



For The Six Month Period Ended
December 31, 2018

Half Yearly Report



Khyber Tobacco Company Limited

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CORPORATE INFORMATION

Board of Directors

Mr. Waseem Ur Rehman
Mr. Pir Waris Shah
Mr. Pir Farhan Shah
Mr. Rahat Ullah
Mr. Shafiq Afzal Khan
Mr. Hazrat Bilal
Mr. Khalil Ur Rehman

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

Audit Committee

Mr. Shafiq Afzal Khan
Mr. Rahat Ullah
Mr. Khalil Ur Rehman

Chairman
Member
Member

Human Resource Committee

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

Chairman
Member
Member

Senior Management

Mr. Waseem Ur Rehman

Chief Executive

Company Secretary

Mr. Pir Farhan Shah

Bankers

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

Share Registrar

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

External Auditors

Deloitte Yousaf Adil & Co.
Chartered Accountants

Registered Office

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

Internal Auditors

Shahid Ahmad & Co.
Chartered Accountants

DIRECTORS' REVIEW

Dear Members,

The Directors of the Company are pleased to present the condensed Interim Financial Information (unaudited) of the company for the six months period ended 31 December 2018.

Key financial indicators for the half year under review are as below:

Financial Highlights	Jul-Dec 2018	Jul-Dec 2017	Difference
	Rs. in Millions		
Turnover – gross	636.82	1,343.75	(707)
Turnover – net	294.28	687.75	(393)
Cost of sales	313.21	345.91	(33)
Gross profit/(loss)	(18.93)	341.84	(361)
Profit/(loss) before taxation	(114.85)	264.92	(380)
Profit/(loss) for the period	(79.36)	185.54	(265)
Earnings per share - basic and diluted	(16.51)	38.60	(55)

The above results indicate an overall revenue decline of 53% as compared to the corresponding period of the last year. The gross profit has decreased by 106% i.e. from Rs.341.84 million to a loss of Rs.18.93 million as compared to last year and profit before taxation has decreased by 143% i.e. from Rs.264.92 million to loss before taxation of Rs.114.85 million as compared to last year, the decrease in overall turnover is mainly due to decrease in local cigarette sales as compared to the corresponding period. The situation has adversely affected the EPS and the loss per share is Rs16.51 as compared to earnings per share of Rs. 38.6 as reported in the corresponding period.

The main reasons for the decline in sales are the drastic legal changes in the cigarette manufacturing sector; adversely affecting the demand of our products and the installation of a new line for Primary Production Department. The rate of Federal Excise Duty has increased by 56.25% on cigarettes and by 2900% in the case of tobacco. The operations have also been partially affected due to the installation of a new line for Primary Production Department (PPD), which was successfully installed and is fully operational. The installation of new line of PPD is now providing improved quality of tobacco for cigarettes manufacturing.

Future Outlook:

The management is certain that the situation will turn around in the near future. Local cigarette and tobacco sales have improved significantly prior to period end and I am confident that the results of the next quarter will show visible improvement. It is also important to mention that the company does not face any liquidity problems due to the current period loss and does not require any external financing.

Acknowledgement

The board would like to thank and appreciate its employees, customers and strategic partners for their dedication, commitment and contribution in these challenging times. The board also extends its gratitude to our suppliers, banks and shareholders for their unwavering support and cooperation.

28 February 2019

On behalf of the Board



Waseem Ur Rehman
Chief Executive

مستقبل آؤٹ لک:

انتظامیہ کو اس بات کا یقین ہے کہ مستقبل قریب میں حالات بدل جائیں گے۔ مقامی سگریٹ اور تمباکو کی فروخت میں مدت ختم ہونے کے بعد نمایاں طور پر بہتری ہوئی ہے اور مجھے یقین ہے کہ اگلے سہ ماہی کے نتائج میں نمایاں بہتری نظر آئے گی۔ یہ ذکر کرنا بھی اہم ہے کہ کمپنی کو موجودہ مدت کے نقصان کے باعث کسی بھی مساوات کے مسائل کا سامنا نہیں ہے اور بیرونی فنانس کی ضرورت بھی نہیں ہے

شکر گزار:

بورڈ شکر گزار ہے اور اپنے ملازمین، گاہکوں اور اسٹریٹجک پارٹنرز کی لگن، عزم اور مشکل اوقات میں شراکت کی تعریف کرنا چاہے گا۔ بورڈ سپلائرز، بینکوں اور حصص دار کی متزلزل حمایت اور تعاون پر شکر گزار ہے

