



PHILIP MORRIS
(PAKISTAN) LIMITED

QUARTERLY REPORT

For the third quarter ended September 30, 2021
(Un-audited)

QUARTERLY REPORT

For the third quarter ended September 30, 2021
(Un-audited)



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COMPANY INFORMATION

BOARD OF DIRECTORS

KAMRAN Y. MIRZA	(Chairman)
ROMAN YAZBECK	(Chief Executive)
MUHAMMAD ZEESHAN	
PATTARAPORN AUTTAPHON	
PETER CALON	
MIRZA REHAN BAIG	
GHULAM NABI KAZI	

COMPANY SECRETARY

SANA ENAIT HASHMI

AUDIT COMMITTEE

GHULAM NABI KAZI	(Chairman)
PETER CALON	
PATTARAPORN AUTTAPHON	
SANA ENAIT HASHMI	(Secretary)

HUMAN RESOURCE & REMUNERATION COMMITTEE

KAMRAN Y. MIRZA	(Chairman)	
ROMAN YAZBECK		
PETER CALON		
SARAH HASSAN	(Until March 31, 2021)	(Secretary)
MIRELA SPAGOVIC	(from June 1, 2021)	(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 : philipmorriskpakistan.com.pk

Email : pmpk.info@pmi



DIRECTORS' REPORT

Pakistan's economy started gaining momentum in the first half of the calendar year, however, is now facing headwinds. The rising inflation as a result of increase in commodity and fuel prices as well as sharp rupee devaluation v/s US\$ made the operating environment highly challenging thereby raising the cost of doing business.

Unaltered excise rate on cigarettes in Jun'21 during Federal Budget 2021/22 is supporting Government Revenues and added to FBRs record revenue collection. During the first Quarter ended September 30, 2021 of the ongoing Government's fiscal year 2021/22, the Company's contribution to the National Exchequer (July'21-Sep'21) in the form of excise duty, sales tax and other government levies, stood at PKR 6,014 million (higher by 22.1% versus the same period in the prior year). No change in excise rates also led to consumer price stability of the tax paying cigarette brands, however, price gap between tax paid and non-tax paid brands remained +200% with compliant cigarette brands price in value category at Rs 77/pack vs. non-tax paid brands continue selling significantly lower than the minimum price for the purposes of levy and collection of federal excise duty i.e. PKR 63/pack. Non-tax paid brands continue to have an annual loss of PKR 77 billion (estimated) to the national exchequer.

During the period, FBR has initiated the implementation of Track & Trace system for the tobacco industry which is encouraging, and we would like to see its implementation across the board to ensure level playing field for the tax paid sector. Further, administrative steps such as the recently announced requirement on brand licensing for specified sectors (including tobacco) in the Federal Excise Act 2005 is an encouraging step and much needed intervention from FBR against non-tax paid brands.

During the nine months ended September 30, 2021, the Company's Net Turnover stood at PKR 12,789 million reflecting an increase of 7.5% versus the same period last year. During this period, the Company's contribution to the National Exchequer, in the form of excise duty, sales tax and other government levies, stood at PKR 20,449 million (higher by 17.4% compared to the same period last year) which is equivalent to 60.9% of nine months Gross Turnover. The Company recorded Profit After Tax of PKR 2,071 million for the nine months ended September 30, 2021 which is equivalent to 6.2% of nine months Gross Turnover.

	Rs in million	
	Jan-Sep, 2021	Jan-Sep, 2020
Turnover - Net	12,789	11,899
Cost of Sales	6,699	6,688
Gross Profit	6,090	5,211
Operating Profit	3,126	2,524
Profit Before Tax	3,077	2,457
Profit After Tax	2,071	1,828
Earnings Per Share	33.63	29.69



DIRECTORS' REPORT

As part of our unwavering commitment towards Inclusion & Diversity, the Company launched a "Make your Comeback" program directed towards women who left their careers due to personal reasons and subsequently wish to resume their careers. This is a 3-month program that will allow women to make a career comeback by helping them polish and improve their professional skills as well as provide exposure and training to continue with their careers post the program.

As part of our aim to empower the youth, the Company partnered with Social Entrepreneurship and Equity Development (SEED) ventures to identify, mentor and develop social startups and entrepreneurs who are using technology to deliver sustainable, tech focused interventions for socio-economic issues being faced by the country. Under this project the Company has provided support to the top 3 start-ups with continued mentorship and networking opportunities for additional 3 months. Further, as part of our anti-littering campaign, the Company in partnership with SEED Ventures conducted a cleanup drive at Karachi's Clifton beach on World Clean-up Day. More than 200 volunteers from civil society participated in the activity and collected 653 kgs of trash which will be recycled. The objective of this drive, which will continue across Pakistan, is to highlight the problem of litter and create awareness about reducing and recycling waste that can lead to a more sustainable environment.

