOR

# STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 30 JUNE 2015

|                                                                         | 2015<br>Rupees    | 2014<br>Rupees     |
|-------------------------------------------------------------------------|-------------------|--------------------|
| Profit for the year                                                     | 101,427,020       | 142,278,936        |
| Other comprehensive income for the year                                 |                   |                    |
| <i>Items that will never be reclassified to profit and loss account</i> |                   |                    |
| Experience adjustments on defined benefit obligation                    | (3,163,003)       | (1,078,036)        |
| Tax effect on experience adjustments                                    | 948,901           | 377,313            |
|                                                                         | (2,214,102)       | (700,723)          |
|                                                                         | <u>99,212,918</u> | <u>141,578,213</u> |

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 2015

| CASH FLOWS FROM OPERATING ACTIVITIES                          | Note | 2015<br>Rupees       | 2014<br>Rupees       |
|---------------------------------------------------------------|------|----------------------|----------------------|
| Profit before taxation                                        |      | 137,037,845          | 176,207,294          |
| <b>Adjustments for:</b>                                       |      |                      |                      |
| Depreciation                                                  | 9.1  | 31,552,775           | 24,582,700           |
| Amortisation                                                  | 10.1 | 406,526              | -                    |
| Finance cost                                                  | 21   | 2,756,342            | 4,825,331            |
| Gain on disposal of non-current asset held for sale           | 22   | (18,543,570)         | -                    |
| Advances written off / provision for doubtful advances        | 12   | 1,117,770            | 2,886,603            |
| Liabilities written back                                      | 22   | -                    | (2,427,530)          |
| Provision for gratuity                                        | 6.2  | 3,950,185            | 2,876,929            |
|                                                               |      | <b>21,240,028</b>    | <b>32,744,033</b>    |
|                                                               |      | <b>158,277,873</b>   | <b>208,951,327</b>   |
| <b>Changes in:</b>                                            |      |                      |                      |
| Stock in trade                                                |      | (145,808,256)        | (96,461,579)         |
| Trade debts                                                   |      | (172,193,597)        | 147,968,526          |
| Advances                                                      |      | (11,394,971)         | 17,859,547           |
| Prepayments                                                   |      | 88,430               | 437,037              |
| Other receivable                                              |      | 360,900              | 5,040,200            |
| Trade and other payables                                      |      | 161,408,797          | (122,061,082)        |
|                                                               |      | <b>(167,538,697)</b> | <b>(47,217,351)</b>  |
| Cash generated from operations                                |      | (9,260,824)          | 161,733,976          |
| Finance cost paid                                             |      | (2,756,342)          | (2,346,347)          |
| Income tax paid                                               |      | (16,772,399)         | (47,720,830)         |
| Gratuity paid                                                 | 6.2  | (204,000)            | (49,500)             |
| Dividend paid                                                 |      | (9,062,465)          | (4,218,095)          |
| <b>Net cash generated from operating activities</b>           |      | <b>(38,056,030)</b>  | <b>107,399,204</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                   |      |                      |                      |
| Additions to property, plant and equipment                    | 9    | (28,138,058)         | (136,847,598)        |
| Increase in long term security deposits                       |      | (60,000)             | (1,255,000)          |
| Purchase of intangible                                        | 10   | (1,238,366)          | -                    |
| Proceeds from disposal of non-current asset held for sale     | 15   | 92,000,000           | -                    |
| <b>Net cash used in investing activities</b>                  |      | <b>62,563,576</b>    | <b>(138,102,598)</b> |
| <b>Net increase / (decrease) in cash and cash equivalents</b> |      | <b>24,507,546</b>    | <b>(30,703,394)</b>  |
| Cash and cash equivalents at beginning of the year            |      | 26,687,155           | 57,390,549           |
| Cash and cash equivalents at end of the year                  | 14   | <b>51,194,701</b>    | <b>26,687,155</b>    |

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



CHIEF EXECUTIVE

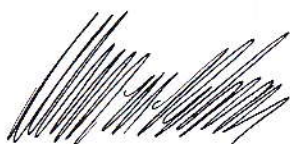


DIRECTOR

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2015

|                                                                                    | Share capital | Revenue reserve |                       | Total        |
|------------------------------------------------------------------------------------|---------------|-----------------|-----------------------|--------------|
|                                                                                    |               | General reserve | Unappropriated profit |              |
|                                                                                    | Rupees        |                 |                       |              |
| Balance at 01 July 2013                                                            | 12,018,410    | 3,312,465       | 278,238,018           | 293,568,893  |
| Total comprehensive income for the year                                            |               |                 |                       |              |
| Profit for the year                                                                | -             | -               | 141,901,623           | 141,901,623  |
| Other comprehensive income for the year - net of tax                               | -             | -               | (700,723)             | (700,723)    |
| Transfer from surplus on revaluation of property, plant and equipment - net of tax | -             | -               | 15,850,351            | 15,850,351   |
|                                                                                    | -             | -               | 157,051,251           | 157,051,251  |
| Transactions with owners, recorded directly in equity                              |               |                 |                       |              |
| Distributions                                                                      |               |                 |                       |              |
| Final dividend 2013 @ Rs. 5 per share                                              | -             | -               | (6,009,205)           | (6,009,205)  |
| Transactions with owners, recorded directly in equity                              | -             | -               | (6,009,205)           | (6,009,205)  |
| Balance at 30 June 2014                                                            | 12,018,410    | 3,312,465       | 429,280,064           | 444,610,939  |
| Balance at 01 July 2014                                                            | 12,018,410    | 3,312,465       | 429,280,064           | 444,610,939  |
| Total comprehensive income for the year                                            |               |                 |                       |              |
| Profit for the year                                                                | -             | -               | 101,427,020           | 101,427,020  |
| Other comprehensive income for the year - net of tax                               | -             | -               | (2,214,102)           | (2,214,102)  |
| Transfer from surplus on revaluation of property, plant and equipment - net of tax | -             | -               | 15,329,015            | 15,329,015   |
| Total comprehensive income for the year                                            | -             | -               | 114,541,933           | 114,541,933  |
| Transactions with owners, recorded directly in equity                              |               |                 |                       |              |
| Distributions                                                                      |               |                 |                       |              |
| Final dividend 2014 @ Rs. 10 per share                                             | -             | -               | (12,018,410)          | (12,018,410) |
| Transactions with owners, recorded directly in equity                              | -             | -               | (12,018,410)          | (12,018,410) |
| Balance at 30 June 2015                                                            | 12,018,410    | 3,312,465       | 531,803,587           | 547,134,462  |

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 2015**

### **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 since repealed and replaced by the Companies Ordinance, 1984 and is listed on the Karachi and Lahore stock exchanges. 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 requirements of the Companies Ordinance, 1984 (the Ordinance) and the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives prevail.

#### **2.2 Basis of measurement**

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

- certain items of property, plant and equipment are carried at revalued amounts less accumulated depreciation; and
- liability related to staff retirement benefit is stated at present values measured through actuarial valuation.

The methods used to measure fair values are explained in the respective policy notes.