28 فروری 2019

بورڈ کی جانب سے



وسیم الرحمٰن
چیف یگزیکٹو آفیسر

عزیز ممبران،

کمپنی کے ڈائریکٹر 31 دسمبر 2018 کو ختم ہونے والے چھ ماہ کے عرصے کے دوران کمپنی کے انٹرم مالی معلومات (غیر مجاز شدہ) پیش کرتے ہیں:

جائزہ لینے کے تحت نصف سالہ کے لئے اہم مالی اشارے ذیل میں ہیں:-

فرق	Jul-Dec 2017	Jul-Dec 2018	مالیاتی اعداد و شمار
	ملین روپے		
(707)	1,343.75	636.82	فروخت - مجموعی
(393)	687.75	294.28	فروخت - نیٹ
(33)	345.91	313.21	فروخت کی قیمت
(361)	341.84	(18.93)	کل منافع
(380)	264.92	(114.85)	ٹیکس سے پہلے منافع
(265)	185.54	(79.36)	مدت کے لئے منافع
(55)	38.60	(16.51)	فی شیئر کمائی - بنیادی اور پتلی

گزشتہ سال کے مقابلے میں مندرجہ بالا نتائج %53 مجموعی آمدنی میں کمی کی نشاندہی کرتے ہیں۔ مجموعی منافع میں 106 فیصد کمی ہوئی ہے یعنی گزشتہ سال کے مقابلے میں منافع 341.92 ملین سے کم ہو کر 18.93 ملین نقصان ہوا ہے۔ اور ٹیکس سے پہلے منافع میں 143 فیصد کمی ہوئی ہے۔ یعنی گزشتہ سال کے مقابلے میں منافع 264.92 ملین سے کم ہو کر 114.85 ملین نقصان ہوا ہے۔ گزشتہ سال کے مقابلے میں منافع میں کمی بنیادی طور پر اسی عرصے میں مقامی سگریٹ سیلز میں کمی کی وجہ سے ہے۔ اسی صورت حال نے فی حصص آمدنی کو بہت سخت متاثر کیا ہے گزشتہ سال کے اسی مدت کے رپورٹ کے مطابق 38.6 روپے کی آمدنی کے مقابلے میں فی حصص نقصان 16.51 روپے ہے

فروخت میں کمی کی اہم وجوہات سگریٹ مینوفیکچرنگ سیکٹر میں سخت قانونی تبدیلیاں ہیں؛ ہماری مصنوعات کی طلب اور پرائمری پروڈکشن ڈیپارٹمنٹ کے لئے ایک نئی لائن کی تنصیب کو متاثر کرتی ہے۔ فیڈرل ایکسائز ڈیوٹی کی شرح سگریٹ پر %56.25 اور تمباکو کے معاملے میں %2900 اضافہ ہوا ہے پرائمری پروڈکشن ڈیپارٹمنٹ (پی پی ڈی) کے لئے ایک نئی لائن کی تنصیب کی وجہ سے آپریشن بھی جزوی طور پر متاثر ہوئے ہیں، جو کہ اب کامیابی سے نصب اور مکمل طور پر آپریشنل ہے۔ پی پی ڈی کی نئی لائن کی تنصیب اب سگریٹ مینوفیکچرنگ کے لئے تمباکو کی بہتر معیار فراہم کرتی ہے

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Khyber Tobacco Company Limited

Report on review of Condensed Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Khyber Tobacco Company Limited** ("the Company") as at December 31, 2018 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows and notes to the condensed interim financial statements for the six-month period then ended (here-in-after referred to as the "condensed interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review. The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income alongwith related notes for the three-month period ended December 31, 2018 have not been reviewed, as we are required to review only the cumulative figures for the six-month period ended December 31, 2018.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements as of and for the six month period ended December 31, 2018 are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the review resulting in this independent auditor's review report is Rana M. Usman Khan.