Given the economic challenges, there is a greater need of an interventions by the Government as rising inflation will further impact the purchasing power of the common men. This, in general, may have consequences on the profitability of the Corporates across the country in terms of higher cost of doing business and more specifically bring more challenges for sectors having higher incidence of illicit, like tobacco, where Volume & Net Turnover may have serious consequences.

Despite of all the challenges, the Company has been making strides in improving it's the overall performance by utilizing global resources, pursuing strategic commercial activities, process and operational efficiency etc. On behalf of the Board of Directors, we would like to express our gratitude and appreciation to all our employees, shareholders, business partners and other institutions for their continued trust and support.

On behalf of the Board of Directors,

KAMRAN Y. MIRZA
Chairman

ROMAN YAZBECK
Chief Executive



ڈائریکٹرز رپورٹ

کاروباری سال کی پہلی ششماہی میں پاکستانی معیشت میں خاطر خواہ تیزی نظر آئی، تاہم اب اس میں شدید مشکلات کا سامنا ہے۔ اشیائے ضروریہ اور پٹرولیم مصنوعات کی قیمتوں میں اضافے کے ساتھ ساتھ ڈالر کے مقابلے میں روپے کی قدر میں تیزی سے کمی کے نتیجے میں بڑھتی ہوئی مہنگائی نے آپریٹنگ ماحول کو شدید دشوار بنا دیا ہے جس سے کاروباری لاگت میں بھی اضافہ ہوا ہے۔

جون، 2021ء میں پیش کیے گئے وفاقی بجٹ 2021-22ء میں ایکسائز کی غیر ترمیم شدہ شرح نہ صرف پاکستان کے محصولات کے لیے معاون رہی بلکہ فیڈرل بورڈ آف ریونیو کے محصولات میں ریکارڈ وصولی کا باعث بھی بنی ہے۔ موجودہ مالی سال 2021-22ء کی پہلی سہ ماہی (تختہ 30 ستمبر، 2021ء) کے دوران (جولائی 21ء - ستمبر، 21ء) ایکسائز ڈیوٹی، سیلز ٹیکس اور دیگر سرکاری محصولات کی صورت میں قومی خزانے میں کمپنی کا حصہ 6,014 ملین روپے رہا (گزشتہ برس کے مقابلے میں 22.1 فیصد زیادہ)۔ ایکسائز کی شرح میں کسی تبدیلی کے نہ ہونے کا نتیجہ صارف کے ٹیکس ادا کرنے والی سگریٹوں کے برانڈز کی قیمتوں میں استحکام کی صورت میں برآمد ہوا، تاہم، ٹیکس ادا شدہ اور غیر ٹیکس شدہ برانڈز کے درمیان قیمتوں کا فرق 200 فیصد سے بھی زیادہ رہا کیوں کہ ٹیکس کمپلائٹ سگریٹ کی قیمت 77/- روپے فی پیک رہی جبکہ ٹیکس ادا نہ کرنے والے برانڈز کی قیمتیں نمایاں طور پر کم رہیں اگرچہ یو ای او ریڈرل ایکسائز ڈیوٹی کی وصولی کی غرض سے کم سے کم قیمت 63/- روپے فی پیک ہے۔ غیر ٹیکس ادا شدہ برانڈز اب بھی قومی خزانے کو اندازاً سالانہ 77 ارب روپے کا نقصان پہنچا رہے ہیں۔

اس عرصے میں، ایف بی آر نے تمباکو کی صنعت کیلئے ٹریک اینڈ ٹریس سسٹم پر عمل درآمد کا آغاز کیا جو حوصلہ افزا ہے اور ہم اس پر بلا امتیاز عمل درآمد دیکھنا چاہتے ہیں تاکہ ٹیکس ادا شدہ شعبے کو مساوی مواقع یقینی بنائے جاسکیں۔ مزید برآں، فیڈرل ایکسائز ایکٹ، 2005ء میں تمباکو کے شعبے سمیت مخصوص شعبوں کے لیے حالیہ بی بی اعلان کردہ لائسنسنگ کے تقاضوں کے تحت انتظامی اقدامات بھی حوصلہ افزا ہیں تاہم، غیر ٹیکس ادا شدہ برانڈز کے خلاف ایف بی آر کو مزید اقدامات کرنے کی ضرورت ہے۔

مؤرخہ 30 ستمبر، 2021ء کو ختم ہونے والے 9 ماہ کے عرصے کے دوران کمپنی کا خالص مجموعی کاروبار 12,789 ملین روپے رہا جس سے گزشتہ برس، اسی عرصے کے مقابلے میں 7.5 فیصد اضافے کا اظہار ہوتا ہے۔ کیاس عرصے کے دوران کمپنی نیا ایکسائز ڈیوٹی، سیلز ٹیکس اور دیگر سرکاری محصولات کی صورت میں، قومی خزانے میں 20,449 ملین روپے (گزشتہ برس اسی عرصے کے مقابلے میں 17.4 فیصد زیادہ) جمع کرانے جس سے 9 ماہ کے دوران مجموعی کاروبار میں 60.9 فیصد اضافہ ظاہر ہوتا ہے۔ مؤرخہ 30 ستمبر، 2021ء کو ختم ہونے والے 9 ماہ کے عرصے کے دوران کمپنی نے 2,071 ملین روپے بعد از ٹیکس منافع حاصل کیا جو گزشتہ برس کے اسی عرصے کے مقابلے میں مجموعی کاروبار کے 6.2 فیصد کے برابر ہے۔

