

KHYBER TOBACCO COMPANY LIMITED

Notice of 70th Annual General Meeting

Notice is hereby given that the 70th Annual General Meeting of the members of Khyber Tobacco Company Limited will be held on Friday , 24th October 2025 at 10.30 a.m. at Company registered office, Nowshera Road, Mardan to transact the following business;

ORDINARY BUSINESS

1. To receive, consider and adopt the audited financial statements of the Company for the year ended 30 June, 2025 together with the Chairman's Review, Directors' and Auditors' Reports thereon.
2. To appoint Auditors for the year ending 30 June 2026 and to fix their remuneration. The Audit Committee and the Board of Directors have recommended *M/S Yousuf Adil, Chartered Accountants* to be appointed as auditors of the Company till the next Annual General Meeting.
3. To transact any other business with the permission of the Chair.

By Order of the Board

01 October, 2025

Pir Farhan Shah
Company Secretary

Notes:

1. Closure of Share Transfer books:

The Share Transfer Books of the Company will remain closed from 17th October 2025 to 24th October 2025 (both days inclusive). Transfers received in order at the office of the Company's Share Registrar, CDC Share Registrar Services Limited, CDC House, 99-B, Block 'B', S.M.C.H.S. Main Shahrah-e-Faisal, Karachi, at the close of business on 16th October, 2025 will be in time to determine the above mentioned entitlement.

2. Participation in the Annual General meeting:

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

3. Guidelines for CDC Accountholders:

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

a) For attending the meeting:

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

b) For appointing proxies:

- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per regulations, shall submit the proxy form as per the above requirement.
- ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- iii) Attested copies of CNIC or the passport of the beneficial owner and of the proxy shall be furnished with the proxy form.
- iv) The proxy shall produce his/her original CNIC or original passport at the time of meeting.
- v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

4. Change of Address:

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

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

The financial statements of the Company for the year ended June 30, 2025 along with reports have been placed at the website of the Company and can be down loaded from www.khybertobacco.com. Members who desire to have a physical copy of the annual accounts may write to the Company Secretary and obtain the same from him.

6. Transmission of Annual Financial Statements electronically.

The Company law allows transmission of annual audited financial statement together with various reports along with notice of annual general meeting to its members electronically. Members who wish to avail this facility may convey their email addresses to the Company at email address info@khybertobacco.com

7. PARTICIPATION THROUGH VIDEO CONFERENCE

If the Company receives consent from members holding 10% or more shareholding, residing in geographical location to participate in the meeting through video conference at least 10 days prior to the date of meeting, the Company will arrange video conference facility. Format of the request form may be down loaded from Company website mentioned above.

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Khyber Tobacco Company Limited

**Review Report on the Statement of Compliance contained in
Listed Companies (Code of Corporate Governance) Regulations, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of **Khyber Tobacco Company Limited** (the Company) for the year ended June 30, 2025, in accordance with the requirements of regulation 36 of the Regulations.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2025.

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

S. No.	Note Reference	Description
i.	10,11	The position of Chief Financial Officer has remained vacant during the year and the board has not made appointment there against as required by the Regulations.


Chartered Accountants

Engagement Partner:
Muhammad Sufyan

Place: Lahore

Date: October 03, 2025

UDIN: CR202510180M9vRjWZ3b

Chairman's Review

I am pleased with the performance of Khyber Tobacco Company Limited ("the Company") for the year ended June 30, 2025.

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

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

Like other developing economies, the recent events have had a negative impact on our economy. The political instability has only added to the fragility of the situation. To address the current account deficit, the State Bank of Pakistan is taking measures to address the economy.

We are grateful to have the opportunity to fulfill our shareholders' need for sustained income during these inflationary times. The Company in the year under review contributed an amount of Rs. 9.64 Billion in the form of Federal Excise Duty, Sales tax, and other levies.

Future Outlook:

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

The economic indicators of the Country are likely to show promising signs in the near future. It is hoped that the Government shall take necessary steps on an urgent basis to boost tobacco exports and reduce regulatory duties on imports of raw materials for the industry to continue and sustain the economic momentum.

The Management is closely monitoring the challenges faced by the Company and will take all steps necessary to safeguard the interests of its shareholders as well as to capitalize on growth opportunities through its product line. Your Company is committed to good Corporate Governance.

Acknowledgment

I am pleased to report that the Board acknowledges its responsibility concerning the Corporate & Financial Reporting Framework. The Board is also cognizant of its strategic role in achieving the Company's key objectives and is focused on enriching the returns of its shareholders & and other stakeholders and shall continue contributing through a sustained supply of premium quality products to its valued Customers.

As Chairman of the Board, I express my appreciation for the dedication to duty and professional conduct of the employees of the Company, as well as for shareholders and stakeholders for their support. I thank the bankers of the Company for the understanding and the cooperation they have extended and last but not least gratitude towards our loyal and confident customers. All combined efforts have been instrumental in the company's healthy growth against all odds. We all pray for a peaceful, progressive, and prosperous Pakistan



Rahat Ullah
Chairman

DIRECTORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2025

On behalf of the Board of Directors of Khyber Tobacco Company Limited, I take great pleasure in presenting the 70th Annual Report and the audited financial statements along with the auditors' report thereon for the year ending June 30, 2025.

THE COMPANY'S FINANCIAL RESULTS

The financial performance of the Company for the year ended 30 June 2025, as compared to the year ended 30 June 2024, has been as follows;

• **Production and Sales**

PRODUCT	UNIT OF MEASUREMENT	PRODUCTION		SALE	SALE
		2025	2024	2025	2024
RE-DRIED TOBACCO	KGS	9,733,836	5,512,983	3,913,630 -	574,350-
CUT TOBACCO	KGS	1,879,201	1,063,613	382,970	33,645
CIGARETTES	STICKS (In Million)	1,522	635.00	1,446.8	661.47

- **Economic Overview:** Pakistan is committed to achieving macroeconomic stabilization and moving towards sustainable and inclusive growth. There are challenges, but the determination to address them is strong. The government is actively working to resolve long-standing issues that have hindered progress and prosperity in various sectors of the economy. Addressing external account vulnerability and fiscal mismanagement, which directly impact inflation, are central to the corrective policy actions being implemented. It is hoped that as these measures are put into place and developed, the difficulties faced by the Companies will be reduced.
- **Production Highlights:** During the year under review, production of cut tobacco increased by 815,580 kilograms compared to the previous year. Additionally, the production of cigarettes also increased by 887 million sticks compared to last year.
- **Government Regulations:** In 2022, the Government took significant steps to regulate the tobacco industry by introducing a Track and Trace System, which has been vigorously enforced. At Khyber Tobacco Company Limited (KTC), we ensured full compliance with the Track & Trace System. It is noteworthy that the government is extending this system to cover other product categories related to tobacco and nicotine. In this regard, a Statutory Regulatory Order (SRO) has been issued.

Operational Highlights

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

- **Cost Management:** Rigorous cost management strategies were implemented, ensuring that resources were utilized optimally to maintain competitiveness in challenging economic conditions.
- **Lean Operations:** KTC embraced lean principles to streamline processes, eliminate waste, and improve overall operational efficiency. This lean approach helped us to make use of the most available resources.
- **Modernization of Machinery:** Investment in the modernization of machinery infrastructure has been a focal point. This step allowed us to keep pace with technological advancements and enhance the quality and efficiency of our operations.
- **Export Growth:** During the reporting period, there has been a significant increase in the demand for Pakistani tobacco in the international market, resulting in high export orders for the Company from its foreign customers. The Company has taken initiatives to increase

export sales in 2025 FY, expecting to lead a notable increase in export orders and valuable foreign exchange inflows.

- **Sales Performance:** Our commitment to growth extends to both local and international markets. This is evident as the company has secured more export and local sales orders in the 2024-2025 fiscal year.
- **Net Sales:** Net Sales surged to Rs. 9,890.70 million, a more than three-fold increase from the Rs. 3,113.7 million recorded last year. This growth was achieved through expanded sales in local and international markets.

Financial Performance

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

- **Profit Before Taxation:** The Company reported a Profit Before Taxation of Rs. 414.32 million for the year ending June 30, 2025, a significant improvement from a loss of Rs. 1,018.09 million in the previous fiscal year.
- **Profit After Taxation:** The Company reported a profit of Rs. 274.64 million for the year ending June 30, 2025, a strong recovery from a loss of Rs. 1,021.99 million in the prior year.
- **Earnings Per Share (EPS):** The Company reported a profit per share of Rs. 39.67 for the year ending June 30, 2025, rebounding from a loss per share of Rs. 147.63 the previous year.

Balance Sheet

The company's capital and reserves as of June 30, 2025, increased by Rs. 238.85 million. This represents a significant recovery from the previous fiscal year. The increase in capital and reserves is primarily due to economic and political stability, low inflation rates, and more export orders during the current reporting period.

Plant Performance

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

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

Quality Assurance

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

Marketing

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

Challenges persist in the export market, primarily related to meeting stringent quality requirements. As a result, our export focus has primarily revolved around re-dried and cut tobacco. We continue to intensify our efforts to elevate quality standards and establish a solid market presence for our re-dried

and cut tobacco products in regions such as the United Arab Emirates, South Africa, Germany, Belgium, Turkey, Egypt, and Greece.

Health, Safety, and Environment

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

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

Social Responsibility

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

Key Operating and Financial Data

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

Dividend

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

Human Capital

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

Employee Retirement Benefits

We operate an unfunded gratuity scheme for all permanent employees of the Company. In the current financial year, we have created a provision of Rs. 47.79 million in our accounts to cover employee benefits.

Corporate Governance

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

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

The Board

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

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

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

BOARD OF DIRECTORS MEETINGS

Legally, the Board is required to meet at least once in each quarter to monitor the Company's performance aimed at effective and timely accountability of its management.

Four (04) meetings of the Board of Directors were held during the year and the attendance of each director is given below. The Directors of the Company did not have any personal interest in decisions taken by the Board in these meetings.

DIRECTORS' ATTENDANCE

Name of Director	No. of meetings attended
1. Mrs. Sameera Irfan Chief Executive	4
2. Mr. Rahat Ullah Non-Executive Director	4
3. Mr. Pir Waris Shah Non-Executive Director	4
4. Mr. Zia Ur Rehman Non-Executive Director	3
5. Mr. Khalil Ur Rehman Non-Executive Director	4
6. Mrs. Sonia Farooq * Independent Director	4
7. Mr. Shahzad Javed Panni * Independent Director	4

Committees of the Board

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

Audit Committee	HR and Remuneration Committee
Mr. Shahzad Javed Panni (Chairman)	Mrs. Sonia Farooq (Chairman)
Mr. Khalil Ur Rehman (Member)	Mr. Pir Waris Shah (Executive Director)
Mr. Rahat Ullah (Member)	Mr. Zia Ur Rehman (Secretary)
Mr. Zia Ur Rehman (Secretary)	

Remuneration Policy of Members of the Board of Directors

The Board has a formal policy and transparent procedures for the remuneration of directors by the Act and the regulations thereunder; the significant features of the policy are as under:

- The Board of Directors (“**BoD**”) shall, from time to time, determine and approve the remuneration of the members of the BoD for attending Board Meetings.
- Such level of remuneration shall be appropriate and commensurate with the level of responsibility and expertise offered by the members of the BoD and shall be aimed at attracting and retaining members needed to govern the Company successfully and create value addition.
- The BoD shall ensure that the prevailing level of remuneration of the BoD does not at any time compromise the independence of independent members of the BoD.
- Members of the BoD may also be paid all travel/hotel/ancillary expenses related to:
 - a) attendance of Board Meeting(s);
 - b) attendance of General Body Meetings; and/or
 - c) Business of the Company.