#### **2.3 Functional and presentation currency**

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistan Rupees (PKR), which is the Company's functional and presentation currency. Figures have been rounded off to the nearest rupee, unless otherwise stated.

#### **2.4 Use of estimates and judgments**

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

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

Judgments and estimates made by management in the application of approved accounting standards that may have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next years are discussed in the ensuing paragraphs;

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**a) Property, plant and equipment**

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

Further, the Company also reviews the carrying amounts of certain classes of property, plant and equipment which are carried at revalued amounts on regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the surplus on revaluation of property, plant and equipment, related deferred tax liability and related charge of incremental depreciation.

**b) Intangible**

Intangible consist of computer softwares and are stated at the cash price equivalent of the consideration given less accumulated amortization and impairment loss, if any. Amortization is charged on a straight line basis over the estimated useful life and is included in the profit or loss.

**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**

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. Any change in estimates in future years might affect the carrying amounts of respective assets with a corresponding effect on depreciation/ amortization charge and impairment.

**e) Stock in trade**

The Company reviews the carrying amount of stock in trade on a regular basis to assess any diminution in carrying value. Carrying value of stock in trade is adjusted where the net realizable value is below the cost. Net realizable value signifies the estimated selling price in the ordinary course of business less estimated cost of completion and selling expenses.

**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**

In making the estimates for income taxes payable by the Company, the management refers to the applicable law and the decisions of appellate authorities on pertinent issues in the past.

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 recognized 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

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

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. The unwinding of the discount is recognized as finance cost, if any.

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) Staff retirement benefits plan - gratuity**

The present value of the obligation for gratuity 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 obligations for gratuity.

### **2.5 Standards, interpretations and amendments to approved accounting standards that are not yet effective**

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2015:

Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.

IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The amendments are not likely to have an impact on Company's financial statements.

IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on Company's financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on Company's financial statements.

IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not likely to have an impact on Company's financial statements.

Amendments to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amended standard is not likely to have an impact on Company's financial statements.

Agriculture: Bearer Plants [Amendments to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The adoption of the amended standard is not likely to have an impact on Company's financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The adoption of these amendments is not likely to have an impact on Company's financial statements.

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

Cost of property, plant and equipment comprise of purchase price, non refundable local taxes and other directly attributable costs.

Any gain or loss on disposal of an item of property plant and equipment are 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.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The cost of the day to day servicing of property, plant and equipment is recognized in profit and loss account when incurred.

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

Depreciation is charged on depreciable amount using the straight line method at rates specified in note 9. Full month depreciation is charged in the month of addition while no depreciation is charged in the month of disposal.

#### **3.2 Intangible**

An intangible is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and that the cost of such asset can also be measured reliably. These are stated at cost less accumulated amortization and impairment losses, if any.

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

#### **3.3 Non-current assets held for sale**

Non-current assets that are expected to be recovered primarily through sale or distribution rather than through continuing use are classified as "held for sale". Immediately before classification as "held for sale", the assets are remeasured in accordance with the Company's accounting policies. Thereafter the assets are measured at the lower

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

of their carrying amount and fair value less costs to sell. Any gain or loss on disposal of non-current assets held for sale is charged to other income.

### **3.4 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.

### **3.5 Employee benefits**

Salaries, wages and benefits are accrued in the period in which the associated services are rendered by employees of the Company and measured on an undiscounted basis.

#### **3.5.1 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 using the Projected Unit Credit Method. Latest valuation was conducted as at 30 June 2015.

### **3.6 Foreign currency transactions**

Transactions in foreign currencies are recorded at the rates of exchange prevailing on the date of the transaction. All monetary assets and liabilities denominated in foreign currencies are translated into PKR at the rate of exchange prevailing on the balance sheet date and exchange differences, if any, are charged to other income.

### **3.7 Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic resources will be required to settle such obligations and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at the end of each reporting period.

### **3.8 Financial instruments**

#### **Non-derivative financial assets**

These are initially recognized on the date that they are originated i.e. on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. Investments are recognized on settlement date.

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or when the Company transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company classifies non-derivative financial assets into the following categories: held to maturity, financial assets at fair value through profit or loss, available for sale investments and loans and receivables:

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

### **Loans and receivables**

Loans and receivables comprise trade and other payables, trade and other receivables and cash and cash equivalents.

### **Trade debts and other receivables**

Trade debts and other receivables are stated initially at the fair value, subsequent to initial recognition these are stated at their amortized cost as reduced by appropriate provision for impairment. Known impaired receivables are written off, while receivables considered doubtful of recovery are fully provided for.

The provision for doubtful accounts is based on the Company's assessment of the collectability of counterparty accounts. The Company regularly reviews its debts and receivables that 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 the accounts receivable balances, and current economic conditions that may affect a customer's ability to pay.

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances, short term running finance and call deposits with maturities of three months or less from the acquisition date and are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

### **Non-derivative financial liabilities**

The Company initially recognizes non derivative financial liabilities on the date that they are originated or the date that the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

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

### **Trade and other payables**

Liabilities for trade and other amounts payable are initially recognized at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost.

### **Off-setting of financial assets and liabilities**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

### **3.9 Impairment**

#### **Non-financial assets**

The carrying amounts of non-financial assets other than inventories and deferred tax asset, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually 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 groups of assets (the "cash-generating unit, or CGU").

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit and loss account.

Impairment loss recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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 recognized.

#### **Non-derivative Financial assets**

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired includes significant financial difficulty of the obligor, a breach of contract such as default or delinquency in interest or principal payments, its becoming probable that borrower will enter bankruptcy or other financial reorganization, the disappearance of an active market for that financial asset because of financial difficulties.

All individually significant assets are assessed for specific impairment. All individually significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit and loss account.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 30 JUNE 2015**

#### **3.10 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.

#### **3.11 Taxation**

Income tax expense comprises current and deferred tax. Income tax is recognized in profit and loss account except to the extent that it relates to items recognized directly in statement of comprehensive income or equity, in which case it is recognized in statement of comprehensive income or equity. Any refund from the taxation authorities is charged to other income.

##### **3.11.1 Current**

The Company accounts for current taxation on the basis of taxable income at the current rates of taxation after taking into account tax credits and rebates, if any, and any adjustment to tax payable in respect of previous year in accordance with the provisions of the Income Tax Ordinance, 2001.

##### **3.11.2 Deferred**

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. 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. Deferred tax is not recognized on temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences arising on the initial recognition of goodwill.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Taxable temporary differences 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.

### 3.12 Dividend

Dividend is recognized as a 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.

## 4. SHARE CAPITAL

### 4.1 Authorized share capital

This represents 2,000,000 (2014: 2,000,000) ordinary shares of Rs. 10 each.

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

| 2015             | 2014             |                                                                  | 2015              | 2014              |
|------------------|------------------|------------------------------------------------------------------|-------------------|-------------------|
| Number of shares |                  |                                                                  | Rupees            | Rupees            |
| 497,500          | 497,500          | Ordinary shares of Rs. 10 each issued for cash                   | 4,975,000         | 4,975,000         |
| 704,341          | 704,341          | Ordinary shares of Rs. 10 each issued as fully paid bonus shares | 7,043,410         | 7,043,410         |
| <b>1,201,841</b> | <b>1,201,841</b> |                                                                  | <b>12,018,410</b> | <b>12,018,410</b> |

Directors of the Company hold 399,101 i.e. 33% (2014: 399,101 i.e. 33%) ordinary shares of Rs. 10 each at the balance sheet date.

