



Philip Morris  
(Pakistan) Limited

# Transforming for a **sustainable future**

FOR THE 1<sup>st</sup> QUARTER ENDED MARCH 31, 2022 (Un-audited)

<http://philipmorrispakistan.com.pk>







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# Corporate information

## BOARD OF DIRECTORS

KAMRAN Y. MIRZA  
ROMAN YAZBECK  
MUHAMMAD ZEESHAN  
PATTARAPORN AUTTAPHON  
PETER CALON  
MIRZA REHAN BAIG

(Chairman)  
(Chief Executive)

## COMPANY SECRETARY

SANA ENAIT HASHMI

## AUDIT COMMITTEE

MIRZA REHAN BAIG  
PETER CALON  
PATTARAPORN AUTTAPHON  
SANA ENAIT HASHMI

(Acting Chairman)

(Secretary)

## HUMAN RESOURCE & REMUNERATION COMMITTEE

KAMRAN Y. MIRZA  
ROMAN YAZBECK  
PETER CALON  
MIRELA SPAGOVIC

(Chairman)

(Secretary)

## AUDITORS

A. F. FERGUSON & CO.  
Chartered Accountants

## BANKERS

UNITED BANK LIMITED  
STANDARD CHARTERED BANK PAKISTAN LIMITED  
MCB BANK LIMITED  
HABIB BANK LIMITED  
CITI BANK N.A.  
DEUTSCHE BANK A.G.  
FAYSAL BANK LIMITED

## REGISTERED OFFICE

19TH FLOOR, THE HARBOUR FRONT,  
DOLMEN CITY, HC-3, BLOCK-4,  
CLIFTON, KARACHI-75600

## FACTORIES

1. G.T ROAD, QUADIRABAD, DISTRICT: SAHIWAL (PUNJAB)
2. LEAF DIVISION COMPLEX, 22ND KM, MARDAN SWABI ROAD, MARDAN (KPK)

## SHARE REGISTRAR

CENTRAL DEPOSITORY COMPANY OF  
PAKISTAN (CDC)  
CDC HOUSE, 99-B, BLOCK-B, S.M.C.H.S.,  
MAIN SHAHRAH-E-FAISAL, KARACHI -74400

Website : <http://philipmorriskpakistan.com.pk>

Email : [pmpk.info@pmi.com](mailto:pmpk.info@pmi.com)

# Director Report

The rising geopolitical tensions and resultant hike in oil and commodity prices had severely impacted the rupee valuation. The impact of increased oil and commodity prices in the global market coupled with the political instability in the Country has further deteriorated Pakistan's economic outlook resulting in increased inflationary pressures, widened current account deficit and depleting foreign reserves. The unprecedented hike in policy rate by State Bank of Pakistan will make the operating environment even more challenging for the businesses. The global oil and commodity prices are expected to remain elevated for the foreseeable future and Pakistan's economy will continue to face challenges at least in the short run.

The tax-paid cigarette industry in Pakistan continues to be challenged by the wide presence of non-tax paid illicit cigarettes, which constitute approximately 37-40% of the total cigarette consumption in Pakistan. Non-tax paid illicit cigarettes continue to sell at an average price of PKR 38 per pack while the minimum price prescribed under the tax laws for levy and collection of Federal Excise Duty and Sales Tax is PKR 63 per pack and the tax payable per pack (Excise + Sales Tax) is at least PKR 44 per pack (value tier) of cigarettes.

The wide price-gap between tax-paid and non-tax paid cigarette brands has been the primary driver for the growth of non-tax paid illicit cigarette trade (current price gap between tax-paid and non-tax paid brands is estimated at over 200%). Excise driven price increases have contributed to the growth of the non-tax paid illicit segment. The Government acknowledges the challenges that the tax-paying cigarette industry is facing in Pakistan and has in the recent past taken several initiatives to curb the growth of the illicit cigarette sector. During the first nine months ended March 31, 2022, of the ongoing fiscal year 2021/22, the Company's contribution to the National Exchequer (July'21-Mar'22) in the form of excise duty, sales tax and other government levies, stood at PKR 19,405 million (+9% versus prior period).

The FBR has recently issued the license for Track and Trace System for the tobacco industry in Pakistan, which is currently in the process of being implemented. We believe this can be a very effective tool to counter illicit cigarette trade, however, it is important to recognize that without an effective enforcement mechanism this initiative may not prove to be successful. To this end, it is imperative that across-the-board implementation is ensured for affixing tax stamps on each packet sold in the market to help achieve effective enforcement measures through identification of non-tax paid cigarette brands.