Corporate Governance

The Company is unwavering in its commitment to maintaining high standards of corporate governance. We understand that upholding business integrity is paramount to instilling confidence among all our stakeholders. The Board of Directors is fully accountable to our shareholders for ensuring good corporate governance practices. Our management diligently complies with the provisions of best practices outlined in the Code of Corporate Governance, with particular emphasis on the independence of non-executive directors. Moreover, we diligently adhere to the listing regulations of the Pakistan Stock Exchange. Our vision and mission statements, core values, and statements of ethics and business practices have been meticulously prepared and duly approved by the Board. Furthermore, significant policies required under the Code of Corporate Governance have been crafted, and reviewed by the Board, and will be officially approved in due course.

Auditors

Following the 70th Annual General Meeting, our auditors, M/S Yousuf Adil Chartered Accountants have retired. Both the Audit Committee and the Board of Directors have jointly recommended the reappointment of M/S Yousuf Adil & Co. Chartered Accountants as auditors of the Company until the next Annual General Meeting.

Pattern of Shareholding

The Pattern of Shareholding as of June 30, 2025, is part of the annual report. Please refer to the same for a detailed breakdown.

Trading of Company Shares

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

Future Prospects

Looking ahead, our management remains dedicated to expanding our presence in both local and foreign markets, particularly in the domains of cigarettes and tobacco, with a strong focus on re-dried tobacco due to its demand in international markets. We anticipate a robust performance in both the

tobacco and cigarette export sectors in the upcoming financial year, which is poised to yield handsome profits.

While tobacco export has been a key driver of profitability, we acknowledge the challenges in the export market, including rising costs, cultivation of non-recommended tobacco varieties by Pakistani farmers, and increased levels of Non-Tobacco Related Material (NTRM) in tobacco. However, our persistent efforts to overcome these hurdles are beginning to yield positive results. We remain optimistic that the Company will achieve its targets to boost export sales in the forthcoming year.

Quality Enhancement

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

Acknowledgments

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

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

On behalf of the Board of Directors



Sameera Irfan
Chief Executive

KHYBER TOBACCO COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2025

	Note	2025 Rupees	2024 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	6	69,226,040	69,226,040
Unappropriated profit		2,626,110,411	2,342,162,638
General reserves	6.4	-	3,312,465
Revaluation surplus on property, plant and equipment	7	239,962,935	281,742,430
		2,935,299,386	2,696,443,573
LIABILITIES			
NON CURRENT LIABILITIES			
Employee retirement benefits	8	151,537,799	120,231,933
Deferred taxation	9	163,570,530	179,827,028
Lease liabilities	10	78,148,710	133,674,327
		393,257,039	433,733,288
CURRENT LIABILITIES			
Current portion of lease liabilities	10	182,650,617	99,564,887
Trade and other payables	11	11,705,346,768	7,832,548,264
Unclaimed dividend		16,658,510	16,669,221
Loan from sponsors - unsecured	12	1,062,835,638	901,035,638
Accrued markup on loan from sponsors-un-secured	13	257,686,132	233,616,169
Provision for taxation and levy		169,536,474	44,530,446
		13,394,714,139	9,127,964,625
CONTINGENCIES AND COMMITMENTS			
	14		
TOTAL EQUITY AND LIABILITIES		16,723,270,564	12,258,141,486
NON CURRENT ASSETS			
Property, plant and equipment	15	2,737,476,813	2,824,478,195
Right of use asset	16	98,207,445	147,311,167
Long term deposits and prepayments	17	20,989,802	30,980,190
		2,856,674,060	3,002,769,552
CURRENT ASSETS			
Stock in trade	18	10,339,543,438	6,313,346,604
Stores, spare parts and loose tools		23,143,300	26,877,660
Trade debts	19	957,260,888	1,348,738,777
Advances, prepayments and other receivables	20	313,465,546	416,853,316
Taxes refundable	21	430,835,050	106,499,582
Prepaid levy		-	16,344,998
Advance income tax		491,087,443	82,025,802
Cash and bank balances	22	1,311,260,839	944,685,195
		13,866,596,504	9,255,371,934
TOTAL ASSETS		16,723,270,564	12,258,141,486

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

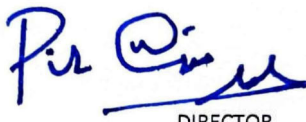
KHYBER TOBACCO COMPANY LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2025

	Note	2025 Rupees	2024 Rupees
Revenue from contracts with customers - net	23	9,890,703,179	3,113,760,068
Cost of sales	24	(8,115,882,823)	(2,957,784,962)
Gross profit		1,774,820,356	155,975,106
Administrative expenses	25	(362,227,990)	(339,972,971)
Selling and distribution expenses	26	(324,607,318)	(206,347,167)
Impairment loss on financial assets	19.1	(104,409,538)	(77,590,728)
		(791,244,846)	(623,910,866)
Operating profit / (loss)		983,575,510	(467,935,760)
Other income	27	20,722,615	3,246,824
		1,004,298,125	(464,688,936)
Other expenses	28	(261,301,753)	(238,968,580)
Finance cost	29	(328,666,716)	(269,978,815)
		(589,968,469)	(508,947,395)
Profit / (loss) before final and revenue taxes		414,329,656	(973,636,331)
Final tax and minimum tax differential	30	-	(44,463,206)
Profit / (loss) before income tax		414,329,656	(1,018,099,537)
Taxation	31	(139,681,602)	(3,897,489)
Profit / (loss) for the year		274,648,054	(1,021,997,026)
Earnings per share - basic and diluted	32	39.67	(147.63)

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

ya


CHIEF EXECUTIVE OFFICER


DIRECTOR


DIRECTOR

KHYBER TOBACCO COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2025

	2025 Rupees	2024 Rupees
Profit / (loss) for the year	274,648,054	(1,021,997,026)
Items that will not be reclassified subsequently to profit or loss:		
Impact of change in tax rate on revaluation surplus	(22,268,797)	(71,651,878)
Remeasurement (loss) / gain on defined benefit obligation	(21,832,006)	1,362,833
Related deferred tax	8,308,562	1,731,994
Other comprehensive loss for the year	(35,792,241)	(68,557,051)
Total comprehensive income for the year	238,855,813	(1,090,554,077)

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

ya



CHIEF EXECUTIVE OFFICER



DIRECTOR



DIRECTOR

KHYBER TOBACCO COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2025

Balance as at July 01, 2023

Total comprehensive income for the year

Loss for the year

Other comprehensive income for the year

Transfer from surplus on revaluation of property, plant and equipment - net of tax
- on account of incremental depreciation

Transactions with owners:

-Dividend distributed during the year

Balance as at June 30, 2024

Total comprehensive income for the year

Profit for the year

Other comprehensive income for the year

Transfer from surplus on revaluation of property, plant and equipment - net of tax
- on account of incremental depreciation
- on account of disposal

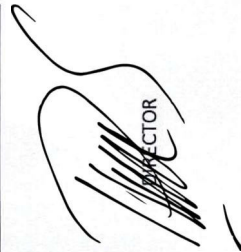
Transfer from general reserves to unappropriated profit

Balance as at June 30, 2025

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


CHIEF EXECUTIVE OFFICER


DIRECTOR


DIRECTOR

Share capital	Reserves			
	Capital reserves	Revenue reserves		Total
	Revaluation surplus on property, plant and equipment	General reserves	Unappropriated profit	
-----Rupees-----				
69,226,040	368,963,006	3,312,465	3,352,438,743	3,793,940,254
-	-	-	(1,021,997,026)	(1,021,997,026)
-	(71,651,878)	-	3,094,827	(68,557,051)
-	(71,651,878)	-	(1,018,902,199)	(1,090,554,077)
-	(15,568,698)	-	15,568,698	-
-	(15,568,698)	-	15,568,698	-
-	-	-	(6,942,604)	(6,942,604)
69,226,040	281,742,430	3,312,465	2,342,162,638	2,696,443,573
-	-	-	274,648,054	274,648,054
-	(22,268,797)	-	(13,523,444)	(35,792,241)
-	(22,268,797)	-	261,124,610	238,855,813
-	(15,329,075)	-	15,329,075	-
-	(4,181,623)	-	4,181,623	-
-	(19,510,698)	-	19,510,698	-
-	-	(3,312,465)	3,312,465	-
69,226,040	239,962,935	-	2,626,110,411	2,935,299,386

KHYBER TOBACCO COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025

	Note	2025 Rupees	2024 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) before income tax		414,329,656	(1,018,099,537)
Adjustments for:			
Depreciation on property, plant and equipment		280,149,074	268,414,404
Depreciation on right of use asset		49,103,722	49,103,722
Final tax and minimum tax differential		-	44,463,206
Provision for staff retirement benefits		47,796,923	38,936,080
Accrued liabilities written back		(2,260,936)	(3,246,824)
Advance to supplier written off		93,189,789	65,012,237
Loss on disposal of property, plant and equipment		3,007,500	-
Impairment loss on financial assets		104,409,538	77,590,728
Exchange (gain)/loss		(13,910,779)	21,739,923
Provision for workers' profit participation fund		28,937,945	-
Provision for workers' welfare fund		9,815,176	-
Finance cost		328,666,716	269,978,815
		928,904,668	831,992,291
Cash flows from operating activities before working capital changes		1,343,234,324	(186,107,246)
Effect on cash flows due to working capital changes			
(Increase) / decrease in stock in trade		(4,026,196,834)	(4,606,710,320)
Increase in store and spares		3,734,360	(7,520,309)
Increase in trade debts		300,979,130	(40,383,664)
Decrease / (Increase) in advances and prepayments		10,197,981	161,223,417
Increase in trade and other payables		4,049,145,386	4,350,796,588
		337,860,023	(142,594,288)
Cash (used in) / generated from operations		1,681,094,347	(328,701,534)
Gratuity paid		(38,323,063)	(5,152,102)
Income tax paid		(446,828,225)	(21,064,763)
Levy's paid		-	(16,344,998)
Sales tax and excise duty paid		(573,087,318)	-
Finance cost paid		(182,046,514)	(186,105,739)
Workers' Welfare Fund paid		(42,483,068)	-
		(1,282,768,188)	(228,667,602)
Net cash generated / (used in) from operating activities		398,326,159	(557,369,136)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(200,055,192)	(348,236,400)
Proceeds from disposal of property, plant and equipment		3,900,000	-
Long term deposits and prepayments		9,990,388	(24,742,779)
Net cash used in investing activities		(186,164,804)	(372,979,179)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt of loan from sponsors		161,800,000	800,000,000
Dividend paid		(10,711)	(6,444,674)
Lease rentals paid		(7,375,000)	(5,000,000)
Net cash generated from financing activities		154,414,289	788,555,326
Net (decrease) / increase in cash and cash equivalents (A+B+C)		366,575,644	(141,792,989)
Cash and cash equivalents at beginning of the year		944,685,195	1,086,478,184
Cash and cash equivalents at end of the year	22	1,311,260,839	944,685,195