روپے (ملین میں)		
جنوری - ستمبر، 2021ء	جنوری	
12,789	899	مجموعی کاروبار - خالص
6,699	688	مصارف فروخت
6,090	211	مجموعی منافع
3,126	524	آپریٹنگ منافع
3,077	457	قبل از ٹیکس منافع
2,071	828	بعد از ٹیکس منافع
33.63	.69	فی حصہ آمدنی

ڈائریکٹرز رپورٹ

شمولیت اور تنوع کے حوالے سے اپنے غیر متزلزل عزم کے طور پر کمپنی نے ”میک یو کم بیک“ پروگرام کا آغاز کیا جس کا مقصد ایسی خواتین کو موقع فراہم کرنا تھا جنہوں نے ذاتی وجوہات کی بنا پر اپنا کیریئر ختم کر دیا تھا لیکن اب دوبارہ شروع کرنا چاہتیں ہیں۔ تین ماہہ دورانیے کا پروگرام خواتین کی پیشہ ورانہ مہارتوں کو نکھارنے اور بہتر بنانے میں مدد کرنے کے ساتھ تربیت فراہم کرتا ہے تاکہ وہ دوبارہ اپنا کیریئر شروع کر سکیں اور اس پروگرام کے بعد اپنا کیریئر جاری رکھ سکیں۔

نوجوانوں کو بااختیار بنانے کے مقصد کے طور پر، کمپنی نے سوشل انٹرپرائیوٹریپ اینڈ ایکوینٹی ڈیولپمنٹ (SEED) کے ویٹرز کے ساتھ شراکت داری کی ہے تاکہ ایسے اشارت اہل اور ایئر پیئر بیورو کی نشاندہی اور مینورنگ کر سکے جو آج کمیونٹی کو درپیش سماجی و اقتصادی مسائل کے پائیدار اور ٹیکنالوجی پر مبنی حل کی فراہمی پر توجہ مرکوز رکھتے ہوں۔ اس پروجیکٹ کے تحت، کمپنی نے ٹاپ 3 اشارت اہل کو، مزید تین ماہ کیلئے، مسلسل مینورٹریپ اور نیٹ ورکنگ کے مواقع کی صورت میں سپورٹ فراہم کی۔ مزید یہ کہ اپنی انٹنی لٹنگ (littering-anti) مہم کے حصے کے طور پر، کمپنی نے SEED ویٹرز کے ساتھ شراکت میں کلفٹن کراچی کے ساحل پر صفائی کا عالمی دن منایا۔ اس موقع پر سول سوسائٹی سے تعلق رکھنے والے 200 سے زائد رضا کاروں نے حصہ لیا اور 653 کلوگرام کچرا جمع کیا جسے ری سائیکل کیا جائے گا۔ اس مہم کا مقصد پورے پاکستان میں کچرے سے پیدا ہونے والے مسئلے کو اجاگر کرنا اور کچرے کی پیداوار میں کمی اور اسے ری سائیکل کرنے کے بارے میں آگاہی پیدا کرنا ہے تاکہ زیادہ پائیدار ماحول تخلیق کیا جاسکے۔

اقتصادی چیلنجوں کے پیش نظر حکومت کی جانب سے مداخلت کی اشد ضرورت ہے تاکہ عام آدمی کی قوت خرید پر افراط زر کے مزید اثرات کو روکا جاسکے۔ عمومی طور پر، پورے ملک میں، کاروباری لاگت میں اضافے کے باعث اداروں کے منافع پر اثر پڑ سکتا ہے اور بالخصوص تمباکو کے شعبے جیسے شعبوں کے منافع پر جنہیں غیر قانونی حلقوں سے دشواریوں کا سامنا ہے، جہاں حجم بمقابلہ خالص مجموعی کاروبار کے سنگین اثرات ہو سکتے ہیں۔

تمام مزدکاروں کے باوجود کمپنی عالمی وسائل کے استعمال، حکمت عملی پر مبنی تجارتی سرگرمیوں پر عمل درآمد، پروسس اور آپریشنز میں عمدگی کے ذریعے تیزی سے ترقی کر رہی ہے۔ بورڈ آف ڈائریکٹرز کی جانب سے ہم تمام ملازمین، جھص یا فنانسنگ، کاروباری شراکت داروں اور دیگر اداروں کا شکریہ ادا کرنا چاہتے ہیں اور سہجے ہیں کہ انھوں نے مسلسل اپنی اعانت اور اعتماد جاری رکھا۔