During the first quarter ended March 31, 2022, the Company's total Net Turnover stood at PKR 5,345 million (+20% vs. PY), reflecting domestic Net Turnover of PKR 4,497 million, + 2.1% vs. prior period driven by an unaltered excise tax rates coupled with Company's Exports Turnover of PKR 848 million an increase >100% vs. Q1 2021 due to delay in exports at the end of 2021 on account of external supply chain constraints. The Company recorded a Profit After Tax of PKR 1,150 million for the quarter ended March 31, 2022, vs. prior period Profit After Tax of PKR 718 million. Higher Profit After Tax was mainly driven by lower Distribution & Marketing Expenses in Q1'22 (timing & phasing of spend) due to higher spend in prior period driven by national expansion of the brand launch coupled with higher Gross Profit reflecting an increase in Net Turnover as mentioned above. During the three months ended, the Company's contribution to the National Exchequer, in the form of excise duty, sales tax and other government levies, stood at PKR 7,167 million higher by 1.6% compared to the same period last year.

Despite all the challenges, the Management of the Company continues to be committed to improving the overall financial performance of the Company by utilizing global resources, pursuing strategic commercial activities, bringing continuous improvements in product quality, process, and operational efficiency. Growing our gross margin and controlling the cost base will be the key objectives for managing the Company's profitability in a continuously challenging environment.

On behalf of the Board of Directors.



**KAMRAN Y. MIRZA**  
Chairman Board



**ROMAN YAZBECK**  
Chief Executive

Karachi, April 28, 2022

# ڈائریکٹرز رپورٹ

31 مارچ 2022 کو ختم ہونے والی سہ ماہی کے لیے فلپ مورس (پاکستان) لمیٹڈ کی ڈائریکٹرز رپورٹ

بڑھتی ہوئی جغرافیائی سیاسی کشیدگی اور اس کے نتیجے میں تیل اور اشیاء کی قیمتوں میں اضافے نے روپے کی قدر کو بری طرح متاثر کیا۔ عالمی منڈی میں تیل اور اجناس کی قیمتوں میں اضافے کے اثرات کے ساتھ ساتھ ملک میں سیاسی عدم استحکام سے پاکستان کا معاشی نقطہ نظر مزید متزلزل کا شکار ہوا ہے اور اس کے نتیجے میں مہنگائی کے دباؤ میں اضافہ، کرنٹ اکاؤنٹ خسارے میں اضافہ، غیر ملکی ذخائر میں کمی واقع ہوئی ہے۔ اسٹیٹ بینک آف پاکستان کی جانب سے پالیسی ریٹ میں غیر معمولی اضافہ کا روبرو کر کے لیے آپریٹنگ ماحول کو مزید مشکل بنا دے گا۔ عالمی سطح پر تیل اور اجناس کی قیمتیں طویل عرصے تک بلند رہنے کی توقع ہے اور اس کے نتیجے میں پاکستان کی معیشت کو کم از کم مختصر مدت میں چیلنجز کا سامنا کرنا پڑے گا۔

پاکستان میں ٹیکس ادا کرنے والی سگریٹ کی صنعت کو ٹیکس ادا نہ کرنے والی غیر قانونی سگریٹوں کی وسیع پیمانے پر موجودگی کی وجہ سے مشکل کا سامنا ہے، جو پاکستان میں سگریٹ کی گُل کھپت کا تقریباً 37 سے 40 فیصد ہے۔ ٹیکس ادا نہ کیے جانے والی غیر قانونی سگریٹیں 38 روپے فی پیک کی اوسط قیمت پر فروخت ہوتی رہتی ہیں جب کہ ٹیکس قوانین کے تحت لیوی اور فیڈرل ایکسائز ڈیوٹی اور سیلز ٹیکس کی وصولی کے لیے تجویز کردہ کم از کم قیمت 63 روپے فی پیک ہے اور سگریٹوں کے فی پیک (قدر کا درجہ) ٹیکس کی ادائیگی (ایکسائز + سیلز ٹیکس) کم از کم 44 روپے ہے۔

