



PHILIP MORRIS  
(PAKISTAN) LIMITED

## HALF YEARLY REPORT

For the half year ended June 30, 2021  
(Un-audited)



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## COMPANY INFORMATION

### BOARD OF DIRECTORS

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

### COMPANY SECRETARY

SANA ENAIT HASHMI

### AUDIT COMMITTEE

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

### HUMAN RESOURCE & REMUNERATION COMMITTEE

|                 |                                    |
|-----------------|------------------------------------|
| KAMRAN Y. MIRZA | (Chairman)                         |
| ROMAN YAZBECK   |                                    |
| PETER CALON     |                                    |
| SARAH HASSAN    | (Until March 31, 2021) (Secretary) |
| MIRELA SPAGOVIC | (From June 1, 2021) (Secretary)    |

### AUDITORS

A. F. FERGUSON & CO.  
Chartered Accountants

### BANKERS

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

### REGISTERED OFFICE

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

### FACTORIES

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

### SHARE REGISTRAR

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

Website : [www.philipmorriskpakistan.com.pk](http://www.philipmorriskpakistan.com.pk)

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



## DIRECTORS' REPORT

### FOR THE HALF-YEAR ENDED JUNE 30, 2021

Pakistan's economy has started gaining momentum and we appreciate the Government's efforts in this regard especially towards ease of doing business, growth in large scale manufacturing, strengthening of governance, widening tax net etc. However, the spread of new variants (locally and globally) amidst the ongoing fourth wave of the pandemic might pose a risk to this growth trajectory. While dealing with the pandemic our priority remained the safety of our employees and stakeholders. In line with the Government directives, we are encouraging employee vaccination and the Company's offices across the Country are operational with relevant SOPs in place with the close monitoring of the pandemic situation.

No change in excise rates on cigarettes during federal budget 2020/2021 proved to be positive for Government Revenue and the Company's contribution to the National Exchequer during fiscal year (July'20-Jun'21) in the form of excise duty, sales tax and other government levies, which stood at PKR 24,052 million (higher by 18.7% compared to the previous fiscal year July'19-Jun'20). No change in excise rates during the fiscal year 2020/21 also led to consumer price stability of the legitimate cigarette brands. However, the issue of non-tax paid illicit cigarette continues to have a detrimental effect with a market share of approximately 40% (which in 2013 was 23%) resulting in an annual loss of PKR 70-77 billion (estimated) to the national exchequer. The past decade has witnessed a growth of local cigarette manufacturers across Pakistan (including AJK) manufacturing over 100+ brands, selling at a lower price than the minimum price prescribed under tax laws for the purposes of levy and collection of federal excise duty i.e. PKR 63 per pack. Such products can be found in the market being sold between PKR 25 to PKR 38 per pack. In addition to violating the tax laws, these manufacturers continue to advertise and incentivize cigarette smokers to purchase their brands by offering cash prizes, gifts and travel opportunities, which is a violation under tobacco advertisement control guidelines issued by the Federal Ministry of National Health Services Regulations and Coordination.

During the six months ended June 30, 2021, despite all the challenges above, the Company's net turnover stood at PKR 9,224 million reflecting an increase of 4.7% versus the same period last year. During the six months, the Company's contribution to the National Exchequer, in the form of excise duty, sales tax and other government levies, stood at PKR 14,435 million (higher by 15.5% compared to the same period last year) reflecting 60% of half-yearly Gross Turnover. The Company recorded Profit After Tax of PKR 1,720 million for the six months ended Jun 30, 2021 (compared to Profit After Tax of PKR 1,253 million for the same period last year) equivalent to 7.2% of half-yearly Gross Turnover. Distribution & Marketing expenses showed an increase over the prior year reflecting our continued commitment to allocating resources for initiatives behind building brands and route to market activities whilst remaining compliant with applicable laws that can earn the best returns coupled with lower expenses in Q2'20 driven by COVID 19 lockdown measures. Further, we continue to find efficiencies in Administrative Expenses to ensure the increase remains under inflation.

During the period, we continued our efforts to engage with the Government highlighting concerns towards the illicit sector and lack of a level playing field. The announcement of the Federal Budget 2021/22 in Jun'21 saw unaltered excise rates on cigarettes which can continue to support Government Revenues during the ongoing fiscal year and the stability of the consumer prices of legitimate cigarettes brands. Further, in the Finance bill 2021/22 a requirement to obtain brand registration certificates for specified sectors was also tabled and is now being formalized with the issuance of Sales Tax General Order (STGO) dated August 3, 2021 which requires manufacturers of specified goods including tobacco to obtain brand registration certificates.



## DIRECTORS' REPORT

Furthermore, 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 arriving in Pakistan. We also continue to support the introduction of the Track and Trace system and strongly urge the Government for its sooner implementation as it will be an effective tool to supplement enforcement efforts against tax evasion.

We acknowledge the above-mentioned efforts along with regular enforcement measures against illicit products etc. and strongly urge the Government to continue these measures as these can only be successful with continued robust enforcement and its implementation in letter and spirit to ensure a level playing field across the board.