Deloitte Young & Rubicam

Chartered Accountants

Lahore

Date: February 28, 2019

FINANCIAL STATEMENTS

CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)

AS AT DECEMBER 31, 2018

	Note	Un-Audited December 31, 2018 Rupees	Audited June 30, 2018 Rupees
SHARE CAPITAL AND RESERVES			
Share capital	4	48,073,640	48,073,640
Revenue reserves		866,753,834	969,924,404
Revaluation surplus on property, plant and equipment - net of tax		309,767,090	325,910,651
Total equity		1,224,594,564	1,343,908,695
NON-CURRENT LIABILITIES			
Employee benefits		26,686,333	28,155,977
Deferred tax liability - net		93,456,695	135,312,711
Non-current liabilities		120,143,028	163,468,688
CURRENT LIABILITIES			
Trade and other payables	5	571,324,709	328,271,859
Unclaimed dividend		37,026,961	23,164,922
Provision for taxation - net		57,603,185	75,764,462
Current liabilities		665,954,855	427,201,243
Total equity and liabilities		2,010,692,447	1,934,578,626
CONTINGENCIES AND COMMITMENTS			
	6		

The annexed explanatory notes from 1 to 15 form an integral part of the condensed interim financial statements.

	Note	Un-Audited December 31, 2018 Rupees	Audited June 30, 2018 Rupees
NON-CURRENT ASSETS			
Property, plant and equipment	7	676,734,756	674,436,714
Intangible assets		-	262,741
Long term deposits		4,856,327	4,467,411
Non-current assets		681,591,083	679,166,866
CURRENT ASSETS			
Stock in trade	8	1,006,658,429	743,022,089
Trade debts		88,116,210	302,296,951
Advances and prepayments		78,219,998	25,581,633
Advance duty and sales tax		30,823,077	107,468,221
Cash and bank balances		125,283,650	77,042,866
Current assets		1,329,101,364	1,255,411,760
Total assets		2,010,692,447	1,934,578,626



Chief Executive



Director

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)
FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2018

	Note	Three months ended 31 December		Six months ended 31 December	
		2018 Rupees	2017 Rupees	2018 Rupees	2017 Rupees
Turnover					
Revenue - gross	9	405,412,419	818,610,305	636,823,080	1,349,179,833
Sales tax and excise duty		(173,986,494)	(387,636,755)	(299,962,780)	(624,613,173)
Discounts		(23,687,200)	(28,850,278)	(42,581,200)	(36,818,228)
Revenue - net		207,738,725	402,123,272	294,279,100	687,748,432
Cost of sales	10	(229,754,138)	(205,848,154)	(313,207,245)	(345,908,780)
Gross (loss) / profit		(22,015,413)	196,275,118	(18,928,145)	341,839,652
Selling and distribution expenses		(17,307,793)	(2,657,215)	(17,860,436)	(5,055,475)
Administrative expenses		(27,217,059)	(37,127,670)	(66,119,168)	(62,005,316)
Other expenses		(22,663,662)	(11,359,730)	(22,663,662)	(19,634,543)
Other income		11,138,522	10,182,175	11,138,522	10,202,775
Operating (loss) / profit		(78,065,405)	155,312,678	(114,432,889)	265,347,093
Finance cost		(287,679)	(366,624)	(419,832)	(423,036)
(Loss) / profit before tax		(78,353,084)	154,946,054	(114,852,721)	264,924,057
Taxation		33,057,093	(43,527,867)	35,487,785	(79,382,914)
(Loss) / profit for the period		(45,295,991)	111,418,187	(79,364,936)	185,541,143
Earnings per share - basic and diluted (Rupees)	12	(9.42)	23.18	(16.51)	38.60

The annexed explanatory notes from 1 to 15 form an integral part of the condensed interim financial statements.



Chief Executive



Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2018

	Three month ended 31 December		Six month ended 31 December	
	2018 Rupees	2017 Rupees	2018 Rupees	2017 Rupees
(Loss) / profit for the period	(45,295,991)	111,418,187	(79,364,936)	185,541,143
Other comprehensive income for the period	-	-	-	-
Total comprehensive (loss) / income for the period	(45,295,991)	111,418,187	(79,364,936)	185,541,143

The annexed explanatory notes from 1 to 15 form an integral part of the condensed interim financial statements.



