



PHILIP MORRIS
(PAKISTAN) LIMITED

2020 Annual Report



PHILIP MORRIS (PAKISTAN) LIMITED

Annual Report December 31, 2020

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Corporate Information

BOARD OF DIRECTORS

KAMRAN Y. MIRZA	(Chairman)
ROMAN YAZBECK	(Chief Executive)
MICHAEL SCHARER	(until October 28, 2020)
LIM KHANG WEI	(until October 28, 2020)
MUHAMMAD ZEESHAN	
PATTARAPORN AUTTAPHON	
LT. GEN. (R) TARIQ KHAN	(until October 28, 2020)
PETER CALON	(from October 29, 2020)
MIRZA REHAN BAIG	(from October 29, 2020)
GHULAM NABI KAZI	(from October 29, 2020)

COMPANY SECRETARY

MUSTAFA KAMAL ZUBERI	(until August 10, 2020)
FAIZA KAPADIA RAFFAY	(until November 22, 2020)
SANA ENAIT HASHMI	(from November 23, 2020)

AUDIT COMMITTEE

LT. GEN. (R) TARIQ KHAN	(Until October 28, 2020)	(Chairman)
GHULAM NABI KAZI	(from October 29, 2020)	(Chairman)
LIM KHANG WEI	(Until October 28, 2020)	
PETER CALON	(from October 29, 2020)	
PATTARAPORN AUTTAPHON		
MUSTAFA KAMAL ZUBERI	(until August 10, 2020)	(Secretary)
FAIZA KAPADIA RAFFAY	(until November 22, 2020)	(Secretary)
SANA ENAIT HASHMI	(from November 23, 2020)	(Secretary)

HUMAN RESOURCE & REMUNERATION COMMITTEE

KAMRAN Y. MIRZA	(Chairman)
ROMAN YAZBECK	
MICHAEL SCHARER	(Until October 28, 2020)
PETER CALON	(From October 29, 2020)
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.philipmorriskarachi.com.pk
Email : pmpk.info@pmi



Notice of Meeting

NOTICE IS HEREBY GIVEN that the 52nd Annual General Meeting (AGM) of **PHILIP MORRIS (PAKISTAN) LIMITED** ('the Company') will be held on **Wednesday, April 21, 2021 at 11.30 a.m.** via video-link.

Considering the practical difficulties posed by Covid-19, SECP vide circular No. 6 of 2021 dated March 03, 2021 had allowed to hold the general meeting through electronic mode. In wake of on-going pandemic to ensure the health and safety of our Shareholders and our employees we will be holding the AGM via video-link. However, while convening the AGM through video-link the Company will observe the quorum provisions and will comply with all the regulatory requirements. Shareholders can participate in the AGM proceedings through Zoom to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited financial statements of the Company for the year ended December 31, 2020 together with the Directors' and Auditor's Report thereon.
2. To appoint the External Auditors for the year 2021 and to fix their remuneration.

The retiring auditor M/s. A. F. Ferguson & Co.-Chartered Accountants has given consent to act as Auditor of the Company for the year ending December 31, 2021.

By Order of the Board

Karachi: Tuesday, March 30, 2021

SANA ENAIT HASHMI
Company Secretary

NOTES:

1. To attend the AGM through video-link, the members are requested to register themselves by providing the following information through email at cdcsr@cdcsrsl.com at least 48 hours before the AGM.

Name of Shareholder	CNIC Number	Folio Number/ CDC Account No	Cell Number	Email Address

2. The registered Members, after necessary verification (as per the above requirement) will be provided a video-link by the Company via email.
3. The login facility will remain open from 10.45 a.m. till the end of AGM.

Members can also share their suggestions/ comments on the agenda on WhatsApp number 03218200864 one hour before the meeting schedule in order to register their attendance

4. The share transfer books of the Company will remain closed from April 17, 2021 to April 21, 2021 (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 Shakra-e-Faisal, Karachi at the close of business on April 14, 2021 will be considered in time to be eligible to attend the meeting.
5. 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.
6. 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.
7. Member are requested to notify the Share Registrar of the Company promptly of any change in their addresses.
8. 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.
9. 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, 2020

The Statement is being presented to share the status of compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 ("the Regulations") by Philip Morris (Pakistan) Limited ("the Company"). The Company has complied with the requirements of the Regulations in the following manner:-

1. The total number of Directors as at December 31, 2020 were Seven (7) as per the following,-
 - a. Male: Six (6)
 - b. Female: One (1)

2. The composition of the Board as at December 31, 2020 was as follows:

Category	Name
Independent Directors	Kamran Y.Mirza-Chairman Ghulam Nabi Kazi Mirza Rehan Baig
Non-Executive Directors	Peter Calon Pattaraporn Auttaphon
Executive Directors	Roman Yazbeck Muhammad Zeeshan
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 the 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 Program for the following:
Mirza Rehan Baig
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;
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;



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

12. The Board has formed the following committees. The composition of these Committees as at December 31, 2020 was as follows:

a) **Audit Committee**

Name	Designation
Ghulam Nabi Kazi	Chairman
Peter Calon	Member
Pattaraporn Auttaphon	Member

b) **Human Resource and Remuneration Committee**

Name	Designation
Kamran Y. Mirza	Chairman
Roman Yazbeck	Member
Peter Calon	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;
14. The frequency of meetings of the committee was as follows:
- | | |
|--|----------|
| a) Audit Committee - | Four (4) |
| b) Human Resource and Remuneration Committee - | One (1) |
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 18, 2021



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, 2020 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, 2020.

Karachi: March 25, 2021

A.F. FERGUSON & CO.,
Chartered Accountants



Review Report by the Chairman on Board's Overall Performance U/S 192 of the Companies Act, 2017 for the Year Ended December 31, 2020:

It gives me great pleasure to present the Annual Report for the year ended December 31, 2020 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").

As required under the Listed Companies (Code of Corporate Governance) Regulations, 2019, 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 and 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 the 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, Executive and Non-Executive Directors including female Directors. The non-executive and independent Directors are equally involved in important Board decisions.

5. Governance and Control Environment:

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

6. Acknowledgement:

I would like to express my appreciation for the continued support of all stake holders & especially acknowledge the dedication demonstrated by the employees despite the challenges posed by the Covid Pandemic during 2020 . I will take this opportunity to also sincerely thank the Board members for their valuable contributions which helped the Company in managing its affairs.

KAMRAN Y. MIRZA
Chairman

Karachi: March 18, 2021



Directors' Report

FOR THE YEAR ENDED DECEMBER 31, 2020

The year saw a major unprecedented challenge due to COVID-19 and while dealing with the pandemic our priority remained the safety of our employees and stakeholders. As a responsible organization, the Company has established SOPs in line with Government directives and has taken relevant measures in order to ensure compliance. The series of safety measures taken include mandatory work from home for office based employees, restricting factory access to essential workers only, implementing temperature screening, enhancing cleaning and sanitization protocols, compartmentalizing activities (i.e. separation of working groups, staggered break/mealtimes and shift changes, etc.) and providing personal protective equipment for use at all times. Moreover, the Company conducted awareness sessions regarding preventive measures within the factory as well as surrounding communities. During the period, the Company's offices across the country transitioned back to work with relevant SOPs in place ranging from smart work approach, remote working tools to rigorous and continuous screening and testing of all individuals visiting our premises with the objective of ensuring safety of our employees. The Company has made considerable efforts towards business continuity and with the support of its employees, it has endeavored to minimize the adverse impact of the pandemic on its operations.

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, 2020.

Key Metrics	Unit of measure	31-Dec-20	Inc. / (Dec).	%
Volume	<i>Bio</i>	9.6	(2.4)	(20)
Net Turnover	<i>Mio</i>	16,596	3,262	24
Gross Profit	<i>Mio</i>	6,457	2,267	54
Profit before tax	<i>Mio</i>	2,554	5,047	>100
Profit after tax	<i>Mio</i>	1,765	3,745	>100
EPS	<i>per share</i>	16.76	49	>100

BUSINESS OVERVIEW

During the year ended, the Company's volume declined by 20% mainly reflecting the pressure faced by the legally compliant tax paying cigarette sector from the expanding illicit one, which accounts for approx 37% of the total market for the year 2020 versus 33.1% for the year 2019, (Retail Audit). This is mainly attributable to the excessive excise duty increases of 93% (Value Tier) during Federal Budgets of September 2018 and June 2019 that stretched the price gap between duty evaded and duty paid cigarettes which are selling at lower prices than the minimum price prescribed under the tax regime. In March 2020, the government issued a Statutory Regulatory Order No. 72(I)/2020 further restricting advertising, promotion and sponsorship of tobacco and tobacco products. As a law abiding corporate, the Company ensured immediate compliance of these directives, however, many brands by illicit domestic manufacturers continue to violate these advertising restrictions. The lack of a level playing field is one of the key challenges for the Company, which also negatively impacts Government revenues due to weak implementation of Government's policies/regulations. According to an estimate based on 5-year average, the illicit cigarette trade causes an annual negative impact of approximately PKR 44 billion on Government revenues.

REGULATORY & CONTRIBUTION TO THE NATIONAL EXCHEQUER

During the period, the Federal Budget 2020/21 was announced and approved with no increase in excise rates on locally produced cigarettes and the minimum price for the purpose of levy and collection of federal excise duty remained unchanged.



Directors' Report

Further, as part of continuous efforts and in the interest of all stakeholders to bring the undocumented economy under the tax net, the Government is trying to take measures through strict enforcement against illicit tobacco sector. The Federal Board of Revenue (FBR) has made multiple attempts to introduce Track and Trace system since 2019 where applications were invited for development, maintenance and operation of the system. However, there have been delays in the implementation system but apparently FBR remains committed to installing it with effect from July 2021.

The company is pleased to observe that the government has made strides in creating checks and balances for goods coming in from the Azad Jammu & Kashmir (AJ&K) trade route to ensure proper taxation of goods entering Pakistan.

Due to challenges from the tax evading illicit cigarette sector, the Company witnessed the volume decline as mentioned above and Company's contribution to the National Exchequer, for the year ended December 31, 2020, in the form of excise duty, sales tax and other government levies, stood at PKR 22,110 million, a decrease of 6%, compared to the previous year. We believe consistent and sustainable efforts by the Government are required to check the expanding illicit sector for providing a level playing field for the tax paying sector and to improve Government's revenue stream

FINANCIAL PERFORMANCE

During the period ended December 31, 2020 the Company's domestic net turnover stood at PKR 13,983 million reflecting an increase of 7% versus previous year. This was supported by the excise led price increase in June'19 coupled with price increase on in February'20 which were essential to offset the adverse impact of severe volume decline of 20% versus 2019. The Company's exports turnover stood at PKR 2,613 million (US\$ 16.3 million) showing a significant increase as compared to last year. The export of approximately 7.0 million kilos of tobacco is part of the Company's commitment to support Pakistan goal of increasing exports of non-traditional items. During the same period, Gross Profit increased to PKR 6,457 million which is higher by 54% versus 2019, due to increase of domestic turnover coupled with efficiencies and cost optimization in the manufacturing operations.

The Company recorded profit before tax of PKR 2,554 million for the year ended December 31, 2020 compared to loss before tax of PKR 2,493 million for the year ended 2019. The increase in operating profit before tax compared to last year is mainly due to significant decrease in "Other Expenses" by PKR 2,732 million. This decrease is primarily attributable to one off impairment and employee separation cost charged on account of closure of our factory in Kotri during 2019.

CORPORATE SOCIAL RESPONSIBILITY

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 all its stakeholders in the areas of education, women empowerment, economic opportunity, and disaster relief and preparedness.

The year 2020 was particularly challenging due to the COVID -19 pandemic and we played our part in providing support through monetary and in-kind donations to those most impacted by this pandemic. The Company actively worked



Directors' Report

towards providing relief to different communities in these difficult times. In addition to contributing to the Prime Minister's COVID-19 Relief Fund, the Company undertook monetary and in-kind donations, as well as volunteer work by our employees to support local efforts which includes:

- Provision of Food Ration and Hygiene Kits to over 30,000 people in low-income communities
- Distribution of 35,000 PPEs across the country
- Medical camps and awareness drives were conducted to ensure awareness and education.
- Mobile care units deployed in Mardan, Charsadda and Swabi to cater to local communities.

Further, this period also marked the beginning of the Company's journey towards creating awareness against littering. The Company supports the Network of Organizations Working with Persons with Disabilities (NOWPDP) to establish a recycling facility that employs persons with disabilities. As part of Company's anti-littering efforts, it also supported NOWPDP's beach cleanup activity on World Cleanup Day 2020.

INVESTMENT IN HUMAN RESOURCE & AWARDS AND RECOGNITION

The Company is continuing to seek ways to improve its employee experience and is fully committed to a culture that actively promotes employee well-being, inclusion and diversity. The Company's internal pulse survey showed high level of employee engagement particularly for the empathy and support exemplified by the Company amidst the challenging COVID times. Further, during the period, the Company was awarded the regional Human Resources Director Asia (HRD) Award for being an employer of choice in Pakistan. The Company was evaluated for its contribution in a number of areas including employee learning & professional development, rewards & recognition initiatives and a number of other programs encompassing employee health & well-being, work-life balance, leadership and inclusion & diversity. Further, during the period, for the third year running, the Company participated in the Global Equal Salary Certification which aims to ensure equity in treatment for all employees regardless of gender. During 2020, the representatives of Equal Salary Foundation, PwC, conducted a virtual monitoring audit and re-awarded the certification to the Company.

The Company also received the following recognition awards for its efforts as a responsible corporate citizen:

- Overseas Investors Chamber of Commerce and Industry (OICCI) Award on Women Empowerment, 2020
- National Forum for Environment and Health (NFEH) Corporate Social Responsibility Award, 2020

OPERATIONAL CAPACITY

In 2020, the Company's investment in property, plant and equipment amounted to Rs.568 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.



Directors' Report

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 protection of the environment and recognizes health and safety of its employees as one of its core values and principles. 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). 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.

CODE OF CORPORATE GOVERNANCE

The Directors of the Company are aware of their responsibilities as defined 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 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 the 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, 2020 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.
- The Management of the Company is committed to good corporate governance and has taken all necessary steps to ensure compliance with the Code.



Directors' Report

STATEMENT OF INTERNAL CONTROLS

The 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 which 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:

	PKR in Mio	
Provident Fund	633	(Financial statements audited as of December 31, 2019)
Gratuity Fund	651	(Financial statements audited as of December 31, 2019)

HOLDING COMPANY

Incorporated in the Netherlands, Philip Morris Investments B.V. is the holding Company having 77.65% shares in the Company. Philip Morris Brands SARL is the associate Company having 20% 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' Report

DIRECTORS' REMUNERATION 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 the 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. Joao Manuel resigned as Chief Executive Officer and Director and Mr. Roman Yazbeck was appointed in his place as Chief Executive Officer and Director on February 1, 2020.