While the Company is mindful of the recent surge in COVID-19 cases, the Management team continues to remain committed to improving the overall performance of the Company by utilizing global resources, pursuing strategic commercial activities, process and operational efficiency etc. On behalf of the Board of Directors, we would like to express our gratitude and appreciation to all our employees, shareholders, business partners and other institutions for their continued trust and support.

On behalf of the Board of Directors,

**KAMRAN Y. MIRZA**  
Chairman

**ROMAN YAZBECK**  
Chief Executive

Karachi: August 27, 2021



## ڈائریکٹرز رپورٹ

برائے ششماہی ختمہ 30 جون، 2021ء

پاکستانی معیشت نے متحرک ہونا شروع کر دیا ہے اور ہم، اس سلسلے میں، اور بالخصوص سہولیات کاروبار (ease of doing business)، بڑے پیمانے پر دیکھ بھال، گورنس کی مضبوطی اور ٹیکس نیٹ وسعت وغیرہ کے لیے حکومت کی کوششوں کو سراہتے ہیں۔ تاہم، عالمی اور مقامی سطح پر نئے ویری ایٹنس کا پھیلاؤ اور چوتھی لہر کے دوران، جو ابھی چل رہی ہے، ترقی کی اس پرواز کے لیے خطرہ ثابت ہو سکتی ہے۔ وبائے ٹمٹنے کے دوران ہماری ترجیح اپنے ملازمین اور اسٹیک ہولڈرز کا تحفظ رہا۔ سرکاری احکامات کی تعمیل میں، ہم اپنے ملازمین کی حوصلہ افزائی کر رہے ہیں کہ وہ بھی ویکسین لگوائیں اور ملک بھر میں کمپنی کے دفاتر متعلقہ SOPs کے ساتھ کام کر رہے ہیں اور وبائی صورت حال کی گہری نگرانی کی جا رہی ہے۔

وفاقی بجٹ 2020-2021ء میں سگریٹوں پر ایکسائز کی شرحوں میں کوئی تبدیلی نہیں ہوئی اور یہ سرکاری محصولات کے حوالے سے مثبت ثابت ہوا اور مالی سال (جون 2020- جولائی 2021) کے دوران قومی خزانے میں ایکسائز ڈیوٹی، سیلز ٹیکس اور دیگر سرکاری لیویز، کی صورت میں کمپنی کا حصہ 24,052 ملین روپے تھا (گزشتہ مالی سال جولائی 2019- جون 2020) کے مقابلے میں 18.7 فیصد زیادہ تھا۔ مالی سال 2020-2021ء کے دوران ایکسائز کی شرح میں تبدیلی نہ ہونے کا اثر قانونی سگریٹ کے برانڈز استعمال کرنے والوں کے لیے قیمت میں استحکام کی صورت میں ظاہر ہوا۔ تاہم، ٹیکس ندادا کرنے والی غیر قانونی سگریٹ کا تباہ کن اثر جاری رہا جس کا مارکیٹ میں حصہ 40 فیصد رہا (جوسہ 2013ء میں 23 فیصد تھا) اور جس کے نتیجے میں قومی خزانے کو اندازاً 70-77 ارب روپے کا سالانہ نقصان ہوا۔ گزشتہ دہائی میں، آزاد جموں و کشمیر سمیت، پورے پاکستان میں مقامی سگریٹوں بنانے والوں کی تعداد میں خودرو اضافہ دیکھا گیا جو 100 سے زائد برانڈ بنا رہے تھے اور ایسی قیمتوں پر فروخت کر رہے تھے جو ٹیکس قوانین کے تحت مقرر کردہ قیمت یعنی 63/- روپے فی پیک کی کم سے کم قیمت سے بھی کم تھیں۔ ایسی پروڈکٹس مارکیٹ میں 25/- روپے سے 38/- فی پیک کی قیمت پر دستیاب ہیں۔ ٹیکس کی قوانین کی خلاف ورزی کرنے کے علاوہ، یہ سگریٹ تیار کرنے والے تشہیر بھی جاری رکھے ہوئے ہیں اور سگریٹ پیٹے والوں کی ترغیب دیتے ہیں کہ وہ ان کے برانڈز خریدیں اور ان کے بدلے میں انھیں نقد انعامات، تحائف اور سفر کے مواقع پیش کرتے ہیں جو وفاقی وزارت برائے خدمات قومی صحت، مضوابط و روابط باہمی کی جاری کردہ ٹیکس ایڈورٹمنٹ کنٹرول گائیڈ لائنز کی خلاف ورزی بھی ہے۔