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

ya
CHIEF EXECUTIVE OFFICER

Pir Qaiser
DIRECTOR

DIRECTOR

KHYBER TOBACCO COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

1 THE COMPANY AND ITS OPERATIONS

- 1.1 Khyber Tobacco Company Limited ("the Company") is a public limited company incorporated in Pakistan on October 15, 1954 under the Companies Act, 1913 (now the Companies Act, 2017) and is listed on the Pakistan Stock Exchange Limited. The Company is engaged in the manufacture and sale of cigarettes and tobacco. The Company's registered office and production plant is situated at Nowshera Road, Mardan. The area covered by the Company's production facilities is 279,844 square feet.
- 1.2 These financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2025

The following standards, amendments and interpretations are effective for the year ended June 30, 2025. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

2.2.1 Standards or Interpretations with no significant impact

Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates' - Clarification on how entity accounts when there is long term lack of Exchangeability

Amendments to IFRS 16 'Leases' - Clarification on how seller-lessee subsequently measures sale and leaseback transactions

Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current along with Non-current liabilities with Covenants

Amendments to IAS 7 'Statement of Cash Flows' and 'IFRS 7 'Financial instruments disclosures' - Supplier Finance Arrangements

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

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

**Effective from accounting period beginning
on or after:**

Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates' - Clarification on how entity accounts when there is long term lack of Exchangeability	January 01, 2025
IFRS 17 – Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17)	January 01, 2026
Amendments IFRS 9 'Financial Instruments' and IFRS 7 'Financial instruments disclosures' - Classification and measurement of financial instruments	January 01, 2027
Annual Improvements to IFRS Accounting Standards (related to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7)	January 01, 2026
Amendments IFRS 9 'Financial Instruments' and IFRS 7 'Financial instruments disclosures' - Contracts Referencing Nature-dependent Electricity	January 01, 2026
Amendments to IFRS 10 and 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely

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

Other than the aforesaid amendments, IASB has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 18 - Presentation and Disclosures in Financial Statements
- IFRS 19 - Subsidiaries without Public Accountability: Disclosures

3 SIGNIFICANT ESTIMATES

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

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

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

Employee retirement benefits

The Company operates an unfunded gratuity scheme (defined benefit plan) for all its permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Provisions are made annually to cover the obligation under the scheme on the basis of actuarial valuation and are charged to profit or loss in note 8. The calculation require assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration and discount rate used to derive present value of defined benefit obligation. The assumptions are determined by independent actuaries on annual basis.

Property, plant and equipment

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

Revaluation of fixed assets

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

Impairment on financial assets

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

Taxation

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

Contingencies

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

The accounting policies, significant judgements, estimates and assumptions used by the management in preparation of these financial information are the same as those applied in preparation of audited annual financial statements for the year ended 30 June 2024.

4 ACCOUNTING CONVENTION

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

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

5 MATERIAL ACCOUNTING POLICY INFORMATION

5.1 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any impairment losses except for the buildings on leasehold land, plant and machinery, and furniture and fittings which are stated at revalued amounts less accumulated depreciation thereon and accumulated impairment loss, if any. Items of CWIP are stated at cost less impairment loss, if any. These costs are transferred to respective items of property, plant and equipment when available for intended use. Assets' residual values, if significant, and useful lives are reviewed and adjusted, if appropriate, at each statement of financial position date. When parts of an item of property, plant and equipment have different useful lives, they are recognized as separate items of property, plant and equipment.

Subsequent costs are recognized as separate asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land, buildings, plant machinery and equipment are recognized, net of tax, in other comprehensive income and accumulated in revaluation surplus in statement of changes in equity. To the extent that increase reverses a decrease previously recognized in profit or loss, the increase is first recognized in profit or loss. Decreases that reverse previous increases of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognized in statement of profit or loss. When revalued assets are sold, the amounts included in the surplus on revaluation of property, plant and equipment are transferred to unappropriated profit.

Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow for more than one year then the amount is capitalized to the Company.

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight line method over their estimated useful lives, and is generally recognized in statement of profit or loss at rates given in note 15 to these financial statements. Full month depreciation is charged in the month of addition while no depreciation is charged in the month of disposal or derecognition.

Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from revaluation surplus on property, plant and equipment to unappropriated profit. Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight line method over their estimated useful lives, and is generally recognized in statement of profit or loss at rates given in note 15 to these financial statements. Full month depreciation is charged in the month of addition while no depreciation is charged in the month of disposal or derecognition.

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

5.2 Stock in trade

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

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

Stock in transit are valued at invoice value plus other charges incurred thereon up to the statement of financial position date. Waste stock are valued at lower of cost or net realizable value.

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

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

5.3 Financial instruments

Financial assets and financial liabilities are recognized in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

5.3.1 Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

a) Debt instruments measured at amortized cost

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

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

Amortized cost and effective interest method

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

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

b) Debt instruments measured at fair value through other comprehensive income (FVTOCI):

Debt instruments that meet specified conditions and are measured subsequently at fair value through other comprehensive income (FVTOCI).

c) Equity instruments designated as at FVTOCI

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

d) Financial assets measured subsequently at fair value through profit or loss (FVTPL)

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on debt instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company recognizes lifetime ECL for trade debts using simplified approach. The expected credit losses on these financial assets are determined using probability based estimation of future expected cash flows under different scenarios, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money, where appropriate.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Write-off policy

The Company writes off financial assets when there is information indicating that the amount is not recoverable due to the conflict in invoices with customer. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made against financial assets written-off are recognized in profit or loss.

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

5.3.2 Financial liabilities

Subsequent measurement of financial liabilities

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

Subsequently the financial liabilities are measured using the effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

5.4 Off setting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the statement of financial position, if the Company has a legal enforceable right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

5.5 Long term deposits

Long term deposits are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in non-current assets for having maturities greater than 12 months after the reporting date. Initially they are recognized at fair value and subsequently stated at amortized cost.

5.6 Trade debts and other receivables

Trade receivables and other receivables are initially recognized at fair value, which is usually the original invoiced amount and subsequently carried at amortized cost using the effective interest method less allowance for ECL.

5.7 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and finances under mark-up arrangements. In the statement of financial position, finances under mark-up arrangements are included in current liabilities.

5.8 Trade and other payables

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

5.9 Employee benefits

Defined benefit plan

The Company operates an unfunded gratuity scheme (defined benefit plan) for all its permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Provisions are made annually to cover the obligation under the schemes on the basis of actuarial valuation and are charged to statement of profit or loss for the year. The assumptions are determined by independent actuary. The amount recognized in the statement of financial position represents the present value of defined benefit obligations using the projected unit credit actuarial valuation method. Actuarial gains / losses arising from the actuarial valuation are recognized immediately and are presented in other comprehensive income. Details of the scheme are given in note 8 to the financial statements.

5.10 Provisions

Provisions are recognized in the statement of financial position when the Company has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate.

5.11 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit after tax attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit after tax attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

5.12 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable on the following basis:

- Revenue from local sale of goods is recognized at the point in time when the control of the goods is transferred to the customer, generally on delivery of the goods and at transaction price net of trade discounts.
- Revenue from the export sale of goods is recognized at the point in time when the customer obtains control over the goods dependent on the relevant incoterms of shipment. Generally, it is on the date of bill of lading or at the time of delivery of goods to the destination port.

5.13 Levy

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

- (a) those outflows of resources that are within the scope of other standards.
- (b) fines or other penalties that are imposed for breaches of the legislation.

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

Revenue taxes

Revenue taxes includes amount representing :

- a) minimum tax paid under section 113 over income tax determined on income streams taxable at general rate of taxation and;
- b) minimum tax withheld / collected / paid or computed over tax liability computed on (related income tax streams taxable at general rate of tax), is not adjustable against tax liability of subsequent tax years.

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

Final Taxes

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

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

5.14 Taxation

Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credits, rebates and exemptions available, if any. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred

Deferred tax liability is recognized for all taxable temporary differences while deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profits will be available against which such temporary differences and tax losses can be utilized.

Deferred tax assets and liabilities on temporary differences are measured at the rates applicable during the year for current tax, deferred tax assets and liabilities are calculated under the "Approach - B" as per the 'IAS 12 Application Guidance on Accounting for Minimum taxes and Final taxes' issued by The Institute of Chartered Accountants of Pakistan (ICAP).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the statement of financial position date.

5.15 Contract liabilities

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

5.16 Foreign currencies

Transactions in currencies other than Pakistani Rupee are recorded at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the statement of financial position date except where forward exchange contracts have been entered into for repayment of liabilities in that case, the rates contracted for are used. Gains and losses arising on retranslation are included in statement of profit or loss for the year.

5.17 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

5.18 Borrowings

Loans and borrowings are initially recorded at the proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective yield method. Finance cost is accounted for on an accrual basis and are included in mark-up accrued on loans to the extent of amount remaining unpaid, if any.

5.19 Leases

The Company assesses whether contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

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

The lease liability is measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate or if there is a change in Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in the statement of profit or loss if the carrying amount of the right of use asset has been reduced to

6 SHARE CAPITAL

6.1 Authorized share capital

2025	2024		2025	2024
Number of shares			Rupees	Rupees
60,000,000	60,000,000	Ordinary shares of Rs. 10 each	600,000,000	600,000,000

6.2 Issued, subscribed and paid up share capital

2025	2024		2025	2024
Number of shares			Rupees	Rupees
497,500	497,500	Ordinary shares of Rs. 10 each issued for cash	4,975,000	4,975,000
6,425,104	6,425,104	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	64,251,040	64,251,040
6,922,604	6,922,604		69,226,040	69,226,040

6.3 All the ordinary shares rank equally with regard to the company's residual assets. Holders of these shares are entitled to dividends from time to time and are entitled to one vote per share at general meetings of the Company.