### 5. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - net of tax

Opening balance as on 01 July

Surplus transferred to unappropriated profit in respect of incremental depreciation charged during the year:

- Net of deferred tax

- Related deferred tax liability

Surplus on revaluation of property, plant and equipment as at 30 June

#### Related deferred tax liability

On revaluation surplus as on 01 July

Transferred to profit and loss account in respect of incremental depreciation

Tax rate adjustment due to change in ratio of export sales

| 2015               | 2014               |
|--------------------|--------------------|
| Rupees             | Rupees             |
| 200,893,392        | 219,685,006        |
| (15,329,015)       | (15,850,351)       |
| (3,462,598)        | (2,941,263)        |
| (18,791,613)       | (18,791,614)       |
| <b>182,101,779</b> | <b>200,893,392</b> |
| (31,443,834)       | (27,860,452)       |
| 3,462,598          | 2,941,263          |
| (6,069,008)        | (6,524,645)        |
| (34,050,244)       | (31,443,834)       |
| <b>148,051,535</b> | <b>169,449,558</b> |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| 6.    | DEFERRED LIABILITIES                                                                                             | Note  | 2015<br>Rupees    | 2014<br>Rupees    |
|-------|------------------------------------------------------------------------------------------------------------------|-------|-------------------|-------------------|
|       | Deferred taxation                                                                                                | 6.1   | 44,324,428        | 35,593,496        |
|       | Staff retirement benefit - gratuity                                                                              | 6.2   | 17,338,447        | 10,429,259        |
|       |                                                                                                                  |       | <u>61,662,875</u> | <u>46,022,755</u> |
| 6.1   | Deferred tax liability is recognised on following major temporary                                                |       |                   |                   |
|       | <i><b>Taxable temporary differences</b></i>                                                                      |       |                   |                   |
|       | Surplus on revaluation of property, plant and equipment                                                          |       | 34,050,244        | 31,443,834        |
|       | Excess of accounting book value of property, plant and equipment other than revalued amounts over their tax base |       | 11,391,966        | 5,092,732         |
|       | <i><b>Deductible temporary differences</b></i>                                                                   |       |                   |                   |
|       | Provisions for doubtful trade debts                                                                              |       | (585,888)         | (497,676)         |
|       | Provisions for doubtful advances                                                                                 |       | (531,894)         | (445,394)         |
|       |                                                                                                                  | 6.1.1 | <u>44,324,428</u> | <u>35,593,496</u> |
| 6.1.1 | Movement of deferred tax liability is as follows:                                                                |       |                   |                   |
|       | Opening balance                                                                                                  |       | 35,593,496        | 30,138,648        |
|       | Effect of tax rate adjustment due to change in ratio of export sales                                             |       | 6,069,008         | 6,524,645         |
|       | Tax charge / (credit) for the year                                                                               |       | 2,661,924         | (1,069,797)       |
|       | Closing balance                                                                                                  |       | <u>44,324,428</u> | <u>35,593,496</u> |
| 6.2   | The amount recognised in the balance sheet is as follows:                                                        |       |                   |                   |
|       | Present value of defined benefit obligation                                                                      |       | 17,338,447        | 10,429,259        |
|       | Net defined benefit liability                                                                                    |       | <u>17,338,447</u> | <u>10,429,259</u> |
|       | Movement in present value of defined benefit obligation is as follows;                                           |       |                   |                   |
|       | Balance as at 1 July                                                                                             |       | 10,429,259        | 6,523,794         |
|       | <i><b>Included in profit and loss account</b></i>                                                                |       |                   |                   |
|       | Current service cost                                                                                             |       | 2,607,641         | 2,097,044         |
|       | Interest cost                                                                                                    |       | 1,342,544         | 779,885           |
|       | <i><b>Included in other comprehensive income</b></i>                                                             |       |                   |                   |
|       | Remeasurement losses                                                                                             |       |                   |                   |
|       | Experience adjustments                                                                                           |       | 3,163,003         | 1,078,036         |
|       | <i><b>Others</b></i>                                                                                             |       |                   |                   |
|       | Benefits paid during the year                                                                                    |       | (204,000)         | (49,500)          |
|       | Balance at 30 June                                                                                               |       | <u>17,338,447</u> | <u>10,429,259</u> |
|       | <i><b>Actuarial assumptions</b></i>                                                                              |       |                   |                   |
|       | Valuation discount rate                                                                                          |       | 2015<br>10%       | 2014<br>13%       |
|       | Salary increase rate                                                                                             |       | 10%               | 13%               |
|       | Withdrawal rates                                                                                                 |       | 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 ultimate mortality rate (2014: EFU Life Insurance 61-66), rated down by one year.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### Sensitivity analysis

Reasonably possible changes at the reporting date at one of the relevant actuarial assumptions, holding other assumption constant, would have affected the defined benefit obligations by the amount shown below;

|                                    | 30 June 2015 |             | 30 June 2014 |             |
|------------------------------------|--------------|-------------|--------------|-------------|
|                                    | Increase     | Decrease    | Increase     | Decrease    |
|                                    | Rupees       |             |              |             |
| Discount rate (1% movement)        | (1,840,656)  | 2,244,561   | (1,098,204)  | 1,347,245   |
| Future salary growth (1% movement) | 2,222,245    | (1,855,951) | 1,324,314    | (1,107,103) |

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

Expected gratuity expense for the next financial year is Rs. 5,101,343 (2014: Rs. 3,767,349).

### Risk associated with defined benefit plan

#### Longevity Risks

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

#### Salary Increase Risk

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

#### Withdrawal Risk

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

| Historical information                      | 2015       | 2014       | 2013      | 2012      | 2011      |
|---------------------------------------------|------------|------------|-----------|-----------|-----------|
|                                             | Rupees     |            |           |           |           |
| Present value of defined benefit obligation | 17,338,447 | 10,429,259 | 6,523,794 | 4,398,362 | 3,849,411 |
| Net liability at year end                   | 17,338,447 | 10,429,259 | 6,523,794 | 4,398,362 | 3,849,411 |