ٹیکس ادا کرنے والی اور ٹیکس ادا نہ کرنے والی سگریٹ کے برانڈز کے درمیان قیمت کا وسیع فرق پاکستان میں تجارت کے تخمینے کے مطابق ٹیکس ادا نہ کرنے والی اور ٹیکس ادا نہ کرنے والی سگریٹ کی غیر قانونی تجارت کی ترقی کا بنیادی محرک رہا ہے (ٹیکس ادا کرنے والے اور ٹیکس ادا نہ کرنے والے برانڈز کے درمیان موجودہ قیمت کا فرق تقریباً 200 فیصد سے زیادہ ہے)۔ ایکسائز پر مبنی قیمتوں میں اضافے نے ٹیکس ادا نہ کرنے والے غیر قانونی طبقے کی ترقی میں اہم کردار ادا کیا ہے۔ حکومت ان چیلنجز کو تسلیم کرتی ہے جن کا پاکستان میں ٹیکس ادا کرنے والی انڈسٹری کو سامنا ہے اور اس نے ماضی قریب میں سگریٹ کے غیر قانونی شعبے کی ترقی کو روکنے کے لیے کئی اقدامات کیے ہیں۔ جاری مالی سال 2021/22 کے 31 مارچ 2022 کو ختم ہونے والے پہلے نو (9) ماہ کے دوران، ایکسائز ڈیوٹی، سیلز ٹیکس اور دیگر سرکاری محصولات کی شکل میں قومی خزانے (جولائی 2021 - مارچ 2021) میں کمپنی کا حصہ 19,405 ملین روپے (پچھلی مدت کے مقابلے میں +9 فیصد) رہا۔

حال ہی میں ایف بی آر نے پاکستان میں تباہی کی صنعت کے لیے ٹریڈ اینڈ ٹریڈس سسٹم کا لائسنس جاری کیا ہے، جس پر عمل درآمد جاری ہے۔ ہم سمجھتے ہیں کہ سگریٹ کی غیر قانونی تجارت کا مقابلہ کرنے کے لیے یہ ایک بہت موثر ذریعہ ہو سکتا ہے، تاہم، یہ تسلیم کرنا ضروری ہے کہ نفاذ کے موثر طریقہ کار کے بغیر یہ اقدام کامیاب نہیں ہو سکتا۔ اس مقصد کے لیے، یہ ضروری ہے کہ مارکیٹ میں فروخت ہونے والے ہر پیکٹ پر ٹیکس اسٹامپ لگانے کے لیے بلا امتیاز عمل درآمد کو یقینی بنایا جائے تاکہ ٹیکس ادا نہ کرنے والے سگریٹ برانڈز کی شناخت کے ذریعے ٹیکس ادا نہ کرنے والے غیر قانونی طے کو روکنے میں مدد مل سکے۔

31 مارچ 2022 کو ختم ہونے والی پہلی سہ ماہی کے دوران کمپنی کا اندرونی خالص ٹرن اوور 4,497 ملین روپے رہا جو ایکسائز ٹیکس کی غیر تبدیل شدہ شرحوں کی طرف سے کارفرما پچھلے سال کے مقابلے میں +2.1 فیصد اضافہ ظاہر کرتا ہے۔ بیرونی سپلائی چین کی رکاوٹوں کے باعث 2021 کے آخر تک برآمدات میں تاخیر کے سبب کمپنی کے 848 ملین روپے (4.8 ملین امریکی ڈالر) کی برآمدات کے ٹرن اوور کے ساتھ مل کر، Q1 2021 کے مقابلے میں 100 فیصد سے زیادہ کا اضافہ۔ کمپنی نے 31 مارچ 2022 کو ختم ہونے والے سال کے لیے 1,150 ملین روپے (تین ماہ کے مجموعی ٹرن اوور کے 9 فیصد کے برابر) کا بعد از ٹیکس منافع ریکارڈ کیا، بمقابلہ پچھلی مدت میں 718 ملین روپے کا منافع بعد از ٹیکس جو پچھلی مدت میں زیادہ اخراجات کی وجہ سے برانڈ لائچ کے ساتھ ساتھ زیادہ مجموعی منافع کے ساتھ اوپر بیان شدہ خالص ٹرن اوور میں اضافے کو ظاہر کرتا ہے اور Q1 22 (خرچ کا وقت) میں کم ڈسٹری بیوشن اور مارکیٹنگ کے اخراجات کی عکاسی کرتا ہے۔ ختم ہونے والے تین (3) مہینوں کے دوران، ایکسائز ڈیوٹی، سیلز ٹیکس اور دیگر سرکاری محصولات کی صورت میں قومی خزانے میں کمپنی کا حصہ 7,167 ملین روپے رہا (پچھلے سال کی اسی مدت کے مقابلے میں 1.6 فیصد زیادہ) جو تین ماہ کے مجموعی ٹرن اوور کا 56 فیصد ظاہر کر رہا ہے۔