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

6.5 Capital management

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

7 REVALUATION SURPLUS ON PROPERTY, PLANT AND EQUIPMENT

	2025	2024
	Rupees	Rupees
Balance at the beginning of the year	398,626,474	420,554,218
Surplus transferred to unappropriated profit:		
- on account of incremental depreciation - net of tax	(15,329,075)	(15,568,698)
- on account of disposal - net of tax	(4,181,623)	-
- related deferred tax	(7,969,158)	(6,359,046)
	(27,479,856)	(21,927,744)
	371,146,618	398,626,474
Related deferred tax liability		
On revaluation surplus as on July 01	(116,884,044)	(51,591,212)
Impact of change in tax rate	(22,268,797)	(71,651,878)
Effect due to incremental depreciation	7,969,158	6,359,046
	(131,183,683)	(116,884,044)
	239,962,935	281,742,430

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

	Note	2025 Rupees	2024 Rupees
8 EMPLOYEE RETIREMENT BENEFITS			
Net defined benefit liability	8.1	<u>151,537,799</u>	<u>120,231,933</u>
8.1 Net defined benefit liability			
Company operates an unfunded gratuity scheme of its employees, details of which are as follows:			
Movement in the defined benefit liability			
Balance at beginning of the year		120,231,933	87,810,788
Charge for the year		47,796,923	38,936,080
Benefits paid during the year		(38,323,063)	(5,152,102)
Remeasurement (gain) / loss		21,832,006	(1,362,833)
Balance at the end of the year		<u>151,537,799</u>	<u>120,231,933</u>
8.2 Movement in the present value of defined benefit liability is as follows:			
Present value of defined benefit liability as at July 01		120,231,933	87,810,788
Current service cost		33,647,067	25,511,609
Interest cost		14,149,856	13,424,471
Benefits paid		(38,323,063)	(5,152,102)
Remeasurement loss / (gain)		21,832,006	(1,362,833)
Present value of defined benefit liability as at June 30		<u>151,537,799</u>	<u>120,231,933</u>
8.3 Expense recognized in profit or loss account is as follows			
Current service cost		33,647,067	25,511,609
Interest cost		14,149,856	13,424,471
		<u>47,796,923</u>	<u>38,936,080</u>
8.4 Charge for the year has been allocated as follows			
Cost of sales		27,846,981	22,270,786
Administrative expenses		15,187,973	12,689,620
Selling and distribution cost		4,761,969	3,975,674
		<u>47,796,923</u>	<u>38,936,080</u>
8.5 Remeasurement chargeable to other comprehensive income			
Remeasurement loss / (gain) on defined benefit obligation		<u>21,832,006</u>	<u>(1,362,833)</u>
8.6 Key actuarial assumptions			

The latest actuarial valuation was carried out, on June 30, 2025, using projected unit credit method with the following assumptions:

	2025 Percentage	2024 Percentage
The following were the principal actuarial assumptions at the reporting date :		
Discount rate	12.50%	14.00%
Future salary growth	12.50%	14.00%
Employee turnover rate	Moderate	Moderate
Mortality rate	SLIC 2001-2005 mortality table	
Withdrawal rate	Age dependent withdrawal table	

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

Maturity profile of the defined benefit obligation

At June 30, 2025 the weighted-average duration of defined benefit obligation was 11.81 years (2024: 12.10 years).

	2025 Rupees	2024 Rupees
Distribution of timing of benefit payments (time in years)		
0 to 1 year	14,249,350	9,480,583
1 to 2 years	5,310,650	3,828,960
2 to 5 years	36,278,599	27,188,535
Above 5 years	1,241,659,633	1,341,737,340

8.7 Sensitivity Analysis

For changes of 100 basis points, present value of defined benefit obligation as at June 30, 2025 would have been as follows:

	Defined Benefit Obligation		
	Changes in assumptions	Increase in assumptions	Decrease in assumptions
	%	Rupees	
Discount rate	1.0%	108,876,660	133,785,508
Future salary growth	1.0%	134,152,903	108,393,409

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

8.8 Estimated expense for next year

The Expected Expense for the next one year works out to Rs. 49,001,587. This is the amount by which the Company needs to increase its provision for the next one year.

8.9 Risk associated with defined benefit plan

Salary risk (linked to inflation risk)

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

Demographic risks

Mortality risk

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

Withdrawal risk

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

8.10 Funding

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

9 DEFERRED TAXATION

	Note	2025 Rupees	2024 Rupees
Deferred taxation	9.1	163,570,530	179,827,028

9.1 This comprises the following:

Deferred tax liability on taxable temporary differences arising in respect of:

Property, plant and equipment	277,982,919	225,388,532
Revaluation surplus	131,183,683	116,884,044
Right of use asset	34,372,606	42,720,238
	443,539,208	384,992,814

Deferred tax asset on deductible temporary differences arising in respect of:

Allowance for expected credit losses	(71,430,111)	(49,447,821)
Employee retirement benefits	(53,038,230)	(34,867,261)
Lease Liability	(91,279,764)	(67,639,372)
Unabsorbed tax depreciation	(64,220,573)	(53,211,332)
	(279,968,678)	(205,165,786)
	163,570,530	179,827,028

9.2 Movement in temporary differences during the year

	Balance as at July 01, 2024	Recognized in profit or loss	Recognized in other comprehensive income	Balance as at June 30, 2025
Rupees				
Taxable temporary differences				
Property, plant and equipment	225,388,532	52,594,387	-	277,982,919
Right of use asset	42,720,238	(8,347,632)	-	34,372,606
Revaluation surplus	116,884,044	(7,969,158)	22,268,797	131,183,683
	384,992,814	36,277,597	22,268,797	443,539,208
Deductible temporary differences				
Allowance for expected credit losses	(49,447,821)	(21,982,290)	-	(71,430,111)
Lease liability	(67,639,372)	(23,640,392)	-	(91,279,764)
Unabsorbed tax depreciation	(53,211,332)	(11,009,241)	-	(64,220,573)
Provision for employee retirement benefits	(34,867,261)	(9,862,407)	(8,308,562)	(53,038,230)
	(205,165,786)	(66,494,330)	(8,308,562)	(279,968,678)
	179,827,028	(30,216,733)	13,960,235	163,570,530

	Balance as at July 01, 2023	Recognized in profit or loss	Recognized in other comprehensive income	Balance as at June 30, 2024
	Rupees			
Taxable temporary differences				
Property, plant and equipment	92,039,302	133,349,230	-	225,388,532
Right of use	-	42,720,238	-	42,720,238
Revaluation surplus	51,591,212	(6,359,046)	71,651,878	116,884,044
	143,630,514	169,710,422	71,651,878	384,992,814
Deductible temporary differences				
Allowance for expected credit losses	(11,115,446)	(38,332,375)	-	(49,447,821)
Lease liability	-	(67,639,372)	-	(67,639,372)
Unabsorbed tax depreciation	-	(53,211,332)	-	(53,211,332)
Provision for employee retirement	(10,504,375)	(22,630,892)	(1,731,994)	(34,867,261)
Tax credit	(16,068,278)	16,068,278	-	-
	(37,688,099)	(165,745,693)	(1,731,994)	(205,165,786)
	<u>105,942,415</u>	<u>3,964,729</u>	<u>69,919,884</u>	<u>179,827,028</u>

	Note	2025 Rupees	2024 Rupees
10 Lease Liabilities			
Liability against Right of use Asset	10.1	260,799,327	233,239,214
Current portion of liability against right of use		(182,650,617)	(99,564,887)
		<u>78,148,710</u>	<u>133,674,327</u>
10.1 Movement of liability against right of use asset is			
Opening balance		233,239,214	-
Liability against right of use asset recognized during the year		-	196,414,888
Interest on unwinding of liability against right of use asset	29	34,935,113	41,824,326
Payments during the year		(7,375,000)	(5,000,000)
Closing balance		<u>260,799,327</u>	<u>233,239,214</u>
10.2 Maturity analysis of liability against right of use asset is as follows:			
Less than one year		207,275,000	134,500,000
One to five years		88,015,000	168,165,000
Total undiscounted liability against right of use asset as at June 30		<u>295,290,000</u>	<u>302,665,000</u>
Impact of discounting on liability against right of use asset		(34,490,673)	(69,425,786)
		<u>260,799,327</u>	<u>233,239,214</u>
10.3 The lease liability contains building with plant and machinery taken on lease from Samsons Re-Drying & Processing Company (Pvt) Limited and land from Waseem-ur-Rehman (sponsor). Both are the related party of Khyber Tobacco Company Limited.			
	Note	2025 Rupees	2024 Rupees
11 TRADE AND OTHER PAYABLES			
Trade creditors	11.1	10,421,759,913	6,351,371,057
Accrued liabilities		59,701,660	53,278,301
Advance from customers	11.2	547,878,736	702,575,720
Workers' Profit Participation Fund	11.3	360,176,095	272,175,965
Workers' Welfare Fund		10,004,562	42,672,454
Withholding taxes		55,718,851	36,385,185
Sales tax and excise duty		49,884,312	248,751,850
Tobacco development cess	11.4	176,950,631	110,937,754
Royalty		17,755,508	14,399,978
Others		5,516,500	-
		<u>11,705,346,768</u>	<u>7,832,548,264</u>

11.1 These includes balance payable to Samsons Re-Drying & Processing Company (Pvt) Limited amounting to Rs. 1,033 Million (2024: Rs 926 Million) which is a related party of the Company

11.2 Advance from customers of Rs. 606.80 million received in previous year (2024: Rs. 216.20 million) has been adjusted against sales.

	2025 Rupees	2024 Rupees
11.3 Movement in Workers' Profit Participation Fund		
Balance at beginning of the year	272,175,965	216,838,722
Interest on funds utilized in the company's business	59,062,185	55,337,243
Payments made during the year	-	-
	<u>331,238,150</u>	<u>272,175,965</u>
Allocation for the year	28,937,945	-
Balance at the end of the year	<u>360,176,095</u>	<u>272,175,965</u>

11.4 Movement of Tobacco development Cess

Balance at beginning of the year		110,937,754	65,705,879
Charged during the year	24.1.1	483,283,803	138,905,230
Payments made during the year		(417,270,926)	(93,673,355)
Balance at the end of the year		<u>176,950,631</u>	<u>110,937,754</u>

12 LOAN FROM SPONSORS - UNSECURED

Loan from sponsors - unsecured	12.1	<u>1,062,835,638</u>	<u>901,035,638</u>
--------------------------------	------	----------------------	--------------------

12.1 Movement in loan from sponsors

At the beginning of the year	901,035,638	101,035,638
Received during the year	161,800,000	800,000,000
At the end of the year	<u>1,062,835,638</u>	<u>901,035,638</u>

This loan is for meeting the working capital requirements of the Company. The loan carries interest at 1 Year Kibor + 2%. If borrower defaults on its payment and fails to cure said default within a reasonable amount of time, lender will have the option to declare the entire remaining amount of principle and any accrued interest immediately due and payable. The loan if becoming payable or even otherwise shall be convertible into ordinary shares of the company with mutual consent of both parties. However the decision of Board of directors of the Company shall be considered final in this regard.