ELECTION OF DIRECTORS

The Election of Directors was held on October 29, 2020. The newly elected Board of Directors is as follows:

Mr. Kamran Y. Mirza	Chairman	Re-elected on expiry of term WEF October 29,2020
	Independent Director	
Mr. Roman Yazbeck	Chief Executive	Re-elected on expiry of term WEF October 29,2020
	Executive Director	
Mr. Muhammad Zeeshan	Chief Financial Officer	Re-elected on expiry of term WEF October 29,2020
	Executive Director	
Ms. Pattaraporn Auttaphon	Non-Executive Director	Re-elected on expiry of term WEF October 29,2020
Mr. Peter Calon	Non-Executive Director	Appointed WEF October 29, 2020
Mr. Mirza Rehan Baig	Independent Director	Appointed WEF October 29, 2020
Mr. Ghulam Nabi Kazi	Independent Director	Appointed WEF October 29, 2020

BOARD OF DIRECTORS MEETINGS

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



Directors' Report

During 2020, the Board of Directors (the "Board") held 6 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	6	6
Muhammad Zeeshan	6	6
Lt. Gen. (R) Tariq Khan	4	4
Roman Yazbeck	6	6
Ghulam Nabi Kazi	2	2
Mirza Rehan Baig	2	2
Michael Scharer	4	0
Lim Khang Wei	4	3
Pattaraporn Auttaphon	6	4
Peter Calon	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 2020 the following Directors were acting as members of the Audit Committee;

- Ghulam Nabi Kazi - Chairman
- Peter Calon - Member
- Pattaraporn Auttaphon - Member

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 (retired during the year)	4
Lim Khang Wei (retired during the year)	3
Pattaraporn Auttaphon	4

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

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

The HR&R Committee consists of three members, comprising of a Non-Executive, Independent and Executive Directors.

As at year end 2020 the following Directors were acting as members of the HR&R Committee.

- Kamran Mirza - Chairman
- Roman Yazbeck - Member
- Peter Calon - Member

During 2020, one meeting of the HR&R Committee was held as required by the Code.



Directors' Report

TRAINING OF DIRECTORS

Due to the logistic difficulties caused by Covid-19 the Company arranged training for one Director during the year. More trainings will be arranged during the year for the Directors.

PATTERN OF SHAREHOLDING

The details of pattern of shareholding of the Company as of December 31, 2020 are included in this Annual Report as per the requirements of the Code.

AUDITORS

The existing 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, 2021. 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 2020. Details of those are provided in the Notes to the Financial Statements section 2.4.2

FUTURE OUTLOOK

Despite 2020 being an exceptionally challenging year, the Company has endeavored to minimize the adverse impact of the pandemic by taking timely decisions and initiatives. We have reinforced the foundations of the underlying business by optimizing operations, continuing efforts on the fiscal & regulatory fronts with continued awareness about the illicit sector as well as enhancement of the company's brand portfolio.

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 will continue to support Government policies and actions to address the menace of 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 improving the financial performance, 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.

ACKNOWLEDGEMENTS

The Directors wish to take this opportunity to thank all the Company's employees for their efforts, dedication, commitment and support in 2020.

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 18, 2021



Pattern of Shareholding

AS AT DECEMBER 31, 2020

NUMBER OF SHAREHOLDERS	SHAREHOLDING			SHARES HELD
	From	-	To	
919	1		100	20,957
327	101		500	83,035
116	501		1000	81,421
169	1001		5000	328,659
20	5001		10000	135,174
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	57	0.00009%
Associated Companies, undertakings and related parties	60,135,410	97.65358%
Nit and ICP	58	0.00009%
Banks, Development Financial Institutions, Non-Banking Financial Institutions, takaful and pension funds	3,360	0.00546%
Mutual Funds & Modarabas	740	0.00120%
Insurance Companies	10,580	0.01718%
Shareholders holding 5% and above	60,135,410	97.65358%
General Public (Local)	730,667	1.18653%
Others	699,469	1.13586%

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



Details of Pattern of Shareholding as per Requirements of the Code of Corporate Governance

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 YOUSUF MIRZA	50
MR. ROMAN YAZBECK	1
MR. MUHAMMAD ZEESHAN	2
MS. PATTARAPORN AUTTAPHON	1
MR. MIRZA REHAN BAIG	1
MR. PETER STEFAN M. CALON	1
Ms. SADIA DADA	1
	57

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, 2020

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
	<u>1,046,400,000</u>

PATTERN OF HOLDING OF PREFERENCE SHARES AS AT DECEMBER 31, 2020

INCORPORATION NUMBER - 0002832

PREFERENCE SHAREHOLDING PREFERENCE	PREFERENCE SHAREHOLDING		PREFERENCE SHAREHOLDING
	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, 2020						
	2020	2019	2018	2017	2016	2015
----- (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	10,464,000	-
Transaction cost on issuance of Preference						
- net of tax	(33,911)	(33,911)	(33,911)	(33,911)	(33,911)	-
Reserves	27,607	(395,009)	1,564,754	1,855,384	2,544,144	2,033,524
Share Holders' Equity	11,073,499	10,650,883	12,610,646	12,901,276	13,590,036	2,649,327
Lease liabilities	325,422	416,752	-	-	-	-
TOTAL CAPITAL EMPLOYED	11,398,921	11,067,635	12,610,646	12,901,276	13,590,036	2,649,327
Fixed assets - NET	6,031,405	6,109,548	7,348,030	7,818,958	8,517,170	8,048,391
Investment in a subsidiary company	1	1	1	1	1	1
Long-term deposits	79,184	57,361	50,545	45,825	39,762	37,452
Deferred tax assets	1,069,520	1,399,704	659,761	678,585	761,323	937,354
Working capital	4,218,811	3,501,021	4,552,309	4,357,907	4,271,780	(6,373,871)
TOTAL ASSETS	11,398,921	11,067,635	12,610,646	12,901,276	13,590,036	2,649,327
Turnover	40,642,026	37,986,339	36,102,925	30,143,938	40,343,161	40,157,144
Profit / (Loss) before tax	2,554,392	(2,492,990)	616,908	476,315	769,888	(1,676,939)
Total comprehensive Profit / (Loss)	1,764,848	(1,979,999)	543,151	191,008	575,157	(1,315,008)
Dividends declared (Cash)	(1,348,283)	-	(747,390)	(923,000)	-	-
----- (Rupees in thousand) -----						
Break-up value of shares	179.82	172.96	204.78	209.50	220.69	43.02
Net Earning / (Loss) per Share	16.76	(32.15)	1.68	(1.89)	8.79	(21.35)



Auditors' Report to the Members

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, 2020, 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, 2020 and of the profit and other comprehensive loss, 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 Matter

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.



Auditors' Report to the Members

Following is the Key audit matter:

S. No.	Key audit matter	How the matter was addressed in our audit
(i)	<p>Deferred tax asset on account of unutilised tax losses</p> <p>(Refer note 7 to the annexed financial statements)</p> <p>As at December 31, 2020, included in the balance of deferred tax asset (net) is an amount of Rs 917.222 million representing deferred tax asset recognised on account of unutilised tax losses.</p> <p>Recognition of deferred tax asset on account of unutilised tax losses requires management to estimate the Company's future tax liabilities.</p> <p>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.</p> <p>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.</p>	<p>Our audit procedures, amongst others, included the following:</p> <ul style="list-style-type: none"> ● obtained understanding of management process of preparation of forecast of tax profitability, tax liability and deferred tax calculation; ● discussed with the management the significant assumptions used in preparing the tax profitability forecast; ● checked the appropriateness of tax rates applied in view of the local tax legislation; ● checked mathematical accuracy of the calculations; and assessed. ● assessed 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.



Auditors' Report to the Members

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.



Auditors' Report to the Members

- 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.



Auditors' Report to the Members

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) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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



Statement of Financial Position

AS AT DECEMBER 31, 2020

	Note	2020 (Rupees in thousand)	2019
ASSETS			
NON CURRENT ASSETS			
Fixed assets			
- Property, plant and equipment	3	5,622,808	5,632,379
- Right-of-use assets	4	348,005	471,194
- Intangibles	5	60,592	5,975
		<u>6,031,405</u>	<u>6,109,548</u>
Investment in a subsidiary company	6	1	1
Long term deposits		79,184	57,361
Deferred taxation	7	<u>1,069,520</u>	<u>1,399,704</u>
		<u>7,180,110</u>	<u>7,566,614</u>
CURRENT ASSETS			
Stores and spares - net	8	94,340	158,875
Stock in trade - net	9	4,866,357	6,141,376
Trade debts - net	10	-	-
Advances	11	123,897	22,078
Prepayments		74,687	63,799
Other receivables	12	717,905	972,668
Income tax - net		651,999	992,250
Staff retirement benefits	13	110,226	109,878
Cash and bank balances	14	5,383,334	330,283
Non-current assets held for disposal	15	1,105	-
TOTAL CURRENT ASSETS		<u>12,023,850</u>	<u>8,791,207</u>
TOTAL ASSETS		<u>19,203,960</u>	<u>16,357,821</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital	16	<u>12,000,000</u>	<u>12,000,000</u>
Issued, subscribed and paid-up capital			
- Ordinary shares	16	615,803	615,803
- Preference shares	16	<u>10,464,000</u>	<u>10,464,000</u>
		11,079,803	11,079,803
Transaction cost on issuance of preference shares - net of tax		<u>(33,911)</u>	<u>(33,911)</u>
		11,045,892	11,045,892
Reserves		27,607	(395,009)
TOTAL EQUITY		<u>11,073,499</u>	<u>10,650,883</u>
NON CURRENT LIABILITIES			
Lease liabilities	18	325,422	416,752
CURRENT LIABILITIES			
Short term borrowings	19	-	846,475
Trade and other payables	20	4,898,438	4,296,586
Current maturity of lease liabilities	18	110,657	93,955
Unclaimed dividend		33,725	33,935
Unpaid dividend		1,076,845	-
Accrued mark-up on short term borrowings		249	1,275
Sales tax and excise duty payable		1,685,125	17,960
TOTAL CURRENT LIABILITIES		<u>7,805,039</u>	<u>5,290,186</u>
TOTAL LIABILITIES		<u>8,130,461</u>	<u>5,706,938</u>
TOTAL EQUITY AND LIABILITIES		<u>19,203,960</u>	<u>16,357,821</u>
CONTINGENCIES AND COMMITMENTS			
	21		

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

KAMRAN Y. MIRZA
Chairman

ROMAN YAZBECK
Chief Executive

MUHAMMAD ZEESHAN
Chief Financial Officer

Karachi: March 18, 2021



Statement of Profit or Loss and other Comprehensive Income

FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	2020 (Rupees in thousand)	2019
Turnover - net	22	16,596,036	13,334,498
Cost of sales	23	10,138,881	9,144,670
Gross profit		6,457,155	4,189,828
Distribution and marketing expenses	24	2,601,318	2,663,662
Administrative expenses	25	1,621,438	1,512,611
Other expenses	26	435,635	3,168,345
Other income	27	(843,664)	(710,607)
		3,814,727	6,634,011
Operating profit / (loss)		2,642,428	(2,444,183)
Finance cost and bank charges	28	88,036	48,807
Profit / (loss) before taxation		2,554,392	(2,492,990)
Taxation	29	789,544	(512,991)
Profit / (loss) after taxation		1,764,848	(1,979,999)
Other comprehensive income for the year - net of tax			
<i>Item that will not be reclassified to profit or loss</i>			
Remeasurement (loss) / gain relating to staff retirement benefits	13	(654)	20,224
- Impact of current tax	29	190	(5,865)
		(464)	14,359
Total comprehensive income / (loss) for the year		1,764,384	(1,965,640)
----- (Rupees) -----			
Earnings / (Loss) per share - basic and diluted (after adjustment of preference dividend)	30	16.76	(32.15)

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

KAMRAN Y. MIRZA
Chairman

ROMAN YAZBECK
Chief Executive

MUHAMMAD ZEESHAN
Chief Financial Officer

Karachi: March 18, 2021



Statement of Changes in Equity

FOR THE YEAR ENDED DECEMBER 31, 2020

	Issued, subscribed and paid-up capital		Transaction cost on issuance of preference shares - net of tax	Reserve						Total	
	Ordinary shares	Preference shares		Capital Reserves			Revenue Reserves				Subtotal - Reserves
				Reserve for share based payments	Remeasurement of staff retirement gratuity plan - net of tax	Subtotal Capital Reserves	General reserve	Unappropriated loss	Subtotal Revenue Reserves		
<hr/> (Rupees in thousand) <hr/>											
Balance as at January 1, 2019	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
Transactions 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 income 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
Transactions with owners											
- Interim cash dividend for the year ended December 31, 2020 (note 16.8)	-	-	-	-	-	-	(1,348,283)	-	(1,348,283)	(1,348,283)	(1,348,283)
Share-based payment											
- expense	-	-	-	33,751	-	33,751	-	-	-	33,751	33,751
- recharge	-	-	-	(27,236)	-	(27,236)	-	-	-	(27,236)	(27,236)
(note 2.6.20)	-	-	-	6,515	-	6,515	(1,348,283)	-	(1,348,283)	(1,341,768)	(1,341,768)
Total comprehensive income											
Profit after taxation for the year ended December 31, 2020	-	-	-	-	-	-	-	1,764,848	1,764,848	1,764,848	1,764,848
Other comprehensive loss for the year	-	-	-	-	(464)	(464)	-	-	-	(464)	(464)
	-	-	-	-	(464)	(464)	-	1,764,848	1,764,848	1,764,384	1,764,384
Balance as at December 31, 2020	615,803	10,464,000	(33,911)	17,663	(244,220)	(226,557)	3,328,327	(3,074,163)	254,164	27,607	11,073,499

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

KAMRAN Y. MIRZA
Chairman

ROMAN YAZBECK
Chief Executive

MUHAMMAD ZEESHAN
Chief Financial Officer

Karachi: March 18, 2021



Statement of Cash Flow

FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	2020	2019
		(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	34	6,777,315	(1,557,723)
Staff retirement gratuity paid		(49,756)	(73,063)
Finance cost paid		(65,927)	(23,608)
Profit received on deposit accounts		216,727	247,235
Income taxes paid		(118,919)	(340,219)
Long term deposits		(21,823)	(6,816)
Net cash generated from / (used in) operating activities		6,737,617	(1,754,194)
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		(568,179)	(1,650,005)
Acquisition of intangibles		(60,584)	(2,916)
Proceeds from disposal of items of non current assets held for sale		15,880	-
Proceeds from disposal of items of property, plant and equipment		116,421	311,691
Net cash used in investing activities		(496,462)	(1,341,230)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(271,648)	(673)
Lease payments		(69,981)	(150,468)
Net cash used in financing activities		(341,629)	(151,141)
Net increase / (decrease) in cash and cash equivalents during the year		5,899,526	(3,246,565)
Cash and cash equivalents at the beginning of the year		(535,053)	2,711,512
Cash and cash equivalents at the end of the year	35	5,364,473	(535,053)

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

KAMRAN Y. MIRZA
Chairman

ROMAN YAZBECK
Chief Executive

MUHAMMAD ZEESHAN
Chief Financial Officer

Karachi: March 18, 2021



Notes to and Forming Part of the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

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:

	<u>Bussiness Unit</u>	<u>Loocation / Address</u>
a)	Registered Office	19th Floor, The Harbour Front, Dolmen City, HC-3 Block-4 Clifton, Karachi, Sindh
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/233/619/2002-634 dated April 9, 2020 from the requirement of section 228(7) of the Companies Act, 2017 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.

- 1.4 During the year, the World Health Organization declared COVID-19 a pandemic. While this has impacted the global economy, the factory of the Company was intermittently closed for a period of around 28 days due to lockdown imposed by the Government in an attempt to contain the spread of the Virus and intimation was duly made to the Pakistan Stock Exchange. However, the Company's operations, financial position and results have not been materially impacted.

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.



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

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 became effective during the year ended December 31, 2020:

There were certain amendments to accounting and reporting standards which became effective for the Company's accounting during the year. 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 and amendments to published accounting and reporting standards that are not yet effective:

There is a new standard, an interpretation and certain amendments to the accounting and reporting standards that will be mandatory for the Company's annual accounting periods beginning on or after January 1, 2021. 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.

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.



