PHILIP MORRIS
(PAKISTAN) LIMITED

2019 Annual Report

PHILIP MORRIS (PAKISTAN) LIMITED

Annual Report December 31, 2019

CONTENTS **PAGES**

Corporate Information

BOARD OF DIRECTORS

KAMRAN Y. MIRZA	(Chairman)	
JOAO MANUEL	(until January 31, 2020)	(Chief Executive)
ROMAN YAZBECK	(from February 01, 2020)	(Chief Executive)
MICHAEL SCHARER		
SHARMEN KARTHIGASU	(until June 15, 2019)	
LIM KHANG WEI	(from June 18, 2019)	
MUHAMMAD ZEESHAN		
EE WON CHEN	(until June 15, 2019)	
PATTARAPORN AUTTAPHON	(from June 18, 2019)	
LT. GEN. (R) TARIQ KHAN		

COMPANY SECRETARY

MUSTAFA KAMAL ZUBERI

AUDIT COMMITTEE

LT. GEN. (R) TARIQ KHAN	(Chairman)
SHARMEN KARTHIGASU	(until June 15, 2019)
LIM KHANG WEI	(from June 18, 2019)
EE WON CHEN	(until June 15, 2019)
PATTARAPORN AUTTAPHON	(from June 18, 2019)
MUSTAFA KAMAL ZUBERI	(Secretary)

HUMAN RESOURCE & REMUNERATION COMMITTEE

KAMRAN Y. MIRZA	(Chairman)
JOAO MANUEL	(until January 31, 2020)
ROMAN YAZBECK	(from February 01, 2020)
MICHAEL SCHARER	
SARAH HASSAN	(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 : www.philipmorrispakistan.com.pk
Email : pmpk.info@pmi.com

NOTICE IS HEREBY GIVEN that the 51st Annual General Meeting of **PHILIP MORRIS (PAKISTAN) LIMITED** will be held on **Tuesday, April 21, 2020 at 3.00 p.m.** via video-link.

Due to the Corona Virus (COVID-19) pandemic, Commissioner Karachi Division through Notification No. CK/Home.Br./Misc/2020-159 dated March 14, 2020 has put a ban on all public gatherings and has closed all the venues including hotels available for such purposes.

Further, in accordance with the directives given by the Securities and Exchange Commission of Pakistan vide their Circular No. EMD/MISC/82/2012 dated March 17, 2020, the shareholders may constitute their attendance at AGM as few people are possible through proxies.

To ensure the health and safety of our Shareholders we will be holding this year's Annual General Meeting via video-link. Shareholders can download the application /software through **https://zoom.us/download** and login via video-link by giving their email ID and password to participate in the AGM proceedings to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited financial statements for the year ended December 31, 2019 together with the Directors' and Auditor's Report thereon.

2. To appoint auditor and fix their remuneration.
   The retiring auditor M/s. A. F. Ferguson & Co. Chartered Accountants has given their consent to act as auditor of the company for the year ending December 31, 2020.

By Order of the Board

Karachi: Tuesday, March 31, 2020

MUSTAFA KAMAL ZUBERI
Company Secretary

NOTES:

1. The shareholders can attend the meeting and provide their comments / suggestions along with attendance for the proposed agenda items of the AGM on WhatsApp Number 03218200864 and email PMPKFinancialReporting.team@pmi.com one hour before the meeting schedule in order to register their attendance.

2. The share transfer books of the Company will remain closed from April 12, 2020 to April 21, 2020 (both days inclusive). Transfer received in order at the Office of the Company's share Registrar, CDC Share Registrar Services Limited., CDC House, 99-B, Block B, S.M.C.H.S., Main Shahra-e-Faisal, Karachi - 74400 up to April 11, 2020 will be considered in time to be eligible to attend the meeting.

3. A member entitled to attend and vote at the AGM may appoint another member as his / her proxy to attend, speak and vote. In case of corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signatures shall be submitted with the proxy form to the Company.

4. Forms of proxy to be valid must be received at the Share Registrar's office not later than 48 hours before the time of the meeting.

5. Member are requested to notify the Share Registrar of the Company promptly of any change in their addresses.

6. Members who have not yet submitted photocopy of their CNIC and information relating to Dividend Mandate, Email ID and Cell number to the Company's Registrar are requested to send the same at the earliest.

7. A form of proxy is enclosed herewith.

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

Philip Morris (Pakistan) Limited Year ended December 31, 2019 (the "Company")

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

1. The total number of directors are Seven (7) as per the following,

    a. Male: Six (6)
    b. Female: One (1)

2. The composition of the Board is as follows:

i.	Independent directors	Kamran Y.Mirza, Chairman Lt. Gen. (R) Tariq Khan
ii.	Non-executive directors	Lim Khang Wei Pattaraporn Auttaphon Michael Scharer
iii.	Executive directors	Joao Manuel Muhammad Zeeshan
iv.	Female directors	Pattaraporn Auttaphon

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company;

4. The Company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures;

5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by The Company;

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/shareholders as empowered by the relevant provisions of the Act and these Regulations;

7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;

8. The Board has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;

9. The Board has arranged Director's Training complied with the requirements pertaining to the Directors' Training program; [02 directors of the Company have obtained certificate under Director's Training Programe (DTP) while 05 directors comply with DTP exemption criteria]

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

1. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;

12. The Board has formed committees comprising of members given below:

a) Audit Committee
- Lt-Gen. (R) Tariq Khan, Chairman
- Lim Khang Wei
- Pattaraporn Auttaphon

b) Human Resource and Remuneration Committee
- Mr. Kamran. Y.Mirza, Chairman
- Mr. Joao Manuel
- Mr. Michael Scharer

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;

14. The frequency of meetings of the committee were as per following:

a) Audit Committee - Quarterly
b) Human Resource and Remuneration Committee - Yearly

15. The Board has set up an effective internal audit function;

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accounts of Pakistan and that they and partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Company;

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard; and

18. We confirm that all requirements of regulations 3,6,7,8,27,32 ,33 and 36 of the regulations have been complied with.

KAMRAN Y. MIRZA
Chairman

Karachi: March 10, 2020

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

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Philip Morris (Pakistan) Limited for the year ended December 31, 2019 in accordance with the requirements of regulation 36 of the Regulations.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended December 31, 2019.

.

A.F. FERGUSON & CO.
Chartered Accountants

Karachi: March 24, 2020

Review Report by the Chairman on Board's Overall Performance U/S 192 of the Companies Act, 2017 for the Year Ended December 31, 2019:

It gives me great pleasure to present the Annual Report for year ended December 31, 2019 to the shareholders of Philip Morris (Pakistan) Limited ("the Company") and to comment on the overall performance and effectiveness of the Board of Directors ("the Board").

Excluding the one off impairment and employee separation costs which was the result of the closure of the Kotri factory and GLT Voluntary Separation Scheme, the Company would have recorded an Operating Profit before tax of PKR 357 million for the year ended December 31st, 2019, instead of Operating loss before tax as mentioned above.

As required under the Code of Corporate Governance, an annual evaluation mechanism was put into place for evaluation of the Board, individual directors and its Committees. This process has been carried out in consort with an independent third party - A.F. Ferguson & Co, Chartered Accountants. The purpose of this evaluation is to assess the Board's overall performance and effectiveness which is measured and benchmarked against expectations in the context of objectives set for the Company. Areas of improvement are duly considered and action plans accordingly framed.

As Chairman of the Board, I can affirm that directors are encouraged to contribute on strategic issues so as to improve the performance of the Company.

1. Vision, mission and values:

Board members are familiar with the current vision, mission and values. The Board revisits the mission and vision statement from time to time.

2. Engagement in strategic planning:

The Board has a clear understanding of the stakeholders (shareholders, customers, employees, vendors, Society at large, etc.) whom the Company serves. The Board has a strategic vision of how the organization should be evolving.

3. Diligence and Monitoring of Business Activities:

The Board members diligently performed their duties, having reviewed, discussed and approved Business Strategies, Corporate Objectives, plans, budgets, financial statements and other reports. It received clear / concise agendas and supporting written material in sufficient time prior to board and committee meetings. The Board met at least once per Quarter to adequately discharge its responsibilities. The Board was periodically updated on various aspects of the Company by the management and other independent consultants (when engaged) to ensure direction and oversight from the Board on a timely basis.

4. Diversity and Mix:

The Board members are sufficiently diverse and each member brings experience in various fields. The constitution is a mix of independent and non-executive directors. The non-executive and independent directors are equally involved in important board decisions.

6. Governance and Control Environment:

The Board has effectively put in place a transparent, proactive and robust system of governance. Further, the Board has seen to the implementation of an effective control environment, compliance with local as well as global best practices and promoting ethical / fair behavior across the company.

KAMRAN Y. MIRZA
Chairman

Karachi: March 10, 2020

FOR THE YEAR ENDED DECEMBER 31, 2019

On behalf of the Board of Directors of Philip Morris (Pakistan) Limited, (the "Company"), I am pleased to present the Directors' Report along with the Audited Financial Statements of the Company for the year ended December 31, 2019.

PERFORMANCE REVIEW

	Year ended December 31, 2019		Year ended December 31, 2018	
	Rs. million	%	Rs. million	%
Gross Turnover	**37,986**	**100.00**	36,103	100.00
Gross Profit	**4,190**	**11.61**	6,024	16.69
Operating (Loss) / Profit	**(2,444)**	**(6.77)**	640	1.77
(Loss) / Profit before tax	**(2,493)**	**(6.91)**	617	1.71
(Loss) / Profit after tax	**(1,980)**	**(5.48)**	543	1.50

The analysis of key operating results for the year ended December 31, 2019 in comparison with the previous year is as follows:

During the year, tax paid industry faced challenges from the illicit sector as government continued to impose heavy excise increases with limited enforcement. The government announced an increase in FED in Value tier of 46% in Sept'18 followed by another increase of 32% in Jun'19 which resulted in the increase of price differential between legitimate industry brands and non-tax paid brands selling below minimum legal price (current illicit incidence is 34.7% of the total tobacco market based on December, 2019 - Retail audit). These excessive excise tax increases poses serious threats on the sustainability of the tax paid industry volume base and are detrimental for the Government revenues in the long run. Therefore, an equitable tax structure with strict implementation of enforcement measures are necessary to restrict illicit sector while ensuring sustainability of tax paid industry and Government revenue growth through predictable moderate excise tax increases.

The Company's gross turnover increased by 5.22% compared to 2018, attributable to excise driven price increases in September, 2018 and June, 2019 partially off-set by lower volumes for the period.

The Company recorded an Operating Loss before tax of PKR 2,444 million for the year ended December 31st, 2019 compared to an Operating Profit before tax of PKR 640 million in 2018. The Operating loss before tax was mainly due to the management decision to reorganize its operational footprint by closing its factory in Kotri, which was essential to ensure long term sustainability of the business in Pakistan considering the unpredictable fiscal environment.

Excluding the one off impairment and employee separation costs which was the result of the closure of the Kotri factory and GLT Voluntary Separation Scheme, the Company would have recorded an Operating Profit before tax of PKR 357 million for the year ended December 31st, 2019, instead of Operating loss before tax as mentioned above.

AWARDS AND RECOGNITION

For the year ended December 31, 2019 the Company received the following rewards and recognitions for its efforts as a responsible corporate citizen:

- Global Top Employer, 2019
- Equal Salary Certification, 2019
- OICCI Award on Women Empowerment, 2019
- EOBI Award for Most Compliant Employer, 2019
- NFEH Corporate Social Responsibility Award, 2019

REGULATORY

It is an established fact, that the tobacco industry in Pakistan is plagued with the wide presence of cheap illicit cigarettes, the primary source of which is locally manufactured tax-evaded cigarettes. This continues to be the biggest challenge for the tobacco industry as these illicit cigarettes are sold significantly below the printed pack price which creates a non-level playing field for the compliant tax paying industry. In addition to evading taxes and causing a loss of billions of rupees each year to the national exchequer, these illicit cigarette operators have a gross disregard for the existing tobacco control regulations. They blatantly violate advertising restrictions, by using restrictive or prohibited elements in their marketing activities including selling cigarettes without the legally mandated graphical health warning.

In societies, where there is lack of emphasis on enforcement and no action taken against violators of existing laws, a culture of non-compliance is created which, we believe is not in line with the vision of the current government. As such there is no value in introducing new regulations when existing regulations are not effectively enforced on all manufacturers; rather any introduction of new laws will be discriminatory as the violators refuse to comply and repeatedly ignore the regulations. The Company believes that effective consultation can bring valuable information to help design successful policy solutions and make informed decisions. It is therefore important that regulators and policy makers engage with the compliant and legitimate businesses in an open and transparent manner to contribute to the policy development and to eliminate illicit trade in cigarettes from Pakistan.

OPERATIONAL CAPACITY

In 2019, the company's investment in property, plant and equipment amounted to Rs.1,649 million, mainly on account of strategic and maintenance projects. It also continued to streamline its future footprints by eliminating non-productive and obsolete assets. These investments and initiatives reflect the company's commitment towards a sustainable future.

MATERIAL CHANGES AND COMMITMENTS

As part of a strategic review to optimize process efficiencies and operational effectiveness and to best position the Company for a strong and viable future growth, management of the Company decided to reorganize its operational footprint by closing its factory in Kotri. The management believes that this decision will not impact the Company's ability to supply products to the market. The Company closed the Kotri factory and retrenched its workers employed at the factory. The Company is committed to comply with all applicable laws and, in this instance, has taken every possible measure to fulfil its legal obligations.

CONTRIBUTION TO THE NATIONAL EXCHEQUER

Despite the challenges of the fiscal environment and increasing illicit, the Company's contribution to the National Exchequer, in the form of excise tax, sales tax and other government levies, was PKR 23,553 million which represents an increase of 21.34% compared to 2018. However, increasing trend in illicit is expected to further negatively impact the volumes of the tax paid industry resulting in a significant decline in government revenue in the current fiscal year 2020/21.

CORPORATE SOCIAL RESPONSIBILITY ("CSR")

In developing countries there is a greater need than ever for organizations, employees, communities and public officials to work together to address social issues as effectively and efficiently as possible.

The Company values the importance of working together with its employees and with all other stakeholders in the focus areas of education, women empowerment, economic opportunity, and disaster relief and preparedness. In 2019, the Company continued its collaboration with Philip Morris International Inc. and partner NGOs to achieve significant milestones, with some CSR projects being carried forward to the first quarter of 2020.

The Company is committed to continuing with its sustainable charitable programs to benefit local communities and increase employees' engagement in various initiatives in the coming years.

ENVIRONMENT, HEALTH, SAFETY AND SECURITY

The Company is committed to manufacture and deliver high quality tobacco products by adhering to its established and internationally recognized quality, environment, health and safety procedures and standards. Through these procedures, Company seeks to meet the expectations of its adult smokers and retain their loyalty through continuous improvement and excellence in its products.

The Company conducts business with utmost care for the environment and recognizes that the health and safety of its employees is a core principle and value of the business. The policies and practices are in place to prevent occupational injuries, illnesses and foreseeable hazards. All manufacturing sites and the threshing site received an "Excellent" PMI rating (6/6) from Bureau Veritas on integrated management system (IMS) with OHSAS 18001 (health & safety) and the new standard of the ISO 14001 (environment). There's a 100% compliance to all applicable statutory requirements of operations sites. In accordance to the commitment towards sustainable future, the company has also initiated its preparation to be certified from Alliance for water stewardship (AWS) program.

INVESTMENT IN HUMAN RESOURCE

To engage employees and enable them to deliver their best through an inclusive environment, the Company continually invests in talent through development platforms, comprehensive learning programs, cross-functional exposure and international experiences. The Company strives to foster a culture that places people at the core of everything it does, celebrates diversity, is forward looking, and provides equal opportunity to all to help the Company achieve its objectives and long-term goals.

CODE OF CORPORATE GOVERNANCE

Directors of the Company are aware of their responsibilities under the Listed Companies (Code of Corporate Governance)

Regulations 2019 ("the Code") issued by the Securities & Exchange Commission of Pakistan. Further, the Company has taken all necessary steps to ensure Good Corporate Governance and full compliance of the Code.

As required under the Code, the Directors are pleased to report that:

- The financial statements prepared by the management of the Company represent fairly its state of affairs, the results of its operations, cash flows and changes in its equity;

- Proper books of accounts of the Company have been maintained;

- Appropriate accounting policies have been applied consistently in preparation of the financial statements. Accounting estimates are based on reasonable and prudent judgment;

- Approved accounting standards, as applicable in Pakistan, have been followed in preparation of all financial statements;

- The Company's system of internal controls is sound in design and has been effectively implemented and is continuously reviewed;

- There are no doubts upon the Company's ability to continue as a going concern;

- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations;

- A summary of the key financial highlights for the year and of the assets and liabilities of the Company as of December 31, 2019 and for the last six financial years are set out on pages 19 and

- Information about taxes and levies is given in the corresponding notes in the financial statements.

STATEMENT OF INTERNAL CONTROLS

Management of the Company is responsible for establishing and maintaining a system of adequate internal controls and procedures. Management's statement of internal controls forms part of this Annual Report.

The Company has developed a sound mechanism for identification of risks, assigning levels of criticality to key processes followed by devising effective mitigating measures where required while ensuring their implementation by the management across all functions. The Progress on existing / evolving risks and mitigation plans are presented to the Audit Committee for information and review on a regular basis by an independent Internal Audit function.

In order to address existing and emerging risks with both global & local implications, The Internal Audit department on an annual basis prepares annual risk assessment & audit plans for reviews and advisories, in consultation with Business and Senior Management. Based on the Annual Risk & Audit plan, regular reviews and advisories are performed to identify the significant Operational, Compliance & Financial Reporting risks and the key controls designed to address them. These controls are documented, responsibility is assigned, and are monitored for design and operating effectiveness. Controls found not to be effective are remediated.

The Audit Committee is presented with the Annual Risk & Audit plan with subsequent updates on reviews and advisories.

Additionally, the Internal Audit function also assists the management to achieve reasonable assurance in terms of:

- Reliability and integrity of the Company's financial and operational information;
- Effectiveness in Company's operation to achieve desired results;
- Safeguarding of Company's assets; and
- Compliance of Company's actions with the relevant laws and regulations.

STATEMENT OF COMPLIANCE

The Company is responsible for publishing a Statement of Compliance. Statement of Compliance forms part of this Annual Report.

INVESTMENTS IN RETIREMENT FUNDS

The value of investments made by the employees' retirement funds operated by the Company as per their audited financial statements is as follows:

	Rs. Million	
Provident Fund	644	(Financial statements audited as of December 31, 2018)
Gratuity Fund	578	(Financial statements audited as of December 31, 2018)

HOLDING COMPANY

Incorporated in the Netherlands, Philip Morris Investments B.V. is the holding company having 77.65% of shares in the Company.

Philip Morris Brands SARL is the associate company having 20% of shares in the Company.

EVALUATION OF THE BOARD'S PERFORMANCE

The Board has approved a formal policy and a process has been put in place for conducting annual performance evaluation of the Board, individual directors and its committees. The purpose of the evaluation is to ensure that the Board's performance is measured with reference to overall corporate objectives, governance structure of the Company, statutory and regulatory compliance, effectiveness, collaboration and value addition.

DIRECTORS' REMINERATION POLICY

The Board has approved a Directors' Remuneration Policy, which describes in detail the objectives and a transparent procedure for determination of the remuneration packages of individual directors for attending meetings of the Board and its committees. Salient features, amongst others, of Directors' Remuneration Policy are as follows:

- Level of remuneration shall be commensurate with the needs of the business, strategic alignment and the best interests of Company and its shareholders.
- No director shall determine his own remuneration.
- Level of remuneration shall be as per market practice of comparable companies/industry.
- While determining remuneration no discrimination shall be made based on gender.
- Remuneration shall not be at a level that could be perceived to compromise the independence of the directors.
- Only Independent Directors will receive remuneration for attending Board meetings.
- The Board may engage an independent consultant to recommend an appropriate level of remuneration.

CHANGES IN THE BOARD OF DIRECTORS

Mr. Anton Stankov resigned as Chief Financial Officer and Director and Mr. Muhammad Zeeshan was appointed in his place as Chief Financial Officer and Director on February, 2019.

Furthermore, Ms. EE Won Chen resigned as Director and Ms. Pattaraporn Auttaphon was appointed in her place as Director on June, 2019.

Mr. Sharmen Kartigasu resigned as Director and Mr. Lim Khang Wei was appointed in his place as Director on June, 2019.

ELECTION OF DIRECTORS

The last Election of Directors was held on September 26, 2017. Each term lasts for three years and the next Election of Directors will be held in the year 2020.

BOARD OF DIRECTORS MEETINGS

The Board of Directors is comprised of seven Directors, of which two are independent Directors, three are non-executive Directors and two are executive director(s). The Board consists of 6 Male Directors and 1 Female Director.

During 2019, the Board of Directors (the "Board") held 4 meetings. The attendance of Directors in those meetings is documented and provided here under:

Name of Directors	No. of meetings held in tenure	No. of meetings attended
Kamran Y. Mirza	4	3
Muhammad Zeeshan	4	4
Lt. Gen. (R) Tariq Khan	4	3
Ee Won Chen	2	2
Joao Manuel	4	3
Sharmen Karthigasu	2	0
Michael Scharer	4	0
Lim Khang Wei	2	2
Pattaraporn Auttaphon	2	2

Leaves of absence were granted to the Directors who could not attend the Board meetings.

BOARD AUDIT COMMITTEE

The Audit Committee performs according to the terms of reference determined by the Board of the Company and which conform to the requirements of the Code issued by the SECP.

The Audit Committee comprises of three members, of which one is an independent Director and two are non-executive Directors.

As at year end 2019 the following Directors were acting as members of the Audit Committee;

1. Lt. Gen. (R) Tariq Khan
2. Lim Khang Wei
3. Pattaraporn Auttaphon

A total of four meetings were held during the year. The attendance of Directors in those meetings is documented and provided here under:

Name of Directors	No. of meetings attended
Lt. Gen. (R) Tariq Khan	3
Lim Khang Wei	2
Pattaraporn Auttaphon	1

Leave of absence was granted to the Director who could not attend the Audit Committee meeting.