13 ACCRUED MARKUP ON LOAN FROM SPONSORS-UN-SECURED

	2025 Rupees	2024 Rupees
Accrued markup on loan from sponsors-un-secured	<u>257,686,132</u>	<u>233,616,169</u>

14 CONTINGENCIES AND COMMITMENTS

Commitments:

Letter of credit against imports	106,650,769	220,386,948
Short term lease rentals	6,525,696	6,525,696
Letters of guarantee issued by bank / insurance company	1,200,000	6,046,900,000
	<u>114,376,465</u>	<u>6,273,812,644</u>

Contingencies:

- i Deputy Commissioner Inland Revenue, Corporate Zone II, Regional Tax Office, Peshawar passed assessment order under assessment order no. 33/2017 on 23 August 2017 under Federal Excise Act 2005 and Sales Tax Act 1990 amounting to Rs. 9.51 million against the Company in lieu of alleged claims of non payment of taxes and duties. The Company has filed appeal against the order before the Commissioner Inland Revenue (Appeals) Peshawar (CIRA) on December 11, 2018 which has been decided against the Company and the Company has filed appeal in Appellant Tribunal Inland Revenue (ATIR) which has been decided in the favour of the Company via order no STA no 190/PB/20218 dated September 04, 2024 by ATIR. Afterwards FBR appealed in Peshawar high court and matter is still pending. Based on legal opinion company is confident that the eventual decision will be in favor of company.
- ii Deputy Commissioner Inland Revenue, Corporate Zone II, Regional Tax Office, Peshawar passed assessment order on July 18, 2019 under Federal Excise Act 2005 and Sales Tax Act 1990 of Rs. 376.2 million against the Company in lieu of alleged claims of non payment of taxes and duties. The Company has filed an appeal against the order before the Commissioner Appeals which was decided against the Company. The Company has filled second appeal on August 19, 2019 against the order before the ATIR and ATIR decided the matter against company. Subsequently company filed an appeal against the order of ATIR in Peshawar High Court and the matter is still pending in Peshawar High Court. Based on legal opinion company is confident that the eventual decision will be in favor of company.

- iii Deputy Commissioner Inland Revenue, Corporate Zone II, Regional Tax Office, Peshawar passed an assessment order on January 29, 2018 under Federal Excise Act 2005 and Sales Tax Act 1990 amounting to Rs. 27.80 million against the Company in lieu of alleged claims of non payment of taxes and duties. The Company has filled the appeal against the order before the Commissioner Appeals Inland Revenue Peshawar and the matter was decided against the Company. The Company has filled second appeal against the order before the ATIR and ATIR decided the matter against company. Subsequently company filed an appeal against the order of ATIR in Peshawar high and the matter is still pending in Peshawar high court. The management, based on legal opinion, is confident that the eventual decision will be in favor of the Company.
- iv For tax year 2018, DCIR Peshwar has passed an assessment order on June 30, 2020 under section 161/205 of the Income Tax Ordinance 2001 (ITO, 2001) for alleged claims of not withholding income taxes on payment of certain expenses and ordered to pay Rs. 27.91 million. The Company filed appeal against the order before CIRA Peshawar on July 29, 2020 and the matter is pending for adjudication. The management, based on legal opinion, is confident that the eventual decision will be in favor of the Company.
- v For Sales tax period 2017-18, DCIR Peshwar passed an assessment order on January 17, 2019 under Federal Excise Act, 2005 and Sales Tax Act, 1990 of Rs. 3.99 million against the Company in lieu of alleged claims of non payment of taxes and duties. The Company filed appeal against the order before CIRA Peshawar and the matter was decided in favor of the Company. Department has filed an appeal before ATIR Peshawar on August 30, 2019 and the matter is pending for adjudication. The management, based on legal opinion, is confident that the eventual decision will be in favor of the Company.
- vi For the tax year 2021, Additional Commissioner Inland Revenue (ACIR) , Islamabad passed an assessment order number 149068327 on March 30, 2023 under section 122(5A) of the ITO 2001 of Rs.271.78 million disallowing various expenses including advertisement, gratuity, discount on cigarette sales, bad debts and adding loan from sponsors into taxable income. The Company filed an appeal against the assessment order with the CIRA ,Islamabad on April 26,2023 which is being transferred to ATIR due to enactment of the Tax Laws (Amendment) Act, 2024 and it is still pending in ATIR for adjudication. Based on legal opinion, the management is confident that the eventual decision will favor the company.
- vii For the sales tax period 2021-22, DCIR Peshwar passed an assessment order in original no 10/2023 dated January 01, 2024 under section 11 of Sales Tax Act 1990 and assessed Rs. 4.79 million as recoverable from the Company along with penalty and default surcharge of amounting to Rs. 23.9 million in lieu of alleged claims of non payment of taxes and duties. The Company has filled the appeal against the order before the Commissioner Appeals and commissioner appeal remand back to Deputy Commissioner Inland revenue and no appeal effect has been issued yet.
- viii For the sales tax period 2017-18, DCIR Peshwar passed an assessment order under Fedral Excise Act, 2005 bearing reference no 36 dated March 03, 2020 and assessed Rs. 14.74 million as recoverable from the Company along with the penalty and default surcharge of Rs. 73.7 in lieu of alleged claims of non payment of taxes and duties. Being aggrieved, Company has filed an appeal before the Commissioner Appeal who has remanded back the case vide order no 33/2021 dated December 12, 2022 to the deputy commissioner for reassessment. Subsequent to year end, DCIR has issued appeal effect order bearing reference no C.No.ST/69. dated July 12,2024 and demanded for 14.74 million. The Company has filed the appeal before ATIR and the case is pending in ATIR for adjudication. Based on legal opinion, the management is confident that the eventual decision will favor the company.
- ix For tax year 2020, DCIR Peshawar passed an assessment order beirng number 100000202580320 on August 02, 2024 under section 122(1) of the ITO 2001 and assessed Rs.1,559 million by disallowing various expenses including advertisement, gratuity, discount on cigarette sales,export sales,stocks and adding loan from sponsors into taxable income. The company filed an appeal against the assessment order with ATIR Peshawar on August 28, 2024 and the matter is pending for adjudication. Based on legal opinion, the management is confident that the eventual decision will favor the company.
- x For the tax year 2023, Deputy Commissioner Inland Revenue (DCIR), Peshawar passed an assesment order bearing number 100000202580321 on August 02, 2024 under section 122(1) of the Income Tax Ordinance 2001 and assessed Rs.1.175 billion by adding back WWF,WPPF,purchases and opening stock in taxable income. The company filed an appeal against the assessment order with ATIR Peshawar on August 28, 2024 and ATIR remand back the matter to Deputy commissioner inland revenue. Based on legal opinion, the management is confident that the eventual decision will favor the company.
- xi For tax year 2019, Deputy Commissioner Inland Revenue (DCIR) Peshawar passed an assessment order bearing number 100000202294584 on July 30, 2024 under section 122(1) of the Income Tax Ordinance 2001 and assessed Rs.314 million by adding back various expenses into taxable income. The company filed an appeal against the assessment order with ATIR Peshawar on August 28, 2024 and the matter is pending for adjudication. Based on legal opinion, the management is confident that the eventual decision will favor the
- xii The Collector of Customs filed an appeal before the Customs Appellate Tribunal Inland Revenue (ATIR) No.202/CU/IB/2024 against Khyber Tobacco Company on 13 February, 2024 for non-payment of duties and taxes amounting Rs.68.8 million relevent from the tax period July 2023 to June 2024, on cetrain imports challenging the use of certificate of EFS for other imports. The custom ATIR has decided the matter against the company, following which the company filed an appeal before the Peshawar High Court. Based on legal opinion, the management is confident that the eventual decision will favor the company.

15 PROPERTY, PLANT AND EQUIPMENT

Operating assets
Capital work-in-process

Note	2025	2024
	Rupees	Rupees
15.1	2,425,781,468	2,514,598,799
15.5	311,695,345	309,879,396
	<u>2,737,476,813</u>	<u>2,824,478,195</u>

15.1 OPERATING ASSETS

COST / REVALUED AMOUNTS

Balance as at July 01, 2023
Additions
Balance as at June 30, 2024
Balance as at July 01, 2024
Additions
Disposals

Balance as at June 30, 2025

ACCUMULATED DEPRECIATION

Balance as at July 01, 2023
Charge for the year
Balance as at June 30, 2024
Balance as at July 01, 2024
Charge for the year
Disposals

Balance as at June 30, 2025

Carrying value - June 2025

Carrying value - June 2024

Rate of depreciation per annum

	Buildings on leasehold land	Plant and machinery	Tools and electrical appliances	Furniture and fittings	Office equipment	Vehicles	Total
	-----Rupees-----						
	269,560,087	2,505,672,645	108,395,381	2,408,950	3,828,440	61,089,655	2,950,955,158
	-	55,594,859	4,903,767	-	-	162,894	60,661,520
	269,560,087	2,561,267,504	113,299,148	2,408,950	3,828,440	61,252,549	3,011,616,678
	269,560,087	2,561,267,504	113,299,148	2,408,950	3,828,440	61,252,549	3,011,616,678
	1,322,530	194,683,347	1,390,644	-	437,321	405,400	198,239,242
	-	(9,000,000)	-	-	-	-	(9,000,000)
	270,882,617	2,746,950,851	114,689,792	2,408,950	4,265,761	61,657,949	3,200,855,920
	17,212,246	135,739,435	46,153,991	216,670	3,646,880	25,634,252	228,603,474
	17,321,932	229,721,734	10,092,063	216,806	43,740	11,018,129	268,414,404
	34,534,178	365,461,169	56,246,054	433,476	3,690,620	36,652,381	497,017,878
	34,534,178	365,461,169	56,246,054	433,476	3,690,620	36,652,381	497,017,878
	17,328,974	241,146,284	10,289,378	216,806	78,882	11,088,750	280,149,074
	-	(2,092,500)	-	-	-	-	(2,092,500)
	51,863,152	604,514,953	66,535,432	650,282	3,769,502	47,741,131	775,074,452
	219,019,465	2,142,435,898	48,154,360	1,758,668	496,259	13,916,818	2,425,781,468
	235,025,909	2,195,806,335	57,053,094	1,975,474	137,820	24,600,168	2,514,598,799
	7.14%	10%	10%	10%	30%	20%	

15.2 The following assets were disposed off during the year having net book value above Rs 0.5 million:

Particulars	Sold to	Cost / Revalued amount	Accumulated depreciation	Book value	Sales proceeds	Gain / (loss)	Relationship with the purchaser	Mode of disposal
Rupees								
Wrapping machine	Malang Taj	3,000,000	697,500	2,302,500	800,000	(1,502,500)	Third party	Negotiation
Cellophane machine	Malang Taj	3,000,000	697,500	2,302,500	800,000	(1,502,500)	Third party	Negotiation
HLP machine	Malang Taj	3,000,000	697,500	2,302,500	2,300,000	(2,500)	Third party	Negotiation
		<u>9,000,000</u>	<u>2,092,500</u>	<u>6,907,500</u>	<u>3,900,000</u>	<u>(3,007,500)</u>		

	Note	2025 Rupees	2024 Rupees
15.3 Depreciation on property, plant and equipment has been allocated as follows;			
Cost of sales	24	265,179,318	253,539,041
Administrative expenses	25	14,969,756	14,875,363
		<u>280,149,074</u>	<u>268,414,404</u>

15.4 Buildings on leasehold land, plant and machinery and furniture and fittings of the Company has been revalued as at June 30, 2022 by "Unicorn International Surveyors" (UIS) which is independent valuer not connected with the Company. UIS is on panel of Pakistan Banks Association as 'Any Amount' asset valuator. It is also on the panel of State Bank of Pakistan, possesses appropriate qualification and recent experience in fair value measurements. The management of the Company believes that fair values are not materially different from revalued amounts determined by the valuers. Valuation was carried out by an independent valuer, under the market value basis. This revaluation resulted in a net surplus of Rs. 277.15 million.