کمپنی کی انتظامیہ عالمی وسائل کو بروئے کار لاتے ہوئے، اسٹریٹجک مارکیٹنگ کی سرگرمیوں کو آگے بڑھاتے ہوئے، مصنوعات کے معیار، عمل اور آپریشنل کارکردگی میں مسلسل بہتری لاتے ہوئے کمپنی کی مجموعی مالی کارکردگی کو بہتر بنانے کے لیے پُر عزم ہے۔ اپنی مجموعی بچت میں اضافہ اور لاگت کی بنیاد کو کنٹرول کرنا، یہ دونوں کمپنی کے منافع کو مسلسل مشکل ماحول میں منظم کرنے کے کلیدی مقاصد تھے۔

بورڈ آف ڈائریکٹرز کی جانب سے



روشن یاز بیک  
چیف ایگزیکٹو



کامران وائی۔ مرزا  
چیرمین بورڈ

کراچی 28 اپریل 2022





# Financial Statements

# CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION


AS AT MARCH 31, 2022

		March 31, 2022 (Un-audited)	December 31, 2021 (Audited)
	Note	(Rupees in thousand)	
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
<b>FIXED ASSETS</b>			
- Property, plant and equipment	5	5,276,606	5,350,514
- Right-of-use assets		172,726	181,307
- Intangibles		40,824	46,935
		<u>5,490,156</u>	<u>5,578,756</u>
Investment in a subsidiary company	6	1	1
Long term deposits		78,520	78,520
Deferred taxation		460,380	651,482
		<u>6,029,057</u>	<u>6,308,759</u>
<b>CURRENT ASSETS</b>			
Stores and spares - net		64,221	65,821
Stock in trade - net	7	4,711,999	5,869,601
Trade debts - net		8,075	-
Advances	8	140,081	136,972
Prepayments		44,697	59,756
Other receivables		271,189	292,739
Income tax - net		391,320	589,322
Staff retirement benefits		111,463	111,463
Cash and bank balances		9,693,563	7,991,843
Assets held for disposal	9	-	-
		<u>15,436,608</u>	<u>15,117,517</u>
<b>TOTAL ASSETS</b>		<u>21,465,665</u>	<u>21,426,276</u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital		12,000,000	12,000,000
Issued, subscribed and paid-up capital			
- Ordinary shares		615,803	615,803
- Preference shares		10,464,000	10,464,000
		<u>11,079,803</u>	<u>11,079,803</u>
Transaction cost on issuance of preference shares - net of tax		(33,911)	(33,911)
		<u>11,045,892</u>	<u>11,045,892</u>
Reserves		3,475,412	2,325,580
<b>TOTAL EQUITY</b>		<u>14,521,304</u>	<u>13,371,472</u>
<b>NON CURRENT LIABILITIES</b>			
Lease liabilities		116,693	134,142
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	4,589,128	6,310,239
Current maturity of lease liabilities		125,852	121,866
Unclaimed dividend		36,966	37,029
Accrued mark-up on short term borrowings		-	67
Sales tax and excise duty payable		2,075,722	1,451,461
<b>TOTAL CURRENT LIABILITIES</b>		<u>6,827,668</u>	<u>7,920,662</u>
<b>TOTAL LIABILITIES</b>		<u>6,944,361</u>	<u>8,054,804</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>21,465,665</u>	<u>21,426,276</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	11		

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.

  
Kamran Mirza  
Chairman / Director

  
Roman Yazbeck  
Chief Executive Officer

  
Muhammad Zeeshan  
Chief Financial Officer

# CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UN-AUDITED)

FOR THE QUARTER ENDED MARCH 31, 2022

		Quarter Ended	
		March 31, 2022	March 31, 2021
		(Un-audited)	
	Note	(Rupees in thousand)	
Turnover - net	12	5,345,217	4,439,791
Cost of sales	13	3,030,132	2,291,178
Gross profit		2,315,085	2,148,613
Distribution and marketing expenses		537,474	850,882
Administrative expenses		283,818	338,770
Other expenses		111,469	134,855
Other income		(236,449)	(253,260)
		696,312	1,071,247
Operating profit		1,618,773	1,077,366
Finance cost and bank charges		15,627	19,160
Profit before taxation		1,603,146	1,058,206
Taxation	14	453,314	339,794
Profit after taxation		1,149,832	718,412
Other comprehensive income		-	-
Total comprehensive income for the year		1,149,832	718,412
		----- (Rupees) -----	
Earnings per share			
- Basic	15.1	18.67	11.67
- Diluted	15.2	15.03	10.19

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.