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

Stock in trade

Assumptions and estimates used in writing down items of stock in trade to their net realisable value (note 9). 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 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 13 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 profit or loss.

Contingencies

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Company, based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence / non occurrence of the uncertain future events.

Leases

The process to identify and gather 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.



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

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 profit or loss.

(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.



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

2.6.2 Right-of-use assets

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 reporting date 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.



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

2.6.6 Stock in trade

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

Cost of raw materials includes 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.



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

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 reporting date 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 reporting date 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 reporting date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.



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

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 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 profit or loss.

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 profit or loss 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 [i.e. Philip Morris (Pakistan) Employees Gratuity Fund Trust].

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



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

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 profit or loss.

2.6.22 Financial assets

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 profit or loss in the period in which it arises.

Equity instrument financial assets are measured at fair value 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.



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

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

2.6.25 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.



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

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 (i.e. cash generating unit).

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.

2.6.26 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.

2.6.27 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	2020 (Rupees in thousand)	2019
Operating property, plant and equipment	3.1	5,003,286	4,344,780
Capital work-in-progress (CWIP)	3.2	618,273	1,285,067
Major capital spares and stand-by equipment		1,249	2,532
		<u>5,622,808</u>	<u>5,632,379</u>



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

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, 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
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 - note 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 (note 26)	-	-	-	-	-	(1,137,304)	-	-	-	-	-	(1,137,304)
Impairment - other assets (note 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



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, 2020	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
Year ended December 31, 2020												
Transfers from CWIP see note 3.2.1	-	-	106,328	7,161	26,900	516,018	4,915	12,204	130,796	391,314	40,290	1,235,926
Assets transferred from held for disposal - note 15												
Cost	-	-	-	-	-	993,714	-	-	-	-	-	993,714
Accumulated depreciation	-	-	-	-	-	(464,107)	-	-	-	-	-	(464,107)
Accumulated impairment	-	-	-	-	-	(91,229)	-	-	-	-	-	(91,229)
						438,378						438,378
Disposals												
Cost	(1,543)	-	(21,230)	-	-	(23,533)	(2,004)	(3,764)	(95,272)	(40,395)	(48,210)	(235,951)
Accumulated depreciation	-	-	7,533	-	-	23,478	2,004	3,764	68,020	40,395	48,210	193,404
	(1,543)	-	(13,697)	-	-	(55)	-	-	(27,252)	-	-	(42,547)
Write-offs - note 26												
Cost	-	-	(93)	-	(196,461)	(374,119)	-	(90)	(2,354)	(17,582)	-	(590,699)
Accumulated depreciation	-	-	93	-	191,459	347,675	-	75	784	17,582	-	557,668
	-	-	-	-	(5,002)	(26,444)	-	(15)	(1,570)	-	-	(33,031)
Assets transferred to held for disposal - note 15												
Cost	(29)	-	(1,581)	-	-	-	-	-	-	-	-	(1,610)
Accumulated depreciation	-	-	505	-	-	-	-	-	-	-	-	505
Accumulated impairment	-	-	-	-	-	-	-	-	-	-	-	-
	(29)	-	(1,076)	-	-	-	-	-	-	-	-	(1,105)
Impairment - other assets (notes 3.1.3 & 26)	-	-	(1,877)	-	-	(2,160)	-	-	-	(8,049)	-	(12,086)
Depreciation charge - note 3.1.1	-	-	(25,253)	-	(18,039)	(598,471)	(13,699)	(7,352)	(84,900)	(71,103)	(108,212)	(927,029)
Net book value as at December 31, 2020	81,938	1,127	882,757	32,108	10,324	3,105,212	15,268	8,008	330,648	428,485	107,411	5,003,286
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
At December 31, 2020												
Cost	81,938	2,441	1,855,275	66,884	103,146	7,902,994	153,798	132,832	882,914	1,591,143	819,814	13,593,179
Accumulated depreciation	-	(1,285)	(427,453)	(34,776)	(92,822)	(4,239,676)	(136,878)	(123,358)	(552,266)	(577,596)	(711,895)	(6,898,005)
Accumulated impairment	-	(29)	(545,065)	-	-	(558,106)	(1,652)	(1,466)	-	(585,062)	(508)	(1,691,888)
Net book value	81,938	1,127	882,757	32,108	10,324	3,105,212	15,268	8,008	330,648	428,485	107,411	5,003,286
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%	



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

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

	Note	2020 (Rupees in thousand)	2019
Purchases, redrying and related expenses	23.1	63,281	71,526
Manufacturing expenses	23.2	659,972	591,582
Distribution and marketing expenses	24	126,233	177,590
Administrative expenses	25	77,543	80,849
		<u>927,029</u>	<u>921,547</u>

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 During the year, the Company has identified certain items of property, plant and equipment from which further economic benefits are no longer expected to be derived i.e. the Company neither intends to utilise nor can it dispose of the same in accordance with its policy except as scrap material. Accordingly, such assets having a cost and net book value of Rs 23.961 million and Rs 12.086 million respectively have been written down to Rs Nil in these financial statements as at December 31, 2020.

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

	2020 (Rupees in thousand)	2019
Civil works	3,093	95,587
Plant and machinery	500,100	653,169
Power and other installations	28,452	316,143
Furniture and fixtures	58,242	63,157
Computer equipment pending installations	875	3,762
Advance to suppliers and contractors	27,511	153,249
	<u>618,273</u>	<u>1,285,067</u>



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

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

	2020	2019
	(Rupees in thousand)	
Balance as at beginning of the year	1,285,067	1,100,341
Additions during the year		
- Civil works	41,064	127,028
- Leasehold land	7,161	-
- Plant and machinery	362,949	1,157,568
- Power and other installations	103,623	172,576
- Furniture and fixtures	-	3,038
- Computer equipment pending installations	37,403	68,532
- Advance to suppliers and contractors	17,262	120,015
	569,462	1,648,757
Transfers to operating property, plant and equipment		
- Buildings on freehold land	106,328	101,945
- Buildings on leasehold land	7,161	-
- Leasehold improvements	26,900	9,698
- Plant and machinery	516,018	986,397
- Furniture and fixtures	4,915	10,796
- Office equipment	12,204	8,381
- Vehicles	130,796	137,094
- Power and other installations	391,314	49,058
- Computer equipment	40,290	72,425
	1,235,926	1,375,794
Items written off during the year		
- Buildings on freehold land	330	-
- Plant and machinery	-	86,973
- Furniture and fixtures	-	14
- Vehicles	-	813
- Computer equipment	-	437
	330	88,237
Balance at the end of the year	618,273	1,285,067



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

4. RIGHT-OF-USE ASSETS

	2020	2019
	(Rupees in thousand)	
Balance as at beginning of the year	679,686	314,576
Accumulated depreciation	(208,492)	-
Net book value	<u>471,194</u>	<u>314,576</u>
Year ended December 31		
Additions	27,030	422,830
Impact of termination of lease		
Cost	(64,280)	(57,720)
Accumulated depreciation	<u>32,603</u>	<u>7,546</u>
	(31,677)	(50,174)
Depreciation for the year	<u>(118,542)</u>	<u>(216,038)</u>
Net book value as at December 31	<u>348,005</u>	<u>471,194</u>
At December 31		
Cost	642,436	679,686
Accumulated depreciation	<u>(294,431)</u>	<u>(208,492)</u>
Net book value	<u>348,005</u>	<u>471,194</u>

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

	Note	2020	2019
		(Rupees in thousand)	
Manufacturing expenses	23.2	2,793	1,862
Distribution and marketing expenses	24	11,737	20,150
Administrative expenses	25	<u>104,012</u>	<u>194,026</u>
		<u>118,542</u>	<u>216,038</u>

5. INTANGIBLES

Computer software

At January 1			
Cost		61,327	87,831
Accumulated amortisation		(55,352)	(63,561)
Net book value		<u>5,975</u>	<u>24,270</u>
Year ended December 31			
Additions		60,584	2,916
Write offs			
Cost		-	(29,420)
Accumulated amortisation		-	16,655
		-	(12,765)
Amortisation for the year	5.1	<u>(5,967)</u>	<u>(8,446)</u>
Net book value as at December 31		<u>60,592</u>	<u>5,975</u>
At December 31			
Cost		121,911	61,327
Accumulated amortisation		<u>(61,319)</u>	<u>(55,352)</u>
Net book value		<u>60,592</u>	<u>5,975</u>



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

5.1 The amortisation charge for the year has been allocated as follows:

	Note	2020 (Rupees in thousand)	2019
Purchases, redrying and related expenses	23.1	633	1,053
Manufacturing expenses	23.2	370	370
Distribution and marketing expenses	24	3,581	6,219
Administrative expenses	25	1,383	804
		<u>5,967</u>	<u>8,446</u>

6. INVESTMENT IN A SUBSIDIARY COMPANY

This represents the cost of 103 fully paid ordinary shares of Rs 10 each in Laksonpremier Tobacco Company (Private) Limited. 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, 2020 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, 2020 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, 2020.

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

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

7. DEFERRED TAXATION

	2020 (Rupees in thousand)	2019
Deferred tax asset on deductible temporary differences:		
Unutilised tax losses	917,222	1,234,881
Alternate Corporate Tax	108,823	-
Provision for spares	19,976	11,102
Provision for obsolete stocks	20,181	16,420
Provision for litigation	4,688	-
Provision for doubtful debts	806	806
Worker's welfare fund	8,000	8,000
Right of use asset - net of lease liabilities	25,541	11,459
Tax depreciation allowance	-	110,022
Accrual for employees compensated absences	9,149	7,014
	<u>1,114,386</u>	<u>1,399,704</u>
Deferred tax liability on taxable temporary differences:		
Tax depreciation allowance	(44,866)	-
Deferred tax asset	<u>1,069,520</u>	<u>1,399,704</u>



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

7.1 The movement in temporary differences is as follows:

	Balance as at January 1, 2019	Recognised in profit or loss	Balance as at December 31, 2019	Recognised in profit or loss	Balance as at December 31, 2020
-----Rupees in thousand-----					
Deferred tax debits:					
Accrual for employees compensated absences	2,459	4,555	7,014	2,135	9,149
Unutilised tax losses	1,043,353	191,528	1,234,881	(317,659)	917,222
Unutilised tax credits	14,595	(14,595)	-	-	-
Alternate Corporate Tax	-	-	-	108,823	108,823
Provision for spares	26,890	(15,788)	11,102	8,874	19,976
Provision for obsolete stocks	282	16,138	16,420	3,761	20,181
Provision for litigation	-	-	-	4,688	4,688
Provision for doubtful debts	778	28	806	-	806
Right of use asset - net of lease liabilities	-	11,459	11,459	14,082	25,541
Worker's welfare fund	11,684	(3,684)	8,000	-	8,000
	<u>1,100,041</u>	<u>189,641</u>	<u>1,289,682</u>	<u>(175,296)</u>	<u>1,114,386</u>
Deferred tax credits:					
Tax depreciation allowance	(440,280)	550,302	110,022	(154,888)	(44,866)
	<u>659,761</u>	<u>739,943</u>	<u>1,399,704</u>	<u>(330,184)</u>	<u>1,069,520</u>

- 7.2 The accumulated tax losses of the Company as at December 31, 2020 aggregated Rs 3,162.834 million (2019: Rs 4,258.210 million) in respect of which the Company has recognised deferred tax asset amounting to Rs 917.222 million (2019: Rs 1,234.881 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	2020 (Rupees in thousand)	2019
Stores		385	5,391
Spares	8.2	<u>162,836</u>	<u>191,766</u>
		<u>163,221</u>	<u>197,157</u>
Less: Provision for slow moving spares	8.1	<u>(68,881)</u>	<u>(38,282)</u>
		<u>94,340</u>	<u>158,875</u>



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

8.1 Provision for slow moving spares

	2020	2019
	(Rupees in thousand)	
Opening balance	38,282	96,035
Provision made during the year	30,599	26,888
Write off against provision	-	(84,641)
Closing balance	68,881	38,282

8.2 These include spares in transit amounting to Rs 4.531 million (2019: Rs 14.615 million).

	Note	2020	2019
		(Rupees in thousand)	
9. STOCK IN TRADE - net			
Raw and packing materials	9.2	3,856,116	5,082,504
Work-in-process		174,886	177,687
Finished goods		904,945	937,805
		4,935,947	6,197,996
Less: Provision for obsolete stocks	9.1	(69,590)	(56,620)
		4,866,357	6,141,376

9.1 Provision for obsolete stocks

Opening balance	56,620	1,007
Provision made during the year	43,376	56,611
Write off against provision	(30,406)	(998)
Closing balance	69,590	56,620

9.2 These include raw and packing material in transit aggregating Rs 177.508 million (2019: Rs 188.895 million).



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

	Note	2020	2019
		(Rupees in thousand)	
10. TRADE DEBTS - net			
Considered good - unsecured		-	-
Considered doubtful		<u>2,780</u>	<u>2,780</u>
		<u>2,780</u>	<u>2,780</u>
Less: Provision for doubtful debts		<u>(2,780)</u>	<u>(2,780)</u>
		<u>-</u>	<u>-</u>
11. ADVANCES			
Unsecured:			
Advances to:			
- Employees	11.1	6,996	8,034
- Suppliers and contractors		<u>21,806</u>	<u>14,044</u>
		<u>28,802</u>	<u>22,078</u>
Secured			
Advance to a supplier	11.2	<u>111,261</u>	<u>-</u>
Less: Provision against advance		<u>(16,166)</u>	<u>-</u>
		<u>95,095</u>	<u>-</u>
		<u>123,897</u>	<u>22,078</u>

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

11.2 This represents Rs 111.261 million paid to a private service provider against purchase of fuelwood. However, in May 2020, the service provider, filed a civil action in the Court of Mardan ("Court") against the Company and certain of its employees. The litigation arises out of a contract ("Agreement") between the Company and the service provider for the supply of fuelwood from sustainable forests with mandatory supporting evidence in January 2020. As a security for procuring the fuelwood, the service provider submitted an insurance guarantee amounting to Rs 95.095 million ("the Insurance Guarantee") out of the advance payment of Rs 111.261 million made by the Company ("the Secured Amount"). The company terminated the Agreement in April 2020 and invoked the Insurance Guarantee on the grounds that the service provider failed to comply with its obligations, including the provision of supporting documents to the Company's satisfaction.

In September 2020, an order was passed by the Senior Civil Judge after hearing both parties on the point of territorial jurisdiction of Mardan where by, the Senior Civil Judge found in favor of the Company and returned the suit, removing the stay order against the encashment of the Insurance Guarantee and the restriction on dealing with other fuelwood vendors ("Order"). The Service Provider has filed an appeal which is pending adjudication.

Simultaneously, the Company filed a counter claim before the High Court of Sindh (the agreed territorial jurisdiction under the Agreement) on June 17, 2020 for full advance payment of Rs 106,254,398 and additional damages. The case is pending adjudication.

Following the Order, the Company requested the insurance company to fulfil its obligations under the insurance guarantee and release the Secured Amount. Despite the Order and Company's request, the insurance company did not pay. On October 28, 2020, the Company filed a recovery suit before the High Court of Sindh against the insurance company to recover the Secured Amount on the basis that (i) the Company can prove default on part of the Service Provider and therefore the insurance company is bound to release funds under the insurance guarantee; and (ii) the claim was filed in May 2020 before the expiry of the insurance guarantee of October 31, 2020.

The Management is of the view that the aforementioned cases including the appeal filed by the Service Provider though are pending adjudication, however the chances of recovery are fairly sound and there is no likelihood of the Company suffering any financial loss. However, as a matter of prudence the carrying amount of the advance has been restricted to the level of Insurance Guarantee i.e. Rs 95.095 million resulting in provision amounting to Rs 16.166 million.