Had there been no revaluation, the carrying amount of revalued assets would have been as follows;

	Cost	Accumulated depreciation	Carrying value
	Rupees	Rupees	Rupees
Buildings on leasehold land	15,137,092	3,562,260	11,574,832
Plant and machinery	2,685,229,282	705,439,421	1,979,789,861
Furniture and fittings	1,912,302	1,209,582	702,720
30 June 2025	<u>2,702,278,676</u>	<u>710,211,263</u>	<u>1,992,067,413</u>
	Cost	Accumulated depreciation	Carrying value
	Rupees	Rupees	Rupees
Buildings on leasehold land	13,814,562	2,667,493	11,147,069
Plant and machinery	2,500,724,835	478,565,487	2,022,159,348
Furniture and fittings	1,912,302	1,037,475	874,827
30 June 2024	<u>2,516,451,699</u>	<u>482,270,455</u>	<u>2,034,181,244</u>

15.4.1 Forced Sales Value(FSV) of buildings on leasehold land, plant and machinery and furniture & fittings were Rs. 66.35 million, Rs. 375.42 million and 0.71 million respectively as at June 30, 2022. The revalued amounts has been measured under level 3 of the IFRS 13.

15.5 CAPITAL WORK IN PROGRESS	2025 Rupees	2024 Rupees
Opening	309,879,396	-
Additions	178,925,022	309,879,396
Transfer to property plant and equipment	(177,109,073)	-
Balance as at June 30	<u>311,695,345</u>	<u>309,879,396</u>

16 RIGHT OF USE ASSET		
Cost		
Opening	196,414,889	-
Addition during the year	-	196,414,889
	<u>196,414,889</u>	<u>196,414,889</u>
Accumulated depreciation		
Opening balance	49,103,722	-
Charge for the year	49,103,722	49,103,722
	<u>98,207,444</u>	<u>49,103,722</u>
Book value at year end	<u>98,207,445</u>	<u>147,311,167</u>

The Company has lease contracts of its Green Leaf Thresher Machine, Warehouses and Hing Lid Packer Machine. Lease terms are made for fixed period, subject to renewal upon mutual consent of both parties. Where applicable, the company seeks to include extension and termination options to provide operational flexibility. Lease terms are negotiated on individual basis and contain a wide range of different terms and conditions. Management exercise significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

17 LONG TERM DEPOSITS AND PREPAYMENTS

	Note	2025 Rupees	2024 Rupees
Sui Northern Gas Pipelines Limited		6,058,151	6,058,151
Non-current portion of prepaid insurance		1,734,391	12,244,779
Others	17.1	13,197,260	12,677,260
		<u>20,989,802</u>	<u>30,980,190</u>

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

18 STOCK IN TRADE

	Note	2025 Rupees	2024 Rupees
Raw and packing material		10,065,282,184	6,071,638,700
Stock in transit		-	143,295,000
Finished goods		338,853,829	134,918,454
Less: provision for net realisable value	18.1	(64,592,575)	(36,505,550)
		<u>10,339,543,438</u>	<u>6,313,346,604</u>

18.1 Movement in provision for net realisable value

Opening balance	36,505,550	-
Charge for the year	28,087,025	36,505,550
Closing balance	<u>64,592,575</u>	<u>36,505,550</u>

18.2 Provision for net realisable value is made against the finished goods.

19 TRADE DEBTS

	Note	2025 Rupees	2024 Rupees
Local - unsecured		1,161,346,918	1,451,702,927
Foreign - unsecured		-	67,545,577
		<u>1,161,346,918</u>	<u>1,519,248,504</u>
Allowance for expected credit losses	19.1	(204,086,030)	(170,509,727)
		<u>957,260,888</u>	<u>1,348,738,777</u>

19.1 Movement in allowance for expected credit losses

Balance at begning of the year	170,509,727	92,918,999
Impairment losses recognized during the year	104,409,538	77,590,728
Written off during the year	(70,833,235)	-
Balance at end of the year	<u>204,086,030</u>	<u>170,509,727</u>

20 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Advances to suppliers	85,373,530	143,741,631
Advances against letter of credit	106,650,769	220,386,948
Advance to collector of customs	89,751,723	-
Prepaid insurance	20,167,510	10,519,161
Other receivables	11,522,014	42,205,576
	<u>313,465,546</u>	<u>416,853,316</u>

21 TAXES REFUNDABLE

Income tax refundable	159,910,836	106,499,582
Federal excise duty refundable	270,924,214	-
	<u>430,835,050</u>	<u>106,499,582</u>

22 CASH AND BANK BALANCES

Cash in hand	1,713,414	479,755
Cash at bank - current accounts		
- Foreign currency	687,680,124	325,105,078
- Local currency	621,867,301	619,100,362
	<u>1,309,547,425</u>	<u>944,205,440</u>
	<u>1,311,260,839</u>	<u>944,685,195</u>

23 REVENUE FROM CONTRACTS WITH CUSTOMERS - NET

	Note	2025 Rupees	2024 Rupees
Gross sales-own manufacturing			
- Local		11,900,310,543	4,596,277,859
- Export	23.1	7,233,968,640	835,354,533
		19,134,279,183	5,431,632,392
Gross sales-trading		204,374,756	1,773,386,214
Total gross revenue		19,338,653,939	7,205,018,606
Government levies			
- Excise duty		7,340,720,750	3,345,652,025
- Sales tax		1,803,570,913	711,785,913
		9,144,291,663	4,057,437,938
Less: Discounts		303,659,097	33,820,600
		9,890,703,179	3,113,760,068

23.1 Disaggregation of Revenue

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

	Note	2025 Rupees	2024 Rupees
Primary Geographical Markets			
Asia		4,800,669,586	835,354,533
Europe		1,314,890,474	-
Africa		770,170,674	-
North America		348,237,906	-
		7,233,968,640	835,354,533
Major products			
Tobacco		7,198,380,303	826,592,075
Cigarettes		35,588,337	8,762,458
		7,233,968,640	835,354,533

24 COST OF SALES

Raw and packing material consumed	24.1	7,375,962,800	2,125,962,266
Salaries, wages and other benefits		314,806,552	287,842,893
Fuel and power		208,721,433	179,946,075
Stores and spares consumed		48,327,697	49,202,410
Repair and maintenance		3,954,563	4,335,755
Royalty	24.2	3,355,530	1,048,809
Short term lease rental		12,830,887	19,853,266
Depreciation		314,283,040	302,642,763
Insurance		9,488,671	-
		8,291,731,173	2,970,834,237
Opening finished stock	18	98,412,904	85,363,629
Closing finished stock		(274,261,254)	(98,412,904)
		(175,848,350)	(13,049,275)
Cost of sales		8,115,882,823	2,957,784,962

24.1 Raw and packing materials consumed

Opening balance - raw and packing material		6,071,638,700	1,358,636,376
Opening balance - stock in transit		143,295,000	262,636,279
Raw and packing material purchases	24.1.1	11,226,311,284	6,719,623,311
Closing balance - raw and packing material		(10,065,282,184)	(6,071,638,700)
Closing balance - stock in transit		-	(143,295,000)
		7,375,962,800	2,125,962,266

24.1.1 Raw and packing material purchases and expenses

	Note	2025 Rupees	2024 Rupees
Raw and packing material		10,631,432,512	6,533,539,282
Tobacco development cess		483,283,803	138,905,230
Consultancy charges		54,794,528	17,768,076
Freight in charges		56,800,441	29,410,723
		<u>11,226,311,284</u>	<u>6,719,623,311</u>

24.2 Details of royalty expense is as follows :

National Tobacco Industries (Private) Limited (NTI)	24.3	2,863,680	2,314,920
Walton Tobacco Company (Private) Limited (WTC)	24.3	491,850	104,220
		<u>3,355,530</u>	<u>2,419,140</u>

24.3 There is no relationship other than ordinary course of business. Registered address of WTC and NTI is (Chitterpari, Mirpur, Azad Kashmir : Mora Seedha Bhimber, Azad Kashmir)

25 ADMINISTRATIVE EXPENSES

	Note	2025 Rupees	2024 Rupees
Salaries, wages and other benefits		171,698,091	164,009,338
Fuel and power		53,286,526	46,646,809
Communication		14,659,885	5,922,753
Travelling		15,003,268	18,266,907
Printing and stationery		6,104,545	5,322,876
Depreciation		14,969,756	14,875,363
Legal and professional		12,071,689	14,011,634
Auditors' remuneration	25.1	3,503,141	3,301,414
Repair and maintenance		3,235,567	2,052,585
Insurance		10,490,420	11,379,379
Short term lease rentals		1,872,040	1,108,800
Advertisement		1,319,507	67,500
Donations	25.2	2,200,000	2,600,000
Others		51,813,555	50,407,613
		<u>362,227,990</u>	<u>339,972,971</u>

25.1 Auditors' remuneration includes following :

Audit services

Annual audit fee	1,920,996	1,746,360
Half yearly review fee	834,900	834,900
Out of pocket expenses	265,885	238,794
Other certification charges	481,360	481,360
	<u>3,503,141</u>	<u>3,301,414</u>

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

	2025 Rupees	2024 Rupees
26 SELLING AND DISTRIBUTION EXPENSES		
Salaries, wages and other benefits	53,833,447	51,384,334
Customs, clearance and freight on export	156,135,622	50,214,967
Freight on local sale	30,952,511	12,038,600
Research	36,575,938	48,163,120
Promotion / advertisement	14,029,800	17,546,146
Training	33,080,000	27,000,000
	<u>324,607,318</u>	<u>206,347,167</u>

27 OTHER INCOME

Accrued liabilities written back	2,260,936	3,246,824
Rental income earned	1,820,000	-
Sale of scrap	2,730,900	-
Exchange gain	13,910,779	-
	<u>20,722,615</u>	<u>3,246,824</u>