HUMAN RESOURCE AND REMUNERATION COMMITTEE ("HR&R")

Current HR&R Committee consists of three members, comprising of a non-executive, Independent and executive director.

As at year end 2019 the following Directors were acting as members of the HR&R Committee.

1. Kamran Mirza
2. Joao Manuel
3. Michael Scharer

During 2019, one meeting has been held by the HR&R Committee as required by the Code.

TRAINING OF DIRECTORS

The Board remained fully compliant with the provision of the Code pertaining to Directors training program.

PATTERN OF SHAREHOLDING

The pattern of shareholding of the Company as of December 31, 2019 is included further in this Annual Report as per the requirements of the Code.

AUDITORS

The current external auditors, A. F. Ferguson & Co., Chartered Accountants will retire at the conclusion of the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment as external auditors for the year ending December 31, 2020. As recommended by the Audit Committee, Members are requested to appoint them as auditors and validate their remuneration.

ACCOUNTING POLICIES

The Company has adopted or applied new accounting standards, amendments to approved standards and new interpretations as applicable during 2019. Details of those are provided in the Notes to the Financial Statements section 2.4.2.

FUTURE OUTLOOK

The Company is a fully integrated affiliate of Philip Morris International Inc. and as such will continue to benefit from global resources and expertise to help further improve its effectiveness and long term sustainability and profitability.

The Company has invested in its brand portfolio, expanded the distribution of Parliament launched in Q3'18. The L&M franchise was revamped in Nov'19 with a new pack and stick design.

The Company supports government policies and actions to address the illicit cigarettes including enhanced enforcement through the Inland Revenue Force of the Federal Board of Revenue ("FBR").

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

The Company continues to remain an equal opportunity employer as evident from the Company securing the Equal Salary Certification from the EQUAL-SALARY Foundation, Switzerland for the second year in a row. The Company strongly believes in the promoting Inclusion & Diversity by creating a favorable work environment.

SUBSEQUENT EVENT

Mr. Joao Manuel resigned as Director and Chief Executive on January 31, 2020 and Mr. Roman Yazbeck was appointed in his place as Director and Chief Executive on February 1, 2020

ACKNOWLEDGEMENTS

The Directors wish to take this opportunity to thank all the Company's employees for their efforts, dedication, commitment and support in 2019.

The Board of Directors would also like to extend its appreciation to all its business partners such as distributors, suppliers, shareholders and other institutions for their trust in the management of the Company.

On behalf of the Board of Directors

KAMRAN Y. MIRZA
Chairman

ROMAN YAZBECK
Chief Executive

Karachi, March 10, 2020

Pattern of Holding of Shares

AS AT DECEMBER 31, 2019
INCORPORATION NUMBER - 0002832

NUMBER OF SHAREHOLDERS (Ordinary Shareholders)	SHAREHOLDING		SHARES HELD
	From	To	
888	1	100	19,740
320	101	500	81,343
113	501	1000	79,978
170	1001	5000	330,482
20	5001	10000	137,703
3	10001	15000	32,907
3	15001	20000	48,469
1	25001	30000	28,915
1	45001	50000	46,255
1	635001	640000	639,139
2	12315001	12320000	24,632,116
1	35500001	35505000	35,503,294

CATEGORIES OF SHAREHOLDERS (Ordinary Shareholders)	SHARES HELD	PERCENTAGE
Directors, Chief Executive Officer and their spouse and minor children	56	0.00%
Associated Companies, undertakings and related parties	60,135,410	97.65%
Nit and ICP	58	0.00%
Banks, Development Financial Institutions, Non-Banking Financial Institutions	3,360	0.01%
Mutual Funds & Modarabas	820	0.00%
Insurance Companies	10,580	0.02%
Shareholders holding 5% and above	60,135,410	97.65%
General Public (Local)	731,418	1.19%
Others	698,639	1.13%

Note: some of the shareholders are reflected in more than one category

CATEGORIES OF SHAREHOLDERS (Ordinary Shareholders)

ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES

PHILIP MORRIS INVESTMENTS B.V.	47,819,350
PHILIP MORRIS BRANDS SARL	12,316,060
	60,135,410

DIRECTORS AND THEIR SPOUSE(S) AND MINOR CHILDREN

MR. KAMRAN Y. MIRZA	50
MR. JOAO MANUEL	1
MR. MICHAEL SCHARER	1
MR. LIM KHANG WEI	1
MS. PATTARAPORN AUTTAPHON	1
MR. MUHAMMAD ZEESHAN	2
	56

PUBLIC SECTOR COMPANIES AND CORPORATION, BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE INSTITUTIONS, INSURANCE COMPANIES, TAKAFUL, MODARBAS AND PENSION FUNDS

INVESTMENT CORPORATION OF PAKISTAN	58
HABIB BANK LIMITED	132
MCB BANK LIMITED	3,228
CDC-TRUSTEE AKD INDEX TRACKER FUND	820
PAKISTAN REINSURANCE COMPANY LIMITED	10,580
	14,818

SHAREHOLDERS HOLDING 5% OR MORE VOTING RIGHTS IN THE LISTED COMPANY

PHILIP MORRIS INVESTMENTS B.V.	47,819,350
PHILIP MORRIS BRANDS SARL	12,316,060
	60,135,410

Pattern of Shareholding - (Preference Shareholder)

DETAILS AS AT DECEMBER 31, 2019

CATEGORIES OF PREFERENCE SHAREHOLDERS	PREFERENCE SHARES HELD	PERCENTAGE
Holding and Associated Companies	1,046,400,000	100.00%

DETAILS OF PATTERN OF PREFERENCE SHAREHOLDING AS PER REQUIREMENTS OF THE CODE OF CORPORATE GOVERNANCE

CATEGORIES OF PREFERENCE SHAREHOLDERS	
ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES	
PHILIP MORRIS INVESTMENTS B.V.	832,097,280
PHILIP MORRIS BRANDS SARL	214,302,720
	1,046,400,000

PATTERN OF HOLDING OF PREFERENCE SHARES AS AT DECEMBER 31, 2019

INCORPORATION NUMBER - 0002832

NUMBER OF PREFERENCE SHAREHOLDERS	PREFERENCE SHAREHOLDING		PREFERENCE SHARES HELD
	FROM	TO	
1	1	250,000,000	214,302,720
1	250,000,001	850,000,000	832,097,280

Financial Highlights for Last Six Years

	Year ended December 31, 2019					
	2019	2018	2017	2016	2015	2014
	(Rupees in thousand)					
Share Capital						
- Ordinary shares	615,803	615,803	615,803	615,803	615,803	615,803
- Preference shares	10,464,000	10,464,000	10,464,000	10,464,000	-	-
Transaction cost on issuance of Preference						
- net of tax	(33,911)	(33,911)	(33,911)	(33,911)	-	-
Reserves	(395,009)	1,564,754	1,855,384	2,544,144	2,033,524	3,373,047
Share Holders' Equity	**10,650,883**	**12,610,646**	**12,901,276**	**13,590,036**	**2,649,327**	**3,988,850**
Deferred liabilities	-	-	-	-	-	-
TOTAL CAPITAL EMPLOYED	**10,650,883**	**12,610,646**	**12,901,276**	**13,590,036**	**2,649,327**	**3,988,850**
Fixed assets - NET	6,109,548	7,348,030	7,818,958	8,517,170	8,048,391	7,416,512
Long-term investment	1	1	1	1	1	1
Long-term loans, deposits & prepayments	57,361	50,545	45,825	39,762	37,452	36,760
Deferred tax assets	1,399,704	659,761	678,585	761,323	937,354	527,615
Working capital	3,084,269	4,552,309	4,357,907	4,271,780	(6,373,871)	(3,992,038)
TOTAL ASSETS	**10,650,883**	**12,610,646**	**12,901,276**	**13,590,036**	**2,649,327**	**3,988,850**
Turnover	37,986,339	36,102,925	30,143,938	40,343,161	40,157,144	38,045,693
Profit / (Loss) before tax	(2,492,990)	616,908	476,315	769,888	(1,676,939)	(1,513,269)
Profit / (Loss) after tax & adjustment	(1,979,999)	543,151	191,008	575,157	(1,315,008)	(1,482,455)
Dividends declared (Cash)	-	747,390	923,000	-	-	-
Bonus shares	-	-	-	-	-	-
	(Rupees)					
(inclusive of Fixed Assets Revaluation)						
Break-up value of shares	172.96	204.78	209.50	220.69	43.02	64.77
Net Earning / (Loss) per Share	(32.15)	1.68	(1.89)	8.79	(21.35)	(24.07)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PHILIP MORRIS (PAKISTAN) LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Philip Morris (Pakistan) Limited (the Company), which comprise the statement of financial position as at December 31, 2019, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2019 and of the loss and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

Following are the Key audit matters:

S. No.	Key audit matters	How the matter was addressed in our audit
(i)	**Deferred tax asset on account of unutilised tax losses** (Refer note 7 to the annexed financial statements) As at December 31, 2019, included in the balance of deferred tax asset (net) is an amount of Rs 1,234.881 million representing deferred tax asset recognised on account of unutilised tax losses. Recognition of deferred tax asset on account of unutilised tax losses requires management to estimate the Company's future tax liabilities. This process relies on the assessment of the Company's profitability forecast, which in turn is based on assumptions concerning future economic conditions and business performance. As preparing of profitability forecast and assessment of realisability of recognised deferred tax asset requires significant management judgement, we considered this, a key audit matter.	Our audit procedures, amongst others, included the following: ● obtained understanding of management process of preparation of forecasts of profitability and deferred tax calculation; ● discussed with the management, reasonableness of the significant underlying assumptions used in preparing the profitability forecast; ● checked the appropriateness of tax rates applied in view of the local tax legislation; ● checked mathematical accuracy of the calculations; and ● reviewed the related disclosures made in the annexed financial statements in accordance with the requirements of the accounting and reporting standards as applicable in Pakistan.
(ii)	**Closure of factory in Kotri** (Refer notes 3.1.3 and 15 to the annexed financial statements) During the year, the Company has closed its factory in Kotri due to which following major impacts have been presented in the annexed financial statements: ● The items of plant and machinery having a net book value of Rs 1,137.304 million which cannot be disposed of except as scrap material in accordance with the Company's policy have been written down to the expected recoverable amount of Rs Nil. Thereafter, these items have been transferred to non-current assets held for disposal.	Our audit procedures, amongst others, included the following: ● reviewed the resolution of the board of directors approving the closure of the Company's factory in Kotri; ● traced the items relating to Kotri factory from the fixed assets register; ● understood the rationale of recording the impairment charge and transferring of assets to 'held for disposal';

S. No.	Key audit matters	How the matter was addressed in our audit
	• In relation to the building and equipment of the Kotri factory, valuation exercises were undertaken by the management involving external valuers for determination of fair value less cost of disposal of such assets. As a result of such valuation exercises, assets having a net book value of Rs 1,351.106 million as at March 1, 2019 have been written down to the recoverable amount of Rs 293.129 million resulting in recognition of an impairment charge of Rs 1,057.977 million in the annexed financial statements. Due to the significance of the amounts involved, we considered the event of closure of the Company's factory in Kotri, a key audit matter.	• understood the management's process of assessing the recoverable amount of items of building and equipment including the involvement of the management's experts; • appointed auditor's expert to review the conclusion of the management experts; and • reviewed the related disclosures made in the annexed financial statements in accordance with the requirements of the accounting and reporting standards as applicable in Pakistan.

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

(a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

(b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

(c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

(d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Khurshid Hasan.

A. F. Ferguson & Co.,
Chartered Accountants
Karachi

Karachi: March 24, 2020

Statement of Financial Position

AS AT DECEMBER 31, 2019

	Note	2019	2018
		(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Fixed assets			
- Property, plant and equipment	3	**5,632,379**	7,323,760
- Right-of-use asset	4	**471,194**	-
- Intangibles	5	**5,975**	24,270
		6,109,548	7,348,030
Investment in a subsidiary company	6	**1**	1
Long term deposits		**57,361**	50,545
Deferred taxation	7	**1,399,704**	659,761
		7,566,614	8,058,337
CURRENT ASSETS			
Stores and spares - net	8	**158,875**	226,899
Stock in trade - net	9	**6,141,376**	5,800,812
Trade debts - net	10	**-**	-
Advances	11	**22,078**	22,288
Prepayments		**789,423**	140,689
Other receivables	12	**247,044**	247,359
Income tax - net		**992,250**	878,983
Staff retirement benefits	13	**109,878**	52,412
Cash and bank balances	14	**330,283**	2,730,373
Non-current assets held for disposal	15	**-**	-
TOTAL CURRENT ASSETS		**8,791,207**	10,099,815
TOTAL ASSETS		**16,357,821**	18,158,152
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital	16	**12,000,000**	12,000,000
Issued, subscribed and paid-up capital			
- Ordinary shares	16	**615,803**	615,803
- Preference shares	16	**10,464,000**	10,464,000
		11,079,803	11,079,803
Transaction cost on issuance of preference shares - net of tax		**(33,911)**	(33,911)
		11,045,892	11,045,892
Reserves		**(395,009)**	1,564,754
TOTAL EQUITY		**10,650,883**	12,610,646
NON CURRENT LIABILITIES			
Lease liabilities	18	**203,166**	-
CURRENT LIABILITIES			
Short term borrowings	19	**846,475**	-
Trade and other payables	20	**4,296,586**	4,917,251
Current maturity of lease liabilities		**307,541**	-
Unclaimed dividend		**33,935**	34,608
Accrued mark-up on short term borrowings		**1,275**	113
Sales tax and excise duty payable		**17,960**	595,534
TOTAL CURRENT LIABILITIES		**5,503,772**	5,547,506
TOTAL LIABILITIES		**5,706,938**	5,547,506
TOTAL EQUITY AND LIABILITIES		**16,357,821**	18,158,152
CONTINGENCIES AND COMMITMENTS	21		

The annexed notes from 1 to 41 form an integral part of these financial statements.

Karachi: March 10, 2020

KAMRAN Y. MIRZA
Chairman

ROMAN YAZBECK
Chief Executive

MUHAMMAD ZEESHAN
Chief Financial Officer

Statement of Profit or Loss and other Comprehensive Income

FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	2019	2018
		(Rupees in thousand)	
Turnover - net	22	**13,334,498**	16,199,912
Cost of sales	23	**9,144,670**	10,175,924
Gross profit		**4,189,828**	6,023,988
Distribution and marketing expenses	24	**2,663,662**	3,570,578
Administrative expenses	25	**1,512,611**	1,389,471
Other expenses	26	**3,168,345**	686,981
Other income	27	**(710,607)**	(263,044)
		6,634,011	5,383,986
Operating (loss) / profit		**(2,444,183)**	640,002
Finance cost and bank charges	28	**48,807**	23,094
(Loss) / profit before taxation		**(2,492,990)**	616,908
Taxation	29	**(512,991)**	73,757
(Loss) / profit after taxation		**(1,979,999)**	543,151
Other comprehensive income for the year - net of tax			
Item that will not be reclassified to profit or loss			
Remeasurement income / (expense) relating to staff retirement benefits	13	**20,224**	(83,790)
- Current tax		**(5,865)**	24,299
		14,359	(59,491)
Total comprehensive (loss) / income for the year		**(1,965,640)**	483,660
		------------------- (Rupees) -----------------	
(Loss) / Earnings per share - basic and diluted (after adjustment of preference dividend)	30	**(32.15)**	1.68

The annexed notes from 1 to 41 form an integral part of these financial statements.

Karachi: March 10, 2020

KAMRAN Y. MIRZA
Chairman

ROMAN YAZBECK
Chief Executive

MUHAMMAD ZEESHAN
Chief Financial Officer

Statement of Changes in Equity

FOR THE YEAR ENDED DECEMBER 31, 2019

	Issued, subscribed and paid-up capital		Transaction cost on issuance of preference shares - net of tax	Reserve							Total
				Capital Reserves			Revenue Reserves			Subtotal - Reserves	
	Ordinary shares	Preference shares		Reserve for share based payments	Remeasurement of staff retirement gratuity plan - net of tax	Subtotal Capital Reserves	General reserve	Unappropriated loss	Subtotal Revenue Reserves		
	---------- (Rupees in thousand) ----------										
Balance as at January 1, 2018	615,803	10,464,000	(33,911)	4,954	(198,624)	(193,670)	5,424,000	(3,374,946)	2,049,054	1,855,384	12,901,276
Transactions with owners											
Final cash dividend for the year ended December 31, 2018	-	-	-	-	-	-	(747,390)	-	(747,390)	(747,390)	(747,390)
Reinstatement of unclaimed dividend	-	-	-	-	-	-	-	(27,217)	(27,217)	(27,217)	(27,217)
Share-based payment											
- expense	-	-	-	18,403	-	18,403	-	-	-	18,403	18,403
- recharge	-	-	-	(18,086)	-	(18,086)	-	-	-	(18,086)	(18,086)
(note 2.6.20)	-	-	-	317	-	317	(747,390)	(27,217)	(774,607)	(774,290)	(774,290)
Total comprehensive income											
Profit after taxation for the year ended December 31, 2018	-	-	-	-	-	-	-	543,151	543,151	543,151	543,151
Other comprehensive loss for the year	-	-	-	-	(59,491)	(59,491)	-	-	-	(59,491)	(59,491)
	-	-	-	-	(59,491)	(59,491)	-	543,151	543,151	483,660	483,660
Balance as at December 31, 2018	615,803	10,464,000	(33,911)	5,271	(258,115)	(252,844)	4,676,610	(2,859,012)	1,817,598	1,564,754	12,610,646
Transaction with owners											
Share-based payment											
- expense	-	-	-	25,899	-	25,899	-	-	-	25,899	25,899
- recharge	-	-	-	(20,022)	-	(20,022)	-	-	-	(20,022)	(20,022)
(note 2.6.20)	-	-	-	5,877	-	5,877	-	-	-	5,877	5,877
Total comprehensive income											
Loss after taxation for the year ended December 31, 2019	-	-	-	-	-	-	-	(1,979,999)	(1,979,999)	(1,979,999)	(1,979,999)
Other comprehensive loss for the year	-	-	-	-	14,359	14,359	-	-	-	14,359	14,359
	-	-	-	-	14,359	14,359	-	(1,979,999)	(1,979,999)	(1,965,640)	(1,965,640)
Balance as at December 31, 2019	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

The annexed notes from 1 to 41 form an integral part of these financial statements.

Karachi: March 10, 2020

KAMRAN Y. MIRZA
Chairman

ROMAN YAZBECK
Chief Executive

MUHAMMAD ZEESHAN
Chief Financial Officer

Statement of Cash Flow

FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	2019	2018
		(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	34	**(1,557,723)**	4,661,085
Staff retirement gratuity paid		**(73,063)**	(72,347)
Finance cost paid		**(23,608)**	(407)
Profit received on saving accounts		**247,235**	134,984
Income taxes paid		**(340,219)**	(295,616)
Long term deposits		**(6,816)**	(4,720)
Net cash (used in) / generated from operating activities		**(1,754,194)**	4,422,979
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		**(1,650,005)**	(1,286,242)
Acquisition of intangibles		**(2,916)**	(14,277)
Proceeds from disposal of items of property, plant and equipment		**311,691**	103,394
Net cash used in investing activities		**(1,341,230)**	(1,197,125)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		**(673)**	(751,581)
Lease payments		**(150,468)**	-
Net cash used in financing activities		**(151,141)**	(751,581)
Net (decrease) / increase in cash and cash equivalents during the year		**(3,246,565)**	2,474,273
Cash and cash equivalents at the beginning of the year		**2,711,512**	237,239
Cash and cash equivalents at the end of the year	35	**(535,053)**	2,711,512

The annexed notes from 1 to 41 form an integral part of these financial statements.

Karachi: March 10, 2020

KAMRAN Y. MIRZA
Chairman

ROMAN YAZBECK
Chief Executive

MUHAMMAD ZEESHAN
Chief Financial Officer

FOR THE YEAR ENDED DECEMBER 31, 2019

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.

The geographical locations and addresses of the Company's business units, including plant, are as under:

	Bussiness Unit	Loacation / Address
a)	Registered Office	19th Floor, The Harbour Front, Dolmen City, HC-3 Block-4 Clifton, Karachi
b)	Green Leaf Threshing Plant	Leaf Division Complex, 22 KM, Mardan Swabi Road, Mardan, KPK
c)	Sahiwal Factory	G.T Road, Qadirabad, District Sahiwal, Punjab

1.2 The Company is a subsidiary of Philip Morris International Inc., (the ultimate parent) through Philip Morris Investments B.V., (the parent company) and Philip Morris Brands S.à.r.l.

1.3 In view of the exemption granted by the Securities & Exchange Commission of Pakistan (the SECP) vide its letter No. EMD/233/619/2002/361 dated January 17, 2019 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 **Basis of measurement**

These financial statements have been prepared under the historical cost convention except as otherwise specifically stated.

2.2 **Functional and Presentation Currency**

These financial statements are presented in Pakistan Rupees, which is the functional currency of the Company.

2.3 **Statement of Compliance**

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

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

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

2.4 Change in accounting standards, interpretations and amendments to accounting and reporting standards

2.4.1 New standards, amendments and interpretation to accounting and reporting standards which were effective during the year ended December 31, 2019:

(i) IFRS 9 'Financial instruments' – Effective January 1, 2019, the Company has adopted IFRS 9. IFRS 9 has replaced the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. It also includes an expected credit losses (ECL) model that replaced IAS 39 incurred loss impairment model. (On January 1, 2019 (the date of initial application of IFRS 9), the Company's management has assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories. As a result of this, financial assets previously classified as "loans and receivables" and "held-to-maturity" have now been classified as "at amortised cost". Financial liabilities continue to be classified as at amortised cost. The reclassifications of the financial instruments also did not result in any changes to measurements.

(ii) Effective January 1, 2019, the Company has adopted IFRS 16, "Leases" which has replaced guidance on accounting for leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains a Lease', SIC-15 'Operating Leases- Incentive' and SIC-27 'Evaluating the substance of transactions involving the legal form of a Lease'. IFRS 16 has introduced a single, on balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset and a lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the guidance present in IAS 17 i.e. lessors continue to classify leases as finance or operating leases.