Kamran Mirza  
Chairman / Director



Roman Yazbeck  
Chief Executive Officer



Muhammad Zeeshan  
Chief Financial Officer

# CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Un-audited)

FOR THE QUARTER ENDED MARCH 31, 2022

Issued, subscribed and paid-up capital		Transaction cost on issuance of preference shares - net of tax	Reserves						Subtotal - Reserves	Total
Ordinary shares	Preference shares		Capital Reserves		Subtotal Capital Reserves	Revenue Reserves				
			Reserve for share based payments	Re-measurement of staff retirement gratuity plan - net of tax		General reserve	Unappropriated (loss) / profit	Subtotal Revenue Reserves		
----- (Rupees in thousand) -----										

(Rupees in thousand)

**Balance as at January 1, 2021** 615,803 10,464,000 (33,911) 17,663 (244,220) (226,557) 3,328,327 (3,074,163) 254,164 27,607 11,073,499

Total comprehensive income

Profit after taxation for the three months period ended March 31, 2021

-	-	-	-	-	-	-	718,412	718,412	718,412	718,412
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**Balance as at March 31, 2021**

615,803	10,464,000	(33,911)	17,663	(244,220)	(226,557)	3,328,327	(2,355,751)	972,576	746,019	11,791,911
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**Balance as at January 1, 2022**

615,803	10,464,000	(33,911)	23,182	(258,429)	(235,247)	3,328,327	(767,500)	2,560,827	2,325,580	13,371,472
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Total comprehensive income

Profit after taxation for the three months period ended March 31, 2022

-	-	-	-	-	-	-	1,149,832	1,149,832	1,149,832	1,149,832
-	-	-	-	-	-	-	1,149,832	1,149,832	1,149,832	1,149,832

**Balance as at March 31, 2022**

615,803	10,464,000	(33,911)	23,182	(258,429)	(235,247)	3,328,327	382,332	3,710,659	3,475,412	14,521,304
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The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.

  
Kamran Mirza  
Chairman / Director

  
Roman Yazbeck  
Chief Executive Officer

  
Muhammad Zeeshan  
Chief Financial Officer

# CONDENSED INTERIM STATEMENT OF CASH FLOWS (Un-audited)

FOR THE QUARTER ENDED MARCH 31, 2022

		Quarter Ended	
		March 31, 2022	March 31, 2021
		(Un-audited)	
Note		(Rupees in thousand)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	17	1,717,711	2,171,913
Finance cost paid		(15,694)	(19,172)
Income taxes paid		(64,210)	(50,192)
Profit received on savings accounts		190,357	80,543
Long term deposits and prepayments		-	240
Net cash generated from operating activities		1,828,164	2,183,332
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(141,724)	(119,229)
Proceeds from disposal of items of property, plant and equipment		39,257	62,771
Net cash used in investing activities		(102,467)	(56,458)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(63)	(1,073,359)
Principal element of lease payments		(23,914)	(21,122)
Net cash used in financing activities		(23,977)	(1,094,481)
Net increase in cash and cash equivalents during the period		1,701,720	1,032,393
Cash and cash equivalents at the beginning of the period		7,972,982	5,364,473
Cash and cash equivalents at the end of the period	18	9,674,702	6,396,866

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.

  
Kamran Mirza  
Chairman / Director

  
Roman Yazbeck  
Chief Executive Officer

  
Muhammad Zeeshan  
Chief Financial Officer

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited)

FOR THE QUARTER ENDED MARCH 31, 2022

## 1. THE COMPANY AND ITS OPERATIONS

Philip Morris (Pakistan) Limited (the Company) was incorporated in Pakistan on February 10, 1969 as a public limited company under the Companies Act, 1913 (now the Companies Act, 2017). The Company is listed on the Pakistan Stock Exchange. The principal activity of the Company is the manufacturing and sale of cigarettes and tobacco products. Its registered office is situated at 19th Floor, The Harbour Front, Dolmen City, HC - 3, Block 4, Clifton, Karachi, Pakistan.

## 2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES

- 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:

(a) International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Act; and

(b) Provisions of and directives issued under the Act.

Where the provisions of, and directives issued under the Act differ with the requirements of IAS 34, the provisions of and directives issued under the Act have been followed.

- 2.2 The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the Company's audited financial statements for the year ended December 31, 2021 (December 2021 financial statements), except relating to the matter stated in note 2.3 below.

- 2.3 Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

- 2.4 New standards, amendments and an interpretation to published accounting and reporting standards which became effective during the period ended March 31, 2022:

There were certain amendments to accounting and reporting standards which became effective for the Company's accounting during the current period. However, these do not have any significant impact on the Company's financial reporting and, therefore, have not been detailed in these condensed interim financial statements.