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2015

| 7.    | TRADE AND OTHER PAYABLES                                                                                                                                                                        | Note  | 2015<br>Rupees     | 2014<br>Rupees     |
|-------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|--------------------|--------------------|
|       | Creditors                                                                                                                                                                                       |       | 238,404,120        | 101,276,015        |
|       | Advances from customers                                                                                                                                                                         |       | 21,589,796         | 25,758,624         |
|       | Workers' Profit Participation Fund                                                                                                                                                              | 7.1   | 27,130,023         | 18,193,783         |
|       | Workers' Welfare Fund                                                                                                                                                                           |       | 1,760,718          | 2,095,381          |
|       | Accrued liabilities                                                                                                                                                                             | 7.2   | 12,104,404         | 25,072,533         |
|       | Withholding tax payable                                                                                                                                                                         |       | 892,628            | 473,949            |
|       | Sales tax and excise duty payable                                                                                                                                                               |       | 33,353,871         | 4,600,393          |
|       | Unclaimed dividend                                                                                                                                                                              |       | 7,156,072          | 4,200,127          |
|       | Tobacco development cess payable                                                                                                                                                                |       | 11,872,699         | 8,228,784          |
|       |                                                                                                                                                                                                 |       | <u>354,264,331</u> | <u>189,899,589</u> |
| 7.1   | <b>Workers' Profit Participation Fund</b>                                                                                                                                                       |       |                    |                    |
|       | Balance at the beginning of the year                                                                                                                                                            |       | 18,193,783         | 6,610,622          |
|       | Provision for the year                                                                                                                                                                          |       | 7,184,179          | 9,104,178          |
|       | Interest on funds utilised in the Company's business                                                                                                                                            | 7.1.1 | 1,752,061          | 2,478,983          |
|       |                                                                                                                                                                                                 |       | <u>27,130,023</u>  | <u>18,193,783</u>  |
| 7.1.1 | Interest is calculated using interest rate of KIBOR + 2.5% (2014: KIBOR + 2.5%) as per the guidance given in WPPF Rules.                                                                        |       |                    |                    |
| 7.2   | This includes remuneration payable to Chief Executive Officer and Directors (related parties) amounting to Rs. 1.95 million and Nil (2014: Rs. 10.8 million and Rs. 1.02 million) respectively. |       |                    |                    |
| 8.    | <b>CONTINGENCIES AND COMMITMENTS</b>                                                                                                                                                            |       |                    |                    |
| 8.1   | There are no contingencies as at year end.                                                                                                                                                      |       |                    |                    |
| 8.2   | <b>Commitments</b>                                                                                                                                                                              |       |                    |                    |
|       | In respect of letters of credit against import of machinery                                                                                                                                     |       | -                  | 1,236,000          |
|       | In respect of leasehold land                                                                                                                                                                    |       | <u>82,878</u>      | <u>89,785</u>      |

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2015

### 9. PROPERTY, PLANT AND EQUIPMENT

#### Cost / revalued amounts

Balance at 01 July 2013  
Additions during the year  
Transfer to non-current asset held for sales (Note 15)  
Transfers

#### Balance at 30 June 2014

Balance at 01 July 2014  
Additions during the year  
Transfers

#### Balance at 30 June 2015

#### Accumulated depreciation

Balance at 01 July 2013  
Charge for the year

#### Balance at 30 June 2014

Balance at 01 July 2014  
Charge for the year

#### Balance at 30 Jun 2015

#### Carrying value - June 2015

Carrying value - June 2014

Rate of depreciation per annum

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

| Note | 2015<br>Rupees | 2014<br>Rupees |
|------|----------------|----------------|
| 17   | 25,956,107     | 20,403,641     |
| 19   | 5,596,668      | 4,179,059      |
|      | 31,552,775     | 24,582,700     |

9.2 Buildings on leasehold land, plant and machinery and furniture and fixtures were revalued on 21 February 2012. Valuation was carried out by an independent valuer, M/S Construction Management Services under the market value basis. This revaluation resulted in a net surplus of Rs. 263.08 million, had there been no revaluation, related figure of revalued assets would have been as follows;

|                             | Opening cost | Additions  | Transfer from capital work in progress | Closing cost | Accumulated depreciation | Carrying value |
|-----------------------------|--------------|------------|----------------------------------------|--------------|--------------------------|----------------|
| Buildings on leasehold land | 3,093,325    | -          | -                                      | 3,093,325    | 994,283                  | 2,099,042      |
| Plant and machinery         | 49,203,364   | 4,445,055  | 118,564,571                            | 172,212,990  | 16,605,287               | 155,607,703    |
| Furniture and fixtures      | 1,236,263    | -          | -                                      | 1,236,263    | 1,236,263                | -              |
| 30 June 2015                | 53,532,952   | 4,445,055  | 118,564,571                            | 176,542,578  | 18,835,833               | 157,706,745    |
| 30 June 2014                | 31,404,699   | 19,125,258 | 3,002,995                              | 53,532,952   | 8,275,859                | 45,257,093     |

9.3 Breakup of capital work in progress is as follows;

|                                                              | 2015<br>Rupees | 2014<br>Rupees |
|--------------------------------------------------------------|----------------|----------------|
| Plant, machinery and other equipment                         | -              | 101,550,743    |
| Stores and spares held for capitalization                    | -              | 12,041,460     |
| Other directly attributable expense                          | -              | 5,593,368      |
| Advances to suppliers for purchase of generator and vehicles | 23,253,600     | 119,185,571    |
|                                                              | 23,253,600     | 119,185,571    |

|                                                        | Buildings on leasehold land | Plant and machinery | Tools and equipment | Furniture and fittings | Office equipments | Vehicles  | Capital work in progress | Total        |
|--------------------------------------------------------|-----------------------------|---------------------|---------------------|------------------------|-------------------|-----------|--------------------------|--------------|
| Cost / revalued amounts                                |                             |                     |                     |                        |                   |           |                          |              |
| Balance at 01 July 2013                                | 143,810,150                 | 136,595,985         | 10,082,340          | 580,680                | 1,814,540         | 2,596,074 | 80,734,352               | 376,214,121  |
| Additions during the year                              | -                           | 19,115,258          | 1,892,096           | 10,000                 | 84,600            | -         | 115,745,644              | 136,847,598  |
| Transfer to non-current asset held for sales (Note 15) | -                           | -                   | -                   | -                      | -                 | -         | (73,456,430)             | (73,456,430) |
| Transfers                                              | 2,035,595                   | -                   | 835,000             | 967,400                | -                 | -         | (3,837,995)              | -            |
| Balance at 30 June 2014                                | 145,845,745                 | 155,711,243         | 12,809,436          | 1,558,080              | 1,899,140         | 2,596,074 | 119,185,571              | 439,695,289  |
| Balance at 01 July 2014                                | 145,845,745                 | 155,711,243         | 12,809,436          | 1,558,080              | 1,899,140         | 2,596,074 | 119,185,571              | 439,695,289  |
| Additions during the year                              | -                           | 4,445,055           | 265,803             | -                      | 173,600           | -         | -                        | 28,138,058   |
| Transfers                                              | -                           | 118,564,571         | -                   | -                      | -                 | -         | (119,185,571)            | (621,000)    |
| Balance at 30 June 2015                                | 145,845,745                 | 278,770,869         | 13,075,239          | 1,558,080              | 2,072,740         | 2,596,074 | 23,253,600               | 467,122,347  |
| Accumulated depreciation                               |                             |                     |                     |                        |                   |           |                          |              |
| Balance at 01 July 2013                                | 14,173,982                  | 20,184,060          | 3,365,527           | 82,268                 | 544,815           | 970,144   | -                        | 39,320,796   |
| Charge for the year                                    | 9,359,440                   | 13,047,272          | 1,093,594           | 117,561                | 497,540           | 467,293   | -                        | 24,582,700   |
| Balance at 30 June 2014                                | 23,533,422                  | 33,231,332          | 4,459,121           | 199,829                | 1,042,355         | 1,437,437 | -                        | 63,903,496   |
| Balance at 01 July 2014                                | 23,533,422                  | 33,231,332          | 4,459,121           | 199,829                | 1,042,355         | 1,437,437 | -                        | 63,903,496   |
| Charge for the year                                    | 9,375,798                   | 19,835,562          | 1,171,139           | 140,227                | 562,756           | 467,293   | -                        | 31,552,775   |
| Balance at 30 Jun 2015                                 | 32,909,220                  | 53,066,894          | 5,630,260           | 340,056                | 1,605,111         | 1,904,730 | -                        | 95,456,271   |
| Carrying value - June 2015                             | 112,936,525                 | 225,653,975         | 7,444,979           | 1,218,024              | 467,629           | 691,344   | 23,253,600               | 371,666,076  |
| Carrying value - June 2014                             | 122,312,323                 | 122,479,911         | 8,350,315           | 1,358,251              | 856,785           | 1,158,637 | 119,185,571              | 375,701,793  |
| Rate of depreciation per annum                         | 7.14%                       | 10%                 | 10%                 | 10%                    | 30%               | 20%       | -                        | -            |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