The Company has adopted IFRS 16 retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in IFRS 16. The impact of adoption of IFRS 16 is therefore recognised in the opening statement of financial position on January 1, 2019.

On adoption of IFRS 16, the Company recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of January 1, 2019.

The accounting policies relating to the Company's right-of-use assets and lease liability are disclosed in notes 2.6.2 and 2.6.9.

In accordance with the transitional provisions of IFRS 16, the right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at December 31, 2018.

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by IFRS 16:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;

- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application; and

- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The change in accounting policy affected the following items in the statement of financial position on January 1, 2019:

		(Rupees in thousand)
Right-of-use assets - increased by		314,576
Prepayments decreased by		26,057
Lease liabilities increased by	- current portion	149,307
	- non-current portion	139,212
		288,519

The change in accounting policy affected the following items in the statement of profit or loss for the year ended December 31, 2019:

	(Rupees in thousand)
Markup expense - increased by	22,992

(iii) There are certain other amendments and an interpretation to the approved accounting and reporting standards which were mandatory for the Company's annual accounting period which began on January 1, 2019. However, these do not have any significant impact on the Company's financial reporting and, therefore, have not been detailed in these financial statements.

2.4.2 New standards, amendments and interpretations to accounting and reporting standards that are not yet effective and have not been early adopted by the Company:

There are certain amendments and interpretations to the accounting and reporting standards that will be mandatory for the Company's annual accounting periods beginning on or after January 1, 2020. However, these will not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these financial statements.

Further, IFRS 17 'Insurance contracts' is yet to be adopted by the SECP.

2.5 **Critical accounting judgments and estimates**

The preparation of financial statements in conformity with accounting and reporting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment 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. In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to these financial statements:

Property, plant and equipment

Estimates with respect to residual values and useful lives are based on the recommendation of the Company's technical teams. Further, the Company reviews the external and internal indicators for possible impairment of assets on an annual basis.

Stock in trade

Assumptions and estimates used in writing down items of stock in trade to their net realisable value (note 8). Net realisable value is determined on the basis of estimated selling price of the product in the ordinary course of business less estimated costs of completion and the estimated costs necessary to be incurred for its sale.

Income taxes

In making the estimates for income taxes payable by the Company, management considers current income tax law and the decisions of appellate authorities on certain cases issued in the past. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period of which the final outcome is determined.

Deferred taxes

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the assets may be utilised.

Staff retirement benefits

Certain actuarial assumptions as disclosed in note 12.1 are used for the valuation of present value of defined benefit obligations and fair value of plan assets.

Equity settled share-based payment plans

Estimates with respect to the number of employees who are expected to receive the ultimate parent's shares upon satisfaction of the vesting conditions.

Provisions

Provisions are based on management's best estimate. Any change in the estimates in future years might affect the carrying amounts of the provisions with a corresponding effect in the statement of profit or loss and other comprehensive income of the Company.

Leases

The implementation process to identify and gather all relevant data associated with the leases is complex and the measurement of the right-of-use asset and lease liability is based on assumptions such as discount rates and lease terms, including termination and renewal options. Lease payments to be made under reasonable certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate can not be readily determined, which is generally the case for leases in the Company, the Company's incremental borrowing rate is used. The Company's incremental borrowing rate is the rate the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

2.6 **Summary of significant accounting policies**

2.6.1 Property, plant and equipment

(i) Operating property, plant and equipment

Operating property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any, except for freehold land which is stated at historical cost.

Assets having cost exceeding the minimum threshold as determined by the management are capitalised. All other assets are charged to income in the year when acquired.

Depreciation is charged to income applying the straight-line method so as to write off the historical cost of the assets over their estimated useful lives at the rates stated in note 3.1 below. Depreciation on additions is charged from the month in which the asset is put to use and on disposals up to the month the asset is no longer in use. Assets' residual values and useful lives are annually reviewed, and adjusted, if material.

Residual values are determined by the management as the amount it expects it would receive currently for an item of property, plant and equipment if it was already of the age and in the condition expected at the end of its useful life based on the prevailing market prices of similar assets already at the end of their useful lives.

Useful lives are determined by the management based on the expected usage of assets, physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of the assets and other similar factors.

The carrying values of property, plant and equipment are reviewed at each reporting date for indications that an asset may be impaired and carrying values may not be recovered. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the asset or cash generating unit is written down to its recoverable amount. The recoverable amount of property, plant and equipment is the greater of fair value less cost to sell and value in use.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements, if any, are capitalised when it is probable that future economic benefits will flow to the Company.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the relevant assets. These are charged to income.

(ii) Capital work-in-progress

All expenditure, connected with specific assets, incurred during installation and construction period are carried under this head. Capital work-in-progress is transferred to specific assets as and when these assets become available for use.

(iii) Major spare parts and stand-by equipment

Major spare parts and stand by equipment qualifying as property, plant and equipment and having cost exceeding the minimum threshold as determined by management are classified as property, plant and equipment. Transfers are made to the relevant categories of operating property, plant and equipment as and when these assets are consumed.

2.6.2 Right-of-use assets

Effective January 1, 2019 the right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, any estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use asset is depreciated using the straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Company applies the practical expedient to not recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets.

2.6.3 Intangible

Intangible assets are recognised when it is probable that the expected future economic benefits will flow to the Company and the cost of the asset can be measured reliably. Cost of the intangible asset (i.e. computer software) includes purchase cost and directly attributable expenses incidental to bring the asset for its intended use.

Costs associated with maintaining computer software are recognised as an expense as and when incurred.

Intangibles are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is charged over the estimated useful life of the asset on a systematic basis applying the straight line method at the rates of 20% to 33.33%.

Useful lives of intangibles are reviewed at each date of statement of financial position and adjusted if the impact on amortisation is significant.

The carrying amount of the intangible is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment losses are charged to income for the amount by which the asset's carrying amount exceeds its recoverable amount. Reversal of impairment losses are also charged to income, however, it is restricted to the original cost of the asset.

2.6.4 Investment in a subsidiary company

Investment in a subsidiary company is recognised when the Company has established control over the investee company. Investment in subsidiary company is stated at cost less impairment, if any.

2.6.5 Stores and spares

Stores and spares are valued at the lower of moving average cost and net realisable value, except for items in transit which are stated at invoice values plus other charges incurred thereon. Provisions are made for slow moving items where necessary to bring them down to approximate net realisable value and is charged to income.

Net realisable value signifies the estimated selling price in the ordinary course of business less the estimated cost of completion and costs necessarily to be incurred to make the sale.

2.6.6 Stock in trade

Stock in trade is stated at the lower of cost and net realisable value.

Cost of raw materials include procurement expenses except raw materials in bonded warehouse and in transit, which are stated at invoice values plus other charges incurred thereon.

Cost of redried tobacco includes procurement expenses and overheads incurred on redrying of the tobacco leaf.

Cost in relation to finished goods and work-in-process includes proportionate production overheads.

Cost in relation to trading goods is valued at the lower of moving average cost and net realisable value, except for items in transit which are stated at invoice values plus other charges incurred thereon.

2.6.7 Trade debts and other receivables

Trade debts and other receivables are recognised and carried at original invoice amount less an estimated allowance made for doubtful receivables based on 'Expected Credit Loss' model. Balances considered bad and irrecoverable are written off when identified.

2.6.8 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

2.6.9 Lease Liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments include fixed payments, variable lease payment that are based on an index or a rate, amounts expected to be payable by the Company under residual value guarantees, the exercise price of a purchase option if the Company is reasonably certain to exercise that option, payments of penalties for terminating the lease if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in the determination of the lease term only when the Company is reasonably certain to exercise these options.

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

2.6.10 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for the goods and services.

2.6.11 Provisions

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

2.6.12 Contingent assets

Contingent assets are disclosed when there is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are not recognised until their realisation become virtually certain.

2.6.13 Contingent liabilities

Contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or

- there is a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

2.6.14 Taxation

(i) Current

Provision for current taxation is the amount computed on taxable income at the current rates of taxation or alternative corporate tax computed on accounting income or minimum tax on turnover, whichever is higher, and taxes paid / payable on final tax basis, after taking into account tax credits available, if any. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from the assessments made / finalised during the year.

(ii) Deferred

Deferred tax is recognised using the liability method on all temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes.

Deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the assets may be utilised.

The carrying amount of deferred tax assets is reviewed at each date of statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each date of statement of financial position and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

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

2.6.15 Cash and cash equivalents

Cash and cash equivalents are carried on the statement of financial position at cost. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and bank balances, cheques in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, running finance under mark-up arrangements and short term loans which form an integral part of the Company's cash management.

2.6.16 Borrowing costs

The Company capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as a part of that asset. All other borrowing costs are charged to income.

2.6.17 Revenue recognition

- Revenue from sale of goods is recognised when the Company satisfies a performance obligation by transferring promised goods to the customer. Goods are transferred when the customer obtains their control (i.e. either upon shipment or delivery of goods to customers). Revenue is recognised at transaction price (which excludes estimates of variable consideration), which represents the fair value of the consideration received or receivable.

- Profit on bank balances is recognised on a time proportion basis on the principal amount outstanding and at the applicable rate.

- Gains / (losses) arising on disposal of investments are recognised on the date when the transaction takes place.

2.6.18 Staff retirement benefits

The Company operates:

(a) an approved contributory provident fund for all permanent employees for which contributions are charged to income for the year; and

(b) an approved funded gratuity scheme covering all permanent employees. Contribution are made to this scheme on the basis of actuarial valuation and recommendations. The actuarial valuation is performed using the Project Unit Credit Method.

Staff retirement benefits are payable to staff on completion of prescribed qualifying period of service under these schemes. The benefit payments are made from a trustee - administered fund [Philip Morris (Pakistan) Employees Gratuity Fund Trust].

All actuarial gains and losses (i.e. 'remeasurements') are recognised in 'Other comprehensive income' as they occur.

2.6.19 Compensated absences

The Company provides for its estimated liability towards leaves accumulated by employees on an accrual basis using current salary levels. As the component of liability involved is not material, the Company does not perform an actuarial valuation for this liability.

2.6.20 Equity-settled share-based payment plans

The Company recognises as expense the services acquired over the vesting period and the corresponding increase in equity (as contribution from the ultimate parent) at fair value of the ultimate parent's shares at the grant date under 'Time-vested Share Plan'. Under the plan the ultimate parent (i.e. Philip Morris International Inc.) grants rights of its shares to certain employees / executives of the Company that vest over a period of three years from the grant date. In the event the Company is recharged by the ultimate parent and the equity is reduced to the extent of such recharge.

2.6.21 Foreign currency transactions

Foreign currency transactions are translated into Pakistan Rupees (i.e. the functional currency) using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into Pakistan Rupees using the exchange rate at the date of statement of financial position. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations of monetary assets and liabilities denominated in foreign currencies are charged to the statement of profit or loss.

2.6.22 Financial assets

Upto December 31, 2018 the Company classified its financial assets into four categories namely 'at fair value through profit or loss', 'loans and receivables', 'held to maturity' and 'available for sale'.

Effective, January 1, 2019 the Company classifies its financial assets in the following categories:

(i) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flow represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognised directly in profit or loss.

(ii) Fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(iii) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income or assets that are designated at fair value through profit or loss using fair value option, are measured at fair value through profit or loss. A gain or loss on debt investment that is subsequently measured at fair value through profit or loss is recognised in statement of profit or loss in the period in which it arises.

Equity instrument financial assets are measured at fair value at and subsequent to initial recognition. Changes in fair value of these financial assets are normally recognised in profit or loss. Dividends from such investments continue to be recognised in profit or loss when the Company's right to receive payment is established. Where an election is made to present fair value gains and losses on equity instruments in other comprehensive income there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently remeasured to fair value, amortised cost or cost as the case may be. Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the profit or loss for the period in which it arises.

Financial assets are derecognised when the Company loses control of the contractual rights that comprise the financial asset. Assets or liabilities that are not contractual in nature and that are created as a result of statutory requirements imposed by the Government are not the financial instruments of the Company.

2.6.23 Financial Liabilities

Financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortised cost are initially measured at fair value less transaction costs. Financial liabilities at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed on profit or loss.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortised cost using the effective yield method.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender or substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in profit or loss.

2.6.24 Impairment of financial assets

The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Company applies the simplified approach to recognise lifetime expected credit losses for trade receivables, due from customers and contract assets.

2.6.25 Off-setting of financial assets and financial liabilities

A financial asset and financial liability is off-set and the net amount is reported in the statement of financial position when there is a legally enforceable right to set-off the transaction and also there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.6.26 Impairment of financial assets

a) Financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets. The Company applies the simplified approach to recognise lifetime expected credit losses for trade debts.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

The Company recognises in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

b) Non-Financial assets

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognised as an expense in profit or loss. The recoverable amount is the higher of an asset's fair value less cost of disposal and value-in-use. Value-in-use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which these are separately identifiable cash flows (cash generating units).

An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.6.27 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognised in the Company's financial statements in the period in which these are approved.

2.6.28 Segment reporting

The Company operates predominantly in Pakistan and in one main industry – cigarette manufacture. The activities comprise the manufacture, distribution and sale of cigarettes and other tobacco products.

3. PROPERTY, PLANT AND EQUIPMENT

	Note	2019	2018
		(Rupees in thousand)	
Operating property, plant and equipment	3.1	**4,344,780**	6,222,136
Capital work-in-progress (CWIP)	3.2	**1,285,067**	1,100,341
Major capital spares and stand-by equipment		**2,532**	1,283
		5,632,379	7,323,760

3.1 Operating property, plant and equipment

	Freehold land	Leasehold land	Buildings on freehold land	Buildings on leasehold land	Leasehold improvements	Plant and machinery	Furniture and fixtures	Office equipment	Vehicles	Power and other installations	Computer equipment	Total
	(Rupees in thousand)											
As at December 31, 2017												
Cost	99,396	2,441	1,719,352	60,190	269,681	8,087,336	144,108	120,174	879,918	1,219,422	819,359	13,421,377
Accumulated depreciation	-	(1,123)	(408,760)	(33,587)	(255,428)	(3,426,274)	(82,597)	(94,955)	(634,391)	(436,639)	(457,281)	(5,831,035)
Accumulated Impairment	-	(29)	(2,462)	-	-	(274,927)	(758)	(700)	-	(50,183)	(508)	(329,567)
Net book value	99,396	1,289	1,308,130	26,603	14,253	4,386,135	60,753	24,519	245,527	732,600	361,570	7,260,775
Year ended December 31, 2018												
Transfers from CWIP see note 3.2.1	510	-	37,769	1,974	7,924	324,498	14,802	-	216,831	37,055	73,460	714,823
Disposals												
Cost	(15,164)	-	(18,865)	(157)	-	(2,765)	(3,874)	(25)	(109,266)	(21,206)	-	(171,322)
Accumulated depreciation	-	-	6,643	157	-	2,765	3,540	25	91,049	19,712	-	123,891
	(15,164)	-	(12,222)	-	-	-	(334)	-	(18,217)	(1,494)	-	(47,431)
Write offs - note 26												
Cost	-	-	(11,392)	-	(3,965)	(5,282)	(9,654)	(4,048)	(8,940)	(11,626)	(102,757)	(157,664)
Accumulated depreciation	-	-	3,217	-	3,593	4,422	8,566	3,667	8,940	9,612	101,576	143,593
	-	-	(8,175)	-	(372)	(860)	(1,088)	(381)	-	(2,014)	(1,181)	(14,071)
Impairment - note 26	-	-	(8,651)	-	-	(122,629)	(25)	(126)	-	(193)	-	(131,624)
Depreciation charge - note 3.1.1	-	(81)	(43,119)	(2,065)	(21,182)	(1,055,119)	(28,258)	(15,704)	(101,071)	(105,232)	(188,505)	(1,560,336)
Net book value as at December 31, 2018	84,742	1,208	1,273,732	26,512	623	3,532,025	45,850	8,308	343,070	660,722	245,344	6,222,136

Notes to and Forming Part of the Financial Statements (continued)

	Freehold land	Leasehold land	Buildings on freehold land	Buildings on leasehold land	Leasehold improvements	Plant and machinery	Furniture and fixtures	Office equipment	Vehicles	Power and other installations	Computer equipment	Total
	(Rupees in thousand)											
Net book value as at January 1, 2019	84,742	1,208	1,273,732	26,512	623	3,532,025	45,850	8,308	343,070	660,722	245,344	6,222,136
Year ended December 31, 2019												
Transfers from CWIP see note 3.2.1	-	-	101,945	-	9,698	986,397	10,796	8,381	137,094	49,058	72,425	1,375,794
Disposals												
Cost	(1,232)	-	(56,958)	(2,284)	-	(40,460)	-	-	(265,893)	-	-	(366,827)
Accumulated depreciation	-	-	56,958	2,284	-	40,460	-	-	202,755	-	-	302,457
	(1,232)	-	-	-	-	-	-	-	(63,138)	-	-	(64,370)
Write-offs - note 26												
Cost	-	-	-	-	(10,631)	(574,035)	(5,291)	-	-	(14,897)	(34,753)	(639,607)
Accumulated depreciation	-	-	-	-	9,796	574,035	3,736	-	-	14,897	34,596	637,060
	-	-	-	-	(835)	-	(1,555)	-	-	-	(157)	(2,547)
Assets transferred to held for disposal - notes 3.1.3 & 15												
Cost	-	-	-	-	-	(1,984,775)	-	-	-	-	-	(1,984,775)
Accumulated depreciation	-	-	-	-	-	847,471	-	-	-	-	-	847,471
Accumulated impairment	-	-	-	-	-	1,137,304	-	-	-	-	-	1,137,304
	-	-	-	-	-	-	-	-	-	-	-	-
Impairment on assets transferred to held for disposal	-	-	-	-	-	(1,137,304)	-	-	-	-	-	(1,137,304)
Impairment - other assets (notes 3.1.3 & 26)	-	-	(532,075)	-	-	(67,161)	(869)	(640)	-	(526,637)	-	(1,127,382)
Depreciation charge - note 3.1.1	-	(81)	(25,270)	(1,565)	(3,021)	(536,011)	(30,170)	(12,878)	(103,452)	(66,820)	(142,279)	(921,547)
Net book value as at December 31, 2019	83,510	1,127	818,332	24,947	6,465	2,777,946	24,052	3,171	313,574	116,323	175,333	4,344,780
At December 31, 2018												
Cost	84,742	2,441	1,726,864	62,007	273,640	8,403,787	145,382	116,101	978,543	1,223,645	790,062	13,807,214
Accumulated depreciation	-	(1,204)	(442,019)	(35,495)	(273,017)	(4,474,206)	(98,749)	(106,967)	(635,473)	(512,547)	(544,210)	(7,123,887)
Accumulated impairment	-	(29)	(11,113)	-	-	(397,556)	(783)	(826)	-	(50,376)	(508)	(461,191)
Net book value	84,742	1,208	1,273,732	26,512	623	3,532,025	45,850	8,308	343,070	660,722	245,344	6,222,136
At December 31, 2019												
Cost	83,510	2,441	1,771,851	59,723	272,707	6,790,914	150,887	124,482	849,744	1,257,806	827,734	12,191,799
Accumulated depreciation	-	(1,285)	(410,331)	(34,776)	(266,242)	(3,548,251)	(125,183)	(119,845)	(536,170)	(564,470)	(651,893)	(6,258,446)
Accumulated impairment	-	(29)	(543,188)	-	-	(464,717)	(1,652)	(1,466)	-	(577,013)	(508)	(1,588,573)
Net book value	83,510	1,127	818,332	24,947	6,465	2,777,946	24,052	3,171	313,574	116,323	175,333	4,344,780
Depreciation rate	-	3.33%	2.50%	2.50%	20% to 33.33%	6.67% to 20%	20%	20%	20%	6.67%	20% to 33.33%	

3.1.1 The depreciation charge for the year has been allocated as follows:

	Note	2019	2018
		(Rupees in thousand)	
Purchases, redrying and related expenses	23.1	**71,526**	85,524
Manufacturing expenses	23.2	**591,582**	1,186,784
Distribution and marketing expenses	24	**177,590**	208,683
Administrative expenses	25	**80,849**	79,345
		921,547	1,560,336

3.1.2 Details of items of property, plant and equipment disposed of during the year and having net book value of more than Rs 500,000 each are given in note 38.

3.1.3 As part of a strategic review to optimise process efficiencies and operational effectiveness and to best position the Company for a strong and viable future growth, management of the Company decided to reorganise its operational footprint by closing its factory in Kotri. The management believes that this decision will not impact the Company's ability to supply products to the market. The Company has closed the Kotri factory and retrenched workers employed at the factory. The Company is committed to complying with all applicable laws and, in this instance, has taken every possible measure to fulfil its legal obligations.

In accordance with the Company's policy the items of plant and machinery cannot be disposed of except as scrap material, accordingly the items of plant and machinery having a net book value of Rs 1,137.304 million have been written down to the expected recoverable amount of Rs Nil. Thereafter, these items have been transferred to non-current assets held for disposal (note 15).

The related building and building equipment having a net book value of Rs 1,351.106 million as at March 1, 2019 have been written down to their recoverable amount of Rs 293.129 million resulting in an impairment charge of Rs 1,057.977 million. The recoverable amount has been determined on the basis of fair value less cost of disposal by engaging external valuers. The recoverable amount was based on the market approach which provided an indication of value by comparing the subject assets with identical or similar assets for which price information is available i.e. Level 2 inputs of fair value as defined in IFRS 13.