مؤرخہ 30 جون، 2021ء کو ختم ہونے والے چھ ماہ کے دوران، مذکورہ بالا تمام چیلنجوں کے باوجود، کمپنی کا خالص کاروبار 9,224 ملین روپے رہا جس سے، گزشتہ برس کے اسی عرصے کے مقابلے میں 4.7 فیصد اضافہ ظاہر ہوتا ہے۔ ان چھ ماہ کے دوران، قومی خزانے میں، ایکسائز ڈیوٹی، سیلز ٹیکس اور دیگر سرکاری محاصل کی صورت میں، کمپنی کا حصہ 14,435 ملین روپے رہا (گزشتہ برس کے اسی عرصے کے مقابلے میں 15.5 فیصد زیادہ تھا) جس سے ششماہی کے لیے مجموعی کاروبار میں 60 فیصد اضافہ ظاہر ہوتا ہے۔ کمپنی نے، 30 جون، 2021ء کو ختم ہونے والے چھ ماہ کے دوران، 1,720 ملین روپے کا بعد از ٹیکس منافع حاصل کیا (گزشتہ برس کے اسی عرصے کے دوران 1,253 ملین روپے بعد از ٹیکس تھا) جو گزشتہ ششماہی کے مجموعی کاروبار سے 7.2 فیصد زیادہ ہے۔ ڈسٹری بیوشن اور مارکیٹنگ پر ہونے والے اخراجات میں، گزشتہ برس کے مقابلے میں، اضافہ دیکھا گیا جس سے برانڈز کی تعمیر اور مارکیٹ سے تعلق

## ڈائریکٹرز رپورٹ

رکھنے والی سرگرمیوں کے لیے وسائل کی فراہمی کے مسلسل عزم کا اظہار ہوتا جو مالی سال کی دوسری سہ ماہی میں کووڈ-19 کے باعث تالا بندی کے اقدامات سے متاثر کم تر اخراجات کے ساتھ بہترین منافع دیتی ہے۔ مزید برآں، ہم انتظامی اخراجات میں عمدہ کارکردگی کے لیے طریقے تلاش کرتے رہے تاکہ ان اخراجات میں اضافہ افراط زر سے کم رہے۔

زیر جائزہ عرصے کے دوران، ہم نے حکومت کے ساتھ رابطہ جاری رکھا اور اس کے سامنے غیر قانونی سیکٹر اور مساوی مواقع کی عدم فراہمی جیسے مسائل اُجاگر کرتے رہے۔ جون 2021-2022ء میں وفاقی بجٹ کے اعلان کے موقع پر سگریٹوں پر ایکسائز کی شرح برقرار رکھی گئی جو مالی سال کے دوران سرکاری محصولات اور سگریٹوں کے قانونی برائڈز کے لیے صارفین کی قیمت میں استحکام کے لیے مددگار رہے گی۔ مزید یہ کہ، فنانس بل 2021-2022 میں مخصوص سیکٹرز کے برائڈز کے لیے برائڈ لائسنسوں کا حصول بھی پیش کیا گیا جسے اب 03 اگست، 2021ء کو سلیکٹڈ جنرل آرڈر (ایس ٹی جی او) کے اجراء کے موقع پر باقاعدہ شکل دی جا رہی ہے جس میں مخصوص اشیاء، بشمول سگریٹس تیار کرنے والے برائڈ رجسٹریشن سرٹیفکیٹ حاصل کریں۔

مزید برآں، کمپنی کو اس بات پر خوشی ہے کہ حکومت نے آزاد جموں اور کشمیر ٹریڈ روٹ سے آنے والی اشیاء کے لیے چیکس اور بیلنسز تیار کرنے کی جانب پیش رفت شروع کر دی ہے تاکہ پاکستان آنے والی اشیاء پر درست ٹیکس لگا جاسکے۔ ہم ٹریک اینڈ ٹریس سسٹم متعارف کرانے کی حمایت جاری رکھیں گے اور حکومت پر زور دیں گے کہ وہ اس پر جلد از جلد عمل درآمد کا آغاز کرے کیونکہ ٹیکس چھپانے کے خلاف یہ کوششوں کے لیے ایک موثر ٹول ہے۔

ہم مذکورہ بالا کوششوں کے علاوہ غیر قانونی پروڈکٹس وغیرہ کے قانون کے نفاذ کے اقدامات کا بھی اعتراف کرتے ہیں اور حکومت پر زور دیتے ہیں کہ وہ ان اقدامات کو جاری رکھے تاکہ یہ کوششیں صرف اسی وقت کامیابی ہو سکتی ہیں جب سختی سے نفاذ اور پورے جوش و جذبے کے ساتھ عمل درآمد کیا جائے تاکہ تمام فریقین کو مساوی مواقع یقینی بنائیں۔

کمپنی کو وڈ-19 میں حالیہ تیزی سے باخبر ہے اور انتظامی ٹیم عالمی وسائل کے استعمال، حکمت عملی پر مبنی تجارتی سرگرمیوں پر عمل درآمد اور پروسس اور اپریشنز میں عمدگی کے ذریعے کمپنی کی مجموعی کارکردگی بہتر بنانے کے لیے پرعزم ہے۔ بورڈ آف ڈائریکٹرز کی جانب ہم تمام ملازمین، جھص یا فنگان، کاروباری شراکت داروں اور دیگر اداروں کا شکریہ ادا کرنا چاہتے ہیں کہ انہوں نے مسلسل اپنی اعانت اور اعتماد جاری رکھا۔

بورڈ آف ڈائریکٹرز کی جانب سے



رومن یابیک  
چیف ایگزیکٹو



کامران یوسف مرزا  
چیرمین

بتاریخ: کراچی، 27 اگست، 2021ء



# AUDITORS' REPORT

## INDEPENDENT AUDITOR'S REVIEW REPORT

**To the members of Philip Morris (Pakistan) Limited**

**Report on review of Interim Financial Statements**

### Introduction

We have reviewed the accompanying condensed interim statement of financial position of Philip Morris (Pakistan) Limited as at June 30, 2021 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows and notes to the financial statements for the six months period then ended (here-in-after referred to as the "condensed interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

The figures of the condensed interim statement of profit or loss and other comprehensive income for the quarters ended June 30, 2021 and 2020 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended June 30, 2021.