|                                                                                                                                                                                              | Note | 2015<br>Rupees     | 2014<br>Rupees     |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|--------------------|--------------------|
| <b>10. INTANGIBLE</b>                                                                                                                                                                        |      |                    |                    |
| Opening balance                                                                                                                                                                              |      | -                  | -                  |
| Additions during the year                                                                                                                                                                    |      | 1,238,366          | -                  |
| Transfers from Capital Work-in-Progress                                                                                                                                                      |      | 621,000            | -                  |
| Amortisation                                                                                                                                                                                 | 10.1 | (406,526)          | -                  |
| Closing balance                                                                                                                                                                              |      | <u>1,452,840</u>   | <u>-</u>           |
| Amortisation rate                                                                                                                                                                            |      | 30%                | -                  |
| <b>10.1</b> Amortisation on intangible assets has been allocated as follows;                                                                                                                 |      |                    |                    |
| Cost of sales                                                                                                                                                                                |      | 235,751            | -                  |
| Administrative expenses                                                                                                                                                                      |      | 170,775            | -                  |
|                                                                                                                                                                                              |      | <u>406,526</u>     | <u>-</u>           |
| <b>11. STOCK IN TRADE</b>                                                                                                                                                                    |      |                    |                    |
| Raw and packing material                                                                                                                                                                     |      | 448,840,805        | 308,722,692        |
| Work in process                                                                                                                                                                              |      | 76,502             | 83,716             |
| Finished stock                                                                                                                                                                               |      | 10,605,859         | 4,908,502          |
|                                                                                                                                                                                              |      | <u>459,523,166</u> | <u>313,714,910</u> |
| <b>12. TRADE DEBTS</b>                                                                                                                                                                       |      |                    |                    |
| Trade debts - considered good                                                                                                                                                                |      | 202,054,271        | 29,860,674         |
| Trade debts - considered doubtful                                                                                                                                                            |      | 3,179,631          | 3,179,631          |
|                                                                                                                                                                                              |      | 205,233,902        | 33,040,305         |
| Provision for doubtful debts                                                                                                                                                                 |      | (3,179,631)        | (3,179,631)        |
|                                                                                                                                                                                              |      | <u>202,054,271</u> | <u>29,860,674</u>  |
| <b>13. ADVANCES</b>                                                                                                                                                                          |      |                    |                    |
| Advances to employees - considered good                                                                                                                                                      |      | -                  | 41,000             |
| Advances to suppliers                                                                                                                                                                        |      |                    |                    |
| - considered good                                                                                                                                                                            |      | 17,233,718         | 6,915,517          |
| - considered doubtful                                                                                                                                                                        |      | 4,004,373          | 2,886,603          |
|                                                                                                                                                                                              |      | 21,238,091         | 9,802,120          |
| Provision for doubtful advances                                                                                                                                                              |      | (2,886,603)        | (2,886,603)        |
| Advance written off                                                                                                                                                                          |      | (1,117,770)        | -                  |
|                                                                                                                                                                                              |      | <u>17,233,718</u>  | <u>6,956,517</u>   |
| <b>14. CASH AND BANK BALANCES</b>                                                                                                                                                            |      |                    |                    |
| Cash in hand                                                                                                                                                                                 |      | 213,586            | 252,311            |
| Cash at bank                                                                                                                                                                                 |      |                    |                    |
| Current accounts                                                                                                                                                                             |      |                    |                    |
| - Foreign currency                                                                                                                                                                           |      | 41,211             | 39,997             |
| - Local currency                                                                                                                                                                             |      | 50,939,904         | 26,394,847         |
|                                                                                                                                                                                              |      | 50,981,115         | 26,434,844         |
|                                                                                                                                                                                              |      | <u>51,194,701</u>  | <u>26,687,155</u>  |
| <b>15. NON CURRENT ASSET HELD FOR SALE</b>                                                                                                                                                   |      |                    |                    |
| This represented carrying value of Green Leaf Threshing Unit (GLT) held for sale under agreement which was disposed off during the year against consideration of Rs. 92 million (2014: Nil). |      |                    |                    |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