3.1.4 Following are the particulars of the Company’s immovable fixed assets:

Business Unit Type		Location	Total Area (Square Yards)
a)	Sahiwal factory	Sahiwal	85,488
b)	Land in Kotri	Kotri	109,336
c)	Land in Mardan	Mardan	90,844
d)	Land in Mandra	Mandra	50,789
e)	Land in Swabi	Swabi	37,355
f)	Land in Naushera	Naushera	67,679
g)	Land in Gujrat	Gujrat	5,626
h)	Land in Sargodha	Sargodha	9,801

3.2 Capital work-in-progress

	2019	2018
	(Rupees in thousand)	
Civil works	**95,587**	81,015
Plant and machinery	**653,169**	568,971
Power and other installations	**316,143**	192,625
Furniture and fixtures	**63,157**	70,929
Computer equipment pending installations	**3,762**	8,092
Advance to suppliers and contractors	**153,249**	178,709
	1,285,067	1,100,341

3.2.1 The movement in capital work-in-progress is as follows:

	2019	2018
Balance as at beginning of the year	**1,100,341**	538,160
Additions during the year		
- Civil works	**127,028**	112,518
- Freehold land	**-**	510
- Leasehold land	**-**	1,974
- Plant and machinery	**1,157,568**	353,440
- Power and other installations	**172,576**	407,275
- Furniture and fixtures	**3,038**	12,346
- Computer equipment pending installations	**68,532**	78,836
- Advance to suppliers and contractors	**120,015**	318,060
	1,648,757	1,284,959
Transfers to operating property, plant and equipment		
- Buildings on freehold land	**101,945**	37,769
- Freehold land	**-**	510
- Leasehold land	**-**	1,974
- Leasehold improvements	**9,698**	7,924
- Plant and machinery	**986,397**	324,498
- Furniture and fixtures	**10,796**	14,802
- Office equipment	**8,381**	-
- Vehicles	**137,094**	216,831
- Power and other installations	**49,058**	37,055
- Computer equipment	**72,425**	73,460
	1,375,794	714,823
Items written off during the year		
- Plant and machinery	**86,973**	-
- Furniture and fixtures	**14**	-
- Vehicles	**813**	-
- Power and other installations	**-**	3,534
- Computer equipment	**437**	4,421
	88,237	7,955
Balance at the end of the year	**1,285,067**	1,100,341

4. RIGHT-OF-USE ASSET

	2019 (Rupees in thousand)
Recognition as at January 1, 2019 due to application of IFRS 16	314,576
Year ended December 31	
Additions	422,830
Impact of termination of lease	
Cost	(57,720)
Accumulated depreciation	7,546
	(50,174)
Depreciation for the year	(216,038)
Net book value as at December 31	471,194
At December 31	
Cost	679,686
Accumulated depreciation	(208,492)
Net book value	471,194

4.1 The depreciation charge for the year has been allocated as follows:

	Note	2019	2018
		(Rupees in thousand)	
Manufacturing expenses	23.2	**1,862**	-
Distribution and marketing expenses	24	**20,150**	-
Administrative expenses	25	**194,026**	-
		216,038	-

5. INTANGIBLES

	Note	2019	2018
Computer software			
At January 1			
Cost		**87,831**	73,554
Accumulated amortisation		**(63,561)**	(53,531)
Net book value		**24,270**	20,023
Year ended December 31			
Additions		**2,916**	14,277
Write offs			
Cost		**(29,420)**	-
Accumulated amortisation		**16,655**	-
		(12,765)	-
Amortisation for the year	5.1	**(8,446)**	(10,030)
Net book value as at December 31		**5,975**	24,270
At December 31			
Cost		**61,327**	87,831
Accumulated amortisation		**(55,352)**	(63,561)
Net book value		**5,975**	24,270

5.1 Amortisation for the year relates to purchases, redrying and related expenses (note 23.1), manufacturing expenses (note 23.2), distribution and marketing expenses (note 24) and administrative expenses (note 25).

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. Out of the 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 year ended December 31, 2019 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 December 31, 2019 amounted to Rs Nil, in accordance with the audited financial statements for the year 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, 2019.

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.

7. DEFERRED TAXATION

	2019	**2018**
	(Rupees in thousand)	
Deferred tax asset on deductible temporary differences:		
Accrual for employees compensated absences	**7,014**	2,459
Unutilised tax losses	**1,234,881**	1,043,353
Unutilised tax credits	**-**	14,595
Provision for spares	**11,102**	26,890
Provision for obsolete stocks	**16,420**	282
Provision for doubtful debts	**806**	778
Worker's welfare fund	**8,000**	11,684
Right of use asset - net of lease liabilities	**11,459**	-
Tax depreciation allowance	**110,022**	-
	1,399,704	1,100,041
Deferred tax liability on taxable temporary differences:		
Tax depreciation allowance	**-**	(440,280)
Deferred tax asset	**1,399,704**	659,761

7.1 The movement in temporary differences is as follows:

	Balance as at January 1, 2018	Recognised in profit or loss	Balance as at December 31, 2018	Recognised in profit or loss	Balance as at December 31, 2019
	Rupees in thousand				
Deferred tax debits:					
Accrual for employees compensated absences	2,472	(13)	2,459	4,555	7,014
Unutilised tax losses	1,336,497	(293,144)	1,043,353	191,528	1,234,881
Unutilised tax credits	-	14,595	14,595	(14,595)	-
Provision for spares	25,149	1,741	26,890	(15,788)	11,102
Provision for obsolete stocks	11,400	(11,118)	282	16,138	16,420
Provision for doubtful debts	834	(56)	778	28	806
Right of use asset - net of lease liabilities	-	-	-	11,459	11,459
Worker's welfare fund	8,276	3,408	11,684	(3,684)	8,000
	1,384,628	(284,587)	1,100,041	189,641	1,289,682
Deferred tax credits:					
Tax depreciation allowance	(706,043)	265,763	(440,280)	550,302	110,022
	678,585	(18,824)	659,761	739,943	1,399,704

7.2 The accumulated tax losses of the Company as at December 31, 2019 aggregated Rs 4,258.210 million (2018: Rs 3,726.259 million) in respect of which the Company has recognised deferred tax asset amounting to Rs 1,234.881 million (2018: Rs 1,043.353 million). The existing unutilised tax loss mainly attributable to tax depreciation can be utilised for an indefinite period against future taxable profits. The Company carries out periodic assessment to determine the benefit of the loss that the Company would be able to set off against the taxable profits in future years. The amount of this benefit has been determined based on the projected taxable profits of the Company for future years and the expected applicable tax rate. The determination of projected taxable profits are most sensitive to certain key assumptions such as volume of cigarettes, gross margin percentage and inflation rates which have been considered in that determination.

8. STORES AND SPARES - net

	Note	2019	2018
		(Rupees in thousand)	
Stores		**5,391**	5,518
Spares	8.3	**191,766**	317,416
		197,157	322,934
Less: Provision for slow moving spares	8.1	**(38,282)**	(96,035)
		158,875	226,899

		Note	2019	2018
			(Rupees in thousand)	
8.1	Provision for slow moving spares			
	Opening balance		**96,035**	83,833
	Provision made during the year	8.2	**26,888**	26,295
	Write off against provision	8.2	**(84,641)**	(14,093)
	Closing balance		**38,282**	96,035

8.2 During the year the Company has recognised provision against certain items of spares from which further economic benefits are no longer expected to arise, or on the basis of a time based criteria have been identified as slow moving spares. Further, the Company has written off spares which have been scrapped during the current year due to recent upgradation and optimisation of the Company's manufacturing facilities.

8.3 These include spares in transit amounting to Rs 14.615 million (2018: Rs 5.382 million).

9. STOCK IN TRADE - net

		Note	2019	2018
			(Rupees in thousand)	
	Raw and packing materials	9.2	**5,082,504**	4,610,723
	Work-in-process		**177,687**	143,281
	Finished goods		**937,805**	1,047,815
			6,197,996	5,801,819
	Less: Provision for obsolete stocks	9.1	**(56,620)**	(1,007)
			6,141,376	5,800,812
9.1	Provision for obsolete stocks			
	Opening balance		**1,007**	38,001
	Provision made during the year		**56,611**	6,709
	Write off against provision		**(998)**	(43,703)
	Closing balance		**56,620**	1,007

9.2 These include raw and packing material in transit aggregating Rs 188.895 million (2018: Rs 264.292 million).

10. TRADE DEBTS - net

	Note	2019	2018
		(Rupees in thousand)	
Considered good - unsecured		**-**	-
Considered doubtful		**2,780**	2,780
		2,780	2,780
Less: Provision for doubtful debts		**(2,780)**	(2,780)
		-	-

11. ADVANCES

	Note	2019	2018
Unsecured:			
Advances to:			
- Employees	11.1	**8,034**	12,342
- Suppliers and contractors		**14,044**	9,946
		22,078	22,288

11.1 Advances to employees are given to meet business expenses and are settled as and when the expenses are incurred.

12. OTHER RECEIVABLES

	Note	2019	2018
		(Rupees in thousand)	
Receivable from 'associated undertakings'	12.1	**12,112**	-
Others		**914**	12,503
Cash margins held with banks	12.3	**234,018**	234,856
		247,044	247,359

12.1 This amount represents outstanding balances from the following associated undertakings:

	2019	2018
	(Rupees in thousand)	
Philip Morris Services S.A.	**10,979**	-
PMI Engineering SA	**667**	-
Philsa Philip Morris Sabanci	**462**	-
Philip Morris Korea Inc.	**4**	-
	12,112	-

12.2 The maximum aggregate balance of receivable due from related parties at the end of any month during the year was Rs 68.411 million (2018: Rs 283.934 million).

12.3 Cash margins held with banks as at December 31, 2018 amounting to Rs 234.856 million have been reclassified from cash and bank balances.

13. STAFF RETIREMENT BENEFITS

13.1 Defined benefit plan

As stated in note 2.6.18, the Company operates an approved funded gratuity scheme for all its permanent employees. An actuarial valuation of the scheme is peformed every year with the latest actuarial valuation performed as at December 31, 2019.

The fair value of the scheme's assets and the present value of the obligation under the scheme at the reporting date in accordance with the latest actuarial report are as follows:

	Note	2019	2018
		(Rupees in thousand)	
13.1.1 Net asset			
Fair value of plan assets	13.1.5	**646,201**	589,334
Present value of defined benefit obligation	13.1.6	**(536,323)**	(536,922)
		109,878	52,412
13.1.2 Amounts charged to profit or loss:			
Current service cost		**65,949**	56,600
Net interest income		**(11,566)**	(14,654)
Plan curtailments / settlements		**(18,562)**	(8,753)
	13.1.3	**35,821**	33,193
13.1.3 The charge for the year has been allocated as follows:			
Purchases, redrying and related expenses	23.1	**7,127**	5,041
Manufacturing expenses	23.2	**1,877**	9,268
Distribution and marketing expenses	24	**13,416**	7,287
Administrative expenses	25	**13,401**	11,597
		35,821	33,193
13.1.4 Movement in the asset recognised in the statement of financial position:			
Balance as at the beginning of the year		**52,412**	97,048
Net charge for the year	13.1.3	**(35,821)**	(33,193)
Contributions		**73,063**	72,347
Net remeasurement gain / (loss) for the year		**20,224**	(83,790)
Balance as at the end of the year		**109,878**	52,412

	2019	2018
	(Rupees in thousand)	
13.1.5 Movement in the fair value of plan assets:		
Opening balance	**589,334**	540,363
Interest income	**64,530**	60,643
Contributions	**73,063**	72,347
Benefits paid	**(64,558)**	(50,471)
Remeasurement loss on plan assets	**(16,168)**	(33,548)
Closing balance	**646,201**	589,334
13.1.6 Movement in the present value of defined benefit obligation:		
Opening balance	**536,922**	443,315
Current service cost	**65,949**	56,600
Interest cost	**52,964**	45,989
Benefits paid	**(64,558)**	(50,471)
Plan curtailments / settlements	**(18,562)**	(8,753)
Remeasurement (gain) / loss on obligation	**(36,392)**	50,242
Closing balance	**536,323**	536,922

13.1.7 Principal actuarial assumptions used are as follows:	2019	2018
Expected rate of increase in salary level	**13.45%**	11.00%
Valuation discount rate	**13.45%**	11.00%

13.1.8 Major categories / composition of plan assets are as follows:	2019	2018
	(Rupees in thousand)	
Debt instruments	**570,238**	369,862
Equity	**42,308**	42,311
Balances with banks	**33,655**	177,161
	646,201	589,334

13.1.9 Actual gain on plan assets during the year ended December 31, 2019 was Rs 48.362 million (2018: Rs 27.095 million).

13.1.10 Expected contribution to defined benefit plan for the year ending December 31, 2020 is Rs 49.756 million (2019: Rs 73.063 million).

13.1.11 Weighted average duration of the defined benefit obligation is 14.6 years.

13.1.12 Mortality rates assumed were based on State Life Insurance Corporation 2001-2005 mortality tables.

13.1.13 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumptions	Impact on present value of defined benefit obligation	
		Increase in assumption	Decrease in assumption
	(%)	(Rupees in thousand)	
Valuation discount rate	1%	(463,437)	624,689
Expected rate of increase / decrease in salary level	1%	624,328	(462,442)

13.1.14 The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated.

13.1.15 Through its defined benefit gratuity plan, the Fund is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The Fund believes that due to the long-term nature of the plan liabilities and the strength of the Company's support, the current investment strategy manages this risk adequately.

Inflation risk

The majority of the plan's benefit obligations are linked to inflation and higher inflation will lead to higher liabilities. However, the Fund manages plan assets to offset inflationary impacts.

Life expectancy / withdrawal rate

The majority of the plan's obligations are to provide benefits on severance with the Company or on achieving retirement. Any change in life expectancy / withdrawal rate would impact plan liabilities.

13.2 Defined contribution plan

	Note	2019	2018
		(Rupees in thousand)	
The charge for the year has been allocated as follows:			
Purchases, redrying and related expenses	23.1	**8,886**	7,847
Manufacturing expenses	23.2	**18,554**	20,323
Distribution and marketing expenses	24	**25,116**	25,490
Administrative expenses	25	**20,964**	20,480
		73,520	74,140

13.3 The investments out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017.

14. CASH AND BANK BALANCES

	Note	2019	2018
		(Rupees in thousand)	
With banks in current accounts			
- Foreign currency		**310,859**	238,794
- Local currency			
- Current accounts		**13,977**	3,298
- Deposit accounts	14.1 & 14.2	**5,271**	2,488,046
		19,248	2,491,344
		330,107	2,730,138
Cash in hand		**176**	235
		330,283	2,730,373

14.1 Deposit accounts carry markup at rates ranging between 8% and 12.91% (2018: 11.25% and 12.76%) per annum.

14.2 These include an amount of Rs 18.861 million (2018: Rs 18.861 million) held by a commercial bank as security against the guarantees and funded facilities obtained from the bank in the normal course of business.

15. NON-CURRENT ASSETS HELD FOR DISPOSAL

	Note	2019	2018
		(Rupees in thousand)	
Transferred from operating property, plant and equipment			
Cost		**1,984,775**	-
Less: Accumulated depreciation		**(847,471)**	-
Less: Accumulated impairment	3.1	**(1,137,304)**	-
		-	-

15.1 As stated in note 3.1.3 to these financial statements, 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 Rs Nil.

16. SHARE CAPITAL

16.1 Authorized capital

2019	2018		2019	2018
(Number of shares)			(Rupees in thousand)	
1,200,000,000	1,200,000,000	Ordinary shares of Rs 10 each	**12,000,000**	12,000,000

16.2 Issued, subscribed and paid-up share capital

2019	2018		2019	2018
(Number of shares)			(Rupees in thousand)	
16.2.1 Ordinary shares				
5,541,429	5,541,429	Ordinary shares of Rs 10 each fully paid in cash	**55,414**	55,414
47,722,912	47,722,912	Ordinary shares of Rs 10 each issued as fully paid bonus shares	**477,229**	477,229
8,316,000	8,316,000	Ordinary shares of Rs 10 each issued for consideration other than cash	**83,160**	83,160
61,580,341	61,580,341		**615,803**	615,803
16.2.2 Preference shares				
1,046,400,000	1,046,400,000	Preference shares of Rs 10 each fully paid in cash (notes 16.4 to 16.7)	**10,464,000**	10,464,000
			11,079,803	11,079,803

16.3 As at December 31, 2019, the number of ordinary shares of Rs 10 each held by Philip Morris Investments B.V., (the parent company) and Philip Morris Brands S.à.r.l., both subsidiaries of Philip Morris International Inc., were 47,819,356 and 12,316,061 respectively.

16.4 As at December 31, 2019, the preference shares of Rs 10 were held by the parent company and Philip Morris Brands S.à.r.l., in the ratio of 79.52% and 20.48% respectively.

16.5 The conversion option is exercisable by the holder at any time after the 10th anniversary of the issue date but not later than the 15th anniversary. At the 15th anniversary all the unconverted preference shares will mandatorily be converted into ordinary shares of the Company. The preference shares shall be converted fully at the conversion ratio defined in the terms of agreement.

16.6 The holders are entitled to a non-cumulative dividend subject to available distributable profits, as declared by the Board or the Company from time to time, at a maximum rate of KIBOR + 1% spread on the face value of the shares.

16.7 These preference shares have been treated as part of equity on the following basis:

- The shares were issued under the provisions of section 86 of the Companies Ordinance, 1984, read with section 90 of the Companies Ordinance, 1984 and the Companies Share Capital (Variation in Rights and Privileges 1984) Rules, 2000.

- The issue of the shares was duly approved by the members of the Company at the Extra Ordinary General Meeting held on October 28, 2015.

- The requirements of the Companies Ordinance, 1984 (now the Companies Act, 2017) take precedence over the requirements of the IFRSs.

- The preference shareholders have the right to convert these shares into ordinary shares.

17. SHARE-BASED PAYMENT PLAN

Details of equity settled share-based payments under 'Time-vested Share Plan' (note 2.6.17) in relation to the Company are as follows:

17.1 Share prices and grant dates

Share price at grant date (February 4, 2016)	Rs 9,311 / share (US $ 89.10 / share)
Share price at grant date (February 2, 2017)	Rs 10,319 / share (US $ 98.84 / share)
Share price at grant date (February 8, 2018)	Rs 11,073 / share (US $ 110.30 / share)
Share price at grant date (February 7, 2019)	Rs 10,917 / share (US $ 79.05 / share)
Number of shares outstanding at the end of the year	7,639

17.2 A reconciliation of movement in the number of shares can be summarised as follows:

	Note	2019	2018
		(Number of shares)	
Outstanding as at the beginning of the year		**7,629**	7,649
Granted during the year		**6,280**	2,750
Vested / exercised during the year	17.4	**(1,960)**	(1,650)
Forfeited during the year		**(4,310)**	(1,120)
Outstanding as at the end of the year		**7,639**	7,629

17.3 The charge for the year has been allocated as follows:

	Note	2019	2018
		(Rupees in thousand)	
Purchase, redrying and related expenses	23.1	**5,373**	1,935
Manufacturing expenses	23.2	**(792)**	2,597
Distribution and marketing expenses	24	**5,616**	2,464
Administrative expenses	25	**15,703**	11,407
		25,900	18,403

17.4 During the year shares granted on February 4, 2016 were fully vested along with early vesting for certain employees from the respective grant dates.

17.5 An amount of Rs 20.022 million (US$ 142,915) was recharged by Philip Morris International Inc. New York during the year, which was payable as at December 31, 2019 [2018: Rs 18.086 million (US$ 162,062)].

	Note	2019	2018
		(Rupees in thousand)	
18. LEASE LIABILITIES			
Lease liabilities		**510,707**	-
Less : Current maturity of lease liabilities		**(307,541)**	-
		203,166	-
Maturity analysis			
Not later than 1 year		**307,541**	-
Later than 1 year and not later than 5 years		**203,166**	-
		510,707	-
19. SHORT TERM BORROWINGS			
Secured			
Running finance under mark-up arrangements	19.1 & 35	**846,475**	-

19.1 The Company has arranged for running finance to the extent of Rs 6,350 million (2018: Rs 7,100 million) from commercial banks. These facilities are available for various periods expiring between April 30, 2020 and July 22, 2020. The facilities are secured by way of hypothecation of stock in trade of the Company and are carrying markup rates ranging from 10.76% to 14.56% (2018: 9.67% to 10.65%) per annum.

The facilities for opening of letters of credits and letters of guarantees included in the aforementioned facilities of Rs 6,350 million as at December 31, 2019 aggregated Rs 1,700 million and Rs 218.90 million respectively of which the cumulative unutilised amount as at December 31, 2019 was Rs 1,831.92 million.

	Note	2019	2018
		(Number of shares)	
20. TRADE AND OTHER PAYABLES			
Creditors		**1,570,580**	2,140,855
Bills payable	20.1 & 20.2	**1,115,782**	844,122
Royalty payable to a related party	20.1 & 20.2	**25,033**	118,742
Accrued expenses		**836,492**	879,568
Tobacco development cess	20.6	**34,875**	33,550
Contractors' retention money		**7,513**	5,979
Advance from customers - unsecured	20.3	**354,073**	524,675
Workers' profits participation fund		**-**	-
Workers' welfare fund	20.4	**27,586**	41,726
Others		**324,652**	328,034
		4,296,586	4,917,251

20.1 The amount due to group undertakings included in bills payable and royalty payable aggregated Rs 548.849 million (2018: Rs 495.242 million).

20.2 These include outstanding balances to the following associated undertakings:

	2019	2018
	(Rupees in thousand)	
Philip Morris Services S.A.	-	20,229
Philip Morris International	1,071	-
Philip Morris International Management S.A. (Tolling)	-	53,800
Philip Morris Products S.A.	5,585	4,412
Philip Morris romania S.r.l.	69,926	63,301
PMFTC Inc.	1,365	392
Philip Morris International Inc.	16,768	-
Philip Morris Global Brands Inc.	19,448	107,151
Philip Morris Korea Inc.	-	14
PT Philip Morris Indonesia	932	182,195
Philip Morris Philippines	25,602	39,074
PMI Service Center Europe	-	901
Massalin Particulares S.r.l.	1,119	1,013
Profigen Do Brasil Ltda.	10,932	-
PT. Philip Morris Sampoerna	82,732	12,315
PT Hanjaya Mandala Sampoerna Tbk.	3,304	10,445
	238,784	495,242

20.3 These include the advances from the following related parties:

	2019	2018
	(Rupees in thousand)	
Philip Morris International Management S.A. (Tolling)	310,065	31,434
PMFTC Inc.	-	332
Philip Morris Philippines	-	595
PT Hanjaya Mandala Sampoerna Tbk.	-	813
	310,065	33,174

20.4 Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) has been promulgated under which industrial establishments having a total income exceeding Rs 0.5 million for the accounting period which began on or after December 31, 2013 are required to pay WWF to the Sindh Revenue Board at the rate of two percent of taxable income.