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

	Note	2020	2019
		(Rupees in thousand)	
12. OTHER RECEIVABLES			
Receivable from 'associated undertakings'	12.1	3,903	12,112
Others		416,283	726,538
Cash margins held with banks		297,719	234,018
		<u>717,905</u>	<u>972,668</u>
12.1 This amount represents outstanding balances from the following associated undertakings:			
		2020	2019
		(Rupees in thousand)	
Philip Morris Management Services S.A., Switzerland		3,903	10,979
PMI Engineering S.A., Switzerland		-	667
Philsa Philip Morris Sabanci, Turkey		-	462
Philip Morris Korea Inc., Korea		-	4
		<u>3,903</u>	<u>12,112</u>
12.2 The maximum aggregate balance of receivable due from related parties at the end of any month during the year was Rs 323.630 million (2019: Rs 68.411 million).			
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 performed every year with the latest actuarial valuation performed as at December 31, 2020.			
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	2020	2019
		(Rupees in thousand)	
13.1.1 Net asset			
Fair value of plan assets	13.1.5	697,902	646,201
Present value of defined benefit obligation	13.1.6	(587,676)	(536,323)
		<u>110,226</u>	<u>109,878</u>
13.1.2 Amounts charged to profit or loss:			
Current service cost		66,879	65,949
Net interest income		(18,125)	(11,566)
Plan curtailments / settlements		-	(18,562)
	13.1.3	<u>48,754</u>	<u>35,821</u>
13.1.3 The charge for the year has been allocated as follows:			
Purchases, redrying and related expenses	23.1	4,637	7,127
Manufacturing expenses	23.2	9,908	1,877
Distribution and marketing expenses	24	16,776	13,416
Administrative expenses	25	17,433	13,401
		<u>48,754</u>	<u>35,821</u>



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

	2020	2019
	(Rupees in thousand)	
13.1.4 Movement in the asset recognised in the statement of financial position:		
Balance as at the beginning of the year	109,878	52,412
Net charge for the year	(48,754)	(35,821)
Contributions	49,756	73,063
Net remeasurement (loss) / gain for the year	(654)	20,224
Balance as at the end of the year	<u>110,226</u>	<u>109,878</u>
13.1.5 Movement in the fair value of plan assets:		
Opening balance	646,201	589,334
Interest income	86,571	64,530
Contributions	49,756	73,063
Benefits paid	(54,865)	(64,558)
Remeasurement loss on plan assets	(29,761)	(16,168)
Closing balance	<u>697,902</u>	<u>646,201</u>
13.1.6 Movement in the present value of defined benefit obligation:		
Opening balance	536,323	536,922
Current service cost	66,879	65,949
Interest cost	68,446	52,964
Benefits paid	(54,865)	(64,558)
Plan curtailments / settlements	-	(18,562)
Remeasurement gain on obligation	(29,107)	(36,392)
Closing balance	<u>587,676</u>	<u>536,323</u>
13.1.7 Major categories / composition of plan assets are as follows:		
Debt Instruments	587,319	570,238
Equity	45,184	42,308
Balances with banks	65,399	33,655
	<u>697,902</u>	<u>646,201</u>
13.1.8 Principal actuarial assumptions used are as follows:		
	2020	2019
Expected rate of increase in salary level	<u>10.00%</u>	13.45%
Valuation discount rate	<u>10.00%</u>	13.45%
13.1.9 Actual gain on plan assets during the year ended December 31, 2020 was Rs 56.810 million (2019: Rs 48.362 million).		
13.1.10 Expected contribution to defined benefit plan for the year ending December 31, 2021 is Rs 78.455 million (2020: Rs 49.756 million).		



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

13.1.11 Weighted average duration of the defined benefit obligation is 14.81 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:

	Impact on present value of defined benefit obligation		
	Change in assumptions	Increase in assumption	Decrease in assumption
	(%)	(Rupees in thousand)	
Valuation discount rate	1%	(506,691)	686,275
Expected rate of increase / decrease in salary level	1%	685,835	(505,571)

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	2020 (Rupees in thousand)	2019
13.2.1 The charge for the year has been allocated as follows:			
Purchases, redrying and related expenses	23.1	8,731	8,886
Manufacturing expenses	23.2	20,278	18,554
Distribution and marketing expenses	24	27,460	25,116
Administrative expenses	25	30,842	20,964
		<u>87,311</u>	<u>73,520</u>

13.2.2 The investments out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.



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

	Note	2020 (Rupees in thousand)	2019
14. CASH AND BANK BALANCES			
With banks in current accounts			
- Foreign currency		394,921	310,859
- Local currency			
- Current accounts		52,745	13,977
- Deposit accounts	14.1 & 14.2	4,935,499	5,271
		4,988,244	19,248
		5,383,165	330,107
Cash in hand		169	176
		5,383,334	330,283

14.1 Deposit accounts carry markup at rates ranging between 5.5% and 6.53% (2019: 8% and 12.91%) per annum.

14.2 These include an amount of Rs 18.861 million (2019: 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.

	Note	2020 (Rupees in thousand)	2019
15. NON-CURRENT ASSETS HELD FOR DISPOSAL			
Transferred from operating property, plant and equipment			
Cost		372,583	1,984,775
Less: Accumulated depreciation		(153,278)	(847,471)
Less: Accumulated impairment	3.1	(218,200)	(1,137,304)
		1,105	-

15.1 Details of assets transferred to non current assets held for sale during the year are as follows:

	Note	2020 (Rupees in thousand)	2019
Cost		1,610	-
Less: Accumulated depreciation		(505)	-
Less: Accumulated impairment		-	-
	15.5	1,105	-



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

		2020	2019
		(Rupees in thousand)	
15.2	Details of assets disposed of during the year are as follows:		
	Cost	620,088	-
	Accumulated depreciation	(230,591)	-
	Accumulated impairment	(389,497)	-
		<u>-</u>	<u>-</u>
15.3	Details of assets transferred to property, plant & equipment during the year, after reversal of impairment are as follows:		
	Note	2020	2019
		(Rupees in thousand)	
	Cost	993,714	-
	Accumulated depreciation	(464,107)	-
	Accumulated impairment	(529,607)	-
		<u>-</u>	<u>-</u>
	Reversal of impairment on assets transferred to property, plant & equipment	438,378	-
	27		
		<u>438,378</u>	<u>-</u>
	15.6		
15.4	Due to closure of Kotri factory in March 2019, items of plant and machinery relating to Kotri factory were transferred from operating property, plant and equipment. As these items could not be disposed of except as scrap material in accordance with the Company's policy, accordingly these were carried at Rs Nil. The period of one year has lapsed from the date of classification of these assets as 'Held for Sale'. However, certain assets continue to be classified as 'Held for Sale' as the Company remains committed to its plan to dispose such assets in its present form and condition.		
15.5	During the year, two lands along with their structural improvements met the criteria for assets classified as held for sale as laid down in IFRS 5 - Non-current assets held for sale and discontinued operations. Therefore, these lands and improvements made upon them having a cost and net book value of Rs 1.610 million and Rs 1.105 million respectively were transferred from operating property, plant and equipment to the non-current assets held for disposal.		
15.6	During the year, the management intended to use some of the assets previously classified as held for sale in its Sahiwal factory. Consequently, such assets having a cost, accumulated depreciation and accumulated impairment of Rs 993.714 million, Rs 464.107 million and Rs 529.607 million respectively were transferred to operating property, plant and equipment after reversing the impairment of Rs 438.378 million in accordance with IFRS 5 - Non-current assets held for sale and discontinued operations.		



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

16. SHARE CAPITAL

16.1 Authorised capital

2020 (Number of shares)	2019 (Number of shares)		2020 (Rupees in thousand)	2019 (Rupees in thousand)
<u>1,200,000,000</u>	<u>1,200,000,000</u>	Ordinary shares of Rs 10 each	<u>12,000,000</u>	<u>12,000,000</u>

16.2 Issued, subscribed and paid-up share capital

16.2.1 Ordinary shares

2020 (Number of shares)	2019 (Number of shares)		2020 (Rupees in thousand)	2019 (Rupees in thousand)
5,541,429	5,541,429	Ordinary shares of Rs 10 fully paid in cash	55,414	55,414
47,722,912	47,722,912	Ordinary shares of Rs 10 issued as fully paid bonus shares	477,229	477,229
8,316,000	8,316,000	Ordinary shares of Rs 10 issued for consideration other than cash	83,160	83,160
<u>61,580,341</u>	<u>61,580,341</u>		<u>615,803</u>	<u>615,803</u>

16.2.2 Preference shares

<u>1,046,400,000</u>	<u>1,046,400,000</u>	Preference shares of Rs 10 each fully paid in cash (notes 16.4 to 16.7)	<u>10,464,000</u>	<u>10,464,000</u>
			<u>11,079,803</u>	<u>11,079,803</u>

16.3 As at December 31, 2020, 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 On October 28, 2015 after the approval by shareholders at Extraordinary General Meeting, the Company issued 1,046,400,000 Class A Preference Shares of Rs. 10 each to the Holding Company and Associated Undertaking. As at December 31, 2020, these preference shares 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.



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

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.

16.8 The Board of Directors of the Company, in its meeting held on December 4, 2020, declared an interim dividend on preference shares aggregating Rs 732.480 million and on ordinary shares at Rs 10 per share i.e. aggregating Rs 615.803 million.

17. SHARE-BASED PAYMENT PLAN

Details of equity settled share-based payments under 'Time-vested Share Plan' (note 2.6.20) in relation to the Company are as follows:

17.1 Share prices and grant dates

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)
Share price at grant date (February 6, 2020)	Rs 13,298 / share (US \$ 86.18 / share)

Number of shares outstanding at the end of the year	10,769
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17.2 A reconciliation of movement in the number of shares can be summarised as follows:

	Note	2020 (Rupees in thousand)	2019
Outstanding as at the beginning of the year		7,639	7,629
Granted during the year		6,430	6,280
Vested / exercised during the year	17.4	(1,600)	(1,960)
Forfeited during the year		(1,700)	(4,310)
Outstanding as at the end of the year		<u>10,769</u>	<u>7,639</u>



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

	Note	2020 (Rupees in thousand)	2019
17.3	The charge for the year has been allocated as follows:		
Purchase, redrying and related expenses	23.1	3,695	5,373
Manufacturing expenses	23.2	461	(792)
Distribution and marketing expenses	24	2,276	5,616
Administrative expenses	25	27,319	15,702
		<u>33,751</u>	<u>25,899</u>

17.4 During the year shares granted on February 2, 2017 were fully vested from the respective grant dates.

17.5 An amount of Rs 27.236 million (US\$ 173,368) was recharged by Philip Morris International Inc., United States during the year, which was payable as at December 31, 2020 [2019: Rs 20.022 million (US\$ 142,915)].

	Note	2020 (Rupees in thousand)	2019
18. LEASE LIABILITIES			
Lease liabilities		436,079	510,707
Less : Current maturity of lease liabilities		(110,657)	(93,955)
		<u>325,422</u>	<u>416,752</u>

Maturity analysis

Not later than 1 year	110,657	93,955
Later than 1 year and not later than 5 years	325,422	416,752
	<u>436,079</u>	<u>510,707</u>

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 5,525 million (2019: Rs 6,350 million) from commercial banks. These facilities are available for various periods expiring between April 30, 2021 and July 22, 2021. The facilities are secured by way of hypothecation of stock in trade of the Company and are carrying markup rates ranging from 7.56% to 14.43% (2019: 10.76% to 14.56%) per annum.

The facilities for opening of letters of credits and letters of guarantees included in the aforementioned facilities of Rs 5,525 million as at December 31, 2020 aggregated Rs 1,700 million and Rs 258.90 million respectively of which the cumulative unutilised amount as at December 31, 2020 was Rs 1,883.74 million.



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

	Note	2020	2019
		(Rupees in thousand)	
20. TRADE AND OTHER PAYABLES			
Creditors		2,310,468	1,570,580
Bills payable	20.1 & 20.2	742,495	1,115,782
Royalty payable to a related party	20.1 & 20.2	127,056	25,033
Accrued expenses		1,126,984	836,492
Tobacco development cess	20.6	45,375	34,875
Contractors' retention money		7,489	7,513
Advance from customers / contract liabilities - unsecured	20.3	218,940	354,073
Workers' welfare fund	20.4	82,539	27,586
Workers' profit participation fund	20.5	16,365	-
Others		220,727	324,652
		<u>4,898,438</u>	<u>4,296,586</u>
20.1	The amount due to group undertakings included in bills payable and royalty payable aggregated Rs 736.346 million (2019: Rs 548.849 million).		
20.2	These include outstanding balances to the following associated undertakings:		
		2020	2019
		(Rupees in thousand)	
Philip Morris Products S.A. Manufacturing, Switzerland		1	-
Philip Morris CR A.S. Czech Republic		208,416	-
Philip Morris International Management S.A., Switzerland		-	1,071
Philip Morris International Management S.A. (Tolling), Switzerland		2,854	-
Philip Morris Products S.A., Switzerland		5,940	5,585
Philip Morris Romania S.r.l.		-	69,926
PMFTC Inc., Philippines		1,684	1,365
Philip Morris International Inc., United States		20,758	16,768
Philip Morris Global Brands Inc., New York		121,055	19,448
PT Philip Morris Indonesia		1,123	932
Philip Morris Philippines Manufacturing Inc.		96,971	25,602
PMI Service Center Europe spolka z ograniczona odpowiedzialnoscia		498	-
Massalin Particulares S.r.l., Argentina		1,325	1,119
Profigen Do Brasil Ltda.		3,413	10,932
PT Philip Morris Sampoerna International Service Center		265,736	82,732
PT Hanjaya Mandala Sampoerna Tbk.		3,021	3,304
		<u>732,795</u>	<u>238,784</u>
20.3	These include advances from the following related parties:		
		2020	2019
		(Rupees in thousand)	
Philip Morris International Management S.A. (Tolling)		1,436	310,065
PMFTC Inc.		196	-
Philip Morris Korea Inc.		1,890	-
PT Hanjaya Mandala Sampoerna Tbk.		29	-
		<u>3,551</u>	<u>310,065</u>



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

- 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:

	Note	2020 (Rupees in thousand)	2019
Balance as at the beginning of the year		-	-
Accrual for the year	26	137,384	-
Less: Payments made during the year		(121,019)	-
Balance at the end of the year		<u>16,365</u>	<u>-</u>

- 20.6 The movement of tobacco development cess is as follows:

Balance as at the beginning of the year	34,875	33,550
Provision for the year	64,357	60,290
Less: Payments made during the year	(53,857)	(58,965)
Balance at the end of the year	<u>45,375</u>	<u>34,875</u>

- 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 (2019: Rs 69.565 million).

21.2 Commitments

	2020 (Rupees in thousand)	2019
Capital expenditure contracted for but not incurred	32,883	202,333
Post dated cheques	55,128	31,143
Letters of credit	18,132	16,411



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

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 before 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 passed an order dated September 20, 2019 in respect of the appeal filed by the Company through which disallowances amounting to Rs 80.394 million were deleted, disallowances of Rs 47.338 million were remanded back to DCIR and disallowances amounting to Rs 3.353 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.

For remanded back proceedings, ADCIR demanded further information from the Company through show cause notices dated October 27, 2017 and May 29, 2020. The Company provided all required information and ADCIR issued order dated June 29, 2020 whereby no adverse inference was drawn on any matter.

- (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 in respect of the appeal filed by the Company. The CIR-Appeals has deleted disallowances 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 has filed an appeal dated January 25, 2019 against the order before CIR – Appeals 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.