|                                                                                                                                        |             | 2015<br>Rupees | 2014<br>Rupees |
|----------------------------------------------------------------------------------------------------------------------------------------|-------------|----------------|----------------|
| <b>16. TURNOVER - NET</b>                                                                                                              | <b>Note</b> |                |                |
| Gross turnover                                                                                                                         |             |                |                |
| - Local                                                                                                                                |             | 1,333,677,829  | 968,083,067    |
| - Export                                                                                                                               |             | 208,149,628    | 417,600,447    |
|                                                                                                                                        |             | 1,541,827,457  | 1,385,683,514  |
| Government levies                                                                                                                      |             |                |                |
| - Excise duty                                                                                                                          |             | (485,115,972)  | (360,657,190)  |
| - Sales tax                                                                                                                            |             | (133,475,529)  | (97,469,940)   |
|                                                                                                                                        |             | 923,235,956    | 927,556,384    |
| Discounts                                                                                                                              |             | (40,518,875)   | (37,553,885)   |
|                                                                                                                                        |             | 882,717,081    | 890,002,499    |
| <b>17. COST OF SALES</b>                                                                                                               |             |                |                |
| Raw and packing material consumed                                                                                                      | 17.1        | 558,448,105    | 529,264,099    |
| Royalty                                                                                                                                |             | 1,786,920      | 1,686,000      |
| Fuel and power                                                                                                                         |             | 38,174,965     | 41,202,741     |
| Stores, spare parts and loose tools consumed                                                                                           |             | 10,982,574     | 8,417,847      |
| Repairs and maintenance                                                                                                                |             | 4,037,472      | 1,330,985      |
| Salaries, wages and other benefits                                                                                                     | 17.2        | 46,268,804     | 35,304,408     |
| Insurance                                                                                                                              |             | 559,862        | 1,034,259      |
| Machine hiring charges                                                                                                                 |             | 3,284,233      | 3,689,000      |
| Depreciation                                                                                                                           | 9.1         | 25,956,107     | 20,403,641     |
| Amortisation                                                                                                                           | 10.1        | 235,751        | -              |
|                                                                                                                                        |             | 689,734,793    | 642,332,980    |
| Opening work in process                                                                                                                |             | 83,716         | 378,899        |
| Closing work in process                                                                                                                |             | (76,502)       | (83,716)       |
| <b>Cost of goods manufactured</b>                                                                                                      |             | 689,742,007    | 642,628,163    |
| Opening finished stock                                                                                                                 |             | 4,908,502      | 13,546,856     |
| Closing finished stock                                                                                                                 |             | (10,605,859)   | (4,908,502)    |
|                                                                                                                                        |             | 684,044,650    | 651,266,517    |
| <b>17.1 Raw and packing materials consumed</b>                                                                                         |             |                |                |
| Opening balance                                                                                                                        |             | 308,722,692    | 203,327,576    |
| Raw and packing material purchases                                                                                                     |             | 698,566,218    | 634,659,215    |
| Closing balance                                                                                                                        |             | (448,840,805)  | (308,722,692)  |
|                                                                                                                                        |             | 558,448,105    | 529,264,099    |
| <b>17.2 Salaries, wages and other benefits include staff retirement benefits amounting to Rs. 3.4 million (2014: Rs. 2.3 million).</b> |             |                |                |
| <b>18. DISTRIBUTION COST</b>                                                                                                           |             |                |                |
| Customs, clearance and freight on export                                                                                               |             | 4,453,567      | 7,318,401      |
| Freight on local sale                                                                                                                  |             | 3,255,950      | 2,549,200      |
|                                                                                                                                        |             | 7,709,517      | 9,867,601      |

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2015

|                                                                                                                                         |             | 2015              | 2014              |
|-----------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------------|-------------------|
|                                                                                                                                         |             | Rupees            | Rupees            |
| <b>19. ADMINISTRATIVE EXPENSES</b>                                                                                                      | <b>Note</b> |                   |                   |
| Salaries, wages and other benefits                                                                                                      | 19.1        | 38,758,392        | 21,135,106        |
| Insurance                                                                                                                               |             | -                 | 40,153            |
| Fuel and power                                                                                                                          |             | 6,409,974         | 6,694,647         |
| Communication                                                                                                                           |             | 1,252,542         | 1,183,940         |
| Printing and stationery                                                                                                                 |             | 1,548,158         | 734,629           |
| Security charges                                                                                                                        |             | 3,369,702         | 2,542,551         |
| Depreciation                                                                                                                            | 9.1         | 5,596,668         | 4,179,059         |
| Amortisation                                                                                                                            | 10.1        | 170,775           | -                 |
| Legal and professional                                                                                                                  |             | 2,728,198         | 2,509,759         |
| Auditors' remuneration                                                                                                                  | 19.2        | 1,692,565         | 1,440,000         |
| Repair and maintenance                                                                                                                  |             | 33,750            | 538,560           |
| Rent expenses                                                                                                                           |             | 645,000           | 595,000           |
| Advances written off                                                                                                                    | 13          | 1,117,770         | 2,886,603         |
| Donation                                                                                                                                |             | -                 | 300,000           |
| Others                                                                                                                                  |             | 1,234,412         | 1,234,779         |
|                                                                                                                                         |             | <u>64,557,906</u> | <u>46,014,786</u> |
| <b>19.1 Salaries, wages and other benefits include staff retirement benefits amounting to Rs. 0.49 million (2014: Rs. 0.52 million)</b> |             |                   |                   |
| <b>19.2 Auditors' remuneration</b>                                                                                                      |             | <b>2015</b>       | <b>2014</b>       |
|                                                                                                                                         |             | Rupees            | Rupees            |
| Annual audit fee                                                                                                                        |             | 800,000           | 700,000           |
| Half yearly review fee                                                                                                                  |             | 500,000           | 450,000           |
| Other certification charges                                                                                                             |             | 150,000           | 140,000           |
| Out of pocket expenses                                                                                                                  |             | 242,565           | 150,000           |
|                                                                                                                                         |             | <u>1,692,565</u>  | <u>1,440,000</u>  |
| <b>20. OTHER OPERATING EXPENSES</b>                                                                                                     |             |                   |                   |
| Workers' Profit Participation Fund                                                                                                      |             | 7,184,179         | 9,104,178         |
| Workers' Welfare Fund                                                                                                                   |             | 1,817,230         | 2,095,381         |
|                                                                                                                                         |             | <u>9,001,409</u>  | <u>11,199,559</u> |
| <b>21. FINANCE COST</b>                                                                                                                 |             |                   |                   |
| Bank charges                                                                                                                            |             | 1,004,281         | 2,346,347         |
| Interest on Workers' Profit Participation Fund                                                                                          |             | 1,752,061         | 2,478,984         |
|                                                                                                                                         |             | <u>2,756,342</u>  | <u>4,825,331</u>  |
| <b>22. OTHER INCOME</b>                                                                                                                 |             |                   |                   |
| <b>Income from financial assets</b>                                                                                                     |             |                   |                   |
| Exchange (loss) / gain - net                                                                                                            |             | (1,813,160)       | 2,895,771         |
| <b>Income from non financial assets</b>                                                                                                 |             |                   |                   |
| Gain on disposal of non current asset held for sale                                                                                     |             | 18,543,570        | -                 |
| Income tax refund                                                                                                                       |             | 1,491,350         | -                 |
| Liabilities written back                                                                                                                |             | 4,168,828         | 2,427,530         |
| Scrap sale                                                                                                                              |             | -                 | 4,055,288         |
|                                                                                                                                         |             | <u>22,390,588</u> | <u>9,378,589</u>  |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| 23. TAXATION   | 2015<br>Rupees    | 2014<br>Rupees    |
|----------------|-------------------|-------------------|
| Current        |                   |                   |
| - For the year | 32,948,901        | 39,462,359        |
| - Prior        | -                 | (4,086,891)       |
|                | 32,948,901        | 35,375,468        |
| Deferred       | 2,661,924         | (1,069,797)       |
|                | <u>35,610,825</u> | <u>34,305,671</u> |

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

|                                                                | 2015<br>Rupees    | 2014<br>Rupees    |
|----------------------------------------------------------------|-------------------|-------------------|
| Accounting profit                                              | 137,037,845       | 176,207,294       |
| Applicable tax rate                                            | 33%               | 34%               |
| Tax on accounting profit at applicable rate of 33% (2014: 34%) | 45,222,489        | 59,910,480        |
| Effect of export sales restrictions                            | 1,549,720         | 499,784           |
| Effect of permanent differences                                | 807,864           | 2,746,057         |
| Tax effect of prior years                                      | -                 | (4,086,891)       |
| Tax effect of change in tax rate                               | (5,084,785)       | (269,416)         |
| Tax effect of export income charged at lower tax rate          | (6,884,463)       | (24,494,343)      |
|                                                                | <u>35,610,825</u> | <u>34,305,671</u> |