بورڈ آف ڈائریکٹرز کی جانب سے



رومن یاز بیک
چیف ایگزیکٹو



کامران یوسف مرزا
چیئر مین

بتاریخ: کراچی، 26 اکتوبر، 2021ء



CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2021

	Note	September 30, 2021 (Un-audited)	December 31, 2020 (Audited)
(Rupees in thousand)			
ASSETS			
NON-CURRENT ASSETS			
Fixed Assets			
- Property, plant and equipment	5	5,225,296	5,622,808
- Right-of-use assets		202,904	348,005
- Intangibles		48,374	60,592
		<u>5,476,574</u>	<u>6,031,405</u>
Investment in a subsidiary company	6	1	1
Long term deposits		78,520	79,184
Deferred taxation		607,770	1,069,520
		<u>6,162,865</u>	<u>7,180,110</u>
CURRENT ASSETS			
Stores and spares - net		69,699	94,340
Stock in trade - net	7	6,625,282	4,866,357
Trade debts - net		14,963	-
Advances	8	123,989	123,897
Prepayments		58,816	74,687
Other receivables		519,671	717,905
Income tax - net		358,312	651,999
Staff retirement benefits		110,226	110,226
Cash and bank balances		6,524,002	5,383,334
Non-current assets held for disposal	9	-	1,105
TOTAL CURRENT ASSETS		<u>14,404,960</u>	<u>12,023,850</u>
TOTAL ASSETS		<u><u>20,567,825</u></u>	<u><u>19,203,960</u></u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital		<u>12,000,000</u>	<u>12,000,000</u>
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		2,080,299	27,607
TOTAL EQUITY		<u>13,126,191</u>	<u>11,073,499</u>
NON-CURRENT LIABILITIES			
Lease liabilities		117,742	325,422
CURRENT LIABILITIES			
Trade and other payables	10	5,410,090	4,898,438
Current maturity of lease liabilities		167,745	110,657
Unclaimed dividend		37,139	33,725
Unpaid dividend		-	1,076,845
Accrued mark-up on short borrowings		244	249
Sales tax and excise duty payable		1,708,674	1,685,125
TOTAL CURRENT LIABILITIES		<u>7,323,892</u>	<u>7,805,039</u>
TOTAL LIABILITIES		<u>7,441,634</u>	<u>8,130,461</u>
TOTAL EQUITY AND LIABILITIES		<u><u>20,567,825</u></u>	<u><u>19,203,960</u></u>
CONTINGENCIES AND COMMITMENTS			

The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.

KAMRAN Y. MIRZA
Chairman

ROMAN YAZBECK
Chief Executive

MUHAMMAD ZEESHAN
Chief Financial Officer

Karachi: October 26, 2021



CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Un-audited)

FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

	Note	Quarter ended		Nine months period ended	
		September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
----- (Rupees in thousand) -----					
Turnover - net	12	3,565,122	3,092,488	12,789,147	11,898,758
Cost of sales	13	1,935,899	1,510,376	6,698,938	6,688,032
Gross profit		1,629,223	1,582,112	6,090,209	5,210,726
Distribution and marketing expenses		610,852	527,422	2,042,780	1,480,909
Administrative expenses		368,875	353,509	1,103,015	1,125,855
Other expenses		142,033	113,027	380,151	362,230
Other income	14	(170,445)	(85,801)	(561,797)	(282,734)
		951,315	908,157	2,964,149	2,686,260
Operating profit		677,908	673,955	3,126,060	2,524,466
Finance cost and bank charges		14,868	17,934	49,416	67,416
Profit before taxation		663,040	656,021	3,076,644	2,457,050
Taxation charge	15	312,037	80,457	1,005,760	628,970
Profit after taxation		351,003	575,564	2,070,884	1,828,080
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		351,003	575,564	2,070,884	1,828,080
----- (Rupees) -----					
Earnings per share					
- Basic	16	5.70	9.35	33.63	29.69
- Diluted	16	4.77	8.51	28.12	27.03

The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.