The management is of the view that the Company is already subject to levy of Federal WWF at the rate of two percent on the income of the Company and as the authority to which the payment of WWF will be made is not yet decided, the management has on prudent basis recorded accrual based on Federal WWF.

20.5 The movement of workers' profit participation fund is as follows:

	2019	2018
	(Rupees in thousand)	
Balance as at the beginning of the year	**-**	-
Accrual for the year	**-**	33,052
Less: Payments made during the year	**-**	(33,052)
Balance at the end of the year	**-**	-

20.6 The movement of tobacco development cess is as follows:

	2019	2018
	(Rupees in thousand)	
Balance as at the beginning of the year	**33,550**	36,050
Provision for the year	**60,290**	45,209
Less: Payments made during the year	**(58,965)**	(47,709)
Balance at the end of the year	**34,875**	33,550

20.6.1 Effective July 1, 1999, the Tobacco Development Cess had been levied on the purchases of tobacco leaf. The Company has filed a constitutional petition in the Supreme Court of Pakistan against the levy which is currently pending for adjudication. Meanwhile, the Company is paying the said levy under protest. Pending outcome of the matter, the Company has made the above provision in its books of account.

20.6.2 During the year ended December 31, 2017, the Office of Excise, Taxation & Narcotics, Control Office Mardan (here-in after referred to as 'the Department'), issued an order dated September 21, 2017 demanding the recovery of alleged short paid Tobacco Development Cess (TDC) amounting to Rs 13.875 million in respect of the year ended December 31, 2016 along with a penalty amounting to Rs 3.468 million, because of an amendment in TDC rate introduced during the year 2014.

The management is of the view that the Company has been paying TDC in accordance with the correspondence of the Department, accordingly the TDC liability had been discharged in full and any incremental demand and related penalty are not justified. However, as a matter of prudence, the aforementioned amount of Rs 13.875 million has been recorded in these financial statements.

21. CONTINGENCIES AND COMMITMENTS

21.1 Guarantees

Indemnities given to banks for guarantees issued by them in the normal course of business aggregated Rs 69.565 million (2018: Rs 69.565 million).

21.2 Commitments

	2019	2018
	(Rupees in thousand)	
Capital expenditure contracted for but not incurred	**202,333**	572,399
Post dated cheques	**31,143**	31,876
Letters of credit	**16,411**	121,445

21.3 Income tax related contingencies

(i) While reviewing the income tax return of the Company for the tax year 2009, the Deputy Commissioner Inland Revenue (DCIR) through an order dated May 30, 2012 had disallowed certain deductions aggregating Rs 256.444 million having an incremental tax impact of Rs 100.525 million. After rectification and appeal orders, aggregate disallowances amounting to Rs 48.405 million are pending before the DCIR for further consideration.

(ii) While reviewing the income tax return of the Company for the tax year 2011, the DCIR through an order dated May 28, 2013 had disallowed certain deductions aggregating Rs 235.705 million having an incremental tax impact of Rs 100.927 million. After rectification and appeal orders, aggregate disallowances amounting to Rs 105.280 million are pending before the DCIR for further consideration.

(iii) While reviewing the income tax return of the Company for the tax year 2013, the Additional Commissioner Inland Revenue (ADCIR) through an order dated April 28, 2014 had disallowed certain deductions aggregating Rs 455.747 million having an incremental tax impact of Rs 77.829 million. At present, disallowances aggregating Rs 95.685 million are pending at ADCIR for further consideration, while disallowances amounting to Rs 149.442 million are pending before Appellate Tribunal.

(iv) While reviewing the income tax return of the Company for the tax year 2014, the DCIR through an order dated June 28, 2016 had disallowed certain deductions aggregating Rs 131.086 million having an incremental tax impact of Rs 39.326 million. The CIR- Appeals has passed an order dated September 20, 2019 against appeal filed by the Company through which disallowances of deduction amounting to Rs 80.394 million were deleted, disallowances of PKR 47.338 million were remanded back to DCIR and disallowances amounting to Rs 3.354 million were maintained. The management decided not to file an appeal against the order issued by CIR – Appeals. LTU has filed appeal with Appellate Tribunal against the order passed by CIR - Appeals, the decision of which is pending.

(v) While reviewing the income tax return of the Company for the tax year 2015, the DCIR through an order dated June 27, 2018 had disallowed certain deductions aggregating Rs 154.078 million having an incremental tax impact of Rs 49.305 million. The CIR – Appeals has passed an order dated July 7, 2019 against the appeal filed by the Company. The CIR - Appeals has deleted disallowances of deduction amounting to Rs 116.485 million.

(vi) While reviewing the income tax return of the Company for the tax year 2016, the DCIR through an order dated December 29, 2018 had disallowed certain deductions aggregating Rs 100.379 million having an incremental tax impact of Rs 33.927 million. The Company filed an appeal against the order before CIR – Appeals dated January 25, 2019 on items amounting to Rs 86.810 million. The CIR – Appeals passed an order dated November 20, 2019 through which disallowances amounting to Rs 86.810 million were deleted.

The management is confident that the aforementioned matters will be eventually decided in the Company's favour and accordingly no provision on account of these matters has been made in these financial statements.

21.4 The Additional Collector of Customs, Sales Tax and Central Excise (Adjudication), Rawalpindi had issued two orders to the Company during calendar year 2003 on account of short payment of Central Excise Duty and Sales Tax aggregating Rs 7.466 million and Rs 4.021 million respectively along with additional duty and penalty. After the rejection of the Company’s appeals before the Federal Excise & Taxation Appellate Tribunal, Islamabad during July 2007, the Company proceeded to file tax references before Islamabad High Court, the adjudication of which is pending.

21.5 During the year ended December 31, 2014, the DCIR had issued an order dated September 29, 2014 and raised demand on account of short paid Federal Excise Duty and sales tax amounting to Rs 2,320.757 million and Rs 964.591 million respectively. In addition, penalties amounting to Rs 116.038 million and Rs 48.229 million were imposed on account of short payment of FED and Sales Tax respectively (referred to as 'Demand'). The Company filed an appeal before the CIR Appeals who upheld the said Demand through an order dated December 15, 2014.

Subsequently, the Company filed an appeal before the Appellate Tribunal Inland Revenue (the Tribunal) against the order of CIR Appeals on January 13, 2015. The Company, on May 11, 2016, received a ruling in its favour from the Tribunal, which has cancelled and set aside the Demand (i.e. referred to as 'Tribunal Order').

The FBR filed two reference applications before the High Court of Sindh during August 2016 (i.e. referred to as ‘Reference Applications’) against the Tribunal Order, which are pending adjudications. The next date of hearing is April 1, 2020. The Company's management believes that the ultimate order in relation to the Reference Applications shall be in the Company’s favour as the Demand had also been earlier set aside by the Tribunal Order.

21.6 The FBR issued two orders to the Company dated July 13, 2017 and an order dated October 16, 2017 and demanded an amount of Rs 1,765.008 million for alleged evasion of FED and sales tax along with penalties thereon which the Company believes to be unfounded. The Company filed appeals before the CIR Appeals who upheld the said demand through an order dated January 30, 2019.

On February 8, 2019, the Company filed appeals against the orders before the Tribunal which are pending to date and also obtained an interim injunction for six months, to prevent the authorities from taking coercive action by paying 15% of the FED demand and 100% of the sales tax demand amounting to Rs 241.867 million and Rs 152.561 million respectively.

On August 7, 2019, the interim injunction expired and the Appellate Tribunal directed the FBR to provide 15 days prior notice to the Company before initiating any recovery measures.

On September 5, 2019, the Appellate Tribunal directed FBR to submit written arguments to rebut the arguments submitted by the Company. Additionally, the Appellate Tribunal directed the FBR to produce the officer who prepared the report on the basis of which the demands were issued along with the report. On September 24, 2019, the hearing was adjourned due to unavailability of the officer and FBR’s request for additional time to prepare the written arguments. In the next hearing held on November 27, 2019, FBR requested for adjournment which was accepted by the Appellate Tribunal with the directions to present the author of show cause notice and order along with written rebuttal of the Company's arguments in next hearing. The next hearings fixed on January 22, 2020 and March 4, 2020 were adjourned and the next date of hearing is fixed on April 2, 2020.

The management believes that the Company has sufficient documentary evidence to prove that the Company has discharged payment of all due duties and taxes in a timely manner and as such, ultimate decision in the appeal process will be in the Company's favour. Accordingly, a provision has not been recognised in these financial statements.

21.7 The FBR issued three orders to the Company dated December 8, 2017 alleging non-payment of duty on sale of cigarettes by over declaring closing stock reported in the sales tax returns for the months of June 2016, December 2016 and June 2017. Through these orders, demand of Rs 1,698.154 million was raised for alleged evasion of excise duty. These orders were rectified on December 29, 2017 and the aggregate demand was revised to Rs 19.205 million. On January 12, 2018, the Company has filed appeals against the orders before CIR – Appeals and has also obtained stay thereagainst by making payment equal to 15% of the aforementioned demand amounting to Rs 2.881 million.

On October 3, 2019, the Company received an order dated September 20, 2019 from the CIR - Appeals, whereby portion of the rectified demand amounting to Rs 5.859 million was upheld while the remaining rectified demand amounting to Rs 13.345 million was remanded to the DCIR for reconsideration.

In December 2019, the Company received appeal effect order from the DCIR whereby the DCIR accepted the Company's contention on the matter of Rs 13.345 million. The remaining amount of Rs 5.859 million has been accrued in these financial statements and was paid subsequent to year end.

22 TURNOVER - net

	Note	2019	2018
		(Rupees in thousand)	
Gross turnover		**37,986,339**	36,102,925
Less: Trade discount		**1,055,781**	1,069,978
Sales tax		**5,728,771**	5,238,653
Excise duty		**17,867,289**	13,594,382
		24,651,841	19,903,013
		13,334,498	16,199,912

23. COST OF SALES

	Note	2019	2018
Raw and packing material be consumed			
Opening stock		**4,610,723**	5,747,841
Purchases, redrying and related expenses	23.1	**6,983,647**	6,967,557
		11,594,370	12,715,398
Closing stock	9	**(5,082,504)**	(4,610,723)
		6,511,866	8,104,675
Government levies		**30,265**	87,761
Manufacturing expenses	23.2	**2,539,634**	2,689,115
		9,081,765	10,881,551
Work in process			
Opening stock		**143,281**	107,962
Closing stock	9	**(177,687)**	(143,281)
Sale of waste		**(12,699)**	(9,272)
		(47,105)	(44,591)
Cost of goods manufactured		**9,034,660**	10,836,960
Finished goods			
Opening stock		**1,047,815**	386,779
Closing stock	9	**(937,805)**	(1,047,815)
		110,010	(661,036)
		9,144,670	10,175,924

23.1 Purchases, redrying and related expenses

	Note	2019	2018
		(Rupees in thousand)	
Raw and packing material		**6,212,698**	6,166,311
Salaries, wages and other benefits	13, 17 & 26.2	**282,123**	262,433
Stores and spares consumed		**25,112**	60,804
Fuel and power		**66,970**	53,684
Rent, rates and taxes		**7,615**	11,315
Freight and stacking		**136,329**	106,515
Postage, telephone and stationery		**11,005**	10,904
Depreciation on property, plant and equipment	3.1.1	**71,526**	85,524
Amortisation on intangible	5.1	**1,053**	974
Repair and maintenance		**44,259**	37,594
Travelling and vehicle expenses		**26,882**	26,381
Professional charges		**2,480**	1,900
Fumigation and pesticide expenses		**23,705**	29,750
Security charges		**71,054**	80,048
Other expenses		**836**	33,420
		770,949	801,246
		6,983,647	6,967,557

23.2 Manufacturing expenses

	Note	2019	2018
Salaries, wages and other benefits	13 & 17	**605,347**	557,283
Stores and spares consumed		**642,313**	492,685
Fuel and power		**200,959**	214,086
Rent, rates and taxes		**4,896**	2,751
Cartage		**60,105**	47,238
Postage, telephone and stationery		**10,847**	8,484
Depreciation on property, plant and equipment	3.1.1	**591,582**	1,186,784
Depreciation on right-of-use asset	4.1	**1,862**	-
Amortisation on intangible	5.1	**370**	621
Travelling and vehicle expenses		**80,107**	96,681
Security charges		**56,426**	41,568
Other expenses		**284,820**	40,934
		2,539,634	2,689,115

24. DISTRIBUTION AND MARKETING EXPENSES

	Note	2019	2018
Salaries, allowances and other benefits	13 & 17	**896,825**	1,017,710
Selling expenses		**953,257**	1,672,293
Freight expense		**210,917**	210,344
Rent, rates and taxes		**26,690**	56,516
Postage, telephone and stationery		**18,767**	18,906
Depreciation on property, plant and equipment	3.1.1	**177,590**	208,683
Depreciation on right-of-use asset	4.1	**20,150**	-
Amortisation on intangible	5.1	**6,219**	7,008
Travelling and vehicle expenses		**138,752**	139,676
Royalty	24.1	**73,830**	94,649
Repair and maintenance		**25,681**	42,107
Security charges		**26,819**	30,599
Other expenses		**88,165**	72,087
		2,663,662	3,570,578

24.1 Details of royalty paid during the year are as follows:

Name of Recipient	Relationship with the Company	Registered Address	2019	2018
			(Rupees in thousand)	
Philip Morris Global Brands Inc.	Associate	120 Park Ave., 6th Floor, 10017, New York, USA	**167,539**	14,987
			167,539	14,987

25. ADMINISTRATIVE EXPENSES

	Note	2019	2018
		(Rupees in thousand)	
Salaries, allowances and other benefits	13 & 17	**672,092**	671,525
Rent, rates and taxes		**11,609**	200,100
Postage, telephone and stationery		**23,905**	23,953
Travelling and vehicle expenses		**103,193**	112,985
Repairs and maintenance		**88,963**	59,927
Legal and professional charges		**215,449**	108,283
Utilities		**15,116**	18,059
Fee and subscription		**14,222**	13,705
Insurance		**44,460**	39,056
Auditors' remuneration	25.1	**12,710**	11,651
Depreciation on property, plant and equipment	3.1.1	**80,849**	79,345
Depreciation on right-of-use asset	4.1	**194,026**	-
Amortisation on intangible	5.1	**804**	1,427
Security charges		**32,088**	43,030
Other expenses		**3,125**	6,425
		1,512,611	1,389,471

25.1 Auditor's remuneration

	2019	2018
Audit fee	**2,695**	2,450
Review of half yearly financial statements	**1,161**	1,055
Taxation and other services	**8,118**	7,514
	11,974	11,019
Out of pocket expenses	**736**	632
	12,710	11,651

26. OTHER EXPENSES

	Note	2019	2018
		(Rupees in thousand)	
Exchange loss - net	26.1	**-**	315,447
Employee separation costs		**531,331**	134,048
Voluntary separation scheme - temporary workers	26.2	**213,608**	-
Impairment charge on items of property, plant and equipment	3.1.3	**1,127,382**	131,624
Impairment charge on assets transferred to held for disposal	15	**1,137,304**	-
Property, plant and equipment written off		**2,547**	14,071
Intangibles written off	5	**12,765**	-
Capital work-in-progress written off	3.2.1	**88,237**	7,955
Workers' welfare fund		**-**	14,140
Workers' profit participation fund		**-**	33,052
Miscellaneous expenses		**55,171**	36,644
		3,168,345	686,981

26.1 This includes net unrealised exchange loss amounting to Rs Nil (2018: Rs 260.433 million) arising from 'trade and other payables'.

26.2 The management offered a voluntary settlement scheme to all 651 temporary workers at Green Leaf Threshing facility (GLT) who work for a limited period of 2-3 months during threshing season and no longer wish to continue providing the services during the current and subsequent green leaf threshing seasons. The management proposal has been accepted by all 651 temporary workers.

27. OTHER INCOME

	Note	2019	2018
		(Rupees in thousand)	
Income from financial assets:			
● Exchange gain - net	27.1	**122,995**	-
● Profit on deposit accounts		**247,235**	134,984
● Others	27.2	**93,056**	72,097
		463,286	207,081
Income from assets other than financial assets:			
● Profit on disposal of items of property, plant and equipment		**247,321**	55,963
		710,607	263,044

27.1 This includes net unrealised exchange gain amounting to Rs 186.357 million (2018: Rs Nil) arising from 'trade and other payables'.

27.2 These mainly include income arising on liabilities written back no longer considered payable and sale of scrap.

		Note	2019	2018
			(Rupees in thousand)	
28.	**FINANCE COST AND BANK CHARGES**			
	Mark-up on short term borrowings		**1,778**	487
	Interest on lease liabilities		**22,992**	-
	Bank commission and other charges		**24,037**	22,607
			48,807	23,094
29.	**TAXATION**			
	Current - for the year	29.2	**196,107**	54,680
	- for prior years		**30,845**	253
			226,952	54,933
	Deferred	7.1	**(739,943)**	18,824
			(512,991)	73,757

29.1 Relationship between tax expense and accounting profit

	2019	2018
Accounting profit before tax	**(2,492,990)**	616,908
Effective tax rate	**29%**	29%
Tax on accounting profit	**(722,967)**	178,903
Tax effect of:		
● effect of change in tax rate	**(23,563)**	45,240
● income assessed under Final Tax Regime	**7,728**	63,538
● tax credit for investments u/s 65B of the Income Tax Ordinance, 2001	**15,117**	(32,450)
● minimum tax	**195,910**	(211,332)
● Property, plant and equipment	**18,881**	-
● super tax	**-**	30,381
● others	**(34,942)**	(776)
	(543,836)	73,504
Adjustments in respect of current tax of prior periods	**30,845**	253
Tax expense for the year	**(512,991)**	73,757

29.2 This represents current tax expense recognised in these financial statements, the break-up of which is as follows:

	Note	2019	2018
		(Rupees in thousand)	
Current tax charge / (reversal) recognised in:			
Profit or loss		**196,107**	54,680
Other comprehensive income		**5,865**	(24,299)

30. (LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED

30.1 Basic (loss) / earnings per share

	Note	2019	2018
(Loss) / profit for the year after taxation		**(1,979,999)**	543,151
Less: dividend on non-cumulative preference shares paid during the year		**-**	(439,488)
(Loss) / profit attributable to ordinary shareholders		**(1,979,999)**	103,663
		(No. of shares)	
Weighted average number of ordinary shares	16.2	**61,580,341**	61,580,341
		Rupees	
(Loss) / Earnings per share - basic		**(32.15)**	1.68

30.2 1,046,400,000 preference shares are not included in the calculation of diluted earnings per share because these are antidilutive for both the years ended December 31, 2019 and December 31, 2018. These preference shares could potentially dilute basic earnings per share / enhance loss per share in the future.

31. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

31.1 The aggregate amount charged in these financial statements for the year is as follows:

	Chief Executive		Directors		Executives		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	(Rupees in thousand)							
Remuneration	-	-	6,562	-	411,345	339,853	417,907	339,853
House rent	-	-	2,953	-	185,105	152,934	188,058	152,934
Directors' fee	-	-	3,520	3,535	-	-	3,520	3,535
Bonus	-	-	2,117	-	116,201	110,874	118,318	110,874
Retirement benefits	-	-	1,313	-	75,892	62,861	77,205	62,861
Utilities	860	502	657	347	41,134	33,985	42,651	34,834
Others	10,250	3,215	8,045	1,218	66,042	37,185	84,337	41,618
	11,110	3,717	25,167	5,100	895,719	737,692	931,996	746,509
Number of persons	1	2	8	7	169	142	177	151

In addition, the chief executive, directors and certain executives are provided with free use of the Company maintained cars and accommodation facilities.

31.2 The Company considers its chief executive and executive director as members of key management personnel.

31.3 The benefits available to certain executives recognised by the Company in the expenses during the year on account of share-based payment plan aggregate Rs 25.899 million (2018: Rs 18.403 million).

31.4 Certain executives are on secondment from a group undertaking and no remuneration is charged to the Company in respect of these executives.

31.5 In accordance with the requirements of the fourth schedule to the Companies Act 2017, employees whose salary for the year exceed Rs 1.2 million have been considered 'Executives' for the purpose of these financial statements.

32. RELATED PARTIES DISCLOSURES

Related parties comprise of Philip Morris Investments B.V. (the parent company) and Philip Morris Brands S.à.r.l., related group undertakings, subsidiary company Laksonpremier Tobacco Company (Private) Limited, staff retirement funds and key management personnel. Transactions with related parties, other than remuneration and benefits to key management personnel under the terms of their employment as disclosed in note 31, are as follows:

	Nature of transactions	**2019**	**2018**
		(Rupees in thousand)	
Associated undertakings	Sale of goods	**302,987**	1,849,497
	Sale of plant and machinery	**4,999**	6,772
	Purchase of goods	**442,067**	256,579
	Purchase of plant and machinery	**224,077**	249,528
	Services procured	**150,043**	54,530
	Royalty charges	**73,830**	94,648
	Share based payment recharge	**20,022**	18,086
Subsidiary	Expenses borne by the Company	**104**	105
Staff retirement plans	Expense in relation to gratuity fund	**35,821**	116,983
	Expense in relation to provident fund	**73,520**	74,140

The related party status of outstanding balances as at December 31, 2019 is included in notes 12.1, 13.1, 17.5 and 20.1. These are to be settled in the ordinary course of business.