- 23.2** The assessments of the Company upto and including the Tax Year 2014 stood finalized under the Self Assessment Scheme envisaged in the Income Tax Ordinance, 2001.
- 23.3** The Board of Directors in their meeting held on 08 October 2015 has proposed cash dividend for the year ended 30 June 2015 (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 2015.
- 23.4** Change in applicable income tax rate from 34% to 33% is due to change in relevant Income Tax Laws.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2015

#### 24. Financial instruments

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

- Credit risk
- Liquidity risk
- Market risk

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

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

#### 24.1 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, other receivables, margin on letter of credit, and bank balances. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

|                    | 2015<br>Rupees     | 2014<br>Rupees    |
|--------------------|--------------------|-------------------|
| Long term deposits | 2,759,151          | 2,699,151         |
| Trade debts        | 202,054,271        | 29,860,674        |
| Other receivable   | -                  | 360,900           |
| Bank balances      | 50,981,115         | 26,434,844        |
|                    | <u>255,794,537</u> | <u>59,355,569</u> |

The maximum exposure to credit risk for financial assets at the reporting date by type of counter party was:

|        |                    |                   |
|--------|--------------------|-------------------|
| Banks  | 50,981,115         | 26,795,744        |
| Others | 204,813,422        | 32,559,825        |
|        | <u>255,794,537</u> | <u>59,355,569</u> |

The maximum exposure to the credit risk for trade debts at reporting date by geographical region is:

|             |                    |                   |
|-------------|--------------------|-------------------|
| Domestic    | 183,193,376        | 26,060,211        |
| Middle East | 18,860,895         | 3,800,463         |
|             | <u>202,054,271</u> | <u>29,860,674</u> |

The Company's most significant customer is a dealer in Middle east from whom Rs. 19.5 million (2014: Rs. 5.3 million) is outstanding at the year end. Further in domestic market most significant customer from whom Rs. 112 million (2014: Rs. 15.05 million) is outstanding at year end.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### Impairment losses

The aging of trade debts at the reporting date is:

|                      | Gross<br>2015<br>Rupees | Impairment<br>2015<br>Rupees | Gross<br>2014<br>Rupees | Impairment<br>2014<br>Rupees |
|----------------------|-------------------------|------------------------------|-------------------------|------------------------------|
| <b>Aging</b>         |                         |                              |                         |                              |
| Not due 1-30 days    | 182,558,061             | -                            | 14,680,951              | -                            |
| Past due 31-90 days  | 14,952,409              | -                            | 77,220                  | -                            |
| Past due 91-365 days | 4,543,801               | -                            | 11,808,816              | -                            |
| Over 365 days        | 3,179,631               | 3,179,631                    | 6,473,318               | 3,179,631                    |
|                      | <u>205,233,902</u>      | <u>3,179,631</u>             | <u>33,040,305</u>       | <u>3,179,631</u>             |

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

|                                | 2015<br>Rupees   | 2014<br>Rupees   |
|--------------------------------|------------------|------------------|
| Opening balance                | 3,179,631        | 3,179,631        |
| Provision made during the year | -                | -                |
| Closing balance                | <u>3,179,631</u> | <u>3,179,631</u> |

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

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

### 24.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. 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 Company uses different methods which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

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

|                              | Carrying amount    | Contractual cash<br>flows | Within six<br>months or less | Six to twelve<br>months |
|------------------------------|--------------------|---------------------------|------------------------------|-------------------------|
| <b>2015</b>                  | <b>Rupees</b>      |                           |                              |                         |
| <b>Financial liabilities</b> |                    |                           |                              |                         |
| Trade and other payables     | 306,384,415        | (306,384,415)             | (306,384,415)                | -                       |
|                              | <u>306,384,415</u> | <u>(306,384,415)</u>      | <u>(306,384,415)</u>         | <u>-</u>                |
| <b>2014</b>                  |                    |                           |                              |                         |
| <b>Financial liabilities</b> |                    |                           |                              |                         |
| Trade and other payables     | 174,501,081        | (174,501,081)             | (174,501,081)                | -                       |
|                              | <u>174,501,081</u> | <u>(174,501,081)</u>      | <u>(174,501,081)</u>         | <u>-</u>                |

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2015

### 24.3 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, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company is exposed to currency risk only.

#### 24.3.1 Currency risk

##### Exposure to currency risk

Pakistan Rupee is the functional currency of the Company and as a result currency exposures arise from transactions and balances in currencies other than the Pakistan Rupee. Currently, the Company is exposed to currency risk pertaining to trade debts and bank balance in foreign currency.

|              | 2015             |               | 2014               |                 |
|--------------|------------------|---------------|--------------------|-----------------|
|              | Rupees           | USD           | Rupees             | USD             |
| Trade debts  | 18,860,895       | 185,292       | 3,800,463          | 38,470          |
| Bank balance | 41,211           | 405           | 39,997             | 405             |
| Creditors    | (9,233,676)      | (90,713)      | (10,647,354)       | (107,778)       |
|              | <u>9,668,430</u> | <u>94,984</u> | <u>(6,806,894)</u> | <u>(68,903)</u> |

The following significant exchange rates applied during the year

|                   | Average rates |        | Balance sheet date rate |       |
|-------------------|---------------|--------|-------------------------|-------|
|                   | 2015          | 2014   | 2015                    | 2014  |
| Rupees vs Dollars | 100.29        | 100.91 | 101.79                  | 98.79 |

##### Sensitivity analysis

A five percent strengthening of the Pakistan Rupee against US Dollar at 30 June would have increased 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 2014.

|                            | Profit or loss<br>Rupees |
|----------------------------|--------------------------|
| <b>30 June 2015</b>        |                          |
| Effect in US Dollar - Gain | (483,422)                |
|                            | <u>(483,422)</u>         |
| <b>30 June 2014</b>        |                          |
| Effect in US Dollar - Loss | 340,345                  |
|                            | <u>340,345</u>           |

A five percent weakening of the Pakistan Rupee against US Dollar at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

#### 24.3.2 Interest rate risk

The interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Currently, the company is not exposed to interest rate risk.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### 24.4 Fair value of financial assets and liabilities

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

|                                              | 30 June 2015              |                       | 30 June 2014              |                       |
|----------------------------------------------|---------------------------|-----------------------|---------------------------|-----------------------|
|                                              | Rupees<br>Carrying amount | Rupees<br>Fair values | Rupees<br>Carrying amount | Rupees<br>Fair values |
| <b>Assets carried at amortized cost</b>      |                           |                       |                           |                       |
| Long term deposits                           | 2,759,151                 | 2,759,151             | 2,699,151                 | 2,699,151             |
| Trade debts                                  | 202,054,271               | 202,054,271           | 29,860,674                | 29,860,674            |
| Other receivables                            | -                         | -                     | 360,900                   | 360,900               |
| Cash and bank balances                       | 51,194,701                | 51,194,701            | 26,687,155                | 26,687,155            |
|                                              | <u>256,008,123</u>        | <u>256,008,123</u>    | <u>59,607,880</u>         | <u>59,607,880</u>     |
| <b>Liabilities carried at amortized cost</b> |                           |                       |                           |                       |
| Trade and other payables                     | 306,384,415               | 306,384,415           | 174,501,081               | 174,501,081           |
|                                              | <u>306,384,415</u>        | <u>306,384,415</u>    | <u>174,501,081</u>        | <u>174,501,081</u>    |

### Determination of fair values

A number of the 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.