### Scope of Review

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

### Conclusion

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

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





# CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2021

|  | Note | June 30,<br>2021<br>(Un-audited)<br>(Rupees in thousand) | December 31,<br>2020<br>(Audited)<br>(Rupees in thousand) |
|--|------|--|---|
| <b>ASSETS</b>  |      |  |   |
| <b>NON-CURRENT ASSETS</b>                                      |      |  |   |
| <b>Fixed Assets</b>  |      |  |   |
| - Property, plant and equipment                                | 5    | 5,324,466  | 5,622,808   |
| - Right-of-use assets  |      | 227,800  | 348,005   |
| - Intangibles  |      | 54,163   | 60,592  |
|  |      | <u>5,606,429</u>   | <u>6,031,405</u>  |
| Investment in a subsidiary company                             | 6    | 1  | 1   |
| Long term deposits   |      | 78,200   | 79,184  |
| Deferred taxation  |      | 776,837  | 1,069,520   |
|  |      | <u>6,461,467</u>   | <u>7,180,110</u>  |
| <b>CURRENT ASSETS</b>  |      |  |   |
| Stores and spares - net  |      | 77,077   | 94,340  |
| Stock in trade - net   | 7    | 3,479,782  | 4,866,357   |
| Trade debts - net  |      | 3,238  |   |
| Advances   | 8    | 117,438  | 123,897   |
| Prepayments  |      | 54,685   | 74,687  |
| Other receivables  |      | 665,076  | 717,905   |
| Income tax - net   |      | 412,378  | 651,999   |
| Staff retirement benefits                                      |      | 110,226  | 110,226   |
| Cash and bank balances   |      | 7,626,542  | 5,383,334   |
| Non-current assets held for disposal                           | 9    | -  | 1,105   |
| <b>TOTAL CURRENT ASSETS</b>                                    |      | <u>12,546,442</u>  | <u>12,023,850</u>   |
| <b>TOTAL ASSETS</b>  |      | <u><b>19,007,909</b></u>                                 | <u><b>19,203,960</b></u>                                  |
| <b>EQUITY AND LIABILITIES</b>                                  |      |  |   |
| <b>SHARE CAPITAL AND RESERVES</b>                              |      |  |   |
| Authorised capital   |      | <u>12,000,000</u>  | <u>12,000,000</u>   |
| Issued, subscribed and paid-up capital                         |      |  |   |
| - Ordinary shares  |      | 615,803  | 615,803   |
| - Preference shares  |      | 10,464,000   | 10,464,000  |
|  |      | <u>11,079,803</u>  | <u>11,079,803</u>   |
| Transaction cost on issuance of preference shares - net of tax |      | (33,911)   | (33,911)  |
|  |      | <u>11,045,892</u>  | <u>11,045,892</u>   |
| Reserves   |      | 1,729,296  | 27,607  |
| <b>TOTAL EQUITY</b>  |      | <u>12,775,188</u>  | <u>11,073,499</u>   |
| <b>NON-CURRENT LIABILITIES</b>                                 |      |  |   |
| Lease liabilities  |      | 196,859  | 325,422   |
| <b>CURRENT LIABILITIES</b>                                     |      |  |   |
| Trade and other payables                                       | 10   | 4,701,237  | 4,898,438   |
| Current maturity of lease liabilities                          |      | 114,778  | 110,657   |
| Unclaimed dividend   |      | 37,196   | 33,725  |
| Unpaid dividend  |      | -  | 1,076,845   |
| Accrued mark-up on short borrowings                            |      | 305  | 249   |
| Sales tax and excise duty payable                              |      | 1,182,346  | 1,685,125   |
| <b>TOTAL CURRENT LIABILITIES</b>                               |      | <u>6,035,862</u>   | <u>7,805,039</u>  |
| <b>TOTAL LIABILITIES</b>                                       |      | <u>6,232,721</u>   | <u>8,130,461</u>  |
| <b>TOTAL EQUITY AND LIABILITIES</b>                            |      | <u><b>19,007,909</b></u>                                 | <u><b>19,203,960</b></u>                                  |
| <b>CONTINGENCIES AND COMMITMENTS</b>                           |      |  |   |