KAMRAN Y. MIRZA
Chairman

ROMAN YAZBECK
Chief Executive

MUHAMMAD ZEESHAN
Chief Financial Officer



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

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

	Issued, subscribed and paid-up capital		Transaction cost on issuance of preference shares -net of tax	Capital Reserves			Reserves			Subtotal - Reserves	Total
	Ordinary shares	Preference shares		Reserve for share based payments	Remeasurement of staff retirement gratuity plan -net of tax	Subtotal Capital Reserves	General reserve	Revenue Reserves			
								Unappropriated loss	Subtotal Revenue Reserves		
(Rupees in thousand)											
Balance as at January 1, 2020	615,803	10,464,000	(33,911)	11,148	(243,756)	(232,608)	4,676,610	(4,839,011)	(162,401)	(395,009)	10,650,883
Share based payments											
- expense	-	-	-	13,846	-	13,846	-	-	-	13,846	13,846
- recharge	-	-	-	(27,236)	-	(27,236)	-	-	-	(27,236)	(27,236)
	-	-	-	(13,390)	-	(13,390)	-	-	-	(13,390)	(13,390)
Total comprehensive income											
Profit after taxation for the nine months period ended September 30, 2020	-	-	-	-	-	-	-	1,828,080	1,828,080	1,828,080	1,828,080
	-	-	-	-	-	-	-	1,828,080	1,828,080	1,828,080	1,828,080
Balance as at September 30, 2020	615,803	10,464,000	(33,911)	(2,242)	(243,756)	(245,998)	4,676,610	(3,010,931)	1,665,679	1,419,681	12,465,573
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
Share based payments											
- expense	-	-	-	13,421	-	13,421	-	-	-	13,421	13,421
- recharge	-	-	-	(31,613)	-	(31,613)	-	-	-	(31,613)	(31,613)
	-	-	-	(18,192)	-	(18,192)	-	-	-	(18,192)	(18,192)
Total comprehensive income											
Profit after taxation for the nine months period ended September 30, 2021	-	-	-	-	-	-	-	2,070,884	2,070,884	2,070,884	2,070,884
Balance as at September 30, 2021	615,803	10,464,000	(33,911)	(529)	(244,220)	(244,749)	3,328,327	(1,003,279)	2,325,048	2,080,299	13,126,191

The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.

KAMRAN Y. MIRZA
Chairman

ROMAN YAZBECK
Chief Executive

MUHAMMAD ZEESHAN
Chief Financial Officer

Karachi: October 26, 2021



CONDENSED INTERIM STATEMENT OF CASH FLOWS (Un-audited)

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

	Note	Nine months period ended	
		September 30, 2021	September 30, 2020
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	18	2,476,616	4,468,860
Staff retirement gratuity paid		(54,114)	(50,159)
Finance cost paid		(49,421)	(68,567)
Profit received on savings accounts		293,608	144,539
Income taxes paid		(250,323)	(48,581)
Long term deposits		664	(20)
Net cash generated from operating activities		2,417,030	4,446,072
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(319,863)	(410,511)
Acquisition of intangibles		(5,089)	-
Proceeds from disposal of items of:			
Property, plant and equipment		121,576	69,344
Non-current assets held for disposal		77,015	-
Net cash used in investing activities		(126,361)	(341,167)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(1,073,431)	(95)
Principal element of lease payments		(76,570)	(45,696)
Net cash paid for financing activities		(1,150,001)	(45,791)
Net increase in cash and cash equivalents during the period		1,140,668	4,059,114
Cash and cash equivalents at the beginning of the period		5,364,473	(535,053)
Cash and cash equivalents at the end of the period	19	6,505,141	3,524,061

The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.

KAMRAN Y. MIRZA
Chairman

ROMAN YAZBECK
Chief Executive

MUHAMMAD ZEESHAN
Chief Financial Officer



NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

1. THE COMPANY AND ITS OPERATIONS

- 1.1 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.
- 1.2 In view of the exemption granted by the Securities & Exchange Commission of Pakistan (the SECP) vide its letter No. EMD/233/619/2002-641 dated March 26, 2021 from the requirement of section 228(7) of the Companies Act, 2017 (the Act) the consolidated financial statements of the group comprising the Company and its subsidiary, Laksonpremier Tobacco Company (Private) Limited, have not been prepared. The exemption is, however, subject to the condition that any material and relevant details of the aforesaid subsidiary shall be prominently disclosed by the Company.

In accordance with the requirements of the said exemption, financial highlights of the subsidiary are stated in note 6.

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, 2020 (December 2020 financial statements), except relating to the matter stated in note 2.3 below.



NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS Continued

- 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 interpretation to published accounting and reporting standards which became effective during the period ended September 30, 2021:

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.

- 2.5 New standards and amendments to published accounting and reporting standards that are not yet effective:

The following new standard and amendments with respect to the accounting and reporting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard and amendments:

Standard or amendments	Effective date (annual periods beginning on or after)
- Amendments to IAS 1, 'Presentation of Financial Statements'	January 1, 2022
- IFRS 17, 'Insurance Contracts'	January 1, 2023
- Amendments to IAS 16, 'Property, Plant & Equipment'	January 1, 2022
- Amendments to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets'	January 1, 2022

The above standard and amendments are not expected to have any material impact on the Company's financial reporting.



NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS Continued

3. BASIS OF PREPARATION

- 3.1 These condensed interim financial statements include the condensed interim statement of financial position as at September 30, 2021, 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 nine months period then ended which have been subjected to a review and have not been audited. These condensed interim financial statements also include the condensed interim statement of profit or loss and other comprehensive income and notes thereto for the quarter ended September 30, 2021 which were not subjected to auditor's review.
- 3.2 The comparative statement of financial position presented in these condensed interim financial statements as at December 31, 2020 has been extracted from the December 2020 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 nine months period ended September 30, 2020 have been extracted from the condensed interim financial statements of the Company for the nine months period then ended, which were not audited.
- 3.3 These interim financial statements should be read in conjunction with the December 2020 financial statements as these provide an update of previously reported information.