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

- 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 DCIR had issued an order dated September 29, 2014 and raised demand on account of short paid Federal Excise Duty (FED) 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 favor 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 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. Accordingly, no provision has been recognised in these financial statements.

- 21.6 The FBR issued two orders to the Company dated July 13, 2017 and one order dated October 16, 2017 and demanded an aggregate 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 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 hearings fixed on January 22, 2020, March 4, 2020, April 2, 2020 and September 10, 2020 were adjourned and the next date of hearing is yet to be fixed.



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

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, no provision has been recognised in these financial statements.

22. TURNOVER - net	Note	2020	2019
		(Rupees in thousand)	
Gross turnover			
- Domestic		38,029,363	37,712,515
- Export		2,612,663	273,824
		40,642,026	37,986,339
Less: Trade discount		977,982	1,055,781
Sales tax		5,715,100	5,728,771
Excise duty		17,352,908	17,867,289
		24,045,990	24,651,841
		16,596,036	13,334,498
23. COST OF SALES			
Raw and packing material consumed			
Opening stock		5,082,504	4,610,723
Purchases, redrying and related expenses	23.1	6,564,564	6,983,647
		11,647,068	11,594,370
Closing stock	9	(3,856,116)	(5,082,504)
		7,790,952	6,511,866
Government levies		24,065	30,265
Manufacturing expenses	23.2	2,296,497	2,539,634
		10,111,514	9,081,765
Work in process			
Opening stock		177,687	143,281
Closing stock	9	(174,886)	(177,687)
Sale of waste		(8,294)	(12,699)
		(5,493)	(47,105)
Cost of goods manufactured		10,106,021	9,034,660
Finished goods			
Opening stock		937,805	1,047,815
Closing stock	9	(904,945)	(937,805)
		32,860	110,010
		10,138,881	9,144,670



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

23.1	Purchases, redrying and related expenses	Note	2020	2019
			(Rupees in thousand)	
	Raw and packing materials		5,865,555	6,212,698
	Salaries, wages and other benefits	13 & 17	278,849	282,123
	Stores and spares consumed		28,600	25,112
	Fuel and power		68,532	66,970
	Rent, rates and taxes		1,989	7,615
	Freight and stacking		94,050	136,329
	Postage, telephone and stationery		13,891	11,005
	Depreciation on property, plant and equipment	3.1.1	63,281	71,526
	Amortisation on intangible	5.1	633	1,053
	Repair and maintenance		53,463	44,259
	Travelling and vehicle expenses		14,449	26,882
	Professional charges		2,919	2,480
	Fumigation and pesticide expenses		28,949	23,705
	Security charges		48,526	71,054
	Other expenses		878	836
			699,009	770,949
			<u>6,564,564</u>	<u>6,983,647</u>
23.2	Manufacturing expenses			
	Salaries, wages and other benefits	13 & 17	657,929	605,347
	Stores and spares consumed		480,030	642,313
	Fuel and power		148,310	200,959
	Rent, rates and taxes		990	4,896
	Cartage		94,651	60,105
	Postage, telephone and stationery		16,465	10,847
	Depreciation on property, plant and equipment	3.1.1	659,972	591,582
	Depreciation on right-of-use assets	4.1	2,793	1,862
	Amortisation on intangible	5.1	370	370
	Travelling and vehicle expenses		57,956	80,107
	Security charges		46,291	56,426
	Other expenses		130,740	284,820
			<u>2,296,497</u>	<u>2,539,634</u>
24.	DISTRIBUTION AND MARKETING EXPENSES			
	Salaries, allowances and other benefits	13 & 17	1,001,805	896,825
	Selling expenses		889,595	953,257
	Freight expense		159,923	210,917
	Rent, rates and taxes		22,071	26,690
	Postage, telephone and stationery		21,243	18,767
	Depreciation on property, plant and equipment	3.1.1	126,233	177,590
	Depreciation on right-of-use assets	4.1	11,737	20,150
	Amortisation on intangible	5.1	3,581	6,219
	Travelling and vehicle expenses		78,141	138,752
	Royalty	24.1	102,023	73,830
	Repair and maintenance		29,199	25,681
	Security charges		14,066	26,819
	Other expenses		141,701	88,165
			<u>2,601,318</u>	<u>2,663,662</u>



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

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

Name of Recipient	Relationship with the Company	Registered Address	2020 (Rupees in thousand)	2019 (Rupees in thousand)
Philip Morris Products S.A.	Associate	Quai Jeanrenaud 3, 2000, Neuchâtel, Switzerland	-	-
Philip Morris Global Brands Inc.	Associate	120 Park Ave., 6th Floor, 10017, New York, USA	-	167,539
			<u>-</u>	<u>167,539</u>

	Note	2020 (Rupees in thousand)	2019 (Rupees in thousand)
25. ADMINISTRATIVE EXPENSES			
Salaries, allowances and other benefits	13 & 17	757,627	655,481
Rent, rates and taxes		8,986	11,609
Postage, telephone and stationery		23,452	23,905
Travelling and vehicle expenses		66,505	103,193
Repairs and maintenance		53,560	88,963
Legal and professional charges		341,172	215,449
Utilities		11,626	15,116
Fee and subscription		29,079	14,222
Insurance		40,544	44,460
Auditor's remuneration	25.1	7,305	12,710
Depreciation on property, plant and equipment	3.1.1	77,543	80,849
Depreciation on right-of-use assets	4.1	104,012	194,026
Donation	25.2 & 25.3	72,197	-
Amortisation on intangible	5.1	1,383	804
Security charges		16,094	32,088
Other expenses		10,353	19,736
		<u>1,621,438</u>	<u>1,512,611</u>
25.1 Auditor's remuneration			
Audit fee		2,695	2,695
Review of half yearly financial statements		1,161	1,161
Taxation and other services		3,120	8,118
		6,976	11,974
Out of pocket expenses		329	736
		<u>7,305</u>	<u>12,710</u>

25.2 Details of donations in excess of Rs 1 million made during the year, are given below:

	2020 (Rupees in thousand)	2019 (Rupees in thousand)
Kashf Foundation	17,049	-
Paiman Alumni Trust	8,840	-
Network of Organizations Working with Persons with Disabilities	4,961	-
The Prime Minister's COVID-19 Pandemic Relief Fund	20,040	-
Shewa Educated Social Worker Association	1,425	-
Green Star Social Marketing	5,721	-
Entrepreneurship And Youth Development	13,160	-
	<u>71,196</u>	<u>-</u>



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

25.3 There are no donations given in which the directors of the Company or their spouses have interest.

	Note	2020 (Rupees in thousand)	2019
26. OTHER EXPENSES			
Exchange loss - net	26.1	75,561	-
Employee separation costs		51,834	531,331
Voluntary separation scheme - temporary workers		-	213,608
Impairment charge on items of property, plant and equipment	3.1.3	12,086	1,127,382
Impairment charge on assets transferred to held for disposal	15	-	1,137,304
Property, plant and equipment written off	3.1	33,031	2,547
Intangibles written off	5	-	12,765
Capital work-in-progress written off	3.2.1	330	88,237
Workers' welfare fund		54,953	-
Workers' profit participation fund	20.5	137,384	-
Miscellaneous expenses		70,456	55,171
		<u>435,635</u>	<u>3,168,345</u>

26.1 This includes net unrealised exchange loss amounting to Rs 53.917 million (2019: Rs Nil) arising on 'trade and other payables'.

	Note	2020 (Rupees in thousand)	2019
27. OTHER INCOME			
Exchange gain - net	27.1	-	122,995
Profit on deposit accounts		216,727	247,235
Profit on disposal of items of non current assets held for sale		15,880	-
Profit on disposal of items of property, plant and equipment		73,874	247,321
Reversal of impairment on assets transferred to property, plant & equipment	15.3	438,378	-
Others	27.2	98,805	93,056
		<u>843,664</u>	<u>710,607</u>

27.1 This includes net unrealised exchange gain amounting to Rs Nil (2019: Rs 186.357) arising on 'trade and other payables'.

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



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

	Note	2020	2019
		(Rupees in thousand)	
28. FINANCE COST AND BANK CHARGES			
Mark-up on short term borrowings		5,701	1,778
Interest on lease liabilities		59,200	22,992
Bank commission and other charges		23,135	24,037
		<u>88,036</u>	<u>48,807</u>
29. TAXATION			
Current - for the year	29.2	459,710	196,107
Current - for prior years		(350)	30,845
		459,360	226,952
Deferred	7.1	330,184	(739,943)
		<u>789,544</u>	<u>(512,991)</u>
29.1 Relationship between tax expense and accounting profit			
Accounting profit before tax		<u>2,554,392</u>	<u>(2,492,990)</u>
Effective tax rate		29%	29%
Tax on accounting profit		740,774	(722,967)
Tax effect of:			
● effect of change in tax rate		-	(23,563)
● income assessed under Final Tax Regime		27,701	7,728
● tax credit for investments u/s 65B of the Income Tax Ordinance, 2001		-	15,117
● minimum tax		-	195,910
● Property, plant and equipment		884	18,881
● others		20,535	(34,942)
		<u>789,894</u>	<u>(543,836)</u>
Adjustments in respect of current tax of prior years		(350)	30,845
Tax expense for the year charged in profit or loss		<u>789,544</u>	<u>(512,991)</u>



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

29.2 Break up of current tax expense recognised in these financial statements is as follows:

	Note	2020 (Rupees in thousand)	2019
Current tax charge / (reversal) recognised in:			
Profit or loss		459,710	196,107
Other comprehensive income		(190)	5,865
		<u>459,520</u>	<u>201,972</u>
30. EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED			
30.1 Basic earnings / (loss) per share			
Profit / (loss) for the year after taxation		1,764,848	(1,979,999)
Less: dividend on non-cumulative preference shares	16.8	(732,480)	-
Profit / (loss) attributable to ordinary shareholders		<u>1,032,368</u>	<u>(1,979,999)</u>
		(No. of shares)	
Weighted average number of ordinary shares	16.2	<u>61,580,341</u>	<u>61,580,341</u>
		(Rupees)	
Earnings / (Loss) per share - basic		<u>16.76</u>	<u>(32.15)</u>

30.2 1,046,400,000 preference shares are not included in the calculation of diluted earnings per share because these are antidilutive for the year ended December 31, 2020. 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	
	2020	2019	2020	2019	2020	2019	2020	2019
	(Rupees in thousand)							
Remuneration	-	-	7,896	6,562	507,487	411,345	515,383	417,907
House rent	-	-	3,553	2,953	228,369	185,105	231,922	188,058
Directors' fee	-	-	3,859	3,520	-	-	3,859	3,520
Bonus	-	-	6,033	2,117	170,355	116,201	176,388	118,318
Retirement benefits	-	-	1,261	1,313	80,821	75,892	82,082	77,205
Utilities	80	860	790	657	50,748	41,134	51,618	42,651
Others	18,510	10,250	1,135	8,045	162,987	66,042	182,632	84,337
	<u>18,590</u>	<u>11,110</u>	<u>24,527</u>	<u>25,167</u>	<u>1,200,767</u>	<u>895,719</u>	<u>1,243,884</u>	<u>931,996</u>
Number of persons	<u>2</u>	<u>1</u>	<u>7</u>	<u>8</u>	<u>202</u>	<u>169</u>	<u>211</u>	<u>178</u>

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



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

- 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 33.751 million (2019: Rs 25.900 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	2020	2019
		(Rupees in thousand)	
Associated undertakings	Sale of goods	2,622,120	302,987
	Sale of plant and machinery	3,105	4,999
	Purchase of goods	332,635	442,067
	Purchase of plant and machinery	270,207	224,077
	Appropriation of dividend	1,333,834	-
	Services procured	181,944	150,043
	Royalty charges	102,023	73,830
	Share based payment recharge	27,236	20,022
Subsidiary	Expenses borne by the Company	106	104
Staff retirement plans	Expense in relation to gratuity fund	48,754	35,821
	Loss / (gain) in other comprehensive income	654	(20,224)
	Expense in relation to provident fund	87,311	73,520

The related party status of outstanding balances as at December 31, 2020 is included in notes 12.1, 13, 17.5, 20.2 and 20.3. These are to be settled in the ordinary course of business.



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

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 S.A., Switzerland	Group Company	Nil
3.	Philip Morris CR A.S. Czech Republic	Group Company	Nil
4.	PMI Engineering S.A., Switzerland	Group Company	Nil
5.	Philsa Philip Morris Sabanci, Turkey	Group Company	Nil
6.	Philip Morris International Management S.A., Switzerland	Group Company	Nil
7.	Philip Morris International Management S.A. (Tolling), Switzerland	Group Company	Nil
8.	Philip Morris Products S.A., Switzerland	Group Company	Nil
9.	Philip Morris Romania S.r.l.	Group Company	Nil
10.	AO Philip Morris Izhora, Russia	Group Company	Nil
11.	PMFTC Inc., Philippines	Group Company	Nil
12.	Philip Morris International Inc., United States	Group Company	Nil
13.	Philip Morris International Inc., New York	Group Company	Nil
14.	Philip Morris Global Brands Inc., New York	Group Company	Nil
15.	Philip Morris Korea Inc., Korea	Group Company	Nil
16.	Philip Morris (Malaysia) Sdn. Bhd., Malaysia	Group Company	Nil
17.	PT Philip Morris Indonesia	Group Company	Nil
18.	Philip Morris Philippines Manufacturing Inc.	Group Company	Nil
19.	PMI Service Center Europe spolka z ograniczona odpowiedzialnoscia	Group Company	Nil
20.	Massalin Particulares S.r.l., Argentina	Group Company	Nil
21.	Profigen Do Brasil Ltda.	Group Company	Nil



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

S. No.	Name of related parties	Basis of relationship	Aggregate shareholding in the Company
22.	PT Philip Morris Sampoerna International Service Center	Group Company	Nil
23.	PT Hanjaya Mandala Sampoerna Tbk.	Group Company	Nil
24.	Philip Morris Brands Sarl, Switzerland	Group Company	19.99999%
25.	Philip Morris Investments B.V.	Parent company	77.65360%
26.	Laksonpremier Tobacco company (Private) Limited	Subsidiary	Nil
27.	Philip Morris (Pakistan) Limited Employees' Gratuity Fund	Retirement benefit trust	Nil
28.	Philip Morris (Pakistan) Limited Employees' Provident Fund	Retirement benefit trust	Nil
29.	Mr. Kamran Y. Mirza	Chairman	0.000081%
30.	Mr. Roman Yazbeck	Chief Executive	0.000002%
31.	Mr. Joao Manuel	Chief Executive	0.000002%
32.	Ms. Pattaraporn Auttaphon	Director	0.000002%
33.	Lt. Gen. (R) Tariq Khan, Esq.	Director	0.000002%
34.	Mr. Lim Khang Wei	Director	0.000002%
35.	Mr. Michael Scharer	Director	0.000002%
36.	Mr. Mirza Rehan Baig	Director	0.000002%
37.	Mr. Petter Stefan M. Calon	Director	0.000002%
38.	Mr. Muhammad Zeeshan	Director	0.000003%
39.	Ghulam Nabi Kazi	Director	0.000002%

33. CAPACITY AND PRODUCTION

Against an installed manufacturing capacity of 26,611 million (2019: 26,867 million) cigarette sticks, the manned manufacturing capacity is 10,837 million cigarette sticks (2019: 16,775 million sticks). Actual production was 9,509 million (2019: 11,615 million) cigarette sticks. Actual production was sufficient to meet the demand.