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

Karachi: August 27, 2021

**KAMRAN Y. MIRZA**  
Chairman

**ROMAN YAZBECK**  
Chief Executive

**MUHAMMAD ZEESHAN**  
Chief Financial Officer



# CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Un-audited)

## FOR THE QUARTER AND SIX MONTHS PERIOD ENDED JUNE 30, 2021

|   | Note | Quarter ended    |                  | Six months period ended |                  |
|---|------|------------------|------------------|-------------------------|------------------|
|   |      | June 30,<br>2021 | June 30,<br>2020 | June 30,<br>2021        | June 30,<br>2020 |
| ----- (Rupees in thousand) -----        |      |                  |                  |                         |                  |
| Turnover - net                          | 12   | <b>4,784,234</b> | 4,607,984        | <b>9,224,025</b>        | 8,806,270        |
| Cost of sales                           | 13   | <b>2,471,861</b> | 2,449,879        | <b>4,763,039</b>        | 5,177,656        |
| Gross profit                            |      | <b>2,312,373</b> | 2,158,105        | <b>4,460,986</b>        | 3,628,614        |
| Distribution and marketing expenses     |      | <b>581,046</b>   | 431,779          | <b>1,431,928</b>        | 953,487          |
| Administrative expenses                 |      | <b>395,370</b>   | 420,048          | <b>734,140</b>          | 772,346          |
| Other expenses                          | 14   | <b>130,507</b>   | 124,074          | <b>265,362</b>          | 249,203          |
| Other income                            |      | <b>(165,336)</b> | (107,343)        | <b>(418,596)</b>        | (196,933)        |
|   |      | <b>941,587</b>   | 868,558          | <b>2,012,834</b>        | 1,778,103        |
|   |      | <b>1,370,786</b> | 1,289,547        | <b>2,448,152</b>        | 1,850,511        |
| Finance cost and bank charges           |      | <b>15,388</b>    | 37,378           | <b>34,548</b>           | 49,482           |
| Profit before taxation                  |      | <b>1,355,398</b> | 1,252,169        | <b>2,413,604</b>        | 1,801,029        |
| Taxation charge                         | 15   | <b>353,929</b>   | 361,052          | <b>693,723</b>          | 548,513          |
| Profit after taxation                   |      | <b>1,001,469</b> | 891,117          | <b>1,719,881</b>        | 1,252,516        |
| Other comprehensive income              |      | -                | -                | -                       | -                |
| Total comprehensive income for the year |      | <b>1,001,469</b> | 891,117          | <b>1,719,881</b>        | 1,252,516        |
| ----- (Rupees) -----                    |      |                  |                  |                         |                  |
| Earnings per share                      |      |                  |                  |                         |                  |
| - Basic                                 | 16   | <b>16.26</b>     | 14.47            | <b>27.93</b>            | 20.34            |
| - Diluted                               | 16   | <b>13.89</b>     | 13.26            | <b>23.86</b>            | 18.64            |

**KAMRAN Y. MIRZA**  
Chairman

**ROMAN YAZBECK**  
Chief Executive

**MUHAMMAD ZEESHAN**  
Chief Financial Officer

Karachi: August 27, 2021



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

## FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2021

|   | Issued, subscribed and paid-up capital |                   | Transaction cost on issuance of preference shares -net of tax | Reserves                         |  |                           |                  |                     |                           | Subtotal - Reserves | Total      |
|---|--|-------------------|---|----------------------------------|--|---------------------------|------------------|---------------------|---------------------------|---------------------|------------|
|   | Ordinary shares                        | Preference shares |   | Capital Reserves                 |  |                           | Revenue Reserves |                     |                           |                     |            |
|   |  |                   |   | Reserve for share based payments | Remeasure-ment of staff retirement gratuity plan -net of tax | Subtotal Capital Reserves | General reserve  | Unappropriated loss | Subtotal Revenue Reserves |                     |            |
|   |  |                   |   |                                  |  |                           |                  |                     |                           |                     |            |
| (Rupees in thousand)  |  |                   |   |                                  |  |                           |                  |                     |                           |                     |            |
| Balance as at January 1, 2020                                       | 615,803                                | 10,464,000        | (33,911)  | 11,148                           | (243,756)  | (232,608)                 | 4,676,610        | (4,839,011)         | (162,401)                 | (395,009)           | 10,650,883 |
| Share based payments  |  |                   |   |                                  |  |                           |                  |                     |                           |                     |            |
| - expense   | -                                      | -                 | -   | 13,846                           | -  | 13,846                    | -                | -                   | -                         | 13,846              | 13,846     |
| - recharge  | -                                      | -                 | -   | (27,236)                         | -  | (27,236)                  | -                | -                   | -                         | (27,236)            | (27,236)   |
|   | -                                      | -                 | -   | (13,390)                         | -  | (13,390)                  | -                | -                   | -                         | (13,390)            | (13,390)   |
| Total comprehensive income  |  |                   |   |                                  |  |                           |                  |                     |                           |                     |            |
| Profit after taxation for the six months period ended June 30, 2020 | -                                      | -                 | -   | -                                | -  | -                         | -                | 1,252,516           | 1,252,516                 | 1,252,516           | 1,252,516  |
|   | -                                      | -                 | -   | -                                | -  | -                         | -                | 1,252,516           | 1,252,516                 | 1,252,516           | 1,252,516  |
| Balance as at June 30, 2020   | 615,803                                | 10,464,000        | (33,911)  | (2,242)                          | (243,756)  | (245,998)                 | 4,676,610        | (3,586,495)         | 1,090,115                 | 844,117             | 11,890,009 |
| Balance as at January 1, 2021                                       | 615,803                                | 10,464,000        | (33,911)  | 17,663                           | (244,220)  | (226,557)                 | 3,328,327        | (3,074,163)         | 254,164                   | 27,607              | 11,073,499 |
| Share based payments  |  |                   |   |                                  |  |                           |                  |                     |                           |                     |            |
| - expense   | -                                      | -                 | -   | 13,421                           | -  | 13,421                    | -                | -                   | -                         | 13,421              | 13,421     |
| - recharge  | -                                      | -                 | -   | (31,613)                         | -  | (31,613)                  | -                | -                   | -                         | (31,613)            | (31,613)   |
|   | -                                      | -                 | -   | (18,192)                         | -  | (18,192)                  | -                | -                   | -                         | (18,192)            | (18,192)   |
| Total comprehensive income  |  |                   |   |                                  |  |                           |                  |                     |                           |                     |            |
| Profit after taxation for the six months period ended June 30, 2021 | -                                      | -                 | -   | -                                | -  | -                         | -                | 1,719,881           | 1,719,881                 | 1,719,881           | 1,719,881  |
|   | -                                      | -                 | -   | -                                | -  | -                         | -                | 1,719,881           | 1,719,881                 | 1,719,881           | 1,719,881  |
| Balance as at June 30, 2021   | 615,803                                | 10,464,000        | (33,911)  | (529)                            | (244,220)  | (244,749)                 | 3,328,327        | (1,354,282)         | 1,974,045                 | 1,729,296           | 12,775,188 |