### 24.5 Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders. In order to maintain or adjust the capital optimal structure, the Company may adjust the amount of dividend paid to shareholders. There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2015

### 25. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

|                                        | Chief Executive |           | Directors |           | Executives |           |
|----------------------------------------|-----------------|-----------|-----------|-----------|------------|-----------|
|                                        | Rupees          |           |           |           |            |           |
|                                        | 2015            | 2014      | 2015      | 2014      | 2015       | 2014      |
| Managerial remuneration and allowances | 27,000,000      | 9,000,000 | 516,000   | 1,020,000 | 2,382,071  | 1,520,021 |
| Number of persons                      | 1               | 1         | 1         | 1         | 2          | 3         |

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

25.2 Remuneration of executives includes gratuity amounting to Rs. 178,071 (2014: Rs. 130,021).

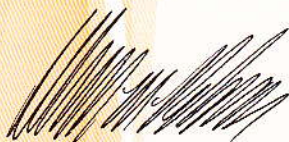
### 26. TRANSACTIONS WITH RELATED PARTIES

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 note 4 and 7.2 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:

|                                                                             | Note | 2015<br>Rupees    | 2014<br>Rupees    |
|-----------------------------------------------------------------------------|------|-------------------|-------------------|
| <b>Transaction with key management personnel</b>                            |      |                   |                   |
| Remuneration, allowances and benefits                                       | 26.1 | 35,246,000        | 12,015,505        |
| Short term loan received during the year                                    |      | 73,000,000        | 39,900,000        |
| Repayment of short term loan                                                |      | (73,000,000)      | (39,900,000)      |
| <b>26.1 Remuneration, allowances and benefits</b>                           |      |                   |                   |
| Managerial remuneration and allowances                                      |      | 27,516,000        | 10,020,000        |
| Dividend paid                                                               |      | 7,730,000         | 1,995,505         |
|                                                                             |      | <u>35,246,000</u> | <u>29,511,505</u> |
| <b>27. EARNINGS PER SHARE</b>                                               |      |                   |                   |
| Profit for the year (Rupees)                                                |      | 101,427,020       | 142,278,936       |
| Weighted average number of ordinary shares in issue (Numbers)               |      | 1,201,841         | 1,201,841         |
| Earnings per share - basic (Rupees)                                         |      | <u>84.39</u>      | <u>118.38</u>     |
| There is no dilution effect on the basic earnings per share of the Company. |      |                   |                   |
| <b>28. PLANT CAPACITY</b>                                                   |      |                   |                   |
| Available capacity (million cigarettes per annum)                           |      | 1,816.00          | 1,038.00          |
| Actual production (million cigarettes per annum)                            |      | 428.53            | 379.59            |
| Actual production was sufficient to meet the market demand.                 |      |                   |                   |
| <b>29. GENERAL</b>                                                          |      |                   |                   |
| <b>29.1 Number of persons employed</b>                                      |      |                   |                   |
| Employees on year end (Number)                                              |      | 220               | 217               |
| Average employees during the year (Number)                                  |      | 217               | 223               |

29.2 The Board of Directors proposed final dividend at the rate of Rs. 6 per share in its meeting held on 08 October 2015

29.3 These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on 08 October 2015



CHIEF EXECUTIVE



DIRECTOR

## PATTERN OF SHAREHOLDING AS AT 30 JUNE 2015

| No. of Shareholders | Shareholdings' Slab |    |        | Total Shares Held |
|---------------------|---------------------|----|--------|-------------------|
| 370                 | 1                   | to | 100    | 12,315            |
| 264                 | 101                 | to | 500    | 71,824            |
| 57                  | 501                 | to | 1000   | 42,397            |
| 83                  | 1001                | to | 5000   | 174,960           |
| 5                   | 5001                | to | 10000  | 29,082            |
| 2                   | 10001               | to | 15000  | 22,978            |
| 1                   | 30001               | to | 35000  | 32,127            |
| 1                   | 40001               | to | 45000  | 42,958            |
| 1                   | 380001              | to | 385000 | 384,101           |
| 1                   | 385001              | to | 390000 | 389,099           |
| <b>785</b>          |                     |    |        | <b>1,201,841</b>  |

|                                                                        | No. of Shares    |
|------------------------------------------------------------------------|------------------|
| Associated Companies, undertakings and related parties                 | -                |
| Public Sector Companies and Corporations                               | 43,248           |
| Directors, CEO and their spouse(s) and minor children                  | 399,101          |
| Banks, development finance institutions, non-banking finance companies | 1,369            |
| Foreign Companies                                                      | -                |
| Others                                                                 | 320              |
| Individuals                                                            | 757,803          |
|                                                                        | <b>1,201,841</b> |

## PATTERN OF SHAREHOLDING AS AT 30 JUNE 2015

| Categories of Shareholders                                                           | Shareholders | Shares Held      | Percentage    |
|--------------------------------------------------------------------------------------|--------------|------------------|---------------|
| Directors, CEO and their spouse(s) and minor children                                | 7            | 399,101          | 33.21         |
| Executives                                                                           | -            | -                | -             |
| Associated Companies, undertakings and related parties                               | -            | -                | -             |
| Public Sector Companies and Corporations                                             | 2            | 43,248           | 3.60          |
| Banks, development finance institutions, non-banking finance companies, Mutual Funds | 2            | 1,369            | 0.11          |
| General Public                                                                       | -            | -                | -             |
| Local                                                                                | 772          | 757,803          | 63.05         |
| Foreign                                                                              | -            | -                | -             |
| Others                                                                               | 2            | 320              | 0.03          |
| <b>Totals</b>                                                                        | <b>785</b>   | <b>1,201,841</b> | <b>100.00</b> |

### Public Sector Companies and Corporations

|                                              |        |
|----------------------------------------------|--------|
| Investment Corporation of Pakistan           | 290    |
| State Life Insurance Corporation of Pakistan | 42,958 |

### Directors, CEO and their spouse(s) and minor children

|                  |         |
|------------------|---------|
| Waseem Ur Rehman | 384,101 |
| Liaqat Ali Khan  | 2,500   |
| Muhammad Sayyad  | 2,500   |
| Shafiq Afzal     | 2,500   |
| Bilalzada        | 2,500   |
| Hazrat Bilal     | 2,500   |
| Khalil Ur Rehman | 2,500   |

| Share holders holding 5% or more | Shares Held | Percentage |
|----------------------------------|-------------|------------|
| MR. WASEEM-UR-RAHMAN             | 384,101     | 31.96      |
| MR. UMAIR SAMI                   | 389,099     | 32.38      |