	2025 Rupees	2024 Rupees
28 OTHER EXPENSES		
Workers' Profit Participation Fund (WPPF)	28,937,945	-
Workers' Welfare Fund	9,815,176	-
Advances written off	93,189,789	65,012,237
Trade debts written off	-	-
Write off sales tax not to be claimed	8,494,726	-
Sales tax / federal excise duty written off	117,856,617	152,216,420
Exchange loss	-	21,739,923
Loss on disposal of property, plant and equipment	3,007,500	-
	<u>261,301,753</u>	<u>238,968,580</u>
29 FINANCE COST		
Bank charges	20,246,513	13,235,746
Interest on Workers' Profit Participation Fund	59,062,185	55,337,243
Interest on loan from sponsors	214,422,905	159,581,500
Interest on unwinding of liability against right of use asset	34,935,113	41,824,326
	<u>328,666,716</u>	<u>269,978,815</u>
30 FINAL TAX AND MINIMUM TAX DIFFERENTIAL		
Final tax on receipts	-	15,983,137
Minimum tax differential	-	28,547,309
	<u>-</u>	<u>44,530,446</u>
31 TAXATION		
Current:		
- For the year	169,536,474	-
- Prior year	361,861	(67,240)
	<u>169,898,335</u>	<u>(67,240)</u>
Deferred	(30,216,733)	3,964,729
	<u>139,681,602</u>	<u>3,897,489</u>
31.1 Relationship between accounting profit and tax expense is as follows:		
	2025 %	2024 %
Applicable tax rate	29.00	29.00
Super tax @ 8% / 0%	11.03	-
Prior year adjustment	0.09	(0.01)
Impact of rate change	-	(2.97)
Impact of expenses not deductible for tax purposes	10.97	(9.54)
Income chargeable at different rate	(0.05)	(6.94)
Unused tax losses and tax credits	(10.07)	-
Others	(7.29)	(9.25)
	<u>33.66</u>	<u>29.00</u>
32 EARNINGS PER SHARE - BASIC AND DILUTED		
The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.		
	2025 Rupees	2024 Rupees
(Loss) / profit attributable to ordinary shareholders	274,648,054	(1,021,997,026)
Weighted-average number of ordinary shares at 30 June	6,922,604	6,922,604
Basic earnings per share	39.67	(147.63)
32.1 There is no dilution effect on earnings per share of the Company.		
33 CAPACITY AND PRODUCTION	2025	2024
Available capacity (million cigarettes per annum)	9,288	9,288
Actual production (million cigarettes)	1,522	631
33.1 There has been no change in the available production capacity (million cigarettes per annum). However, the actual production of cigarettes has been increased in the current year due to the increase in market demand.		

34 FINANCIAL RISK MANAGEMENT

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

Credit risk
Liquidity risk
Market risk

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

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

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit.

34.1 Credit risk and concentration of credit risk

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

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

34.1.1 Counterparties

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

Trade debts

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

Banks

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

Bank	Rating		Rating agency	2025	2024
	Short term	Long term		Rupees	Rupees
Habib Bank Limited	A-1+	AAA	JCR-VIS	46,587,896	112,701,753
National Bank Of Pakistan	A-1+	AAA	JCR-VIS	841,127	841,127
MCB Bank Limited	A1+	AAA	PACRA	117,323,490	47,669,512
Samba Bank Limited	A-1	AA	JCR-VIS	2,173	2,173
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	572,335,106	88,590,951
The Bank of Punjab	A1+	AA+	PACRA	24,863,131	99,999,666
Askari Bank Limited	A1+	AA+	PACRA	251,634,212	433,000,258
Bank Alfalah Limited	A1+	AAA	PACRA	19,687,195	-
Bank of Khyber	A1	A+	PACRA	17,528,004	-
				<u>1,050,802,334</u>	<u>782,805,440</u>

34.1.2 Exposure to credit risk

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

Financial assets:	2025	2024
	Rupees	Rupees
Trade debts	957,260,888	1,348,738,777
Bank balances	1,050,802,334	782,805,440
Long term deposits	20,989,802	30,980,190
	<u>2,029,053,024</u>	<u>2,162,524,407</u>

Trade debts consist of a large number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of trade debts, where appropriate. The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. At June 30, 2025 the Company had approximately 19 (2024: 21) major local customers that owed atleast Rs. 12.61 million each and accounted for approximately 79% (2024 : 99%) of local trade debts. Export debts amounting to Rs. 8.63 Million (2024 : Rs. 67.60 million) are unsecured.

34.1.3 Impairment losses

	Expected credit losses		Aging of trade debts	
	2025 Rupees	2024 Rupees	2025 Rupees	2024 Rupees
Not past due	-	-	329,417,114	77,268,120
Past due upto 12 months	19,461,934	69,223,696	515,914,039	1,340,694,353
Over 12 months	184,624,096	101,286,031	316,015,765	101,286,031
	<u>204,086,030</u>	<u>170,509,727</u>	<u>1,161,346,918</u>	<u>1,519,248,504</u>

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

	2025 Rupees	2024 Rupees
Balance as at July 01	170,509,727	92,918,999
Written off during the year	(70,833,235)	-
Impairment losses on financial assets	104,409,538	77,590,728
Balance as at June 30	<u>204,086,030</u>	<u>170,509,727</u>

Based on age analysis, relationship with customers and past experience the management does not expect any party to fail to meet their obligations. The management believes that trade debts are considered good and hence no impairment allowance is required other than record above.

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

34.2 Liquidity risk management

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

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

34.2.1 Liquidity table

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

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

	2025 Rupees	2024 Rupees
Maturity up to one year		
Trade and other payables	10,499,217,081	6,419,049,336
Unclaimed dividend	16,658,510	16,669,221
Loan from sponsors	1,062,835,638	901,035,638
Accrued markup on loan from sponsors	257,686,132	233,616,169
	<u>11,836,397,361</u>	<u>7,570,370,364</u>

34.3 Market risk

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

34.3.1 Foreign currency risk management

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

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

The potential currency exposures are discussed below;

Transactional exposure in respect of non functional currency monetary items

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

Transactional exposure in respect of non functional currency expenditure and revenues

Certain operating and capital expenditure is incurred by the Company in currencies other than the functional currency. Certain sales revenue is earned in currencies other than the functional currency of the Company. These currency risks are managed as a part of overall risk management strategy.

Exposure to foreign currency risk

The Company's exposure to foreign currency risk was as follows based on notional amounts:

	2025 USD	2024 USD
Cash and Bank	2,424,824	1,166,087
Trade debts	-	243,705

Commitments outstanding at year end is 106 Million (2024: 220 Million) relating to letter of credits for imports.

The following significant exchange rates applied during the year:

	2025	2024
Rupees per USD		
Average rate	280.87	282.37
Reporting date rate	283.60	278.15

Sensitivity analysis

A 10 percent weakening of the Pak Rupee against the USD at June 30, 2025 would have decreased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for June 30, 2024.

	2025 Rupees	2024 Rupees
Increase in statement of profit / loss	27,464,805	102,199,703

A 10 percent strengthening of the Pak Rupee against the USD at June 30, 2025 would have had the equal but opposite effect on USD to the amounts shown above, on the basis that all other variables remain constant.

34.3.2 Interest rate risk

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

Profile

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

Floating rate instruments

	2025 Rupees	2024 Rupees
Financial liabilities		
Loan from sponsors	1,062,835,638	901,035,638

Fair value sensitivity analysis for floating rate instruments

The following table demonstrates the sensitivity to a reasonably possible change in floating interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on finance cost).

	Increase / (decrease) in basis points	Decrease / (increase) of profit
	Points	Rupees
2025	+ (-) 200	28,460,235
2024	+ (-) 200	23,464,232

34.3.3 Other price risk

Other price risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all similar financial instruments traded in the market. The effects of changes in fair value of such investments made by Company, on the future profits are not considered to be material in the overall context of these financial statements.

34.3.4 Financial Instruments by category

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

	2025 Rupees	2024 Rupees
Assets as per statement of financial position - at amortized cost		
Trade debts	957,260,888	1,348,738,777
Cash and bank balances	1,311,260,839	944,685,195
Long term deposits	20,989,802	30,980,190
	2,289,511,529	2,324,404,162
Liabilities as per statement of financial position- at amortized cost		
Trade and other payables	10,499,217,081	6,419,049,336
Unclaimed dividend	16,658,510	16,669,221
Loan from sponsors and directors - unsecured	1,062,835,638	901,035,638
Accrued markup on loan from sponsors	257,686,132	233,616,169
	11,836,397,361	7,570,370,364

35 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

36 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated companies, directors and close family members, companies with common directorship, executives, key management personnel and major shareholders of the Company. Balances are disclosed in relevant notes.

36.1 Following are the related parties with whom the Company has entered into transactions during the year and balance as at year end other than Remuneration of key management personnel which is disclosed in note 36 of these financial statements.

Name	Basis of relationship	Nature	2025 Rupees	2024 Rupees
Samsons Re-drying and Processing Company	Associated Undertaking	Purchases	707,461,232	624,799,450
		Payment for lease	5,000,000	5,000,000
Wasim ur Rehman	Sponsor	Loan received	158,800,000	800,000,000
		Markup expense	213,985,207	159,581,500
Khalil ur Rehman	Sponsor	Loan received	3,000,000	-
		Markup expense	437,698	-

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

Name	Basis of relationship	Shareholding % age
Mrs. Samera Irfan	Chief Executive Officer	0.04%
Mr. Pir Farhan Shah	Company Secretary	0.09%
Mr. Shahzad Javed Panni	Independent-director	0.04%
Mr. Zia Ur Rehman	Director	0.10%
Mr. Khalil Ur Rehman	Director	0.21%
Mr. Rahat Ullah	Chairman	0.05%
Mr. Pir Waris Shah	Director	0.21%
Mrs. Sonia Farooq	Director	0.04%
Mr. Wasim ur Rehman	Sponsor	64.33%
Mr. Sami ur Rehman	Sponsor	0.21%
Samson Redrying and Processing (Private) Limited	Associated Undertaking	0.00%

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

37 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged for remuneration including benefits and perquisites, to chief executive officer, directors and executive were as follows:

	Chief Executive Officer	Directors	Executives
	Rupees		
June 30, 2025			
Managerial remuneration	3,600,000	228,600	145,706,880
Number of persons	1	1	57
June 30, 2024			
Managerial remuneration	3,600,000	420,000	139,945,280
Number of persons	1	1	56

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

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

37.3 Meeting fee amounting to Rs. 600,000 and 400,000 has been paid to independent directors Mr. Shahzad Javed Panni and Mrs. Sonia Farooq respectively.