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

**KAMRAN Y. MIRZA**  
Chairman

**ROMAN YAZBECK**  
Chief Executive

**MUHAMMAD ZEESHAN**  
Chief Financial Officer

Karachi: August 27, 2021



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

**FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2021**

|   | Note | Six months period ended |                  |
|---|------|-------------------------|------------------|
|   |      | June 30,<br>2021        | June 30,<br>2020 |
| (Rupees in thousand)  |      |                         |                  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                 |      |                         |                  |
| Cash generated from operations                              | 18   | 3,428,439               | 4,623,046        |
| Staff retirement gratuity paid                              |      | (36,076)                | (33,440)         |
| Finance cost paid   |      | (34,492)                | (31,672)         |
| Profit received on savings accounts                         |      | 197,601                 | 15,550           |
| Income taxes paid   |      | (161,419)               | (21,562)         |
| Long term deposits  |      | 984                     | 40               |
| Net cash generated from operating activities                |      | 3,395,037               | 4,551,962        |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                 |      |                         |                  |
| Capital expenditure   |      | (176,984)               | (269,225)        |
| Acquisition of intangibles                                  |      | (5,089)                 | -                |
| Proceeds from disposal of items of:                         |      |                         |                  |
| Property, plant and equipment                               |      | 77,376                  | 66,790           |
| Non-current assets held for disposal                        |      | 78,106                  | -                |
| Net cash used in investing activities                       |      | (26,591)                | (202,435)        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                 |      |                         |                  |
| Dividend paid   |      | (1,073,374)             | (89)             |
| Principal element of lease payments                         |      | (51,864)                | (69,719)         |
| Net cash paid for financing activities                      |      | (1,125,238)             | (69,808)         |
| Net increase in cash and cash equivalents during the period |      | 2,243,208               | 4,279,719        |
| Cash and cash equivalents at the beginning of the period    |      | 5,364,473               | (535,053)        |
| Cash and cash equivalents at the end of the period          | 19   | 7,607,681               | 3,744,666        |

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

**KAMRAN Y. MIRZA**  
Chairman

**ROMAN YAZBECK**  
Chief Executive

**MUHAMMAD ZEESHAN**  
Chief Financial Officer



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

### FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2021

#### 1. THE COMPANY AND ITS OPERATIONS

- 1.1 Philip Morris (Pakistan) Limited (the Company) was incorporated in Pakistan on February 10, 1969 as a public limited company under the Companies Act, 1913 (now the Companies Act, 2017). The Company is listed on the Pakistan Stock Exchange. The principal activity of the Company is the manufacturing and sale of cigarettes and tobacco products. Its registered office is situated at 19th Floor, The Harbour Front, Dolmen City, HC - 3, Block 4, Clifton, Karachi, Pakistan.
- 1.2 In view of the exemption granted by the Securities & Exchange Commission of Pakistan (the SECP) vide its letter No. EMD/233/619/2002-641 dated March 26, 2021 from the requirement of section 228(7) of the Companies Act, 2017 (the Act) the consolidated financial statements of the group comprising the Company and its subsidiary, Laksonpremier Tobacco Company (Private) Limited, have not been prepared. The exemption is, however, subject to the condition that any material and relevant details of the aforesaid subsidiary shall be prominently disclosed by the Company.