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

34. CASH GENERATED FROM OPERATIONS

	Note	2020 (Rupees in thousand)	2019 (Rupees in thousand)
Profit / (loss) before taxation		2,554,392	(2,492,990)
Adjustment for non-cash and other items:			
Depreciation on property, plant and equipment	3.1.1	927,029	921,547
Depreciation on right-of-use assets		118,542	216,038
Property, plant and equipment written off		33,031	2,547
Impairment charge on items of property, plant and equipment		12,086	1,127,382
Impairment charge on non-current assets held for disposal		-	1,137,304
Reversal of impairment on assets transferred to property, plant & equipment		(438,378)	-
Capital work-in-progress written off		330	88,237
Intangibles written off		-	12,765
Amortisation		5,967	8,446
Provision for slow moving spares		30,599	26,888
Provision for obsolete stocks		43,376	56,611
Expenses arising from equity-settled share-based payment plan		33,751	25,899
Gratuity expense		48,754	35,821
Liabilities written back		(98,805)	(93,056)
Unrealised exchange loss / (gain)		75,561	(122,995)
Profit on deposit accounts		(216,727)	(247,235)
Profit on disposal of items of non current assets held for sale		(15,880)	
Profit on disposal of items of property, plant and equipment		(73,874)	(247,321)
Finance cost		64,901	24,770
		550,263	2,973,648
Working capital changes	34.1	3,672,660	(2,038,381)
		<u>6,777,315</u>	<u>(1,557,723)</u>
34.1 Working capital changes			
(Increase) / decrease in current assets			
Stores and spares		33,936	41,136
Stock in trade		1,231,643	(397,175)
Advances		(101,819)	210
Prepayments		(10,888)	(674,791)
Other receivables		254,763	315
		1,407,635	(1,030,305)
Increase / (decrease) in current liabilities			
Trade and other payables		597,860	(430,502)
Sales tax and excise duty payable		1,667,165	(577,574)
		3,672,660	(2,038,381)
35. CASH AND CASH EQUIVALENTS			
Cash and bank balances	14	5,383,334	330,283
Less: Amount held as security	14.2	(18,861)	(18,861)
Short term borrowings	19	-	(846,475)
		<u>5,364,473</u>	<u>(535,053)</u>



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

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, 2020, the Company did not have any fixed rate instrument.
- Future cash flow risk - Presently, future cash flow risk to the Company arises from deposit accounts with banks and running finance under mark-up arrangements which are based on floating interest rates (i.e. KIBOR based). As at December 31, 2020, had there been increase / decrease of 50 basis points in KIBOR with all other variables held constant, profit after taxation for the year then ended would have been higher / lower by Rs 17.521 million mainly as a result of net of profit on deposit accounts and 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, 2020, had the Company's functional currency strengthened / weakened by 5% against US Dollar, Euro and UK Pound, with all other variables held constant, profit after taxation for the year then ended would have been higher / lower by Rs 16.711 million (2019: Rs 29.033 million) mainly as a result of foreign exchange gains / losses."



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

(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 6,180.423 million as at December 31, 2020 (2019: Rs 1,360.312 million). The analysis below summarises the credit quality of the Company's financial assets as at December 31, 2020:

- Long term deposits are held with parties which have long association with the Company and have a good credit history.
- Amounts aggregating Rs 3.903 million (2019: Rs 12.112) 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.



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

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:

	2020		
	Contractual cash flows	Less than 1 year	Between 1 to 5 Years
	(Rupees in thousand)		
Trade and other payables	4,551,584	4,551,584	-
Accrued mark-up on short term borrowings	249	249	-
Unclaimed and unpaid dividend	1,076,845	1,076,845	-
Short term borrowings	-	-	-
Lease liabilities	436,079	110,657	325,422
	<u>6,064,757</u>	<u>5,739,335</u>	<u>325,422</u>

	2019		
	Contractual cash flows	Less than 1 year	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	-	-	-
Short term borrowings	846,475	846,475	-
Lease liabilities	510,707	93,955	416,752
	<u>5,238,509</u>	<u>4,821,757</u>	<u>416,752</u>

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, 2020, 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

	2020	2019
	(Rupees in thousand)	
FINANCIAL ASSETS		
At amortised cost		
Long term deposits	79,184	57,361
Other receivables	717,905	972,668
Cash and bank balances	5,383,334	330,283
	<u>6,180,423</u>	<u>1,360,312</u>



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

	2020	2019
	(Rupees in thousand)	
FINANCIAL LIABILITIES		
At amortised cost		
Trade and other payables	4,551,584	3,880,052
Accrued mark-up on short term borrowings	249	1,275
Unclaimed and unpaid dividends	1,076,845	-
Short term borrowings	-	846,475
Lease liabilities	436,079	510,707
	6,064,757	5,238,509

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
Freehold land	1,504	-	1,504	2,408	904	Negotiated	Muhammad Usman	Third party
Building on freehold land								
	5,406	(2,532)	2,874	4,601	1,727	Negotiated	Muhammad Usman	Third party
	15,067	(4,793)	10,274	47,874	37,600	—do—	Abdul Qudoos	Third party
Vehicles								
	2,799	(2,239)	560	1,500	940	Auction	Misbah Abbas	Employee of the Company
	3,787	(3,030)	757	1,850	1,093	—do—	—do—	Employee of the Company
	3,749	(2,999)	750	1,466	716	—do—	Muhammad Kafeel	Employee of the Company
	2,799	(2,239)	560	1,421	861	—do—	Fahad Aslam	Employee of the Company
	1,406	(506)	900	1,125	225	Company policy	Abid Javed	Employee of the Company
	1,406	(506)	900	1,125	225	—do—	Syed Musa Raza Zaidi	Employee of the Company
	1,406	(487)	919	1,125	206	—do—	Madni Imtiaz	Employee of the Company
	2,638	(879)	1,759	2,563	804	—do—	Zia Ahmed Karim	Employee of the Company
	2,054	(630)	1,424	2,054	630	—do—	Saad Khawar	Employee of the Company
	2,054	(603)	1,451	2,054	603	—do—	Zubair Yaqub	Employee of the Company
	1,741	(441)	1,300	1,741	441	—do—	Arham Ahmed Aswat	Employee of the Company
	2,054	(630)	1,424	2,054	630	—do—	Syed M. Raza Abbas	Employee of the Company
	2,054	(712)	1,342	1,643	301	—do—	Rashid Rahim	Employee of the Company
	51,924	(23,226)	28,698	76,604	47,906			



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

39. NUMBER OF EMPLOYEES

The total average number of employees during the year and as at December 31, 2020 and December 31, 2019 respectively are as follows:

	2020	2019
	No. of employees	
Number of employees as at December 31	<u>721</u>	<u>744</u>
Average number of employees during the year	<u>725</u>	<u>765</u>

40. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on March 18, 2021 by the Board of Directors of the Company.

41. GENERAL

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

41.2 Wherever considered necessary, corresponding figures have been reclassified for the purpose of comparison and improved presentation.

KAMRAN Y. MIRZA
Chairman

ROMAN YAZBECK
Chief Executive

MUHAMMAD ZEESHAN
Chief Financial Officer

Karachi: March 18, 2021

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, 2020, 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, 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 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, 2020 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 director's 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.

Independent Auditor's Report to the Members

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.

Independent Auditor's Report to the Members

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.

Karachi: March 25, 2021

A.F. FERGUSON & CO.
Chartered Accountants

Laksonpremier Tobacco Company (Private) Limited

Statement Of Financial Position

AS AT DECEMBER 31, 2020

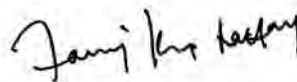
	Note	2020 (Rupees)	2019
ASSETS		<u>-</u>	<u>-</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
5,000,000 Ordinary Shares of Rs 10 each	3	<u>50,000,000</u>	<u>50,000,000</u>
Issued, subscribed and paid-up capital	3	1,030	1,030
Accumulated loss		<u>(1,030)</u>	<u>(1,030)</u>
LIABILITIES		<u>-</u>	<u>-</u>
TOTAL EQUITY AND LIABILITIES		<u>-</u>	<u>-</u>

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

Karachi: March 17, 2021



MUHAMMAD ZEESHAN
Chief Financial Officer



FAIZA KAPADIA RAFFAY
Director

Laksonpremier Tobacco Company (Private) Limited

Statement of Profit or Loss and Other Comprehensive Income

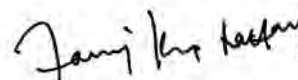
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
	Rupees	
Turnover	-	-
Expenses	-	-
Profit before taxation	-	-
Taxation	-	-
Profit after taxation	-	-
Other comprehensive income	-	-
Total comprehensive income	-	-

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



MUHAMMAD ZEESHAN
Chief Financial Officer



FAIZA KAPADIA RAFFAY
Director

Karachi: March 17, 2021

Laksonpremier Tobacco Company (Private) Limited

Statement Of Changes In Equity

FOR THE YEAR ENDED DECEMBER 31, 2020

	Issued, subscribed & paid-up capital	Accumulated (loss)	Total
	Rupees		
Balance as at January 1, 2019	1,030	(1,030)	-
Total comprehensive income for the year ended December 31, 2019	-	-	-
Balance as at December 31, 2019	1,030	(1,030)	-
Total comprehensive income for the year ended December 31, 2020	-	-	-
Balance as at December 31, 2020	1,030	(1,030)	-

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

Karachi: March 17, 2021



MUHAMMAD ZEESHAN
Chief Financial Officer



FAIZA KAPADIA RAFFAY
Director

Laksonpremier Tobacco Company (Private) Limited

Statement Of Cash Flows

FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
	Rupees	
Cash flow from operating activities	-	-
Cash flow from investing activities	-	-
Cash flow from financing activities	-	-
Net increase 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: March 17, 2021



MUHAMMAD ZEESHAN
Chief Financial Officer



FAIZA KAPADIA RAFFAY
Director

Notes To The Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

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, Pakistan (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 February 8, 2020, 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

2020		2019		2020		2019	
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					
		Ordinary shares of Rs 10 each fully paid in cash					
103	103			1,030	1,030		

Notes To The Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

- 3.1 All the shares are held by the Holding Company and its nominees. Out of 103 shares, two shares are in the name of nominees.

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:

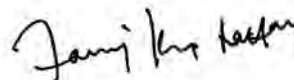
	2020	2019
	Rupees	
Expenses borne by the Holding Company		
- Filing fees for corporate forms	5,675	4,025
- Audit fee	100,000	100,000

5. DATE OF AUTHORISATION

These financial statements were authorised for issue on March 17, 2021 by the board of directors of the Company.



MUHAMMAD ZEESHAN
Chief Financial Officer



FAIZA KAPADIA RAFFAY
Director

Karachi: March 17, 2021



ڈائریکٹر رپورٹ

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 2.4.2 میں فراہم کی گئی ہے۔

مستقبل کی توقعات

سنہ 2020ء ایک ایسا سال ثابت ہوا جس کی پہلے کوئی مثال نہیں ملتی ہے۔ اس کے باوجود کمپنی نے متعدد فیصلوں اور اقدامات پر کامیابی سے عمل کیے جنہوں نے اس مشکل سال کو مزید مشکل بنادیا۔ ہم نے مالیات، انضباط، برانڈ پورٹ فولیو (مارون کلاسک کا تعارف)، ادارے اور صارفین تک پہنچنے کے راستوں کے حوالے سے اپنے کاروبار کی بنیاد مزید مضبوط کی۔

کمپنی فلپ پورس 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 اثرائدگی، طویل المیعاد پائیداری اور منافع میں مزید بہتری آئے گی۔

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

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 کیلئے اہداف میں شامل ہیں۔

اعترافات

اس موقع سے فائدہ اٹھاتے ہوئے ڈائریکٹر سنہ 2020ء کے دوران کمپنی کے تمام ملازمین کی بھرپور محنت، لگن، جذبے اور تعاون کا شکریہ ادا کرتے ہیں۔

کمپنی کی انتظامیہ پر اعتماد کرنے کیلئے بورڈ آف ڈائریکٹر اپنے تمام کاروباری شراکت داروں، مثلاً تقسیم کنندگان، فراہم کنندگان، حصص یافتگان اور دیگر اداروں کا بھی شکریہ ادا کرتا ہے۔

بورڈ آف ڈائریکٹر کی جانب سے

رومن یاز بیک
چیف ایگزیکٹو

کامران یوسف مرزا
چیرمین

کراچی، 18 مارچ، 2021ء



ڈائریکٹرز رپورٹ

- 3 لم خانگ دی (Lim Khang Wei)۔ سال کے دوران ریٹائر ہو گئے۔
 4 پٹارافون اتٹارافون (Pattaraporn Auttaphone)۔
 ایسے ڈائریکٹرز کو جو بورڈ کے اجلاسوں میں شریک نہیں ہو سکتے تھے، ان کے لیے چھٹی کی منظوری دی گئی۔

ہیومن ریسورس اینڈ ریمونریشن کمیٹی ("HR&RC")

موجودہ انسانی وسائل اور معاوضہ کمیٹی ("HR&RC"; Human Resource & Remuneration Committee) تین (03) ارکان پر مشتمل ہے جن میں سے ایک (01) نان-ایگزیکٹو، ایک (01) ایگزیکٹو اور ایک (01) ایگزیکٹو ڈائریکٹر ہے۔

سنہ 2020ء کے اختتام تک، مندرجہ ذیل ڈائریکٹرز انسانی وسائل اور معاوضہ کمیٹی (HR&RC) کے ارکان کے طور پر کام کر رہے تھے:

- کامران یوسف مرزا - چیئرمین
- رومن یاز بیک - ڈکن
- پیٹر کیلون - ڈکن

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

ڈائریکٹرز کی ٹریننگ

کووڈ-19 کی وجہ سے آمدورفت میں درپیش مشکلات کے سبب، کمپنی نے ایک ڈائریکٹر کی تربیت کا انتظام کیا۔ سال کے دوران مزید ڈائریکٹرز کی تربیت کا انتظام بھی کیا جائے گا۔

شیر ہولڈنگ کا اسلوب

مورخہ 31 دسمبر، 2019ء کے مطابق کمپنی کی حصص داری (شیر ہولڈنگ) (کامنو، ضابطوں کے تقاضوں کے مطابق، اس سالانہ رپورٹ میں شامل ہے۔

آڈیٹرز

موجودہ ایکسٹرنل آڈیٹرز، اے ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، اس اجلاس عام کے بعد ریٹائر ہو جائیں گے۔ تاہم، اہلیت کی بنا پر، خود کو 31 دسمبر، 2021ء 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 ان کی آڈیٹرز کے طور پر دوبارہ تقرری منظور کریں اور ان کے معاوضے کی توثیق کریں۔



ڈائریکٹرز رپورٹ

سنہ 2020ء کے اختتام تک، مندرجہ ذیل ڈائریکٹرز انسانی وسائل اور معاوضہ کمیٹی (HR&RC) کے ارکان کے طور پر کام کر رہے تھے:

ڈائریکٹر کا نام	منعقد ہوئے اجلاسوں کی تعداد	اجلاسوں میں حاضری کی تعداد
کامران یوسف مرزا (Kamran Y. Mirza)	6	6
محمد ذیشان (Muhammad Zeeshan)	6	6
لیفٹنٹ جنرل (ر) طارق خان (Lt.Gen(R) Tariq Khan)	4	4
رومن یازبیک (Roman Yazbeck)	6	6
غلام نبی قاضی (Ghulam Nabi Kazi)	2	2
مرزا ربیعان بیگ (Mirza Rehan Baig)	2	2
مائیکل شاریر (Michael Scharer)	4	0
لم خانگ وی (Lim Khang Wei)	4	3
پٹاراپورن اٹافون (Pattaraporn Auttaphone)	6	4
پیٹر کیلون (Peter Calon)	2	2