32.1 Following are the related parties with whom the Company had entered into transactions or have arrangements / agreements in place during the year:

S. No.	Name of related parties	Basis of relationship	Aggregate shareholding in the Company
1.	Philip Morris Products S.A. Manufacturing, Switzerland	Group Company	Nil
2.	Philip Morris Management Services SA. , Switzerland	Group Company	Nil
3.	Philip Morris CR A.S. Czech Republic	Group Company	Nil
4.	Philsa Philip Morris Sabanci Sigara Ve Tutunculuk Sanayi Ve Ticaret A. S., Turkey	Group Company	Nil
5.	Philip Morris International Managment SA. , Switzerland	Group Company	Nil
6.	Philip Morris International Management S.A. (Tolling), Switzerland	Group Company	Nil
7.	Philip Morris Kazakhstan LLP, Kazakhstan	Group Company	Nil
8.	Philip Morris Products S.A., Switzerland	Group Company	Nil
9.	Philip Morris Romania S.R.L., Romania	Group Company	Nil
10.	F6 Cigarettenfabrik GMBH and Co. KG, Germany	Group Company	Nil
11.	Philip Morris Exports Sàrl, Switzerland	Group Company	Nil
12.	PMFTC Inc., Philippines	Group Company	Nil
13.	Philip Morris International Inc. United States	Group Company	Nil
14.	Philip Morris Global Brands Inc., United States	Group Company	Nil
15.	Philip Morris Asia Limited, Hong Kong	Group Company	Nil
16.	Philip Morris Korea Inc. Manufacturing, Korea	Group Company	Nil
17.	Philip Morris (Malaysia) Sdn. Bhd., Malaysia	Group Company	Nil
18.	PT Philip Morris Indonesia, Indonesia	Group Company	Nil
19.	Philip Morris Philippines Manufacturing Inc., Philippines	Group Company	Nil
20.	PMI Service Center Europe spolka z ograniczona odpowiedzialnoscia, Poland	Group Company	Nil
21.	Massalin Particulares S.R.L., Argentina	Group Company	Nil
22.	Profigen Do Brasil LTDA	Group Company	Nil
23.	PT Philip Morris Sampoerna International Service Center, Indonesia	Group Company	Nil
24.	Philip Morris International IT Service Center Sarl, Switzerland	Group Company	Nil
25.	Philip Morris Brands Sarl, Switzerland	Group Company	19.99999%
26.	PT Hanjaya Mandala Sampoerna Tbk., Indonesia	Group Company	Nil
27.	Laksonpremier Tobacco company (Private) Limited	Subsidiary	Nil
28.	Philip Morris (Pakistan) Limited Employees' Gratuity Fund	Retirement benefit trust	Nil
29.	Philip Morris (Pakistan) Limited Employees' Provident Fund	Retirement benefit trust	Nil
30.	Philip Morris Investments B.V.	Parent company	77.65360%
31.	Mr. Kamran Y. Mirza	Chairman	0.000081%
32.	Mr. Joao Manuel	Chief Executive	0.000002%
33.	Lt. Gen. (R) Tariq Khan, Esq.	Director	0.000002%
34.	Ms. Pattaraporn Auttaphon	Director	0.000002%
35.	Mr. Lim Khang Wei	Director	0.000002%
36.	Mr. Michael Scharer	Director	0.000002%
37.	Mr. Muhammad Zeeshan	Director	0.000003%

33. CAPACITY AND PRODUCTION

Against an installed manufacturing capacity of 26,867 million (2018: 37,152 million) cigarette sticks, the manned manufacturing capacity is 16,775 million cigarette sticks (2018: 19,162 million sticks). Actual production was 11,615 million (2018: 14,353 million) cigarette sticks. Actual production was sufficient to meet the demand.

34. CASH GENERATED FROM OPERATIONS

	Note	2019	2018
		(Rupees in thousand)	
(Loss) / profit before taxation		**(2,492,990)**	616,908
Depreciation on property, plant and equipment	3.1.1	**921,547**	1,560,336
Depreciation on right-of-use assets		**216,038**	-
Property, plant and equipment written off		**2,547**	14,071
Impairment charge on items of property, plant and equipment		**1,127,382**	131,624
Impairment charge on non-current assets held for disposal		**1,137,304**	-
Capital work-in-progress written off		**88,237**	7,955
Intangibles written off		**12,765**	-
Amortisation		**8,446**	10,030
Provision for slow moving spares		**26,888**	26,295
Provision for obsolete stocks		**56,611**	6,709
Expenses arising from equity-settled share-based payment plan		**25,899**	18,403
Gratuity expense		**35,821**	33,193
Liabilities written back		**(93,056)**	(32,775)
Unrealised exchange (gain) / loss		**(122,995)**	260,433
Profit on deposit accounts		**(247,235)**	(134,984)
Profit on disposal of items of property, plant and equipment		**(247,321)**	(55,963)
Finance cost		**24,770**	487
Working capital changes	34.1	**(2,038,381)**	2,198,363
		(1,557,723)	4,661,085

34.1 Working capital changes

		2019	2018
(Increase) / decrease in current assets			
Stores and spares		**41,136**	(14,504)
Stock in trade		**(397,175)**	397,060
Trade debts		**-**	36,458
Advances		**210**	12,872
Prepayments		**(674,791)**	(76,974)
Other receivables		**315**	65,370
		(1,030,305)	420,282
Increase / (decrease) in current liabilities			
Trade and other payables		**(430,502)**	1,527,216
Sales tax and excise duty payable		**(577,574)**	250,865
		(2,038,381)	2,198,363

35. CASH AND CASH EQUIVALENTS

	Note	2019	2018
Cash and bank balances	14	**330,283**	2,730,373
Less: Amount held as security	14.2	**(18,861)**	(18,861)
Short term borrowings	19	**(846,475)**	-
		(535,053)	2,711,512

36. FINANCIAL RISK MANAGEMENT

36.1 The Company's activities expose it to certain financial risks. Such financial risks emanate from various factors that include, but are not limited to, market risk, credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Risks measured and managed by the Company are explained below:

(i) Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market prices of instruments due to change in credit rating of the issuer or the instrument, changes in market sentiments, speculative activities, supply and demand of instruments and liquidity in the market. The Company manages the market risk by monitoring exposure on financial instruments and by following internal risk management policies.

Market risk comprise of three types of risks: interest rate risk, currency risk and other price risk.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to changes in market interest rates.

- Fair value risk - Fair value risk to the Company arises from instruments which are based on fixed interest rates. As at December 31, 2019, the Company did not have any fixed rate instrument.

- Future cash flow risk - Presently, future cash flow risk to the Company arises from 'running finance under mark-up arrangements' which are based on floating interest rates (i.e. KIBOR based). As at December 31, 2019, had there been increase / decrease of 50 basis points in KIBOR with all other variables held constant, loss after taxation for the year then ended would have been higher / lower by Rs 0.871 million mainly as a result of finance cost.

(b) Currency risk

Currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The Company primarily has foreign currency exposures in US Dollars, Euro and UK Pound in the form of other receivables (note 12), bank balances (note 14), trade and other payables (note 20).

As at December 31, 2019, had the Company's functional currency strengthened / weakened by 5% against US Dollar, Euro and UK Pound, with all other variables held constant, loss after taxation for the year then ended would have been lower / higher by Rs 29.033 million (2018: Rs 25.704 million) mainly as a result of foreign exchange gains / losses.

(c) Other price risk

Other price risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company does not have financial instruments dependent on market prices.

(ii) Credit risk and its concentration

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted. The Company enters into financial contracts in accordance with the internal risk management policies which mainly include incurring of sales on an advance payment basis and holding of balances with reputable banks of the country. Out of the total financial assets as set out in note 36.3, those that are subject to credit risk aggregated Rs 634.512 million as at December 31, 2019 (2018: Rs 3,028.042 million). The analysis below summarises the credit quality of the Company's financial assets as at December 31, 2019:

- Long term deposits are held with parties which have long association with the Company and have a good credit history.

- Amounts aggregating Rs 12.112 million (2018: Rs Nil) are receivable from group companies whereby credit exposure and the corresponding risk associated with recoverability is considered minimal.

- The banks with which balances are held carry at least a credit rating of 'A-2' which represents good certainty of timely payment.

Concentration of credit risk exists when changes in economic and industry factors similarly affect the group of counter parties whose aggregated credit exposure is significant in relation to the Company's total credit exposure. The Company's financial assets are broadly diversified and transactions are entered into with diverse credit worthy parties thereby mitigating any significant concentration risk. Therefore, the Company believes that it is not exposed to major concentration of credit risk.

(iii) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. The Company's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its financial liabilities when due. Accordingly, the Company maintains sufficient cash and also makes availability of funding through credit facilities.

The analysis below summarises the Company's financial liabilities (based on contractual undiscounted cash flows) into relevant maturity group on the remaining period as at the reporting date:

	2019 Contractual cash flows	2019 Less than 1 year	2019 Between 1 to 5 Years
	(Rupees in thousand)		
Trade and other payables	3,880,052	3,880,052	-
Accrued mark-up on short term borrowings	1,275	1,275	-
Unclaimed dividend	33,935	33,935	-
Short term borrowings	846,475	846,475	-
Lease liabilities	510,707	307,541	203,166
	5,272,444	5,069,278	203,166

	2018 Contractual cash flows	2018 Less than 1 year	2018 Between 1 to 5 Years
	(Rupees in thousand)		
Trade and other payables	4,317,300	4,317,300	-
Accrued mark-up on short term borrowings	113	113	-
Unclaimed dividend	34,608	34,608	-
Short term borrowings	-	-	-
Lease liabilities	-	-	-
	4,352,021	4,352,021	-

36.2 Fair values of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences may arise between the carrying value and the fair value estimates.

As at December 31, 2019, the carrying values of all financial assets and liabilities approximate to their fair values due to the fact that most of the financial assets and liabilities are of short term nature.

36.3 Financial instruments by category

	2019	2018
	(Rupees in thousand)	
FINANCIAL ASSETS		
At amortised cost		
Long term deposits	**57,361**	50,545
Other receivables	**247,044**	247,359
Cash and bank balances	**330,283**	2,730,373
	634,688	3,028,277

	2019	2018
	(Rupees in thousand)	
FINANCIAL LIABILITIES		
At amortised cost		
Trade and other payables	**3,880,052**	4,317,300
Accrued mark-up on short term borrowings	**1,275**	113
Unclaimed dividend	**33,935**	34,608
Short term borrowings	**846,475**	-
Lease liability	**510,707**	-
	5,272,444	4,352,021

37. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

38. DETAILS OF PROPERTY, PLANT AND EQUIPMENT DISPOSED OFF

The following operating property, plant and equipment having net book value of Rs 500,000 or more each were disposed off during the year:

Category	Original cost	Accumulated depreciation	Book value	Disposal proceeds	Gain / (loss)	Mode of disposal	Particulars of buyers	Relationship of buyers with company or director if any
	(Rupees in thousand)							
Freehold land	1,186	-	1,186	28,000	26,814	Negotiated	M.Younus/ M.Ismail Trading	Third party
Vehicles	3,254	(2,603)	651	2,650	1,999	Insurance claim	Jubilee General Insurance Co Ltd	Third party
	1,406	(206)	1,200	1,254	54	Company policy	Mustafa Kamal Zuberi	Employee of the Company
	1,406	(150)	1,256	1,315	59	----do----	Mushal Jamil	Employee of the Company
	1,753	(1,122)	631	1,139	508	----do----	Syed Uzair Hussain	Employee of the Company
	2,054	(192)	1,862	1,920	58	----do----	Muhammad Kashan	Employee of the Company
	2,154	(316)	1,838	2,154	316	----do----	Saad Khaleel	Employee of the Company
	2,449	(1,796)	653	990	337	----do----	Abdul Rasheed	Employee of the Company
	2,449	(1,926)	523	857	334	----do----	Mohammad Mobin Shah	Employee of the Company
	2,638	(281)	2,357	2,341	(16)	----do----	Amjad Iqbal	Employee of the Company
	2,663	(391)	2,272	2,159	(113)	----do----	Yar Muhammad Khan	Employee of the Company
	10,675	(8,540)	2,135	3,736	1,601	----do----	Anwar Nabi Dar	Employee of the Company
	10,750	(8,600)	2,150	3,763	1,613	----do----	C.David Tan Escarda	Employee of the Company
	10,750	(8,600)	2,150	3,763	1,613	----do----	Anton Kirilov Stankov	Employee of the Company
	10,750	(8,600)	2,150	3,763	1,613	----do----	Hakan Kurtoglu	Employee of the Company
	13,759	(11,007)	2,752	3,216	464	----do----	Muneeza Kazi	Employee of the Company
	2,799	(2,239)	560	1,400	840	----do----	Syed Mohammad Ali	Employee of the Company
	2,799	(2,239)	560	1,315	755	Auction	Abid Javed	Employee of the Company
	3,900	(3,120)	780	3,200	2,420	----do----	Muhammad Ali	Employee of the Company
	3,964	(3,171)	793	1,456	663	----do----	Syed Mohammad Ali	Employee of the Company
	4,149	(3,319)	830	1,657	827	----do----	Ali Imran	Employee of the Company
	9,749	(7,799)	1,950	3,214	1,264	----do----	Abid Javed	Employee of the Company
	107,456	(76,217)	31,239	75,262	44,023			

39. NUMBER OF EMPLOYEES

The total average number of employees during the year and as at December 31, 2019 and 2018 respectively are as follows:

	2019	2018
	No. of employees	
Number of employees as at December 31	**744**	945
Average number of employees during the year	**765**	949

40. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on March 10, 2020 by the Board of Directors of the Company.

41. GENERAL

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

Karachi: March 10, 2020

KAMRAN Y. MIRZA
Chairman

ROMAN YAZBECK
Chief Executive

MUHAMMAD ZEESHAN
Chief Financial Officer

Independent Auditor's Report to the Members

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Laksonpremier Tobacco Company (Private) Limited (the Company), which comprise the statement of financial position as at December 31, 2019, and the statement of profit or loss and other comprehensive income , the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2019 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- " Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

(a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

(b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

(c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

(d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Khurshid Hasan.

A.F. FERGUSON & CO.
Chartered Accountants

Karachi: March 24, 2020

Statement Of Financial Position

AS AT DECEMBER 31, 2019

	Note	2019	2018
		Rupees	
ASSETS		**-**	-
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
5,000,000 Ordinary Shares of Rs 10 each	3	**50,000,000**	50,000,000
Issued, subscribed and paid-up capital	3	**1,030**	1,030
Accumulated loss		**(1,030)**	(1,030)
		-	-
LIABILITIES		**-**	-
TOTAL EQUITY AND LIABILITIES		**-**	-

The annexed notes from 1 to 5 form an integral part of these financial statements.

Karachi: February 25, 2020

MUHAMMAD ZEESHAN
Chief Financial Officer

MUSTAFA KAMAL ZUBERI
Director

Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
	Rupees	
Turnover	-	-
Expenses	-	-
Profit / (loss) before taxation	-	-
Taxation	-	-
Profit / (loss) after taxation	-	-
Other comprehensive income / (loss)	-	-
Total comprehensive income / (loss)	-	-

The annexed notes from 1 to 5 form an integral part of these financial statements.

Karachi: February 25, 2020

MUHAMMAD ZEESHAN
Chief Financial Officer

MUSTAFA KAMAL ZUBERI
Director

Statement Of Changes In Equity

FOR THE YEAR ENDED DECEMBER 31, 2019

	Issued, subscribed & paid-up capital	Accumulated (loss)	Total
	Rupees		
Balance as at January 1, 2018	1,030	(1,030)	-
Total comprehensive income / (loss) for the year ended December 31, 2018	-	-	-
Balance as at December 31, 2018	1,030	(1,030)	-
Total comprehensive income / (loss) for the year ended December 31, 2019	-	-	-
Balance as at December 31, 2019	1,030	(1,030)	-

The annexed notes from 1 to 5 form an integral part of these financial statements.

Karachi: February 25, 2020

MUHAMMAD ZEESHAN
Chief Financial Officer

MUSTAFA KAMAL ZUBERI
Director

Statement of Cash Flows

FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
	Rupees	
Cash flow from operating activities	-	-
Cash flow from investing activities	-	-
Cash flow from financing activities	-	-
Net increase / (decrease) in cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the period	-	-
Cash and cash equivalents at the end of the period	-	-

The annexed notes from 1 to 5 form an integral part of these financial statements.

Karachi: February 25, 2020

MUHAMMAD ZEESHAN
Chief Financial Officer

MUSTAFA KAMAL ZUBERI
Director

1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 Laksonpremier Tobacco Company (Private) Limited (the Company) was incorporated in Pakistan on March 14, 1955 as a private limited company under the Companies Act, 1913 (now the Companies Act, 2017). The principal activity of the Company is the manufacturing and sale of cigarettes and tobacco. Its registered office is situated at 19th Floor, The Harbour Front, Dolmen City, HC - 3, Block 4, Clifton, Karachi, Pakistan.

1.2 The Company is a wholly owned subsidiary of Philip Morris (Pakistan) Limited (the Holding Company). Philip Morris International Inc. is the ultimate parent company. Further, the Company's Chief Executive Officer is also a director in the Holding Company.

1.3 The purpose of the Company is to provide support to the Holding Company for complying with the tobacco production requirements. At present the Holding Company has sufficient manufacturing facilities to meet the tobacco production requirements, therefore, the Company is not in operation and no significant transactions and events have occurred during the year.

1.4 The expenditure of the Company for the year which were restricted to the corporate filing and audit fees have been borne by the Holding Company.

1.5 The Holding Company has confirmed to the Company through its letter dated January 12, 2019, that the Holding Company intends to continue to provide financial support to the company to enable it to continue as a 'going concern' in the foreseeable future. Accordingly, these financial statements have been prepared on a going concern basis.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

2.1 These financial statements have been prepared under the historical cost convention.

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

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

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

3. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2019	2018		2019	2018
Number of shares			Rupees	
		Authorised share capital		
5,000,000	5,000,000	Ordinary shares of Rs 10 each	**50,000,000**	50,000,000
		Issued, subscribed and paid-up share capital		
103	103	Ordinary shares of Rs 10 each fully paid in cash	**1,030**	1,030

3.1 All the shares are held by the Holding Company. Out of 103 shares, two shares are in the name of nominee directors.

4. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of the Holding Company and the directors of the Company. The transactions carried out with related parties are as follows:

	2019	2018
	Rupees	
Expenses borne by the Holding Company		
- Filing fees for corporate forms	**4,025**	4,900
- Audit fee	**100,000**	100,000

5. DATE OF AUTHORISATION

These financial statements were authorised for issue on February 25, 2020 by the board of directors of the Company.

Karachi: February 25, 2020

MUHAMMAD ZEESHAN
Chief Financial Officer

MUSTAFA KAMAL ZUBERI
Director

ڈائریکٹرز رپورٹ

مالی ڈھانچے، عالمی وسائل سے استفادے، مارکیٹنگ کی سرگرمیوں کے لیے حکمت عملی پر عمل درآمد، مصنوعات کے معیار میں مسلسل بہتری، عملی اور طریقہ کار میں بہتری اور وسائل کی فراہمی اور استعمال کے ذریعے انتظامی ٹیم، کمپنی کی مجموعی کارکردگی میں بہتری لانے کے لیے پرعزم ہے۔ مسلسل جاری دشوار ماحول میں ہمارے مجموعی منافع اور اخراجات پر کنٹرول کمپنی کے منافع کو بہتر بنانے کے لیے اہداف میں شامل ہیں۔

جیسا کہ ایکوئل سیلری فاؤنڈیشن(EQUAL SALARY Foundation)، سوئزلینڈ کی جانب سے مسلسل دوسرے سال بھی دیئے گئے ایکوئل سیلیری سرٹیفکیشن(Equal Salary Certification) سے ثابت ہوتا ہے کہ کمپنی مساوی مواقع فراہم کرنے والے آجر(equal opportunity employer) کے طور پر کام کرتی ہے اور اسی طرح کام کرتی رہے گی۔کام کے لیے سازگار ماحول کی تخلیق کی صورت میں کمپنی شمولیت (Inclusion) اور تنوع (Diversity) پر پختہ یقین رکھتی ہے۔

بعد میں والی پیشرفت

مورخہ 31 جنوری،2020ء کو جناب جواؤ مینوئل (Joao Manuel) نے بطور ڈائریکٹر اور چیف ایگزیکٹو آفیسر استعفاد ے دیا جس کے بعد یکم فروری، 2020ء کو جناب رومن یازبیک (Roman Yazbeck) کو بطور ڈائریکٹر اور چیف ایگزیکٹو آفیسر مقرر کیا گیا۔

اعترافات

اس موقع سے فائدہ اٹھاتے ہوئے ڈائریکٹرز سنہ 2019ء کے دوران کمپنی کے تمام ملازمین کی بھرپور محنت، لگن، جذبے اور تعاون کا شکریہ ادا کرتے ہیں۔

کمپنی کی انتظامیہ پر اعتماد کرنے کیلیے بورڈ آف ڈائریکٹرز اپنے تمام کاروباری شراکت داروں، مثلاً تقسیم کنندگان، فراہم کنندگان، حصص یافتگان اور دیگر اداروں کا بھی شکریہ ادا کرتے ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے

کامران یوسف مرزا
چیئرمین

رومن یازبیک
چیف ایگزیکٹو

کراچی، 10 مارچ، 2020ء

ڈائریکٹرز رپورٹ

سنہ 2019ء کے اختتام تک، مندرجہ ذیل ڈائریکٹرز انسانی وسائل اور معاوضہ کمیٹی کے ارکان کے طور پر کام کر رہے تھے:

1۔ کامران مرزا (Kamran Mirza)

2۔ جواؤ مینوئل (Joao Manuel)

3۔ مائیکل شارر (Michael Scharer)

ضابطے کے تقاضے کے مطابق، سنہ 2019ء کے دوران، انسانی وسائل اور معاوضہ کمیٹی کا اجلاس منعقد ہوا۔

ڈائریکٹرز کی ٹریننگ

ڈائریکٹرز کی ٹریننگ کے پروگرام کے حوالے سے بورڈ ضابطے پر پوری طرح کاربند رہا۔

شیئر ہولڈنگ کا اُسلوب

مورخہ 31 دسمبر، 2019ء کے مطابق کمپنی کی حصص داری (شیئر ہولڈنگ (کا نمونہ، ضابطوں کے تقاضوں کے مطابق، اس سالانہ رپورٹ میں شامل ہے۔

آڈیٹرز

موجودہ ایکسٹرنل آڈیٹرز، اے ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، اِس اجلاسِ عام کے بعد ریٹائر ہو جائیں گے۔ تاہم، اہلیت کی بنا پر، خود کو 31 دسمبر، 2020ء کو ختم ہونے والے سال کے لیے دوبارہ ایکسٹرنل آڈیٹرز کے طور پر تقرری کے لیے پیش کرتے ہیں۔ آڈٹ کمیٹی کی سفارش کی روشنی میں ارکان سے درخواست ہے کہ وہ اُن کی آڈیٹرز کے طور پر دوبارہ تقرری منظور کریں اور اُن کے معاوضے کی توثیق کریں۔