## 3. BASIS OF PREPARATION

- 3.1 These condensed interim financial statements include the condensed interim statement of financial position as at March 31, 2022, the condensed interim statement of profit or loss and other comprehensive income, the condensed interim statement of changes in equity, the condensed interim statement of cash flows and notes thereto for the three months period then ended which were not audited.

- 3.2 The comparative statement of financial position presented in these condensed interim financial statements as at December 31, 2021 has been extracted from the December 2021 financial statements. The comparative statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the three months period ended March 31, 2021 have been extracted from the condensed interim financial statements of the Company for the three months period then ended, which were not audited.

- 3.3 These interim financial statements should be read in conjunction with the December 2021 financial statements as these provide an update of previously reported information.

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited)

FOR THE QUARTER ENDED MARCH 31, 2022

## 4. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

- 4.1 The preparation of these condensed interim financial statements in conformity with approved accounting and reporting standards for interim reporting requires the use of certain accounting estimates. It also requires management to exercise its judgments in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.
- 4.2 During the preparation of these condensed interim financial statements, significant judgments made by management in applying the Company's accounting policies and key sources of estimation were the same as those applied in the December 2021 financial statements.
- 4.3 The Company's financial risk management objectives and policies are consistent with those disclosed in the December 2021 financial statements.

		March 31, 2022 (Un-audited)	December 31, 2021 (Audited)
	Note	(Rupees in thousand)	
5. PROPERTY, PLANT AND EQUIPMENT			
Operating property, plant and equipment	5.1	4,842,210	4,685,850
Capital work-in-progress (CWIP)	5.5	434,396	664,664
		5,276,606	5,350,514
5.1 Operating property, plant and equipment			
Book value at the beginning of the period / year		4,685,850	5,003,286
Additions / transfers from CWIP during the period / year	5.2	371,992	641,527
		5,057,842	5,644,813
Disposals during the period / year - net book value	5.3	(2,047)	(64,715)
Write offs during the period / year - net book value		(657)	(1,278)
Impairment during the period / year - net book value		-	(11,159)
Depreciation charge during the period / year	5.4	(212,928)	(881,811)
		(215,632)	(958,963)
Book value at the end of the period / year		4,842,210	4,685,850

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited)

FOR THE QUARTER ENDED MARCH 31, 2022

		Quarter Ended	
		March 31, 2022	March 31, 2021
		(Un-audited)	
		(Rupees in thousand)	
5.2	Additions / transfers from CWIP during the period		
	Buildings on freehold land	10,065	18,158
	Buildings on leasehold land	-	9,663
	Plant and machinery	266,576	21,864
	Furniture and fixtures	26	3,031
	Office equipments	5,916	592
	Vehicles	24,770	-
	Power and other installations	9,899	14,174
	Computer Equipment	54,740	6,218
		<u>371,992</u>	<u>73,700</u>
5.3	Disposals during the period - net book value		
	Vehicles	2,047	18,157
		<u>2,047</u>	<u>18,157</u>
5.4	Depreciation charge during the period on property, plant and equipment		
		<u>212,928</u>	<u>226,158</u>
		March 31, 2022	December 31, 2021
		(Un-audited)	(Audited)
		(Rupees in thousand)	
5.5	Capital work-in-progress		
	Civil works	658	-
	Plant and machinery	428,534	531,717
	Power and other installations	4,052	9,253
	Furniture and fixtures	-	39,812
	Computer equipment pending installations	1,152	58,662
	Advance to suppliers and contractors	-	25,220
		<u>434,396</u>	<u>664,664</u>



# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited)

FOR THE QUARTER ENDED MARCH 31, 2022

## 6. INVESTMENT IN A SUBSIDIARY COMPANY

This represents the cost of 103 fully paid ordinary shares of Rs 10 each in Laksonpremier Tobacco Company (Private) Limited (the Subsidiary Company). Out of such 103 shares, two shares are in the name of the nominees. The statement of profit or loss and other comprehensive income of the Subsidiary Company for the three months period ended March 31, 2022 amounted to Rs Nil resulting in an accumulated loss of Rs 1,030 as at that date. The net assets of the Subsidiary Company as at March 31, 2022 amounted to Rs Nil, in accordance with the un-audited condensed interim financial statements for the three months period then ended. The subsidiary company has filed an application dated August 30, 2019 with the Securities and Exchange Commission of Pakistan (SECP) for obtaining the status of an inactive company under section 424 of the Companies Act, 2017, however, response in this regard from SECP is awaited.

The auditor of the subsidiary company has expressed an unmodified audit opinion on the financial statements of the subsidiary company for the year ended December 31, 2021.

The audited financial statements of the subsidiary company are available for inspection at the Company's registered office and are available to the members on request without any cost.