Chief Executive




Director

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2018

	Six month ended 31 December	
	2018 Rupees	2017 Rupees
Cash flows from operating activities		
(Loss) / profit before taxation	(114,852,721)	264,924,057
Adjustments for:		
- Depreciation	37,034,647	34,809,249
- Amortization	262,741	451,113
- Reversal of provision for doubtful debts	(10,989,571)	11,407,272
- Provision for staff retirement benefits	2,840,963	3,043,417
- Exchange gain	(6,951)	-
- Finance and other costs	23,083,494	423,036
	52,225,323	50,134,087
Operating cash flows before working capital changes	(62,627,398)	315,058,144
Effect on cash flow due to working capital changes (Increase)/decrease in current assets:		
- Stock in trade	(263,636,340)	(320,398,214)
- Trade debts	214,180,741	(75,038,122)
- Advances and prepayments	(52,638,365)	(26,935,144)
- Advance duty and sales tax	76,645,144	-
Increase in current liabilities:		
- Trade and other payables	231,378,759	195,120,886
	205,929,939	(227,250,594)
Cash generated from operating activities	143,302,541	87,807,550
Income tax paid	(24,529,508)	(29,832,526)
Gratuity paid	(4,310,607)	-
Finance cost paid	(419,832)	(423,036)
Net cash flows from operating activities	114,042,594	57,551,988
Cash flows from investing activities		
Acquisition of property, plant and equipment	(39,332,689)	(5,238,639)
Increase in long term deposits	(388,916)	-
Net cash used in investing activities	(39,721,605)	(5,238,639)
Cash flows from financing activities		
Dividend paid	(26,087,156)	(24,812,484)
Net cash used in financing activities	(26,087,156)	(24,812,484)
Net increase in cash and cash equivalents	48,233,833	27,500,865
Effects of exchange rates on cash and cash equivalents	6,951	-
Cash and cash equivalents at beginning of the period	77,042,866	82,946,732
Cash and cash equivalents at end of the period	125,283,650	110,447,597

The annexed explanatory notes from 1 to 15 form an integral part of the condensed interim financial statements.



Chief Executive



Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2018

	Share Capital	Capital reserve		Revenue reserves		Total equity
		Revaluation surplus on property, plant and equipment - net of tax	General reserve	Reserve for issuance of bonus shares	Unappropriated profit	
		(Rupees)				
Balance at 01 July 2017, as previously reported	12,018,410	-	3,312,465	-	804,336,406	819,667,281
Effect of change in policy	-	343,404,204	-	-	-	343,404,204
Balance at 01 July 2017 - restated	12,018,410	343,404,204	3,312,465	-	804,336,406	1,163,071,485
Total comprehensive income for the period	-	-	-	-	185,541,143	185,541,143
Profit for the period	-	-	-	-	185,541,143	185,541,143
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	185,541,143	185,541,143
Transfer from surplus on revaluation of property, plant and equipment - net of tax	-	(18,325,869)	-	-	18,325,869	-
Transactions with owners of the Company						
Distributions						
Final dividend for the year ended 30 June 2017 @ Rs. 33.21 per share	-	-	-	-	(39,913,140)	(39,913,140)
Reserve for issue of bonus shares	-	-	-	36,055,230	(36,055,230)	-
Balance at 31 December 2017	12,018,410	325,078,335	3,312,465	36,055,230	93,223,504	1,308,699,488
Balance at 01 July 2018	48,073,640	325,910,651	3,312,465	-	966,611,939	1,343,908,695
Total comprehensive income for the period	-	-	-	-	(79,364,936)	(79,364,936)
Loss for the period	-	-	-	-	(79,364,936)	(79,364,936)
Other comprehensive income	-	-	-	-	16,143,561	16,143,561
Total comprehensive income for the period	-	-	-	-	(63,221,375)	(63,221,375)
Transfer from surplus on revaluation of property, plant and equipment - net of tax	-	(16,143,561)	-	-	-	(16,143,561)
Transactions with owners of the Company						
Distributions						
Final dividend for the year ended 30 June 2018 @ Rs. 8.31 per share	-	-	-	-	(39,949,195)	(39,949,195)
Balance at 31 December 2018	48,073,640	309,767,090	3,312,465	-	863,441,369	1,224,594,564

The annexed explanatory notes from 1 to 15 form an integral part of the condensed interim financial statements.



Chief Executive



Director

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT [UNAUDITED]

FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2018

1. LEGAL STATUS AND OPERATIONS

Khyber Tobacco Company Limited ("the Company") is a public limited company incorporated in Pakistan on 15 October 1954 under the Companies Act, 1913 was repealed and replaced by the Companies Act, 2017 and its shares are quoted on Pakistan Stock Exchange. The Company is engaged in the manufacture and sale of cigarettes, cut tobacco and redried of tobacco.

2. STATEMENT OF COMPLIANCE

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

- International Accounting Standard 34: 'Interim Financial Reporting' (IAS 34), 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 with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 These condensed interim financial statements do not include all of the information required for the full financial statements and, therefore, these should be read in conjunction with annual audited financial statements for the year ended June 30, 2018. Comparative condensed statement of financial position is extracted from annual audited financial statements for the year ended June 30, 2018, whereas comparative condensed statement of profit or loss and other comprehensive income, comparative condensed statement of changes in equity and comparative of statement of cash flows are stated from un-audited condensed interim financial statements for the half year ended December 31, 2017.