ایسے ڈائریکٹرز کو جو بورڈ کے اجلاسوں میں شریک نہیں ہو سکتے تھے، ان کے لیے چھٹی کی منظوری دی گئی۔

بورڈ آؤٹ کمیٹی

آؤٹ کمیٹی، بورڈ کے وضع کردہ حوالہ کی شرائط (terms of reference) کے مطابق، کام کرتی ہے جو سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (Securities & Exchange Commission of Pakistan; ECP) کے جاری کردہ ضابطے میں درج تقاضوں کے مطابق ہیں۔ آؤٹ 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 آؤٹ کمیٹی کے ارکان کے طور پر کام کر رہے تھے:

• غلام نبی قاضی	- چیئرمین
• پیٹر کیلون	- رکن
• پٹاراپورن اٹافون (Pattaraporn Auttaphone)	- رکن

سال کے دوران، آؤٹ 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
لیفٹنٹ جنرل (ر) طارق خان - سال کے دوران ریٹائر ہو گئے۔	4



ڈائریکٹرز رپورٹ

0	4	مائیکل شاریر (Michael Scharer)
3	4	لم خانگ وی (Lim Khang Wei)
4	6	پٹاراپورن اٹافون (Pattaraporn Auttaphone)
2	2	پیٹر کیلون (Peter Calon)

ایسے ڈائریکٹرز کو جو بورڈ کے اجلاسوں میں شریک نہیں ہو سکتے تھے، ان کے لیے چھٹی کی منظوری دی گئی۔

بورڈ آؤٹ کمیٹی

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

آؤٹ 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 آؤٹ کمیٹی کے ارکان کے طور پر کام کر رہے تھے:

غلام نبی قاضی	-	چیئرمین
پیٹر کیلون	-	رکن
پٹاراپورن اٹافون (Pattaraporn Auttaphone)	-	رکن

سال کے دوران، آؤٹ 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
لیفٹننٹ جنرل (ر) طارق خان - سال کے دوران ریٹائر ہو گئے۔	4
لم خانگ وی (Lim Khang Wei) - سال کے دوران ریٹائر ہو گئے۔	3
پٹاراپورن اٹافون (Pattaraporn Auttaphone)	4

ایسے ڈائریکٹرز کو جو بورڈ کے اجلاسوں میں شریک نہیں ہو سکتے تھے، ان کے لیے چھٹی کی منظوری دی گئی۔

ہیومن ریسورس اینڈ ریمونریشن کمیٹی ("HR&RC")

موجودہ انسانی وسائل اور معاوضہ کمیٹی ("Human Resource & Remuneration Committee; "HR&RC") تین (03) ارکان پر مشتمل ہے جن میں سے ایک (01) نان-ایگزیکٹو، ایک (01) انڈیپنڈنٹ اور ایک (01) ایگزیکٹو ڈائریکٹر ہے۔



ڈائریکٹرز رپورٹ

ڈائریکٹرز کا انتخاب

ڈائریکٹرز کا انتخاب، آخری مرتبہ، مورخہ 29 اکتوبر 2020ء کو ہوا تھا۔ منتخب ہونے والے نئے ڈائریکٹرز کی فہرست درج ذیل ہے:

جناب کامران یوسف مرزا (Mr. Kamran Yousuf Mirza)	جیئر مین مورخہ	مورخہ 29 اکتوبر 2020ء کو مدت ختم ہونے کے
	انڈیپنڈنٹ ڈائریکٹر	بعد دوبارہ منتخب ہوئے۔
جناب رومن یازبیک (Mr. Roman Yazbeck)	چیف ایگزیکٹو	مورخہ 29 اکتوبر 2020ء کو مدت ختم ہونے کے
	ایگزیکٹو ڈائریکٹر	بعد دوبارہ منتخب ہوئے۔
جناب محمد زیشان (Mr. Muhammad Zeeshan)	چیف فنانشل آفیسر	مورخہ 29 اکتوبر 2020ء کو مدت ختم ہونے کے
	ایگزیکٹو ڈائریکٹر	بعد دوبارہ منتخب ہوئے۔
محترمہ اپورن اوتا فون (Ms. Pattaraporn Auttaphon)	نان ایگزیکٹو ڈائریکٹر	مورخہ 29 اکتوبر 2020ء کو مدت ختم ہونے کے
	دوبارہ منتخب ہوئیں۔	
جناب پیٹر کیلون (Mr. Peter Calon)	نان ایگزیکٹو ڈائریکٹر	مورخہ 29 اکتوبر 2020ء کو تقرری ہوئی۔
جناب رحمان بیگ (Mr. Rehan Baig)	نان ایگزیکٹو ڈائریکٹر	مورخہ 29 اکتوبر 2020ء کو تقرری ہوئی۔
جناب غلام نبی قاضی (Mr. Ghulam Nabi Kazi)	نان ایگزیکٹو ڈائریکٹر	مورخہ 29 اکتوبر 2020ء کو تقرری ہوئی۔

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۔ ان اجلاس میں ڈائریکٹرز کی حاضری کا باقاعدہ رکھا گیا اور مندرجہ ذیل میں فراہم کیا گیا ہے:

ڈائریکٹرز کا نام	منعقد ہوئے اجلاسوں کی تعداد	اجلاسوں میں حاضری کی تعداد
کامران یوسف مرزا (Kamran Y. Mirza)	6	6
محمد زیشان (Zeeshan Muhammad)	6	6
لیفٹننٹ جنرل (ر) طارق خان (Lt. Gen. (R) Tariq Khan)	4	4
رومن یازبیک (Roman Yazbeck)	6	6
غلام نبی قاضی (Ghulam Nabi Kazi)	2	2
مرزا رحمان بیگ (Mirza Rehan Baig)	2	2



ڈائریکٹرز رپورٹ

ریٹائرمنٹ فنڈ میں سرمایہ کاری

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

پاک روپے ملین میں	پراویڈنٹ فنڈ	گریجویٹ فنڈ
(31 دسمبر، 2019ء کے آڈٹ شدہ مالی گوشواروں کے مطابق)	633	
(31 دسمبر، 2019ء کے آڈٹ شدہ مالی گوشواروں کے مطابق)	651	

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 آرایل (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، یہ 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 اور 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۔
- کوئی بھی ڈائریکٹر اپنے معاوضے کا تعین خود نہیں کرے گا۔
- معاوضے کی سطح مارکیٹ میں مسابقتی کمپنیوں/صنعت میں رائج طریقہ 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 خود مختاری پر سمجھوتے کا تاثر ملتا ہو۔
- صرف خود مختار ڈائریکٹرز ہی بورڈ کے اجلاسوں میں شرکت کے لیے معاوضے وصول کریں گے۔
- معاوضے کی مناسب سطح تجویز کرنے کے لیے بورڈ ایک خود مختار کنسلٹنٹ کی خدمات بھی حاصل کر سکتا ہے۔

بورڈ آف ڈائریکٹرز میں تبدیلیاں

یکم فروری، 2020ء کو جناب جواؤ مینوئل (Joao Manuel) نے چیف ایگزیکٹو ڈائریکٹر اور ڈائریکٹر کی حیثیت سے استعفا دے دیا چنانچہ جناب رومن یازبیک (Yazbeck Roman) کو ان کی جگہ بطور چیف ایگزیکٹو آفیسر اور ڈائریکٹر مقرر کیا گیا۔



ڈائریکٹر رپورٹ

- مؤرخہ 31 دسمبر 2020ء کو ختم ہونے والے مالی سال، اور گزشتہ مالی سال کی اہم جھلکیوں، اماٹوں اور ذمہ داریوں کا خلاصہ اور گزشتہ چھ (06) مالی سالوں کے نتائج کا خلاصہ صفحہ نمبر 19 پر موجود ہے؛
- ٹیکسوں اور محصولات کے بارے میں معلومات مالی گوشواروں کے متعلق نوٹس میں دی گئی ہے؛ اور
- کمپنی کی انتظامیہ عمدہ کارپوریٹ گورننس کے لیے پرعزم ہے اور اس نے کوڈ کی تعمیل کے لیے تمام ضروری اقدامات کیے ہیں۔

انٹرنل کنٹرولز کا گوشوارہ

کمپنی کی انتظامیہ اندرونی کنٹرولز اور طریقوں کا ایک مناسب نظام قائم کرنے اور اسے 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 مؤثر انسدادی اقدامات تجویز کرنے کے لیے کمپنی نے ایک مضبوط میکا نزم 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 آڈٹ انٹرنل آڈٹ ڈپارٹمنٹ، سالانہ بنیادوں پر رسک اسٹیمینٹ 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 ان کا باقاعدگی سے جائزہ لیتا ہے، مشورے دیتا ہے اور ان 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 اثر پذیری کی نگرانی کی جاتی ہے۔ ایسے کنٹرولز، جو مؤثر 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:

- 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 اماٹوں کی حفاظت؛ اور
- کمپنی کے اقدامات میں متعلق قوانین اور ضوابط کی تعمیل۔

اہم آہنگی کا گوشوارہ

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



ڈائریکٹر رپورٹ

ماحول، صحت، تحفظ اور امن وامان

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۔ ان طریقوں کے ذریعے، کمپنی اپنے بالغ صارفین کی توقعات پر پورا اترنے کی کوشش کرتی ہے اور اپنی مصنوعات میں مسلسل بہتری اور مزید عمدگی لاتے ہوئے ان کے اعتماد کو برقرار رکھتی ہے۔

ماحول کے حوالے سے کمپنی انتہائی احتیاط سے کام کرتے اور سمجھتی ہے کہ اس کے ملازمین کی صحت اور تحفظ کاروبار کا ایک بنیادی اصول 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 تھریٹنگ سائٹ کو بیورو یو وی ریٹاس (Bureau Veritas) 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۔ آپریشنز 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 سرٹیفیکیشن حاصل کرنے کے لیے بھی تیاریوں کا آغاز کر دیا ہے۔

ادارہ جاتی انتظام کا معاملہ

کمپنی کے ڈائریکٹرز، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے جاری کردہ سلیڈ کمینز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2017ء (Listed Companies (Code of Corporate Governance) Regulations, 2017) 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 رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں کہ:

- کمپنی کی انتظامیہ کی جانب سے تیار کردہ مالی گوشوارے اس کے معاملات، آپریشنز کے نتائج، نقدی کے بہاؤ (cash flow) اور اس 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 اور محتاط 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 موثر انداز میں عمل کیا گیا ہے اور، مزید بہتر بنانے کیلئے، اس کا مسلسل جائزہ بھی لیا جاتا ہے؛
- ایک جاری کاروبار کی حیثیت سے تسلسل برقرار رکھنے کے لیے، کمپنی کی اہلیت شک و شبہات 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؛



ڈائریکٹر رپورٹ

میں مدد کی غرض سے ہمارے ملازمین نے رضا کارانہ خدمات بھی انجام دیں جن میں درج ذیل سرگرمیاں شامل تھیں:

- کم آمدنی والی کمیونٹی میں 30,000 افراد کو خوراک اور حفظان صحت کی کنس کی فراہمی
- ملک بھر میں 35,000 سے زائد پرسنل پروٹیکو ایکویمینٹس کی تقسیم
- وبا کے بارے میں آگاہی اور تعلیم یقینی بنانے کی غرض سے طبی کیمپس لگائے گئے اور آگاہی کی مہمیں چلائی گئیں۔
- مقامی کمیونٹی کی ضرورت پوری کرنے کے لیے مردان، چار سیدہ اور صوبائی موبائل کیئر یونٹس لگائے گئے۔

مزید برآں، یہ عرصہ کمپنی کے لیے کوڈ آکرٹ اور گندگی کے خلاف آگاہی کو فروغ دینے کی جانب کمپنی کے آغاز کی علامت بھی ہے۔ کمپنی نیٹ ورک آف آرگنائزیشنز ورکنگ وڈھ پرسنز وڈھ ڈس ایبلٹیجز (NOWPDP) کے ساتھ تعاون کر رہی ہے تاکہ ری سائیکلنگ کی ایسی سہولتیں قائم کی جاسکیں جہاں محذور افراد کو ملازمت دی جاسکے۔ کوڈ آکرٹ کے خلاف کمپنی کی کوششوں کے حصے کے طور پر اس نے NOWPDP کے ساتھ مل کر عالمی یوم صفائی 2020ء کے موقع پر ساحلی علاقوں کی صفائی میں بھی حصہ لیا

انسانی وسائل میں سرمایہ کاری، اعزازات اور اعتراف

کمپنی اپنے ملازمین کا تجربہ بہتر بنانے کے طریقے مسلسل تلاش کرتی رہتی اور ایک ایسے ماحول کے لیے پرعزم ہے جس میں ملازمین کے تنوع، شمولیت اور بہبود کو سرگرمی سے فروغ ملتا ہو۔ کمپنی کے اندرونی پلس (pulse) سے ملازمین کی بڑی تعداد کی مختلف سرگرمیوں اور بالخصوص ہمدردی اور اعانت کی سرگرمیوں میں حصہ لیتی ہے جس کی مثال کوڈ کے دشوار عرصے میں نظر آتی ہے۔ اس عرصے میں، کمپنی کو ایک ایسے آجر کے طور پر علاقائی HRD ایوارڈ سے بھی نوازا گیا جس کا لوگ انتخاب کرتے ہیں۔ کمپنی کی کارکردگی کا جائزہ ملازمین کی تربیت اور پیشہ ورانہ ترقی، اعزاز و اعتراف کے اقدامات سمیت متعدد دیگر ایسے پروگراموں کے ذریعہ لیا گیا جن میں ملازمین کی صحت اور بہبود، ورک-لائف توازن، لیڈرشپ، شمولیت اور تنوع شامل ہیں۔ مزید یہ کہ، اس عرصے کے دوران، مسلسل تیسرے سال، کمپنی نے گلوبل ایکوئیل سٹریٹیجکیشن میں شرکت کی جس کا مقصد صنف سے قطع نظر تمام ملازمین کے ساتھ مساوی سلوک یقینی بنانا ہے۔ سنہ 2020ء کے دوران، ایکوئیل سٹریٹیجکیشن فاؤنڈیشن اور پرائس واٹر ہاؤس کوپر (PWC) کے نمائندوں نے ایک ورچوئل مانیٹرنگ آڈٹ منعقد کیا اور کمپنی کو سٹریٹیکٹک سے نوازا۔ یہ کمپنی کے لیے بہت فخر کی بات ہے کہ اس نے پہلے عالمی ایکوئیل سٹریٹیجکیشن میٹریکس کی حیثیت برقرار رکھی جس سے صنفی اعتبار سے ادائیگی میں فرق کے حوالے سے بھی آگاہی میں اضافہ ہوا۔

ایک ذمہ دار کارپوریٹ شہری کی حیثیت سے کی جانے والی کوششوں کے اعتراف میں کمپنی نیدرلینڈز میں ایوارڈز بھی حاصل کیے:

- اوور سیز انویسٹرز چیمبرز آف کامرس اینڈ انڈسٹری (OICCI) ایوارڈ برائے ویمن امپاورمنٹ 2020ء۔
- نیشنل فورم فار انوومنٹ اینڈ ہیلتھ (NFEH) کارپوریٹ سوشل ریسپانسیبلٹی ایوارڈ، 2020ء۔