اکاؤنٹنگ پالیسیاں

کمپنی نے، سنہ 2019ء کے دوران، نئے اکاؤنٹنگ معیارات، منظور شدہ معیارات میں ترامیم اور تشریحات کا اطلاق کیا۔ اس کی تفصیل مالیاتی گوشواروں کے نوٹس کے سیکشن 3.4.2 میں فراہم کی گئی ہے۔

مستقبل کی توقعات

کمپنی فلپ موریس انٹرنیشنل انکارپوریشن کے ساتھ مکمل طور پر الحاق رکھتی ہے اور اس طرح عالمی وسائل اور مہارت سے مسلسل استفادہ کرتے رہے گی جس سے اس کی اثر انگیزی، طویل المیعاد پائیداری اور منافع میں مزید بہتری آئے گی۔

کمپنی نے اپنے برانڈ پورٹ فولیو میں اضافے کے لیے سرمایہ کاری کی اور سنہ 2018ء کی تیسری سہ ماہی میں اپنے برانڈ پارلیمنٹ (Parliament) کی ڈسٹری بیوشن کو وسعت دی۔ اس کے علاوہ، نومبر 2019ء میں، پیک اور اسٹک کے نئے ڈیزائن کے ساتھ L&M کی فرنچائز کو بہتر بنایا۔

کمپنی، حکومت کی ایسی تمام پالیسیوں اور اقدامات کی حمایت کرتی ہے جن سے بنا ٹیکس ادا شدہ سگریٹوں کے مسئلے سے نمٹا جا سکے اور ان میں فیڈرل بورڈ آف ریونیو ("ایف بی آر") کی اِن لینڈ ریونیو فورس (Inland Revenue Force) کے ذریعہ تعمیل میں اضافہ شامل ہے۔

ڈائریکٹرز رپورٹ

ای وون چین (Ee Won Chen)	2	2
جواؤ مینوئل (Joao Manuel)	4	3
شارمین کارتھیگاسو (Sharmen Karthigasu)	2	0
مائیکل شارر (Michael Scharer)	4	0
لم خانگ وی (Lim Khang Wei)	2	2
پٹاراپورن اوٹافون (Pattarapom Auttaphon)	2	2

ایسے ڈائریکٹرز کو بورڈ کے اجلاسوں میں شریک نہیں ہو سکے تھے، اُن کے لیے چھٹی کی منظوری دی گئی۔

بورڈ آڈٹ کمیٹی

آڈٹ کمیٹی، بورڈ کے وضع کردہ حوالہ کی شرائط (terms of reference) کے مطابق، کام کرتی ہے جو سیکیوریٹی اینڈ ایکسچینج کمیشن آف پاکستان (Securities & Exchange Commission of Pakistan; ECP) کے جاری کردہ ضابطے میں درج تقاضوں کے مطابق ہیں۔

آڈٹ کمیٹی تین ارکان پر مشتمل ہے جن میں سے ایک (01) انڈیپنڈنٹ ڈائریکٹر اور دو (02) نان-ایگزیکٹو ڈائریکٹرز ہیں۔

سنہ 2019ء کے اختتام تک، مندرجہ ذیل ڈائریکٹرز آڈٹ کمیٹی کے ارکان کے طور پر کام کر رہے تھے:

1۔ لیفٹیننٹ جنرل (ر) طارق خان (Lt.Gen. (R) Tariq Khan)
2۔ لم خانگ وی (Lim Khang Wei)
3۔ پٹاراپورن اوٹافون (Pattaraporn Auttaphon)

سال کے دوران، آڈٹ کمیٹی کے کل چار (04) اجلاس منعقد ہوئے۔ ان اجلاسوں میں ڈائریکٹرز کی حاضری کا باقاعدہ ریکارڈ رکھا گیا جو ذیل میں فراہم کیا گیا ہے:

ڈائریکٹر کا نام	اجلاسوں میں حاضری کی تعداد
لیفٹیننٹ جنرل (ر) طارق خان (Lt.Gen. (R) Tariq Khan)	3
لم خانگ وی (Lim Khang Wei)	2
پٹاراپورن اوٹافون (Pattaraporn Auttaphon)	1

ایسے ڈائریکٹرز جو آڈٹ کمیٹی کے اجلاسوں میں شریک نہیں ہو سکے تھے، اُن کے لیے چھٹی کی منظوری دی گئی تھی۔

ہیومن ریسورس اینڈ ریمیونریشن کمیٹی ("HR&R")

موجودہ ہیومن ریسورس اینڈ ریمیونریشن کمیٹی تین (03) ارکان پر مشتمل ہے جن میں سے ایک (01) نان-ایگزیکٹو، ایک (01) انڈیپنڈنٹ اور ایک (01) ایگزیکٹو ڈائریکٹر ہے۔

ڈائریکٹرز رپورٹ

- کوئی بھی ڈائریکٹر اپنے معاوضے کا تعین خود نہیں کرے گا۔
- معاوضے کی سطح مارکیٹ میں مسابقتی کمپنیوں/صنعت میں رائج طریقہ کے کے مطابق ہوگی۔
- معاوضے کے تعین کے موقع پر صنفی بنیاد پر کوئی امتیاز نہیں برتا جائے گا۔
- کسی بھی معاوضے کی سطح ایسی نہیں ہوگی جس سے ڈائریکٹرز کی خودمختاری پر سمجھوتے کا تاثر ملتا ہو۔
- صرف خودمختار ڈائریکٹرز ہی بورڈ کے اجلاسوں میں شرکت کے لیے معاوضے وصول کریں گے۔
- معاوضے کی مناسب سطح تجویز کرنے کے لیے بورڈ ایک خودمختار کنسلٹنٹ کی خدمات بھی حاصل کر سکتا ہے۔

بورڈ آف ڈائریکٹرز میں تبدیلیاں

فروری، 2019ء میں جناب اینٹون اسٹینکوف (Anton Stankov) نے چیف فنانشل آفیسر اور ڈائریکٹر کی حیثیت سے استعفادے دیا چنانچہ جناب محمد ذیشان کو اُن کی جگہ بطور چیف فنانشل آفیسر اور ڈائریکٹر منتخب کیا گیا۔

مزید برآں، جون، 2019ء میں محترمہ ای وون چین (Ee Won Chen) نے بھی ڈائریکٹر کی حیثیت سے استعفادے دیا جس کے بعد محترمہ پٹاراپورن اوٹافون (Pattaraporn Auttaphon) کو بطور ڈائریکٹر مقرر کیا گیا۔

اسی طرح جون، 2019ء میں جناب شارمین کارتھیگاسو (Sharmen Karthigasu) استعفادے دیا، جس کے نتیجے میں، لم خانگ وی (Lim Khang Wei) کو بطور ڈائریکٹر مقرر کیا گیا۔

ڈائریکٹرز کا انتخاب

ڈائریکٹرز کا انتخاب، آخری مرتبہ، مورخہ 26 ستمبر، 2017ء کو ہوا تھا۔ ہر دورانیہ تین سال تک جاری رہتا ہے اور اب آئندہ انتخاب سنہ 2020ء میں منعقد ہوگا۔

بورڈ آف ڈائریکٹرز کے اجلاس

بورڈ آف ڈائریکٹرز سات (07) ڈائریکٹرز پر مشتمل ہے جن میں سے دو (02) انڈیپنڈنٹ ڈائریکٹرز، تین (03) نان-ایگزیکٹو ڈائریکٹرز اور دو (02) ایگزیکٹو ڈائریکٹرز ہیں۔ بورڈ میں چھ (06) مرد اور ایک (01) خاتون ڈائریکٹر شامل ہیں۔

سنہ 2019ء کے دوران، بورڈ آف ڈائریکٹرز ("بورڈ") کے چار (04) اجلاس منعقد ہوئے۔ اِن اجلاس میں ڈائریکٹرز کی حاضری کا باقاعدہ رکھا گیا اور مندرجہ ذیل میں فراہم کیا گیا ہے:

ڈائریکٹر کا نام	منعقد ہوئے اجلاسوں کی تعداد	اجلاسوں میں حاضری کی تعداد
کامران یوسف مرزا (Kamran Y. Mirza)	4	3
محمد ذیشان (Muhammad Zeeshan)	4	4
لیفٹیننٹ جنرل (ر) طارق خان (Lt. Gen (R) Tariq Khan)	4	3

ڈائریکٹرز رپورٹ

- کمپنی کی مالی اور آپریشنل معلومات کا درست اور قابل بھروسہ ہونا؛
- مطلوب نتائج کے حصول میں کمپنی کے آپریشن کی اثر پذیری؛
- کمپنی کے اثاثوں کی حفاظت؛
- کمپنی کے اقدامات میں متعلق قوانین اور ضوابط کی تعمیل۔

ہم آہنگی کا گوشوارہ

کمپنی کی ہم آہنگی کا گوشوارہ (Statement of Compliance) شائع کرنے کی ذمہ دار ہے۔ ہم آہنگی کا گوشوارہ اس سالانہ رپورٹ کا حصہ ہے۔

ریٹائرمنٹ فنڈ میں سرمایہ کاری

آڈٹ شدہ مالیاتی گوشواروں کے مطابق، کمپنی کے زیر انتظام، ملازمین کی ریٹائرمنٹ فنڈز کی جانب سے، کی گئی سرمایہ کاری کی مالیت درج ذیل کے مطابق تھی:

	ملین (روپے)	
پراویڈنٹ فنڈ	644	(31 دسمبر 2018ء کے آڈٹ شدہ مالی گوشواروں کے مطابق)
گریجویٹی فنڈ	578	(31 دسمبر 2018ء کے آڈٹ شدہ مالی گوشواروں کے مطابق)

ہولڈنگ کمپنی

فلپ مورس انویسٹمنٹس بی وی (Philip Morris Investments B.V.)، ہالینڈ (Netherlands) میں قائم شدہ ایک ہولڈنگ کمپنی ہے جس کے پاس اس کمپنی کے 77.65 فیصد حصص ہیں۔

فلپ مورس برانڈز ایس اے آر ایل (SARL) ایک ملحق کمپنی ہے جس کے، اس کمپنی میں، 20 فیصد حصص ہیں۔

بورڈ کی کارکردگی کا جائزہ

بورڈ نے ایک باضابطہ پالیسی کی منظوری دی ہے اور سالانہ بنیادوں پر بورڈ، انفرادی ڈائریکٹرز اور اس کی کمیٹیوں کی کارکردگی کا جائزہ لینے کے لیے ایک طریقہ کار بھی وضع کیا ہے۔ اس جائزے کا مقصد، بات یقینی بنانا ہے کہ بورڈ کی کارکردگی کا جائزہ مجموعی ادارہ جاتی مقاصد، کمپنی میں نگرانی کے ڈھانچے، قانونی اور انضباطی تعمیل، اثر انگیزی، تعاون اور قدر میں اضافے کے حوالے سے لیا جائے۔

ڈائریکٹرز کے معاوضے کی پالیسی

بورڈ نے ڈائریکٹرز کے معاوضے کی پالیسی کی منظوری دی ہے جس میں بورڈ اس کی کمیٹیوں کے اجلاس میں شرکت کے لیے ڈائریکٹرز کے معاوضے کے تعین کے شفاف طریقہ کار اور مقاصد کی تفصیل بیان کی گئی ہے۔ دیگر امور کے علاوہ، ڈائریکٹرز کے معاوضے کی پالیسی کی اہم خصوصیات درج ذیل ہیں:

- معاوضے کی سطح پر کاروبار کی ضرورت، حکمت عملی کی مطابق اور کمپنی، نیز اس کے حصص یافتگان کے بہترین مفادات کے مطابق ہوگی۔

ڈائریکٹرز رپورٹ

- کمپنی کی انتظامیہ کی جانب سے تیار کردہ مالی گوشوارے اس کے معاملات، آپریشنز کے نتائج، نقدی کے بہاؤ (cash flow) اوراس کے حصص میں تبدیلی کی درست عکاسی کرتے ہیں؛
- کمپنی حسابات کی کتب درست انداز میں رکھی گئی ہیں؛
- مالی گوشواروں کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کا اطلاق کیا گیا ہے - حسابی تخمینے دانشمندانہ اورمحتاط فیصلوں کی بنیاد پر ہیں؛
- جیسا کہ پاکستان میں لاگو ہیں، مالی گوشواروں کی تیاری میں اکاؤنٹنگ کے منظور شدہ معیارات پر عمل کیا گیا ہے؛
- کمپنی کے اندرونی کنٹرولز کا نظام ڈیزائن کے اعتبار سے مضبوط ہے، جس پر موٴثر انداز میں عمل کیا گیا ہے اور، مزید بہتر بنانے کے لیے، اس کا مسلسل جائزہ بھی لیا جاتا ہے؛
- ایک جاری کاروبار کی حیثیت سے تسلسل برقرار رکھنے کے لیے، کمپنی کی اہلیت شک وشبہات سے بالاتر ہے؛
- جیسا کہ ضوابط کی فہرست میں تفصیل موجود ہے، ادارہ جاتی نگرانی کے بہترین طریقوں سے کوئی قابل ذکر انحراف نہیں ہوا ہے؛
- مورخہ 31 دسمبر، 2019ء کو ختم ہونے والے مالی سال، اور گزشتہ مالی سال کی اہم جھلکیوں، اثاثوں اور ذمہ داریوں کا خلاصہ اور گزشتہ چھ (06) مالی سالوں کے نتائج کا خلاصہ صفحہ نمبر 19 پر ترتیب دیا گیا ہے؛ اور
- ٹیکسوں اور محصولات کے بارے میں معلومات مالی گوشواروں کے متعلق نوٹس میں دی گئی ہے۔

انٹرنل کنٹرول کا گوشوارہ

کمپنی کی انتظامیہ اندرونی کنٹرولز اور طریقوں کا ایک مناسب نظام قائم کرنے اور اُسے برقرار رکھنے کی ذمہ دار ہے۔ اندرونی کنٹرولز کے بارے میں انتظامیہ کا بیان اس سالانہ رپورٹ کا حصہ ہے۔

خطرات کی نشاندہی، اہم پروسیسز کی سطح مقرر کرنے کے بعد، جہاں کہیں ضرورت ہو، انتظامیہ کی جانب سے تمام فنکشنز میں عمل درآمد یقینی بنانے کے ساتھ موٴثر انسدادی اقدامات تجویز کرنے کے لیے کمپنی نے ایک مضبوط میکانزم تیار کیا ہے۔ موجودہ اور ابھرتے ہوئے خطرات اور انسدادی منصوبوں پر پیش رفت، ایک آزادانہ انٹرنل آڈٹ فنکشن کے ذریعے علم میں لانے اور جائزے کے لیے باقاعدگی سے آڈٹ کمیٹی کے سامنے پیش کی جاتی ہیں۔

مقامی اور عالمی اثرات کے حامل موجودہ اور ابھرتے ہوئے خطرات سے نمٹنے کی غرض سے انٹرنل آڈٹ ڈپارٹمنٹ، سالانہ بنیادوں پر رسک اسیسمنٹ اینڈ آڈٹ پلانز (Risk Assessment & Audit Plans) تیار کرتا ہے، اور اہم آپریشنل، کمپلائنس اور فنانشل رپورٹنگ (Operational, Compliance & Financial Reporting) کی نشاندہی کے لیے اُن کا باقاعدگی سے جائزہ لیتا ہے، مشورے دیتا ہے اور اُن سے نمٹنے کے لیے اہم کنٹرولز تجویز کرتا ہے۔ ان کنٹرولز کی دستاویز سازی کی جاتی ہے، ذمہ داری کا تقرر کیا جاتا ہے اور ان منصوبوں کے اور آپریشنز کی اثرپذیری کی نگرانی کی جاتی ہے۔ ایسے کنٹرولز، جو موٴثر ثابت نہ ہوں، انہیں بہتر بنایا جاتا ہے۔

آڈٹ کمیٹی کے سامنے سالانہ رسک اینڈ آڈٹ کا منصوبہ پیش کیا جاتا ہے اور اس کے بعد جائزے اور مشوروں پر اپ ڈیٹس بھی فراہم کیے جاتے ہیں۔

اس کے علاوہ، انٹرنل آڈٹ فنکشن، درج ذیل کی صورت میں، انتظامیہ کو مناسب یقین دہانی کے حصول میں بھی مدد فراہم کرتا ہے:

ڈائریکٹرز رپورٹ

(NGOs) کے ساتھ تعاون جاری رکھا تا کہ اہم سنگ میل عبور کیے جاسکیں جن میں سے کچھ پروجیکٹس پر سنہ 2020ء کی پہلی سہ ماہی میں بھی کام جاری رہے گا۔ان پروجیکٹس کے بارے میں مختصر معلومات ذیل میں فراہم کی گئی ہیں:

کمپنی اپنے طویل المیعاد فلاحی پروگراموں کے ذریعے مقامی آبادیوں کے فائدے اور آئندہ برسوں میں، متعدد اقدامات کے ذریعے، ملازمین کی شرکت میں اضافہ کرنے کے لیے پرعزم ہے۔

ماحول، صحت، تحفظ اور امن واطمینان

کمپنی، اپنے معروف اور عالمی سطح پر تسلیم شدہ معیار، ماحول، صحت، تحفظ کے طریقہ کار اور معیارات پر کاربند رہتے ہوئے، تمباکو سے بنائی گئی اعلیٰ معیار کی مصنوعات تیار کرنے اور فراہمی کے لیے پرعزم ہے۔اِن طریقوں کے ذریعے، کمپنی اپنے بالغ صارفین کی توقعات پر پورا اُترنے کی کوشش کرتی ہے اور اپنی مصنوعات میں مسلسل بہتری اور مزید عمدگی لاتے ہوئے اُن کے اعتماد کو برقرار رکھتی ہے۔

ماحول کے حوالے سے کمپنی انتہائی احتیاط سے کام کرتے اور سمجھتی ہے کہ اُس کے ملازمین کی صحت اور تحفظ کاروبار کا ایک بنیادی اُصول اور روایت ہے۔ ایسی پالیسیاں اور طریقہ کار موجود ہیں جو پیشہ ورانہ زخموں، بیماریوں اور قابل قیاس خطرات اور اندیشوں سے بچاتی ہیں۔تمام مینوفیکچرنگ سائٹس اور تھریشنگ سائٹ کو بیوریو ویریٹاس (BureauVeritas) کی جانب سے مربوط انتظامی سسٹم (Integrated Management System) پر "Excellent" پی ایم آئی کی ریٹنگ (6/6) حاصل کی ہے اور اسی کے ساتھ OHSASS 18001 (Health & Safety) اور نئے اسٹینڈرڈ ISO 14001 (Environment) بھی حاصل ہیں۔آپریٹنگ سائٹس پر تمام قابل اطلاق قانونی تقاضوں کی 100 فیصد تعمیل کی جاتی ہے۔ بہتر مستقبل کے عزم کے ساتھ، کمپنی نے الائنس فار واٹر اسٹیورڈ شپ (Alliance for Water Stewardship; AWS) سے بھی سرٹیفکیشن حاصل کرنے کے لیے بھی تیاریوں کا آغاز کردیا ہے۔

انسانی وسائل میں سرمایہ کاری

کمپنی ترقیاتی پلیٹ فارموں، جامع تربیتی پروگراموں، بین الشعبہ جاتی دوروں اور بین الاقوامی تجربات کے ذریعے، ملازمین کی صورت میں موجود ٹیلنٹ میں مسلسل سرمایہ کاری کررہی ہے۔کمپنی ایک ایسے ماحول کو فروغ دینے کی کوشش کرتی ہے جہاں لوگوں کو ہر اُس کام کے بنیادی عمل میں شریک کرتی ہے جسے وہ انجام دیتے ہیں، تنوع پر خوشی کا اظہار کرتے ہیں، پیش بین ہے وار اُن تمام لوگوں کے مساوی مواقع فراہم کرتی ہے جو کمپنی کو اس کے مقاصد اور طویل المیعاد اہداف کے حصول میں مدد کرتے ہیں۔

ادارہ جاتی انتظام کا ضابطہ

کمپنی کے ڈائریکٹرز سیکیوریٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے جاری کردہ لسٹیڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2017ء (Listed Companies (Code of Corporate Governance) Regulations, 2017) (''کوڈ'') کے تحت اپنی ذمہ داریوں سے آگاہ ہیں۔ مزید یہ کہ کمپنی نے کارپوریٹ گڈ گورننس (Corporate Good Governance) کو یقینی بنانے اور اس کوڈ کی تعمیل کے لیے تمام ضروری اقدامات کیے ہیں۔

کوڈ کے تقاضوں کے مطابق، ڈائریکٹرز یہ رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں کہ:

ڈائریکٹرز رپورٹ

ایسے معاشروں میں جہاں قانون پر عمل درآمد پر زور نہیں دیا جاتا ہے اور قانون کی خلاف ورزی کرنے والوں کے خلاف کوئی کارروائی نہیں کی جاتی ہے، عدم تعمیل (non-compliance) کا ایک ماحول پیدا ہو جاتا ہے جو، ہماری رائے میں، موجودہ حکومت کے ویژن کے مطابق نہیں ہے۔ لہٰذا، جب تمام تیارکنندگان پر موجودہ ضوابط پر سختی سے عمل درآمد نہیں کرایا جارہا ہے تو نئے ضوابط متعارف کرانے کا کوئی فائدہ نہیں ہے بلکہ متعارف کرائے گئے نئے قوانین بھی امتیازی ثابت ہوں گے جیسا کہ خلاف ورزی کرنے والے ان کی تعمیل سے بھی انکار کردیں گے اور بار بار ان ضوابط کو نظرانداز کریں گے۔ کمپنی سمجھتی ہے کہ ایک کارگر مشاورت اہم معلومات فراہم کرسکتی ہے جس سے پالیسی سازی کی تیاری میں کامیابی حاصل ہوسکتی ہے اور باخبر فیصلے کیے جاسکتے ہیں۔ لہٰذا یہ بات اہم ہے کہ حکام اور پالیسی ساز قانونی اور تعمیل کرنے والے کاروباری اداروں کو بھی کھلے اور شفاف انداز میں اپنے ساتھ شامل کریں تاکہ وہ بھی پالیسی کی تیاری میں حصہ لے سکیں اور پاکستان سے سگریٹوں کی غیر قانونی تجارت کا خاتمہ ہوسکے۔