37.4 Executive means an employee whose basic salary exceeds Rs. 1.20 million (2024: Rs. 1.20 million) during the year.

38 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Balance as at July 01, 2024	Amount charged / received during the year	Amount repaid during the year	Balance as at June 30, 2025
	Rupees			
Loan from sponsors and directors - unsecured	901,035,638	161,800,000	-	1,062,835,638
Accrued markup on loan from sponsors - un-secured	233,616,169	214,422,905	190,352,942	257,686,132
Lease liability	233,239,214	34,935,113	7,375,000	260,799,327
Unclaimed dividend	16,669,221	-	10,711	16,658,510
	1,384,560,242	411,158,018	197,738,653	1,597,979,607

	2025 (Number)	2024 (Number)
39 NUMBER OF PERSONS EMPLOYED		
Employees at year end	575	595
Average employees during the year	585	597
Factory employees at the year end	460	460
Average factory employees during the year	460	460

40 RECLASSIFICATION

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

Reclassified from	Reclassified to	Reason	Rupees
Advances, prepayments and other receivables	Taxes refundable	For better presentation	106,499,582
Administrative expenses	Other expenses	For better presentation	71,142,075

41 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on October 01, 2025

42 GENERAL

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

yz



CHIEF EXECUTIVE OFFICER



DIRECTOR



DIRECTOR

KHYBER TOBACCO COMPANY LIMITED

Pattern of Shareholding

As of June 30, 2025

Categories of Shareholders	Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer and their spouse(s) and minor children			
MR. KHALIL UR REHMAN	1	14,400	0.21
MR. PIR WARIS SHAH	1	14,400	0.21
MR. RAHAT ULLAH	1	3,600	0.05
MR. ZIA UR RAHMAN	1	7,200	0.10
MRS. SAMERA IRFAN	1	3,060	0.04
MR. SHAHZAD JAVED PANNI	1	2,500	0.04
MRS. SONIA FAROOQ	1	2,500	0.04
Associated Companies, undertakings and related parties	-	-	-
NIT and ICP	1	1,606	0.02
Government Sector	1	67,608	0.98
Banks Development Financial Institutions, Non-Banking Financial Institutions	-	0	-
Insurance Companies	2	239,820	3.46
Mutual Funds	-	-	-
General Public			
a. Local	1205	6,526,456	94.28
b. Foreign	9	18,848	0.27
Foreign Companies	-	-	-
Others	9	20,606	0.30
Totals	1234	6,922,604	100.00

Share holders holding 5% or more	Shares Held	Percentage
MR. WASEEM-UR-RAHMAN	4,453,630	64.33

**STATEMENT OF COMPLIANCE
WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019**

Name of Company: KHYBER TOBACCO COMPANY LIMITED
Year Ended: June 30, 2025

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are seven as per the following:

Gender	Number
Male	5
Female	2

2. The composition of the Board of Directors is as follows:

Category	Names
Independent Directors	Ms. Sonia Farooq Mr. Shahzad Javed Panni
Executive Director	Ms. Samera Irfan Mr. Pir Waris Shah
Non-Executive Directors	Mr. Zia Ur Rehman Mr. Khalil Ur Rehman Mr. Rahat Ullah
Female Directors	Ms. Sonia Farooq Ms. Samera Irfan

The Company didn't round up independent director's fraction as one because the existing independent directors have requisite competencies, skills, knowledge and experience to discharge and execute their duties competently, as per applicable laws and regulations.

- The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company;
- The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures;
- The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of significant policies along with their date of approval or updating is maintained by the Company;
- All the powers of the board have been duly exercised and decisions on relevant matters have been taken by the board / shareholders as empowered by the relevant provisions of the Act and these Regulations;
- The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board;
- The board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;

9. The following five (06) directors and head of accounts have obtained certification under the Directors' Training Program;
 - 1- Mr. Zia Ur Rehman
 - 2- Ms. Sonia Farooq
 - 3- Ms. Sameera Irfan
 - 4- Mr. Pir Waris Shah
 - 5- Mr. Khalil Ur Rehman
 - 6- Mr. Ahsan Maqbool Ranjha (Head of accounts)
 - 7- Mr. Shahzad Javed Panni
10. Position of CFO remained vacant during the year. The board has approved appointment of Head of Internal Audit and company secretary, including its remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. The financial statements of the Company were duly endorsed by the Chief Executive Officer and two directors. Position of chief financial officer remained vacant during the year and no endorsement of financial statements has been made by him.
12. The board has formed committees comprising of members given below:
 - a. Audit Committee

• Mr. Shahzad Javed Panni, Independent Director	(Chairman)
• Mr. Rahat Ullah, Non-Executive Director	(Member)
• Mr. Zia Ur Rehman, Non-Executive Director	(Member)
• Mr. Khalil Ur Rehman, Non-Executive Director	(Member)
 - b. Human Resource & Remuneration Committee

• Ms. Sonia Farooq, Independent Director	(Chairman)
• Mr. Pir Waris Shah, Non-Executive Director	(Member)
• Mr. Zia Ur Rehman, Non-Executive Director	(Member)
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;
14. The frequency of meetings (quarterly/half yearly/yearly) of the committee were as per following:
 - a. Audit Committee: Four meetings during the financial year ended June 30, 2025.
 - b. HR and Remuneration Committee: One meeting during the financial year ended June 30, 2025.
15. The board has outsourced the internal audit function to Shahid Ahmed & Co. who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, head of internal audit, company secretary or director of the Company;

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

Sr. No	Non-Mandatory Requirement	Explanation	Regulation No.
1	Nomination Committee The Board may constitute a separate committee, designated as the nomination committee, of such number and class of directors as it may deem appropriate in its circumstances.	Currently, the Board has not constituted a separate Nomination Committee and the functions are being performed by the Human Resource & Remuneration Committee.	29
2	Risk Management Committee The Board may constitute the Risk Management committee of such number and class of directors as it may deem appropriate in its circumstances to carry out a review of effectiveness of risk management procedures and present a report to the Board.	Currently, the Board has not constituted a risk management committee and the Company's Internal Auditor, performs the requisite functions and apprises the board accordingly.	30
3	Sustainability Committee The company may constitute a sustainability committee comprising of such number and class of directors as it may deem appropriate in the circumstances to carry out a review of effectiveness of actions taken for sustainability of the company.	Currently, the board has not constituted a sustainability committee and the functions of the sustainability committee are currently being led by Human Resource committee of the company.	10, 10(A)
4	Training for Female Executive and Head of Department Regulation 19(3) encourages training for at least one female executive and one head of department annually under the Directors' Training Program (effective July 2020).	Due to operational priorities during the year, the required training could not be arranged. The Company will consider appropriate nominations in the future.	19(3)

5	Board's Performance Evaluation and General Meeting Proceedings Regulation 10(3)(v) encourages an external evaluation of the Board's performance at least once every three years.	Currently, the Board has not assigned the task of evaluation of the Board's performance to any external party. As the regulations encourage to have external evaluation at least every three year so the Board will consider assigning this task in future	10(3)(v)
---	--	--	----------

Sr. No.	Mandatory Requirement	Explanation	Regulation
1	Chief Financial Officer The position of Chief Financial Officer has remained vacant during the year and the board has not made appointment there against as required by the Regulations. The financial statements are endorsed by director in place of Chief Financial Officer.	Currently, the Board has not appointed a Chief Financial Officer (CFO) as required under Code. The Company operates with a lean executive structure. The Company has considered candidates for this position however, due to non-availability of appropriate candidate this position is still vacant. As an interim arrangement, the responsibilities and functions of the CFO have been assigned to the Head of Accounts & Finance, who is overseeing the financial affairs of the Company until formal appointment is made.	13, 20, 22, 25, 26, 27, 28(6)iv), 31(6)

yz

Mardan
Dated: 01-10-2025


Mr. Rahat Ullah
Chairman
11/10/25

INDEPENDENT AUDITOR'S REPORT

To the members of Khyber Tobacco Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Khyber Tobacco Company Limited (the Company), which comprise the statement of financial position as at 30 June 2025, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policy information and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2025 and of the profit, other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

Key audit matters	How the matter was addressed in our audit
1. Revenue Recognition	
The Company's sales comprise of revenue from the local and export sale of cigarettes and raw tobacco which has been disclosed in note 23 to the financial statements. Revenue from sale of goods is recognized at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods or on date of bill of lading and at	Our audit procedures to evaluate revenue recognition, amongst others, included the following: - Obtaining an understanding of the process relating to recording of the revenue from contracts with customers; - Assessed the appropriateness of the Company's accounting policies for appropriate period of revenue recognition and compliance of those policies with the IFRS 15;





transaction price net of trade discounts (note 5.12). We identified revenue recognition as key audit matter as it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not have been recognized based on transfer of control to the customers in line with the accounting policy adopted and may not have been recognized in the appropriate period.	• Checked on a sample basis whether the recorded local and export sales transactions are based on transfer of control of goods to customers (i.e. dispatch of goods and after issue of gate passes for local sales and shipment of goods for export sales);
2. Valuation of stock in trade	
Refer to note 18 to the financial statements and note 5.2 for the policy of stock in trade. Stock in trade forms a significant part of the Company's assets. As at June 30, 2025, the carrying amount of the Company's stock in trade is 61.83% of total assets amounting to Rs 10,339 Million. We identified valuation of stock in trade as a key audit matter as it involves significant management judgement with respect to weighted average costs and determination of net realizable value.	In this respect, we performed the following audit procedures: • Assessed appropriateness of the Company's accounting policies for valuation of stock in trade at net realizable value (NRV) and compliance of those policies with IAS - 02; • On a sample basis, verified supporting documents for purchases of raw materials and the production costs to ensure the cost of stock in trade; • Obtained an understanding and assessed reasonableness of the management's process for determination of net realizable value (NRV) and the key estimates used, including future selling prices, future costs to complete and costs necessary to make the sales and their basis; • Compared the NRV, on a sample basis, to the carrying value of stock in trade to assess whether any adjustments were required to carrying value of inventories in accordance with the policy; • For valuation of goods in transit, verified the supporting documents on sample basis to ensure that it is recorded on cost; • Assessed the adequacy of disclosures related to valuation of stock in trade in the financial statements.

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.





We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) No Zakat was deductible at source under Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Sufyan

Yousuf Adil
Chartered Accountants

Lahore

Date: October 03, 2025

UDIN: AR2025101802CwmsLnKO

Form of Proxy
70th Annual General Meeting

I/We _____

of _____

Being a member (s) of Khyber Tobacco Company Limited holding _____

Ordinary Shares hereby appoint Mr./Mrs./Miss _____

Of _____ or failing him/her _____

Of _____ as my /our proxy in my/our absence to attend and vote for me / us and on my/ our behalf at the Annual General Meeting of the Company to be held on Friday , October 24, 2025 at 10:30 a.m. and /or any adjournment thereof.

As witness my/our hand/seal this _____ day of _____ 2025.

Signed by _____

In the presence of _____

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

Signature on Five Rupees
Revenue Stamps

*The signature should
agree with
the specimen registered
with the Company*

Important:

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

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

- i. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.
- ii. The proxy shall produce his original CNIC or original passport at the time of the meeting.
- iii. In the case of a corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier along with a proxy form to the company)