عملی صلاحیت

سنہ 2020ء کے دوران، کمپنی نے جائیداد، پلانٹ اور آلات میں 568 ملین روپے کی سرمایہ کاری کی جس کی بنیادی وجہ حکمت عملی اور پروجیکٹس کی دیکھ بھال تھی۔ کمپنی، اپنے غیر پیداواری اور پرانے اثاثوں کے خاتمے کی صورت میں اپنے مستقبل کے فٹ پرنس کو ہوا کرتی رہے گی۔ یہ سرمایہ کاری اور اقدامات بہتر اور پائیدار مستقبل کے حوالے سے کمپنی کے عزم کی عکاس ہیں۔



ڈائریکٹر رپورٹ

پٹیکس ادا شدہ سگریٹوں کے شعبے سے درپیش چیلنجوں کی وجہ سے کمپنی کے کاروباری حجم میں (2019ء کے مقابلے میں) 20 فیصد کمی ہوئی جس کے نتیجے میں مورخہ 31 دسمبر، 2020ء ایکسائز ڈیوٹی، سیلز ٹیکس اور دیگر سرکاری محصولات کی صورت میں قومی خزانے میں کمپنی کا حصہ 22,210 ملین روپے رہا اور، اس طرح، اس میں گزشتہ برس کے مقابلے میں 6 فیصد کمی ہوئی۔ موجودہ مالی سال، 2020-21ء کے پہلے چھ ماہ (جولائی - دسمبر، 2020) کے دوران قومی خزانے میں کمپنی کا حصہ 9,617 ملین روپے رہا جو گزشتہ برس کے مقابلے میں 24 فیصد زیادہ ہے۔ ہم سمجھتے ہیں کہ حکومت کی جانب سے زیادہ تسلسل اور پائیداری کے ساتھ کی جانے والی کوششیں اور مسابقت کے لیے مساوی میدان کو مزید مضبوط بنانے کے لیے درکار پالیسیوں کا سخت نفاذ ٹیکس ادا کرنے والی صنعت کے مزید استحکام کے لیے نہایت اہم ہیں۔

مالی کارکردگی

مورخہ 31 دسمبر، 2020ء کو ختم ہونے والے عرصے کے دوران کمپنی کے ملکی خالص حاصل 13,983 ملین روپے رہے اور اس طرح اُن میں اضافہ 7 فیصد رہا۔ اس کی وجہ، جون 2019ء میں ایکسائز میں اضافہ اور پھر فروری 2020ء میں برائڈز کی قیمتوں میں اضافہ تھا۔ یہ دونوں عوامل نے مل کر حجم میں، سنہ 2019ء کے مقابلے میں ہونے والی، 20 فیصد شدید کمی کے برے اثرات کو کم کرنے کے لیے لازمی تھے۔ کمپنی کی برآمدات 2,613 ملین روپے (16.3 ملین امریکی ڈالرز) رہیں جن سے، گزشتہ برس کے مقابلے میں، نمایاں اضافہ نظر آتا ہے۔ تقریباً 70 ملین کلو کی برآمدات کمپنی کے عزم کا حصہ ہے جس کا مقصد برآمدات میں اضافے اور غیر ملکی زرمبادلہ میں اضافے کے ذریعے پاکستان کی مدد کرنا ہے۔ اس عرصے کے دوران، کمپنی کے مجموعی منافع میں 6,457 ملین روپے کا اضافہ ہوا جو سنہ 2019ء کے مقابلے میں 54 فیصد زیادہ ہے اور اس طرح ملکی کاروبار میں اضافے کے ساتھ تیاری کے اخراجات میں عمدہ کارکردگی اور اخراجات سے زیادہ سے زیادہ فائدہ اٹھانا ظاہر ہوتا ہے۔

مورخہ 31 دسمبر، 2020ء کو ختم ہونے والے سال کے دوران کمپنی نے 2,554 ملین روپے کی صورت میں قبل از ٹیکس منافع حاصل کیا جو گزشتہ برس 2019ء میں یہ منافع 2,493 ملین روپے تھا۔ گزشتہ برس کے مقابلے میں قبل از ٹیکس آپریٹنگ منافع میں مجموعی اضافے کی بنیادی وجہ 2,732 ملین روپے کی نمایاں کمی تھی۔ اس کمی کی بنیادی وجہ سنہ 2019ء میں، کوٹری میں واقع فیکٹری کی بندش کے موقع پر ملازمین کی علیحدگی پر ہونے والے ایک مرتبہ کے اخراجات ہیں۔

ادارہ جاتی سماجی ذمہ داری ("CSR")

ترقی پذیر ممالک میں اس بات کی ضرورت پہلے سے کہیں زیادہ ہے کہ سماجی مسائل کے موثر اور عمدہ حل کی غرض سے ادارے، ملازمین، کیونٹیز اور سرکاری اہلکار مل جل کر کام کریں۔ تعلیم، خواتین کو بااختیار بنانے، اقتصادی موقع، بیماریوں سے بچاؤ اور تیاری کی غرض سے، کمپنی، اپنے تمام اسٹیک ہولڈرز کے ساتھ مل جل کر کام کرنے کو اہمیت دیتی ہے۔

کووڈ-19 کی وجہ سے سنہ 2020ء خاص طور پر چیلنجنگ رہا اور اس دوران ہم نے وبا سے بہت زیادہ متاثر ہونے والوں کے لیے مالی اور اشیاء کی صورت میں عطیات کے ذریعے اپنا کردار ادا کیا۔ ان مشکل حالات میں کمپنی نے مختلف کیونٹیز کو ریلیف کی فراہمی کے لیے سرگرمی سے کام کیا۔ وزیراعظم کے کووڈ-19 ریلیف فنڈ میں عطیہ دینے کے علاوہ کمپنی نے مالی اور اشیاء کی صورت میں بھی عطیات دینے کے علاوہ، مقامی طور پر کی جانے والی کوششوں



ڈائریکٹر رپورٹ

کاروبار کا جائزہ

سال کے اختتام پر، کمپنی کے کاروباری حجم میں 20 فیصد کمی ہوئی جس کی بنیادی وجہ ٹیکس ادا شدہ سگریٹیں بنانے والی صنعت کو بنائیکس ادا شدہ سگریٹیں بنانے والی صنعت کی جانب سے دباؤ کا سامنا کرنے پڑا جس کا، سنہ 2020ء میں (ریٹیل آڈٹ کے مطابق) کل مارکیٹ میں حصہ 37 فیصد رہا جبکہ سنہ 2019ء میں یہ حصہ 33.1 فیصد تھا اور اس دباؤ کی بھی بنیادی وجہ ستمبر، 2018ء اور جون، 2019ء میں پیش کیے گئے وفاقی بجٹ میں ایکسائز ڈیوٹی میں 93 فیصد کا غیر معمولی اضافہ تھا (value tier) جس سے ڈیوٹی ادا نہ کرنے والی اور ڈیوٹی ادا کرنے والی سگریٹوں کی قیمتوں کے درمیان فرق اور بھی بڑھ گیا جو قانون میں سگریٹوں کے لیے متعین کردہ کم سے کم قیمتوں پر فروخت ہو رہی ہیں۔ قانون کے تحت مقرر کردہ کم سے کم قیمت -63 روپے فی بیک ہے جس کا مقصد وفاقی ایکسائز ڈیوٹی کی وصولی ہے۔ مارچ، 2020ء میں حکومت نے ایک قانونی انضباطی حکم (Statutory Regulatory Order) نمبر 72(I)/2020 جاری کیا اور اس حکم کے ذریعے تمباکو اور تمباکو سے تیار کردہ مصنوعات کی تشہیر، فروغ اور اسپانسرشپ پر پابندی لگا دی۔ قانون پر عمل کرنے والے ادارے کی حیثیت سے کمپنی نے ان احکامات پر فوری عمل درآمد یقینی بنایا، تاہم مختلف برانڈز بنانے والے متعدد مقامی اداروں نے ان پابندیوں کی خلاف ورزی جاری رکھی۔ مساوی مواقع کی غیر موجودگی کمپنی کو درپیش اہم چیلنجوں میں سے ایک ہے جو سرکاری محصولات، اور تمباکو پر قابو پانے کے لیے تمام حکومتی کوششوں پر منفی اثر ڈال رہا ہے۔

ریگولیٹری معاملات اور قومی خزانے میں حصہ

اسی عرصے کے دوران، وفاقی بجٹ 2020-21ء میں مقامی طور پر تیار کی جانے والی سگریٹوں پر عائد ایکسائز کی شرحوں میں کسی اضافے کا اعلان نہیں کیا اور بجٹ اس کے بغیر منظور بھی کر لیا گیا اور وفاقی ایکسائز کے نفاذ اور وصولی کی غرض سے کم سے کم قیمت بھی برقرار رکھی گئی۔ مزید برآں، ایک مسلسل کوشش اور تمام اسٹیک ہولڈرز کے مفاد میں، معیشت کو ٹیکس کے جان میں لانے کی غرض سے، غیر قانونی سگریٹ تیار کرنے والے سیکٹر کے خلاف حکومت تمام ممکن سخت اقدامات کر رہی ہے جن میں سگریٹوں کے پیک پر ٹیکس اسٹمپ متعارف کرانا شامل ہے۔ فیڈرل بورڈ آف ریونیو (FBR) نے بھی، سنہ 2019ء میں، ٹریک اینڈ ٹریس سسٹم متعارف کرانے کی متعدد کوششیں کیں جس کے لیے اس سسٹم کی تیاری، دیکھ بھال اور آپریشن کے لیے درخواستیں بھی طلب کی گئیں۔ تاہم، اس طریقہ کار کے عمل درآمد میں تاخیر ہوتی رہی ہے تاہم، فیڈرل بورڈ آف ریونیو، ایک بین الاقوامی کنسلٹنسی فرم کی معرفت، بین الاقوامی معیار کے مطابق، خریداری کے طریقہ کار کی نگرانی کے ذریعے سسٹم کی تنصیب کے لیے پرعزم ہے۔ فیڈرل بورڈ آف ریونیو کی مسلسل کوششوں کے نتیجے میں، توقع ہے کہ ٹریک اینڈ ٹریس جولائی 2021ء تک کام کرنا شروع کر دے گا۔

فیڈرل ایکسائز ایکٹ 2005ء میں آزاد جموں اور کشمیر (AJ&K) کو نان-ٹیرف علاقہ قرار دیا گیا ہے اگرچہ فیڈرل ایکسائز ڈیوٹی نوٹیفکیشن SRO 684(I)/2005 مؤرخہ 08 جولائی، 2005ء میں نان-ٹیرف علاقوں سے ٹیرف والے علاقوں میں سگریٹوں کے داخل ہونے کی صورت میں آزاد جموں و کشمیر کو سگریٹوں پر ایکسائز ڈیوٹی کی ادائیگی سے مستثنیٰ قرار دیا گیا ہے۔ حال میں فیڈرل ایکسائز ڈیوٹی SRO 96(I)/2021 کا اجراء، ایک مثبت قدم ہے جس کا مقصد نان-ٹیرف والے علاقوں سے ٹیرف والے علاقوں میں مصنوعات کے داخلے پر ٹیکس چوری کی نگرانی کرتا ہے اور اس کے لیے ایف بی آر نے ٹریڈروٹس کے ساتھ، کوئی چیک پوسٹس بھی قائم کی ہیں۔ ٹیکس چوری کے واقعات کو روکنے کے لیے اس نوعیت کی پالیسیاں اور مسلسل نفاذ لازمی ہیں۔



ڈائریکٹر رپورٹ

برائے سال مختتم 31 دسمبر، 2020ء

اس سال نے کوویڈ-19 (COVID-19) کی صورت ایک ایسا بڑا بحران دیکھا جس کی مثال نہیں ملتی ہے تاہم، اس وبا سے نمٹنے کے دوران اپنے ملازمین اور اسٹیک ہولڈرز کے تحفظ کو ترجیح حاصل رہی۔ ایک ذمہ دار ادارے کی حیثیت سے کمپنی نے صوبائی حکومت کے احکامات کی روشنی میں، اسٹینڈرڈ آپریٹنگ پروسیجرز (Standard Operating Procedures; SOPs) اور وہ تمام اقدامات کیے جن سے اپنے صارفین، کسٹمرز اور ملازمین کا تحفظ یقینی بنایا جاسکے۔ تحفظ کے لیے جو اقدامات کیے گئے ان میں لازماً گھر سے دفتری امور کی انجام دہی، فیکٹری تک رسائی کو عملے کے لازمی افراد تک محدود کرنا، درجہ حرارت کی اسکریننگ کے اقدامات، صفائی اور جراثیم سے پاک کرنے طریقوں پر عمل درآمد میں اضافہ، سرگرمیوں کی مختلف گروہوں میں تقسیم، (مثلاً کام کرنے والے گروہوں کی علیحدگی، کھانے/آرام کے مختلف وقفے اور شفٹوں میں تبدیلی، وغیرہ) شامل تھے۔ اس عرصے میں، پورے ملک میں کمپنی کے دفاتر نے دوبارہ تمام معلق SOPs کے ساتھ کام کرنا شروع کیا اور ان میں اسمارٹ ورک اپروچ، کام کرنے کے لیے فاصلاتی ٹولز کا استعمال اور ہماری عمارات میں داخل ہونے والے تمام افراد کی مسلسل نگرانی اور ٹیسٹنگ تاکہ ملازمین کا تحفظ یقینی بنایا جاسکے۔ کمپنی نے، کاروبار جاری رکھنے کے لیے، تمام ممکنہ کوششیں کیں جس کے لیے انتظامی ٹیموں نے بھی معاونت کی اور ساتھ ہی کمپنی کی روزانہ کی کاروباری سرگرمیوں پر منفی اثرات کم سے کم رکھنے کی کوششیں بھی کی گئیں۔

مجھے خوشی ہے کہ میں فلپ مورس پاکستان لمیٹڈ ("کمپنی") کے بورڈ آف ڈائریکٹرز کی جانب سے مورخہ 31 دسمبر 2020ء کو ختم ہونے والے سال کے لیے ڈائریکٹرز کی رپورٹ کے ہمراہ کمپنی کے آڈٹ شدہ مالی گوشواروں پیش کر رہا ہوں۔








اہم میٹرکس	پیمائش کا یونٹ	31 دسمبر، 2020ء	اضافہ/(کمی)	%
حجم	بائیو	9.6	(2.4)	(20)
خالص کاروبار	مائیو	16,596	3,262	24
مجموعی منافع	مائیو	6,457	2,267	54
قبل از ٹیکس منافع	مائیو	2,554	5,047	>100
بعد از ٹیکس منافع	مائیو	1,765	3,745	>100
فی حصص آمدنی	فی حصص	16.76	49	>100



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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, 2021 and at any adjournment thereof.

Signed this _____ day of _____ 2021

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 شرکت داروں کی 21 اپریل 2021 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: _____ 2021

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

ریپوینٹ نمبر پر دستخط

گواہ نمبر 2

گواہ نمبر 1

دستخط: _____ نام: _____
دستخط: _____ 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 آپ پاکستان میں جمع کروائے ہوں، تو اس صورت میں نمائندے کو شرکت دار کا شناختی نمبر اور سی ڈی سی اکاؤنٹ / سب اکاؤنٹ نمبر کے ساتھ کمپیوٹر انزڈ قومی شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ فوٹو کاپیاں ہمراہ لانا ضروری ہے۔
- 4- نمائندے کو یہ فارم مکمل کر کے ہمراہ تمام ضروری دستاویزات، اجلاس سے کم از کم 48 گھنٹے قبل کمپنی کے شیئرز رجسٹرار کے دفتر میں جمع کرانا ہوں گے۔



Philip Morris (Pakistan) Limited

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HC-3, Block-4, Clifton Karachi-75600

www.philipmorrispakistan.com.pk