عملی صلاحیت

سنہ 2019ء کے دوران، کمپنی نے جائیداد، پلانٹ اور آلات میں 1,649 ملین روپے کی سرمایہ کاری کی جس کی بنیادی وجہ حکمت عملی اور پروجیکٹس کی دیکھ بھال تھی۔ کمپنی، اپنے غیر پیداوار اور پرانے اثاثوں کے خاتمے کے ذریعے اپنے مستقبل کے فٹ پرنٹس کو ہموار کرتی رہے گی۔ یہ سرمایہ کاری اور اقدامات بہتر اور پائیدار مستقبل کے حوالے سے کمپنی کے عزم کی عکاس ہیں۔

کلیدی تبدیلیاں اور عزائم

پروسیس کی عمدہ کارکردگی اور آپریشنز کی اثر پذیری میں اضافہ کرنے کی غرض سے، اور مستقبل میں ایک مضبوط اور ترقی پذیر کمپنی کے طور پر بہترین پر پہنچانے کے لیے حکمت عملی پر مبنی جائزے کے حصے کے طور پر کمپنی کی انتظامیہ نے کوٹری میں اپنی فیکٹری کی بندش کی صورت میں آپریشنل فٹ پرنٹ کی تنظیم نو کا فیصلہ کیا۔ انتظامیہ سمجھتی ہے کہ اس فیصلے سے مارکیٹ میں مصنوعات فراہم کرنے کی، کمپنی کی صلاحیت پر کوئی اثر نہیں پڑے گا۔ کمپنی نے کوٹری میں اپنی فیکٹری بند کردی ہے اور فیکٹری میں کام کرنے والے ملازمین میں تخفیف کردی ہے۔ اس سلسلے میں، کمپنی تمام لاگو قوانین پر عمل درآمد کے لیے پرعزم ہے اور اپنی قانونی ذمہ داریاں پورا کرنے کے لیے اس نے ہر ممکن قدم اٹھایا ہے۔

قومی خزانے میں حصہ

غیر قانونی سگریٹوں کے کاروبار میں اضافے اور دشوار مالی ماحول کے باوجود کمپنی نے، قومی خزانے میں، ایکسائز ٹیکس، سیلز ٹیکس اور دیگر سرکاری محاصل کی صورت میں 23,553 ملین روپے ادا کیے جو گزشتہ برس (سنہ 2018ء) کے مقابلے میں 21.34 فیصد زیادہ ہیں۔ تاہم، اندیشہ ہے کہ، غیر قانونی سگریٹوں کے کاروبار میں اضافہ ٹیکس ادا کرنے والی صنعت کے حجم پر مزید منفی اثر ڈالے گا جس کے نتیجے میں حالیہ مالی سال 21-2020ء کے دوران حکومتی محصولات میں مزید کمی واقع ہوگی۔

ادارہ جاتی سماجی ذمہ داری (''CSR'')

ترقی پذیر ممالک میں، ہمیشہ سے زیادہ، اس بات کی ضرورت رہی ہے کہ سماجی مسائل سے ممکن حد تک مؤثر اور عمدگی کے ساتھ نمٹنے کے لیے، ادارے، ملازمین، آبادیاں اور ادارے مل جل کر کام کریں۔

کمپنی ملازمین اور دیگر فریقین کے ساتھ مل کر چار اہم شعبوں یعنی تعلیم، خواتین کا بااختیار بنانے، معاشی مواقع اور قدرتی و ناگہانی آفات میں بحالی اور ان کے لیے تیاری کے کاموں کو بہت اہمیت دیتی ہے۔ سنہ 2019ء میں، کمپنی نے فلپ موریس انٹرنیشنل انکارپوریشن اور شریک غیر سرکاری تنظیموں

ڈائریکٹرز رپورٹ

سنہ 2018ء کے مقابلے میں، زیر جائزہ سال کے دوران، کمپنی کے مجموعی کاروبار (gross turnover) میں 5.22 فیصد اضافہ ہوا جس کی وجہ، ستمبر، 2018ء اور جون 2019ء میں، ایکسائز ٹیکس میں ہونے والے اضافے کی بنا پر قیمت میں اضافہ ہے جس کی وجہ سے، اس عرصے کے دوران، حجم میں کم اضافہ ہوا۔

مؤرخہ 31 دسمبر، 2019ء کو ختم ہونے والے سال کے دوران، کمپنی کو 2,444 ملین روپے کا قبل از ٹیکس آپریٹنگ نقصان برداشت کرنا پڑا جبکہ سنہ 2018ء کے دوران قبل از ٹیکس آپریٹنگ منافع 640 ملین روپے تھا۔ قبل ٹیکس آپریٹنگ نقصان کی بنیادی وجہ کوٹری میں فیکٹری کی بندش کے ذریعے آپریشنل فٹ پرنٹ کی تنظیم نو کے لیے انتظامیہ کا فیصلہ تھا جو پاکستان میں، غیر متوقع مالی ماحول کے پیش نظر، کاروبار کے طویل المیعاد استحکام لازمی تھا۔

اگر کوٹری میں فیکٹری اور گرین لیف تھریشنگ والنٹری سیپریشن اسکیم (GLT Voluntary Separation Scheme) کی بندش کے نتیجے میں ملازمین کی علیحدگی پر ہونے والے اخراجات اور ایک مرتبہ واقع ہونے والا یہ نقصان الگ کر دیا جائے تو ایسی صورت میں، کمپنی کو 31 دسمبر، 2019ء کو ختم ہونے والے سال کے دوران مذکورہ بالا قبل از ٹیکس آپریٹنگ نقصان کی بجائے 357 ملین روپے کا قبل از ٹیکس منافع حاصل ہوا ہوتا۔

اعزازات و اعترافات

مورخہ 31 دسمبر، 2019ء کو ختم ہونے والے سال کے دوران کمپنی کو درج ذیل اعزازات سے نوازا گیا اور ایک ذمہ دار ادارتی شہری کے طور پر اس کی کوششوں کا اعتراف کیا گیا:

- گلوبل ٹاپ ایمپلائر، 2019
- ایکوئل سیلیری سرٹیفکیشن، 2019
- او آئی سی سی آئی ایوارڈ آن ویمن امپاورمنٹ، 2019
- ای او بی آئی ایوارڈ فار موسٹ کمپلائنٹ ایمپلائر، 2019
- این ایف ای ایچ کارپوریٹ سوشل ریسپانسبلٹی ایوارڈ، 2019

انضباط

یہ ایک تسلیم شدہ حقیقت ہے کہ پاکستان میں تمباکو کی صنعت، سستی اور بنا ٹیکس ادا شدہ سگریٹوں کی وسیع پیمانے پر موجودگی کے باعث بیماری کا شکار ہے جس کا بنیادی ذریعہ مقامی طور پر تیار کی جانے سگریٹیں ہیں جو ٹیکس چوری میں بھی ملوث ہیں۔ تمباکو کی صنعت کے لیے یہ بہت بڑا چیلنج ہیں کیوں کہ بنا ٹیکس ادا شدہ سگریٹ پیک میں بکنے والی سگریٹوں پر چھپی ہوئی قیمت سے بھی بہت کم قیمت پر فروخت ہوتی ہیں جس سے ٹیکس ادا کرنے والی صنعت کے لیے مقابلہ غیر مساوی ہو گیا ہے۔ ٹیکس چوری کرنے اور ہر سال قومی خزانے کو اربوں روپے کا نقصان پہنچانے کے علاوہ غیر قانونی سگریٹ بنانے والے یہ ادارے تمباکو کی صنعت کو کنٹرول کرنے والے ضوابط کو بھی قطعی طور پر نظر انداز کر دیتے ہیں۔ اشتہاری پابندیوں کی نہایت بے رحمی کے ساتھ خلاف ورزی کرتے ہوئے یہ اپنی مارکیٹنگ کی سرگرمیوں میں ممنوعہ عناصر بھی استعمال کرتے ہیں جن میں قانونی طور پر لازم قرار دی گئی، تصویری شکل میں صحت کے بارے میں تنبیہ شامل ہے۔

ڈائریکٹرز رپورٹ

برائے سال مختتم 31 دسمبر، 2019ء

مجھے خوشی ہے کہ میں فلپ مورس (پاکستان) لمیٹڈ (''کمپنی'') کے بورڈ آف ڈائریکٹرز کی جانب سے مؤرخہ 31 دسمبر، 2019ء کو ختم ہونے والے مالی سال کے لیے کمپنی کے آڈٹ شدہ مالی گوشواروں کے ہمراہ ڈائریکٹرز رپورٹ پیش کر رہا ہوں۔

کارکردگی کا جائزہ

مؤرخہ 31 دسمبر، 2019ء کو ختم ہونے والے سال کے لیے اہم آپریٹنگ نتائج کا تجزیہ درج ذیل ہے۔ موازنے کے لیے گزشتہ سال کے نتائج بھی دیئے گئے ہیں:

	سال مختتم 31 دسمبر، 2019ء		سال مختتم 31 دسمبر، 2018ء	
	ملین روپے	%	ملین روپے	%
عمومی کاروبار	37,986	100.00	36,103	100.00
مجموعی منافع	4,190	11.61	6,024	16.69
آپریٹنگ نقصان/ (منافع)	(2,444)	(6.77)	640	1.77
قبل از ٹیکس نقصان/ (منافع)	(2,493)	(6.91)	617	1.71
بعد از ٹیکس نقصان/ (منافع)	(1,980)	(5.48)	543	1.50

بنا ٹیکس ادا شدہ سگریٹوں کے کاروبار کے خلاف حکومت کی محدود کارروائی اور بھاری ایکسائز ڈیوٹیز کے نفاذ کے باعث، زیر جائزہ سال کے دوران، ٹیکس ادا شدہ سگریٹیں بنانے والی صنعت کو دشواریوں کا سامنا رہا۔ ستمبر، 2018ء میں، حکومت نے قیمت کی سطح (Valuetier) پر افیڈرل یکسائز ڈیوٹی (FED) میں 46 فیصد اضافہ کرنے کے بعد جون، 2019ء میں، مزید 32 فیصد اضافہ کیا جس سے ٹیکس ادا شدہ صنعت کے برانڈز اور بنا ٹیکس ادا شدہ برانڈز کے درمیان (جو قانونی طور پر طے شدہ کم از کم قیمت سے بھی کم پر فروخت ہو رہے تھے) فرق بڑھ گیا (دسمبر 2019ء میں کیے گئے ریٹیل آڈٹ کے مطابق، بنا ٹیکس ادا شدہ سگریٹوں کے کاروبار کا موجودہ حصہ تمباکو کی کل مارکیٹ کا 34.7 فیصد ہے)۔ ایکسائز ٹیکس میں اس اضافے کی وجہ سے ٹیکس ادا شدہ سگریٹیں بنانے والی صنعت کے استحکام کو، حجم کے اعتبار سے، شدید خطرات لاحق رہے جو، آئندہ برسوں کے دوران، سرکاری محصولات کے لیے نقصان دہ ثابت ہوگا۔ لہٰذا، ٹیکس ادا شدہ سگریٹیں بنانے والی صنعت کے استحکام کے لیے، قانون کے نفاذ پر سختی سے عمل درآمد کے ساتھ، ٹیکس کے مساوی اسٹرکچر کا قیام بھی بہت ضروری ہے تاکہ ایکسائز ٹیکس میں متوقع اور معتدل اور قابل اضافے کے ذریعے سرکاری محصولات میں اضافہ ہوتا رہے۔

4۔ تنوع اور آمیزش:

بورڈ ارکان مناسب حد تک تنوع رکھتے ہیں اور ہر رکن متعدد شعبوں میں وسیع تجربہ رکھتا ہے۔ بورڈ کی تشکیل میں انڈیپنڈنٹ اور نان-ایگزیکٹو ڈائریکٹرز کی آمیزش پائی جاتی ہے۔

5۔ نگرانی اور کنٹرول کا ماحول:

بورڈ نے نگرانی کا ایک شفاف، پیش قدم اور مضبوط نظام مؤثر انداز میں قائم کیا ہے۔ مزید برآں، بورڈ نے کنٹرول کا مؤثر ماحول، مقامی اور عالمی بہترین طریقوں پر عمل درآمد اور پوری کمپنی میں اخلاقی / منصفانہ رویہ کو فروغ دیا ہے۔

کامران یوسف مرزا
چیئرمین

کراچی، 10 مارچ، 2020ء

کمپنیز ایکٹ، 2017ء کی شق 192 کے تحت، 31 دسمبر، 2019ء کو ختم ہونے والے سال کے لیے بورڈ کی مجموعی کارکردگی کے بارے میں چیئرمین کی جانب سے جائزہ رپورٹ

مجھے خوشی ہے کہ میں فلپ مورس (پاکستان) لمیٹڈ (''کمپنی'') کے شیئر ہولڈرز کے سامنے، سال مختتم 31 دسمبر، 2019ء کے لیے سالانہ رپورٹ مع مجموعی کارکردگی اور بورڈ آف ڈائریکٹرز (''بورڈ'') کے ہونے پر تبصرہ پیش کر رہا ہوں۔

اگر کوٹری میں فیکٹری اور گرین لیف تھریشنگ والنٹری سپریشن اسکیم (GLT Voluntary Separation Scheme) کی بندش کے نتیجے میں ملازمین کی علیحدگی پر ہونے والے اخراجات اور ایک مرتبہ واقع ہونے والا یہ نقصان الگ کر دیا جائے تو ایسی صورت میں، کمپنی کو 31 دسمبر، 2019ء کو ختم ہونے والے سال کے دوران مذکورہ بالا قبل از ٹیکس آپریٹنگ نقصان کی بجائے 357 ملین روپے کا قبل از ٹیکس منافع حاصل ہوا ہوتا۔

ضابطہ ادارہ جاتی نگرانی (Code of Corporate Governance) کے تقاضے کے مطابق، بورڈ کی کارکردگی، اس کی کمیٹیوں کی کارکردگی اور ڈائریکٹرز کی انفرادی کارکردگی کی سالانہ جانچ کے لیے ایک طریقہ کار تشکیل دیا گیا تھا۔ یہ عمل ایک خودمختار تیسرے فریق۔اے ایف فرگوسن اینڈ کو، چارٹرڈ اکاؤنٹنٹس (A. F. Ferguson & Co.,Chartered Accountants) کی رفاقت میں انجام دیا گیا تھا۔ اس جانچ کا مقصد بورڈ کی مجموعی کارکردگی اور مؤثر ہونے کا جائزہ لینا ہے جس کی پیمائش کمپنی کے اہداف کے تناظر میں موجود توقعات سے کی جاتی ہے اور بینچ مارک کیا جاتا ہے۔ ایسے شعبے جن میں بہتری کی گنجائش موجود ہو ان پر خصوصی توجہ دی جاتی ہے اس کے مطابق ایکشن پلان ترتیب دیئے جاتے ہیں۔

بورڈ کے چیئرمین کی حیثیت سے، میں اس بات کی تصدیق کرتا ہوں کہ کمپنی کی کارکردگی بہتر بنانے کی غرض سے ڈائریکٹرز کی حوصلہ افزائی کی جاتی ہے کہ وہ بھی حکمت عملی سے تعلق رکھنے والے مسائل پر اپنی رائے دیں۔

1۔ تصور، نصب العین اور اقدار:

بورڈ کے ارکان موجودہ تصور (Vision)، نصب العین (Mission) اور اقدار (Values) سے واقف ہیں۔ بورڈ، وقتاً فوقتاً، تصور اور نصب العین کے بیان پر نظر ثانی کرتا رہتا ہے۔

2۔ حکمت عملی پر مبنی منصوبہ بندی:

بورڈ ان (شیئر ہولڈرز، گاہکوں، ملازمین، فروشندگان، اور بڑی حد تک معاشرہ) کا، جن کی وہ خدمت کرتا ہے، ادراک رکھتا ہے۔

3۔ کاروباری سرگرمیوں کی تندہی سے نگرانی:

بورڈ کے ارکان نے تندہی کے ساتھ اپنے فرائض انجام دیئے، کاروبار سے تعلق رکھنے والی حکمت عملیوں، ادارہ جاتی اہداف، منصوبوں، بجٹ، مالی گوشواروں اور دیگر رپورٹوں کا جائزہ لیا، بحث کی اور منظوری دی۔ بورڈ اور اس کی کمیٹیوں کے اجلاسوں سے قبل انہیں واضح/جامع ایجنڈے اور اعانتی تحریری مواد فراہم کیا گیا۔ اپنی ذمہ داریاں انجام دینے کے لیے بورڈ نے، ہر سہ ماہی میں، کم از کم ایک اجلاس منعقد کیا۔ انتظامیہ اور دیگر آزاد کنسلٹنٹس کی جانب سے (جہاں کہیں ان کی خدمات حاصل کی گئیں) بورڈ کو کمپنی کے مختلف پہلوؤں کے بارے میں تازہ ترین معلومات فراہم کی گئیں تاکہ بورڈ کی جانب سے بر وقت نگرانی اور سمت کا تعین یقینی بنایا جا سکے۔

www.jamapunji.pk

Jama Punji

سرمایہ کاری سمجھداری کے ساتھ

Be aware, Be alert, Be safe

Learn about investing at www.jamapunji.pk

Key features:

- Licensed Entities Verification
- Scam meter*
- Jamapunji games*
- Tax credit calculator*
- Company Verification
- Insurance & Investment Checklist
- FAQs Answered
- Stock trading simulator (based on live feed from KSE)
- Knowledge center
- Risk profiler*
- Financial calculator
- Subscription to Alerts (event notifications, corporate and regulatory actions)
- Jamapunji application for mobile device
- Online Quizzes

jamapunji.pk @jamapunji_pk

Jama Punji is an Investor Education Initiative of Securites and Exchange Commission of Pakistan

SECP

*Mobile apps are also available for download for android and ios devices

PHILIP MORRIS (PAKISTAN) LIMITED

FORM OF PROXY

I / We____

of ____

a member of **Philip Morris (Pakistan) Limited (the "Company")**
hereby appoint ____

of ____

or failing him ____

of ____

who is / are also members of the Company to act as my / our proxy and to vote for me / us and on my / our behalf at the Annual General Meeting of the shareholders of the Company to be held on April 21, 2020 and at any adjournment thereof.

Signed this____________________ day of ________________ 2020

Folio No.	**CDC Participant ID No.**	**CDC Account / Sub Account No.**	**No. of shares held**

Signature over Revenue Stamp

Witness 1

Signature _______________________________

Name _______________________________

CNIC No. _______________________________

Address _______________________________

Witness 2

Signature _______________________________

Name _______________________________

CNIC No. _______________________________

Address _______________________________

Notes:

1. The proxy must be a member of the Company.
2. The signature must tally with the specimen signature/s registered with the Company.
3. If a proxy is granted by a member who has deposited his / her shares in Central Depository Company of Pakistan, the proxy must be accompanied with participant's ID number and CDC account / sub-account along with attested photocopies of Computerized National Identity Card ("CNIC") or the Passport of the beneficial owner. Representative of corporate members should bring the usual documents required for such purpose.
4. The instrument of Proxy properly completed should be deposited at the Share Registrar's Office of the Company not less than 48 hours before the time of the meeting.

PHILIP MORRIS (PAKISTAN) LIMITED

فلپ مورس پاکستان لمیٹڈ

فارم برائے نمائندگی

میں/ہم ____________________

تعلق ____________________

بطور ممبر فلپ مورس (پاکستان) لمیٹڈ ("مذکورہ کمپنی") تقرری کرتا ہوں/ کرتے ہیں ____________________

تعلق ____________________

یا بصورت دیگر ____________________

تعلق ____________________

جو کمپنی کا/کے ممبر بھی ہے/ہیں اور میری/ہماری جانب سے کمپنی کے شراکت داروں کی 21 اپریل 2020 کو منعقد ہونے والی سالانہ جنرل میٹنگ اور اس کے التوا کی صورت میں (بعد میں) میری/ہماری جانب سے ووٹ ڈال سکیں گے۔

دستخط ____________ دن: ____________ تاریخ: ____________ 2020

فولیو نمبر	سی ڈی سی شریک کا شناختی نمبر	سی ڈی سی اکاؤنٹ/ سب اکاؤنٹ نمبر	حصص کی تعداد

ریونیو مہر پر دستخط

گواہ نمبر 1	گواہ نمبر 2
دستخط: ------------------------	دستخط: ------------------------
نام: ------------------------	نام: ------------------------
قومی شناختی کارڈ نمبر: ------------------------	قومی شناختی کارڈ نمبر: ------------------------
پتہ: ------------------------	پتہ: ------------------------

ہدایات:

1- نمائندے کیلئے کمپنی کا ممبر ہونا لازمی ہے۔

2- یہاں کیے جانے والے دستخط کا کمپنی کے ریکارڈ میں موجود دستخط سے مماثلت رکھنا ضروری ہے۔

3- اگر کسی ایسے ممبر کی جانب سے نمائندگی کی اجازت دی گئی ہے جس نے اپنے شیئرز سنٹرل ڈیپازٹری کمپنی آف پاکستان میں جمع کروائے ہوں، تو اس صورت میں نمائندے کو شراکت دار کا شناختی نمبر اور سی ڈی سی اکاؤنٹ/سب اکاؤنٹ نمبر کے ساتھ کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ فوٹو کاپیاں ہمراہ لانا ضروری ہے۔

4- نمائندے کو یہ فارم مکمل پُر کرکے ہمراہ تمام ضروری دستاویزات، اجلاس سے کم از کم 48 گھنٹے قبل کمپنی کے شیئر رجسٹرار کے دفتر میں جمع کرانا ہوں گے۔

Philip Morris (Pakistan) Limited
19th Floor, The Harbour Front, Dolmen City
HC-3, Block-4, Clifton Karachi-75600

www.philipmorrispakistan.com.pk