The investment in the subsidiary Company has been made in accordance with the requirements of the Companies Act, 2017.

		March 31, 2022 (Un-audited)	December 31, 2021 (Audited)
<b>7. STOCK IN TRADE - net</b>	Note	(Rupees in thousand)	
Raw and packing materials	7.1	3,717,025	5,047,334
Work-in-process		212,921	260,725
Finished goods		835,326	619,328
		<u>4,765,272</u>	<u>5,927,387</u>
Provision for obsolete stocks	7.2	(53,273)	(57,786)
		<u>4,711,999</u>	<u>5,869,601</u>
7.1	Includes raw & packing material in transit aggregating Rs 213.84 million (December 31, 2021: Rs 312.616 million)		
7.2	During the current period, the Company has written off provision against raw and packing materials aggregating Rs 3.343 million (December 31, 2021: Rs 32.038 million).		

		March 31, 2022 (Un-audited)	December 31, 2021 (Audited)
<b>8. ADVANCES</b>	Note	(Rupees in thousand)	
Unsecured			
Advances to:			
- Employees	8.1	9,359	9,442
- Suppliers and contractors		35,627	32,435
		<u>44,986</u>	<u>41,877</u>
Secured			
Advance to a supplier	8.2	111,261	111,261
Less: Provision against advance		(16,166)	(16,166)
		<u>95,095</u>	<u>95,095</u>
		<u>140,081</u>	<u>136,972</u>

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited)

FOR THE QUARTER ENDED MARCH 31, 2022

- 8.1 Advances to employees are given to meet business expenses and are settled as and when the expenses are incurred.
- 8.2 There is no signification change in the status of the case as set out in note 11.2 to the December 2021 financial statements.

March 31, 2022 (Un-audited)	December 31, 2021 (Audited)
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## 9. ASSETS HELD FOR DISPOSAL

(Rupees in thousand)

Transferred from property, plant and equipment  
Cost  
Less: Accumulated depreciation  
Less: Accumulated impairment

193,526	193,526
(56,524)	(56,524)
(137,002)	(137,002)
-	-

## 10. TRADE AND OTHER PAYABLES

Creditors  
Bills payable  
Royalty payable to a related party  
Accrued expenses  
Tobacco development cess  
Contractors' retention money  
Advance from customers / contract liabilities - unsecured  
Workers' welfare fund  
Workers' profit participation fund  
Others

1,962,278	2,245,336
876,432	967,614
294,640	270,378
835,352	1,152,944
53,685	53,685
7,489	7,489
91,419	1,129,175
75,795	61,713
85,127	-
306,911	421,905
4,589,128	6,310,239

## 11. CONTINGENCIES AND COMMITMENTS

### 11.1 Guarantees

Indemnities given to banks for guarantees issued by them in the normal course of business aggregated Rs 69.565 million (December 31, 2021: Rs 69.565 million).

March 31, 2022 (Un-audited)	December 31, 2021 (Audited)
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### 11.2 Commitments

(Rupees in thousand)

Capital expenditure contracted for but not incurred  
Post dated cheques  
Letters of credit

5,419	28,077
61,895	61,895
6,414	57,340

### 11.3 Contingencies

There is no significant change in the status of the cases set out in notes 21.3 to 21.6 to the December 2021 financial statements.

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited)

FOR THE QUARTER ENDED MARCH 31, 2022

		Quarter Ended	
		March 31, 2022	March 31, 2021
		(Un-audited)	
		(Rupees in thousand)	
<b>12. TURNOVER - net</b>			
Gross turnover		12,794,643	11,610,488
Less: Trade discount		262,984	230,098
Sales tax		1,798,481	1,735,878
Excise duty		5,387,961	5,204,721
		7,449,426	7,170,697
		5,345,217	4,439,791
<b>13. COST OF SALES</b>			
<b>Raw and packing materials consumed</b>			
Opening stock		5,047,334	3,856,116
Purchases, redrying and related expenses		1,251,057	1,122,522
		6,298,391	4,978,638
Closing stock		(3,717,025)	(3,494,917)
		2,581,366	1,483,721
Government levies		10,291	4,903
Manufacturing expenses		608,467	510,889
		3,200,124	1,999,513
<b>Work-in-process</b>			
Opening stock		260,725	174,886
Closing stock		(212,921)	(183,922)
Sale of waste		(1,798)	(3,083)
		46,006	(12,119)
Cost of goods manufactured		3,246,130	1,987,394
<b>Finished goods</b>			
Opening stock		619,328	904,945
Closing stock		(835,326)	(601,161)
		(215,998)	303,784
		3,030,132	2,291,178
<b>14. TAXATION</b>			
Current		262,212	175,168
Deferred		191,102	164,626
		453,314	339,794