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 2020 financial statements.
- 4.3 The Company's financial risk management objectives and policies are consistent with those disclosed in the December 2020 financial statements.



NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS Continued

5. PROPERTY, PLANT AND EQUIPMENT

	Note	September 30, 2021 (Un-audited) (Rupees in thousand)	December 31, 2020 (Audited) (Rupees in thousand)
Operating property, plant and equipment	5.1	4,720,806	5,003,286
Capital work-in-progress (CWIP)	5.5	504,490	618,273
Major capital spares and stand-by equipment		-	1,249
		<u>5,225,296</u>	<u>5,622,808</u>
5.1 Operating property, plant and equipment			
Book value at the beginning of the period / year		5,003,286	4,344,780
Transfers from CWIP during the period / year	5.2	434,895	1,235,926
Assets transferred from held for disposal		-	438,378
		<u>5,438,181</u>	<u>6,019,084</u>
Disposals during the period / year			
- net book value	5.3	(53,133)	(42,547)
Write offs during the period / year			
- net book value		(579)	(33,031)
Depreciation charge during the period / year	5.4	(663,663)	(927,029)
Impairment during the period / year			
- other assets		-	(12,086)
Impairment on asset transferred to held for disposal	9	-	(1,105)
		<u>(717,375)</u>	<u>(1,015,798)</u>
Book value at the end of the period / year		<u>4,720,806</u>	<u>5,003,286</u>

Nine months period ended

September 30, 2021 September 30, 2020
(Un-audited)
(Rupees in thousand)

5.2 Transfers from CWIP during the period:

Buildings on freehold land	41,350	79,780
Leasehold improvements	-	26,435
Plant and machinery	345,900	381,630
Furniture and fixtures	6,892	1,022
Office equipment	2,228	11,451
Vehicles	-	130,796
Power and other installations	31,099	180,371
Computer equipment	7,426	23,993
	<u>434,895</u>	<u>835,478</u>



NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS Continued

		Nine months period ended	
		September 30, 2021	September 30, 2020
		(Un-audited)	
		(Rupees in thousand)	
5.3	Disposals during the period - net book value		
	Freehold land	30	1,504
	Buildings on freehold land	1,060	2,963
	Plant and machinery	21,746	-
	Vehicles	30,297	25,412
		<u>53,133</u>	<u>29,879</u>
5.4	Depreciation charge during the period on: - property, plant and equipment	<u>663,663</u>	<u>559,101</u>

		September 30, 2021	December 31, 2020
		(Un-audited)	(Audited)
		(Rupees in thousand)	
5.5	Capital work-in-progress		
	Civil works	9,037	3,093
	Plant and machinery	443,185	500,100
	Power and other installations	30,786	28,452
	Furniture and fixtures	-	58,242
	Computer equipment pending installations	432	875
	Advance to suppliers and contractors	21,050	27,511
		<u>504,490</u>	<u>618,273</u>

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 nine months period ended September 30, 2021 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 September 30, 2021 amounted to Rs Nil, in accordance with the un-audited condensed interim financial statements for the nine months period then ended.

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, 2020.

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.



NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS Continued

7. STOCK IN TRADE - net

	Note	September 30, 2021 (Un-audited)	December 31, 2020 (Audited)
		(Rupees in thousand)	
Raw and packing materials	7.1	5,711,993	3,856,116
Work-in-process		161,819	174,886
Finished goods		804,229	904,945
		<u>6,678,041</u>	<u>4,935,947</u>
Less: Provision for obsolete stocks	7.2	<u>(52,759)</u>	<u>(69,590)</u>
		<u>6,625,282</u>	<u>4,866,357</u>

7.1 Include raw and packing materials in transit aggregating Rs 284.611 million (December 31, 2020: Rs 177.508 million).

7.2 During the current period, the Company has written off provision against raw and packing materials aggregating Rs 14.228 million (December 31, 2020: Rs 30.406 million).

8. ADVANCES

	Note	September 30, 2021 (Un-audited)	December 31, 2020 (Audited)
		(Rupees in thousand)	
Unsecured			
Advances to:			
- Employees		9,897	6,996
- Suppliers and contractors		<u>18,997</u>	<u>21,806</u>
		<u>28,894</u>	<u>28,802</u>
Secured			
Advance to a supplier	8.1	<u>111,261</u>	<u>111,261</u>
Less: provision against advance		<u>(16,166)</u>	<u>(16,166)</u>
		<u>95,095</u>	<u>95,095</u>
		<u>123,989</u>	<u>123,897</u>

8.1 This matter relates to an advance payment of Rs 111.261 million paid by the Company to a private Service Provider against purchase of fuelwood under an agreement ("Agreement") against which the Service Provider submitted an insurance guarantee ("Insurance Guarantee") amounting to Rs 95.095 million ("Secured Amount"). The Company terminated the Agreement and invoked the Insurance Guarantee as the Service Provider failed to comply with its obligations including provision of supporting documents to the Company's satisfaction.