2.3 The condensed interim financial statements are un-audited. However, a limited scope review has been performed by statutory auditor of the Company in accordance with Code of Corporate Governance and they have issued their review report thereon.

2.4 The Securities and Exchange Commission of Pakistan (SECP), through SRO 1007(I)/2017, dated October 4, 2017, had notified IFRS 9 "Financial Instruments", replacing the International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" with effect from reporting periods starting July 1, 2018 which has further been deferred for the half year ended December 31, 2018, through SRO 229 (I)/2019 dated February 14, 2019. Accordingly the requirements of IFRS 9 have not been considered in the preparation of these condensed interim financial statements.

3. ACCOUNTING POLICIES AND ESTIMATES

The significant accounting policies and methods of computation adopted in preparation of these condensed interim financial statements are the same as those applied in preparation of the annual audited financial statements of the Company for the year ended June 30, 2018 except as disclosed hereunder.

3.1 Changes in accounting policies due to adoption of new accounting standards

The following changes in accounting policies have taken place effective from July 1, 2018:

3.1.1 IFRS 15 - Revenue from contracts with customers

IFRS 15 - Revenue from contracts with customers (IFRS 15) replaced IAS 18 - Revenue, IAS 11 - Construction contracts, IFRIC 13 - Customer Loyalty Programmes, IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 18 - Transfers of Assets from Customers and SIC 31 - Revenue - Barter Transactions Involving Advertising Services. IFRS 15 provides a single, principles-based approach to the recognition of revenue from all contracts with customers and focuses on the identification of performance obligations in a contract and requires revenue to be recognised when or as those performance obligations in a contract are satisfied. The Company has adopted IFRS 15 by applying the modified retrospective approach according to which the Company is not required to

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT (UNAUDITED)

FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2018

restate the prior year results. However, the adoption of IFRS 15 does not have any impact on the reported revenue of the Company for the period ended December 31, 2017 or June 30, 2018.

3.2 Financial risk management

The Company's financial risk management objective and policies are consistent with those disclosed in the annual audited financial statements of the Company for the year ended June 30, 2018.

3.3 Fair value of financial assets and liabilities

The carrying value of financial assets and financial liabilities reported in these condensed interim financial statements approximates their fair values.

3.4 Estimates and judgements

Estimates and judgements made by management in the preparation of these condensed interim financial statements are same as those applied in the preparation of the annual audited financial statements of the Company for the year ended June 30, 2018

4 SHARE CAPITAL

4.1 Authorised share capital

Unaudited 31 December 2018	Audited 30 June 2018		Unaudited 31 December 2018	Audited 30 June 2018
Number of shares			Rupees	
20,000,000	20,000,000	Ordinary shares of Rs. 10 each	200,000,000	200,000,000

4.2 Issued, subscribed and paid up capital

		Ordinary shares of Rs. 10 each,		
1,201,841	1,201,841	- allocated for consideration paid in cash	12,018,410	12,018,410
3,605,523	3,605,523	- allocated as bonus shares	36,055,230	36,055,230
4,807,364	4,807,364		48,073,640	48,073,640

5 TRADE AND OTHER PAYABLES

	Unaudited 31 December 2018	Audited 30 June 2018
	Rupees	
Creditors	191,142,064	97,831,907
Accrued liabilities	27,473,287	25,292,209
Advances from customers	230,876,190	110,121,256
Workers' profit participation fund	95,391,018	72,727,356
Workers' welfare fund	4,296,661	10,995,284
Withholding tax payable	-	3,618,217
Tobacco cess payable	12,044,024	-
Other payable	10,101,465	7,685,630
	571,324,709	328,271,859

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT [UNAUDITED]

FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2018

6 CONTINGENCIES AND COMMITMENTS

6.1 Contingencies:

a) Litigation

In September 2014, the Federal Government promulgated Gas Infrastructure Development Cess (GIDC) Ordinance No.VI of 2014 to circumvent earlier decision of the Honorable Supreme Court on the subject, where it upheld that the earlier introduction of GIDC Act of 2011 was unconstitutional and ultra vires on the ground that GIDC was a 'fee' and not a 'tax'. The Government of Pakistan has enacted GIDC Act, 2015 during May 2015, including retrospective treatment of the provision of the GIDC Act. The Company has not made provision of GIDC amounting to Rs. 2.7 million (June 30, 2018: Rs. 2.7 million) in the financial statements as the management, based on legal opinion, is confident that the Company has the favorable prospect to get decision in its favor.