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

#### 2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES

- 2.1 These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards applicable in Pakistan for interim financial reporting comprise of:
  - (a) International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Act; and
  - (b) Provisions of and directives issued under the Act.

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

- 2.2 The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the Company's audited financial statements for the year ended December 31, 2020 (December 2020 financial statements), except relating to the matter stated in note 2.3 below.
- 2.3 Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.
- 2.4 New standards, amendments and interpretation to published accounting and reporting standards which became effective during the period ended June 30, 2021:

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



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

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

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

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

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

### 3. BASIS OF PREPARATION

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



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

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

- 4.1 The preparation of these condensed interim financial statements in conformity with approved accounting and reporting standards for interim reporting requires the use of certain accounting estimates. It also requires management to exercise its judgments in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on hist es are recognised prospectively commencing from the period of revision.
- 4.2 During the preparation of these condensed interim financial statements, significant judgments made by management in applying the Company's accounting policies and key sources of estimation were the same as those applied in the December 2020 financial statements.
- 4.3 The Company's financial risk management objectives and policies are consistent with those disclosed in the December 2020 financial statements.

### 5. PROPERTY, PLANT AND EQUIPMENT

|   | Note       | June 30,<br>2021<br>(Un-audited)<br>(Rupees in thousand) | December 31,<br>2020<br>(Audited) |
|---|------------|--|-----------------------------------|
| Operating property, plant and equipment               | 5.1 to 5.4 | 4,893,320  | 5,003,286                         |
| Capital work-in-progress (CWIP)                       | 5.5        | 431,146  | 618,273                           |
| Major capital spares and stand-by equipment           |            | -  | 1,249                             |
|   |            | <u>5,324,466</u>   | <u>5,622,808</u>                  |
| 5.1 Operating property, plant and equipment           |            |  |                                   |
| Book value at the beginning of the period / year      |            | 5,003,286  | 4,344,780                         |
| Transfers from CWIP during the period / year          | 5.2        | 365,360  | 1,235,926                         |
| Assets transferred from held for disposal             |            | -  | 438,378                           |
|   |            | <u>5,368,646</u>   | <u>6,019,084</u>                  |
| Disposals during the period / year - net book value   | 5.3        | (24,002)   | (42,547)                          |
| Write offs during the period / year - net book value  |            | (579)  | (33,031)                          |
| Depreciation charge during the period / year          | 5.4        | (450,745)  | (927,029)                         |
| Impairment during the period / year - other assets    |            | -  | (12,086)                          |
| Impairment on assets transferred to held for disposal | 9          | -  | (1,105)                           |
|   |            | <u>(475,326)</u>   | <u>(1,015,798)</u>                |
| Book value at the end of the period / year            |            | <u>4,893,320</u>   | <u>5,003,286</u>                  |



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

|     |  | <b>Six months period ended</b> |                              |
|-----|--|--------------------------------|------------------------------|
|     |  | <b>June 30,<br/>2021</b>       | <b>June 30,<br/>2020</b>     |
|     |  | <b>(Un-audited)</b>            |                              |
|     |  | <b>(Rupees in thousand)</b>    |                              |
| 5.2 | Transfers from CWIP during the period:       |                                |                              |
|     | Buildings on freehold land                   | 30,695                         | 66,305                       |
|     | Plant and machinery                          | 304,630                        | 213,411                      |
|     | Furniture and fixtures                       | 4,570                          | 156                          |
|     | Office equipment                             | 2,090                          | 9,366                        |
|     | Vehicles                                     | -                              | 124,243                      |
|     | Power and other installations                | 15,949                         | 170,394                      |
|     | Computer equipment                           | 7,426                          | 3,526                        |
|     |  | <u>365,360</u>                 | <u>587,401</u>               |
| 5.3 | Disposals during the period - net book value |                                |                              |
|     | Freehold land                                | 30                             | 1,504                        |
|     | Buildings on freehold land                   | 1,060                          | 2,963                        |
|     | Vehicles                                     | 22,912                         | 23,280                       |
|     |  | <u>24,002</u>                  | <u>27,747</u>                |
| 5.4 | Depreciation charge during the period on:    |                                |                              |
|     | - property, plant and equipment              | <u>450,745</u>                 | <u>374,305</u>               |
|     |  | <b>June 30,<br/>2021</b>       | <b>December 31,<br/>2020</b> |
|     |  | <b>(Un-audited)</b>            | <b>(Audited)</b>             |
|     |  | <b>(Rupees in thousand)</b>    |                              |
| 5.5 | Capital work-in-progress                     |                                |                              |
|     | Civil works                                  | -                              | 3,093                        |
|     | Plant and machinery                          | 387,008                        | 500,100                      |
|     | Power and other installations                | 41,302                         | 28,452                       |
|     | Furniture and fixtures                       | -                              | 58,242                       |
|     | Computer equipment pending installations     | -                              | 875                          |
|     | Advance to suppliers and contractors         | 2,836                          | 27,511                       |
|     |  | <u>431,146</u>                 | <u>618,273</u>               |





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

### 6. INVESTMENT IN A SUBSIDIARY COMPANY

This represents the cost of 103 fully paid ordinary shares of Rs 10 each in Laksonpremier Tobacco Company (Private) Limited (the Subsidiary Company). Out of such 103 shares, two shares are in the name of the nominees. The statement of profit or loss and other comprehensive income of the Subsidiary Company for the six months period ended June 30, 2021 amounted to Rs Nil resulting in an accumulated loss of Rs 1,030 as at that date. The net assets of the Subsidiary Company as at June 30, 2021 amounted to Rs Nil, in accordance with the unaudited condensed interim financial statements for the six months period then ended.