The appeal filed by the service provider on October 13, 2020 has been decided in the Company's favor on September 18, 2021. However, the petition filed by the Company on October 28, 2020 against the insurance company and Service Provider is still pending adjudication.



NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS Continued

9. NON-CURRENT ASSETS HELD FOR DISPOSAL

	September 30, 2021 (Un-audited)	December 31, 2020 (Audited)
	(Rupees in thousand)	
Transferred from operating property, plant and equipment		
Cost	193,631	372,583
Less: Accumulated depreciation	(56,603)	(153,278)
Less: Accumulated impairment	(137,028)	(218,200)
	<u>-</u>	<u>1,105</u>

- 9.1 Items of plant and machinery relating to Kotri factory have been transferred from operating property, plant and equipment. As these items can not be disposed of except as scrap material in accordance with the Company's policy, accordingly these are being carried at Nil value.

10. TRADE AND OTHER PAYABLES

	September 30, 2021 (Un-audited)	December 31, 2020 (Audited)
	(Rupees in thousand)	
Creditors	2,762,122	2,310,468
Bills payable	1,065,891	742,495
Royalty payable to related party	233,740	127,056
Accrued expenses	852,996	1,126,984
Tobacco development cess	13,875	45,375
Contractors' retention money	7,489	7,489
Advance from customers - unsecured	87,814	218,940
Workers' welfare fund	55,905	82,539
Workers' profits participation fund	180,442	16,365
Others	149,816	220,727
	<u>5,410,090</u>	<u>4,898,438</u>

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, 2020: Rs 69.565 million).

11.2 Commitments

	September 30, 2021 (Un-audited)	December 31, 2020 (Audited)
	(Rupees in thousand)	
Capital expenditure contracted for but not incurred	9,558	32,883
Post dated cheques	62,975	55,128
Letters of credit	42,948	18,132



NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS Continued

11.3 Contingencies

11.3.1 There is no significant change in the status of the cases set out in notes 21.3 to 21.6 to the December 2020 financial statements except as mentioned below:

11.3.2 An update to note 21.6 to the December 2020 financial statements is as below:

The Company received an order from Appellate Tribunal on September 30, 2021, whereby the demand of Rs 1,765,008 million for alleged evasion of federal excise duty and sales tax was set aside in the Company's favour. However, the Appellate Tribunal directed FBR to re-initiate the proceedings afresh after assessing the facts of the case to reach a fair and lawful conclusion.

12. TURNOVER - net

	Quarter ended		Nine months period ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	(Un-audited)			
	(Rupees in thousand)			
Gross turnover	9,631,308	8,194,461	33,556,933	30,047,405
Less: Trade discount	233,693	214,897	694,938	754,263
Sales tax	1,451,149	1,225,871	5,013,111	4,297,273
Excise duty	4,381,344	3,661,205	15,059,737	13,097,111
	6,066,186	5,101,973	20,767,786	18,148,647
	<u>3,565,122</u>	<u>3,092,488</u>	<u>12,789,147</u>	<u>11,898,758</u>

13. COST OF SALES

Raw and packing materials consumed

Opening stock	3,056,739	3,305,629	3,856,116	5,082,504
Purchases, redrying and related expenses	4,500,885	3,618,887	6,772,675	5,478,499
	<u>7,557,624</u>	<u>6,924,516</u>	<u>10,628,791</u>	<u>10,561,003</u>
Closing stock	(5,711,993)	(5,301,293)	(5,711,993)	(5,301,293)
	<u>1,845,631</u>	<u>1,623,223</u>	<u>4,916,798</u>	<u>5,259,710</u>
Government levies	6,809	5,419	18,463	16,856
Manufacturing expenses	576,804	507,351	1,658,684	1,479,671
	<u>2,429,244</u>	<u>2,135,993</u>	<u>6,593,945</u>	<u>6,756,237</u>

Work-in-process

Opening stock	131,406	150,769	174,886	177,687
Closing stock	(161,819)	(172,587)	(161,819)	(172,587)
Sale of waste	(3,099)	-	(8,790)	(1,363)
	<u>(33,512)</u>	<u>(21,818)</u>	<u>4,277</u>	<u>3,737</u>

Cost of goods manufactured	<u>2,395,732</u>	<u>2,114,175</u>	<u>6,598,222</u>	<u>6,759,974</u>
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Finished goods

Opening stock	344,396	405,948	904,945	937,805
Closing stock	(804,229)	(1,009,747)	(804,229)	(1,009,747)
	<u>(459,833)</u>	<u>(603,799)</u>	<u>100,716</u>	<u>(71,942)</u>
	<u>1,935,899</u>	<u>1,510,376</u>	<u>6,698,938</u>	<u>6,688,032</u>



NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS Continued

14. OTHER INCOME

	Quarter ended		Nine months period ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	(Un-audited)			
	(Rupees in thousand)			
Profit on savings accounts	96,007	48,809	293,608	144,539
Profit on disposal of items of property, plant and equipment	13,978	408	144,353	39,465
Others	60,460	36,584	123,836	98,730
	<u>170,445</u>	<u>85,801</u>	<u>561,797</u>	<u>282,734</u>

15. TAXATION

Current				
- for the period	121,797	91,599	522,837	386,364
- for the prior period	20,982	-	20,982	-
	<u>142,779</u>	<u>91,599</u>	<u>543,819</u>	<u>386,364</u>
Deferred	169,258	(11,142)	461,941	242,606
	<u>312,037</u>	<u>80,457</u>	<u>1,005,760</u>	<u>628,970</u>

16. EARNINGS PER SHARE

	Quarter ended		Nine months period ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	(Un-audited)			
	(Rupees in thousand)			

16.1 Basic earnings per share

Profit for the period after taxation	351,003	575,564	2,070,884	1,828,080
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----- (Number of Shares) -----

Weighted average number of ordinary shares	61,580,341	61,580,341	61,580,341	61,580,341
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----- (Rupees) -----

Earnings per share – basic	5.70	9.35	33.63	29.69
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16.2 Diluted earnings per share

Profit for the period after taxation	351,003	575,564	2,070,884	1,828,080
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----- (Number of Shares) -----

Weighted average number of potential ordinary shares	73,643,240	67,635,858	73,643,240	67,635,858
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----- (Rupees) -----

Earnings per share – diluted	4.77	8.51	28.12	27.03
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NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS Continued

17. RELATED PARTIES TRANSACTIONS

- 17.1 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	Nine months period ended	
		September 30, 2021	September 30, 2020
		(Un-audited)	
		(Rupees in thousand)	
Associated undertakings	Sale of goods and services	120,988	1,314,718
	Purchase of goods and services	426,313	628,278
	Royalty charges	92,406	75,829
	Share based payment expense	13,421	13,846
	Share based payment recharge	31,613	27,236
Staff retirement benefit plans	Contribution to gratuity fund	54,114	50,159
	Contribution to provident fund	89,542	64,758
Key management personnel	Remuneration and benefits - note 17.1.1	26,863	32,244

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



NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS Continued

18. CASH GENERATED FROM OPERATIONS

	Note	Nine months period ended	
		September 30, 2021	September 30, 2020
		(Un-audited) (Rupees in thousand)	
Profit / (loss) before taxation		3,076,644	2,457,050
Adjustments for:			
- Depreciation on operating property, plant and equipment		663,663	559,101
- Depreciation on right-of-use assets		71,079	90,653
- Amortisation		17,307	3,215
Staff retirement gratuity expense		54,114	50,908
Provision for slow moving spares		-	16,908
Expenses arising from equity-settled share-based payment plan		13,421	13,846
Liabilities written back		(55,235)	(85,752)
Stock in trade written down to net realisable value		14,228	12,276
(Reveral) / Provision for obsolete stocks		(4,364)	-
Profit on savings accounts		(293,608)	(144,539)
Unrealised exchange loss		78,543	85,437
Profit on disposal of items of :			
Property, plant and equipment - net		(68,443)	(39,465)
Non-current Assets held for Disposal - net		(75,910)	-
Property, plant and equipment written off		579	30,823
Finance cost		49,416	67,416
Working capital changes	18.1	(1,064,818)	1,350,983
		<u>2,476,616</u>	<u>4,468,860</u>



NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS Continued

18.1 Working capital changes

	Nine months period ended	
	September 30, 2021	September 30, 2020
	(Un-audited)	
	(Rupees in thousand)	
(Increase) / decrease in current assets		
Stores and spares - net	24,641	23,478
Stock in trade - net	(1,768,789)	(285,631)
Trade debts - net	(14,963)	-
Advances	(92)	(105,953)
Prepayments	15,871	1,818
Other receivables	198,234	179,713
	<u>(1,545,098)</u>	<u>(186,575)</u>
Increase in current liabilities		
Trade and other payables	456,731	26,455
Sales tax and excise payable	23,549	1,511,103
	<u>480,280</u>	<u>1,537,558</u>
	<u>(1,064,818)</u>	<u>1,350,983</u>

19. CASH AND CASH EQUIVALENTS

	Nine months period ended	
	September 30, 2021	September 30, 2020
	(Un-audited)	
	(Rupees in thousand)	
Cash and bank balances	6,524,002	3,542,922
Less: Amount held as security	(18,861)	(18,861)
	<u>6,505,141</u>	<u>3,524,061</u>

20. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on October 26, 2021 by the Board of Directors of the Company.

21. GENERAL

- 21.1 Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.
- 21.2 Wherever considered necessary, corresponding figures have been reclassified for the purpose of comparison and improved presentation.

KAMRAN Y. MIRZA
Chairman

ROMAN YAZBECK
Chief Executive

MUHAMMAD ZEESHAN
Chief Financial Officer



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