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited)

FOR THE QUARTER ENDED MARCH 31, 2022

		Quarter Ended	
		March 31, 2022	March 31, 2021
<b>15. EARNINGS PER SHARE – BASIC AND DILUTED</b>		(Un-audited)	
15.1 Basic earnings per share		(Rupees in thousand)	
Profit for the period after taxation		<u>1,149,832</u>	<u>718,412</u>
		(No. of shares)	
Weighted average number of ordinary shares		<u>61,580,341</u>	<u>61,580,341</u>
		(Rupees)	
Basic earnings per share		<u>18.67</u>	<u>11.67</u>
		(Rupees in thousand)	
15.2 Diluted earnings per share			
Profit for the period after taxation		<u>1,149,832</u>	<u>718,412</u>
		(No. of shares)	
Weighted average number of ordinary shares		<u>61,580,341</u>	61,580,341
Adjustment for convertible preference shares		<u>14,904,922</u>	<u>8,903,818</u>
		<u>76,485,263</u>	<u>70,484,159</u>
		(Rupees)	
Diluted earnings per share		<u>15.03</u>	<u>10.19</u>

## 16. RELATED PARTIES DISCLOSURES

- 16.1 Related parties comprise of Philip Morris Investments B.V., (the parent company) and Philip Morris Brands S.a.r.l, related group undertakings, subsidiary company - Laksonpremier Tobacco Company (Private) Limited, staff retirement benefit funds and members of the key management personnel. The Company enters into transactions with related parties on the basis of mutually agreed terms. The transactions with related parties can be summarised as follows:

Relationship	Nature of transaction	Quarter Ended	
		March 31, 2022	March 31, 2021
		(Un-audited)	
		(Rupees in thousand)	
Associated undertakings	Sale of goods and services	1,515,581	39,460
	Purchase of goods and services	79,104	197,282
	Royalty charges	32,784	32,243
Staff retirement plans	Contribution to gratuity fund	19,150	18,038
	Contribution to provident fund	23,991	21,640
Key management personnel	Remuneration and benefits - note 16.1.1 to 16.1.3	10,485	10,077

The company enters into transactions with related parties on the basis of mutually agreed terms.

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited)

FOR THE QUARTER ENDED MARCH 31, 2022

- 16.1.1 The Company considers its chief executive and board of directors as members of key management personnel.
- 16.1.2 The chief executive, executive directors and certain executives are provided with free use of the company maintained cars.
- 16.1.3 Certain executives are on secondment from the group undertakings and no remuneration is charged to the Company in respect of those executives.

		Quarter Ended	
		March 31, 2022	March 31, 2021
		(Un-audited)	
		(Rupees in thousand)	
17.	CASH GENERATED FROM OPERATIONS		
	Note		
		1,603,146	1,058,206
Profit before taxation			
Adjustments for non cash changes and other items:			
Depreciation		231,960	253,554
Amortisation		6,111	5,592
Profit on short term deposits		(190,357)	(80,543)
Profit on disposal of property, plant and equipment		(37,210)	(44,614)
Property, plant and equipment written off		657	137
Finance cost		15,627	19,160
Working capital changes	17.1	87,777	960,421
		<u>1,717,711</u>	<u>2,171,913</u>
17.1	Working capital changes		
Decrease / (increase) in current assets			
Stores and spares		1,600	5,573
Stock in trade		1,157,602	639,116
Trade debts		(8,075)	-
Advances		(3,109)	10,878
Prepayments		15,059	(7,071)
Other receivables		21,550	15,798
		<u>1,184,627</u>	<u>664,294</u>
Increase / (decrease) in current liabilities			
Trade and other payables		(1,721,111)	(112,775)
Sales tax and excise duty payable		624,261	408,902
		<u>(1,096,850)</u>	<u>296,127</u>
		<u>87,777</u>	<u>960,421</u>
18.	CASH AND CASH EQUIVALENTS		
Cash and bank balances		9,693,563	6,415,727
Less: Amount held as security		(18,861)	(18,861)
		<u>9,674,702</u>	<u>6,396,866</u>
19.	DATE OF AUTHORISATION FOR ISSUE		


These condensed interim financial statements were authorised for issue on 28 April, 2022 by the Board of Directors of the Company.

## 20. GENERAL

Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

  
Kamran Mirza  
Chairman / Director

  
Roman Yazbeck  
Chief Executive Officer

  
Muhammad Zeeshan  
Chief Financial Officer