	Note	Unaudited 31 December 2018 Rupees	Audited 30 June 2018 Rupees
b) Guarantees			
Letters of guarantee issued by bank on behalf of the Company		900,000	900,000
c) Commitments:			
Letters of credit against import of machinery		-	36,265,166
Leasehold land		42,159	42,159
7 PROPERTY, PLANT AND EQUIPMENT			
Operating assets	7.1	676,734,756	598,975,776
Capital work in progress	7.2	-	75,460,938
		676,734,756	674,436,714
7.1 Operating assets			
Opening carrying value		598,975,776	652,719,504
Additions during the period / year			
Building on lease hold land		-	17,100
Plant and machinery		114,537,344	1,768,000
Tools and equipment		256,283	10,614,457
Furniture and fixtures		-	234,275
Office equipments		-	294,000
Vehicles		-	3,329,481
		114,793,627	16,257,313
Depreciation charged during the period / year		(37,034,647)	(70,001,041)
		676,734,756	598,975,776
7.2 Capital work in progress			
Opening carrying value		75,460,938	-
Additions during the period / year			
Plant and machinery		37,340,194	75,460,938
Capitalized during the period / year			
Plant and machinery		(112,801,132)	-
Closing carrying value		-	75,460,938

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT (UNAUDITED)

FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2018

11 FAIR VALUE OF FINANCIAL INSTRUMENTS

11.1 Classifications and fair values

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

On-balance sheet financial instruments	Note	Carrying value		Fair value			
		Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3
(Rupees)							
31 December 2018							
Financial assets not measured at fair value							
Long term deposits	11.2	4,856,327	-	4,856,327	-	-	-
Trade debts	9	88,116,210	-	88,116,210	-	-	-
Cash and bank balances		125,283,650	-	125,283,650	-	-	-
		218,256,187	-	218,256,187	-	-	-
Financial liabilities not measured at fair value							
Trade and other payables	11.2 5 & 11.3	-	228,716,816	228,716,816	-	-	-
On-balance sheet financial instruments							
30 June 2018							
Financial assets not measured at fair value							
Long term deposits	11.2	4,467,411	-	4,467,411	-	-	-
Trade debts	9	302,296,951	-	302,296,951	-	-	-
Cash and bank balances		77,042,866	-	77,042,866	-	-	-
		383,807,228	-	383,807,228	-	-	-
Financial liabilities not measured at fair value							
Trade and other payables	11.2 5 & 11.3	-	130,809,746	130,809,746	-	-	-

11.2 The Company has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

11.3 It excludes advances from customers, tobacco cess payable, workers' profit participation fund, workers' welfare fund and income tax deducted at source.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT [UNAUDITED]

FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2018

12 EARNINGS PER SHARE - basic and diluted

	Three month ended 31 December		Six month ended 31 December	
	2018 Rupees	2017 Rupees	2018 Rupees	2017 Rupees
12.1 Basis earnings per share				
(Loss) / Profit for the period - (Rupees)	(45,295,991)	111,418,187	(79,364,936)	185,541,143
Number of shares	4,807,364	4,807,364	4,807,364	4,807,364
Earnings per share - basic (Rupees)	(9.42)	23.18	(16.51)	38.60

12.2 Diluted earnings per share

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

13 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, directors and their close family members, companies with common directorship, executives, key management personnel and major shareholders of the Company. Transactions and balances as at reporting date with the related parties are disclosed as follows:

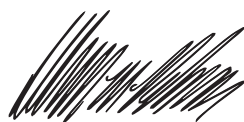
	Unaudited Three months ended 31 December		Unaudited Six months ended 31 December	
	2018 Rupees	2017 Rupees	2018 Rupees	2017 Rupees
Transaction with key management personnel				
Remuneration and allowances	6,855,000	6,995,000	13,710,000	13,990,000
Dividend paid	25,867,104	21,082,111	25,867,104	21,082,111

14 Date of authorisation for issue

This unaudited condensed interim financial statements was authorized for issue by the Board of Directors of the Company in their meeting held on 28 February, 2019.

15 GENERAL

Figures have been rounded off to the nearest rupee unless stated otherwise.



Chief Executive



Director

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