The auditors of the Subsidiary Company have 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.

Investment in the Subsidiary Company has been made in accordance with the requirements of the Companies Act, 2017.

### 7. STOCK IN TRADE - net

|                                     | Note       | June 30,<br>2021<br>(Un-audited)<br>(Rupees in thousand) | December 31,<br>2020<br>(Audited)<br>(Rupees in thousand) |
|-------------------------------------|------------|--|---|
| Raw and packing materials           | 7.1 to 7.2 | 3,056,739  | 3,856,116   |
| Work-in-process                     |            | 131,406  | 174,886   |
| Finished goods                      |            | 344,396  | 904,945   |
|                                     |            | <u>3,532,541</u>   | <u>4,935,947</u>  |
| Less: Provision for obsolete stocks | 7.2        | <u>(52,759)</u>  | <u>(69,590)</u>   |
|                                     |            | <u>3,479,782</u>   | <u>4,866,357</u>  |

7.1 Include raw and packing materials in transit aggregating Rs 257.143 million (December 31, 2020: Rs 177.508 million).

7.2 During the current period, the Company has written off provision against raw and packing materials aggregating Rs 14.228 million (December 31, 2020: Rs 30.460 million).



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

### 8. ADVANCES

|                                 | Note | June 30,<br>2021<br>(Un-audited)<br>(Rupees in thousand) | December 31,<br>2020<br>(Audited) |
|---------------------------------|------|--|-----------------------------------|
| Unsecured                       |      |  |                                   |
| Advances to:                    |      |  |                                   |
| - Employees                     |      | 7,422  | 6,996                             |
| - Suppliers and contractors     |      | 14,921   | 21,806                            |
|                                 |      | <u>22,343</u>  | <u>28,802</u>                     |
| Secured                         |      |  |                                   |
| Advance to a supplier           | 8.1  | 111,261  | 111,261                           |
| Less: Provision against advance |      | (16,166)   | (16,166)                          |
|                                 |      | 95,095   | 95,095                            |
|                                 |      | <u>117,438</u>   | <u>123,897</u>                    |

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

|  | June 30,<br>2021<br>(Un-audited)<br>(Rupees in thousand) | December 31,<br>2020<br>(Audited) |
|--|--|-----------------------------------|
|--|--|-----------------------------------|

### 9. NON-CURRENT ASSETS HELD FOR DISPOSAL

Transferred from operating property,  
plant and equipment

|                                |           |              |
|--------------------------------|-----------|--------------|
| Cost                           | 193,631   | 372,583      |
| Less: Accumulated depreciation | (56,603)  | (153,278)    |
| Less: Accumulated impairment   | (137,028) | (218,200)    |
|                                | <u>-</u>  | <u>1,105</u> |



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

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

|                                     | June 30,<br>2021<br>(Un-audited)<br>(Rupees in thousand) | December 31,<br>2020<br>(Audited) |
|-------------------------------------|--|-----------------------------------|
| <b>10. TRADE AND OTHER PAYABLES</b> |  |                                   |
| Creditors                           | 2,386,855  | 2,310,468                         |
| Bills payable                       | 871,468  | 742,495                           |
| Royalty payable to related party    | 195,239  | 127,056                           |
| Accrued expenses                    | 731,846  | 1,126,984                         |
| Tobacco development cess            | 13,875   | 45,375                            |
| Contractors' retention money        | 7,489  | 7,489                             |
| Advance from customers - unsecured  | 31,155   | 218,940                           |
| Workers' welfare fund               | 134,793  | 82,539                            |
| Workers' profits participation fund | 146,989  | 16,365                            |
| Others                              | 181,528  | 220,727                           |
|                                     | <u>4,701,237</u>   | <u>4,898,438</u>                  |

## 11. CONTINGENCIES AND COMMITMENTS

### 11.1 Guarantees

Indemnities given to banks for guarantees issued by them in the normal course of business aggregated Rs 256.033 million (December 31, 2020: Rs 69.565 million).

### 11.2 Commitments

|   | June 30,<br>2021<br>(Un-audited)<br>(Rupees in thousand) | December 31,<br>2020<br>(Audited) |
|---|--|-----------------------------------|
| Capital expenditure contracted for but not incurred | <u>42,879</u>  | <u>32,883</u>                     |
| Post dated cheques                                  | <u>41,967</u>  | <u>55,128</u>                     |
| Letters of credit                                   | <u>31,745</u>  | <u>18,132</u>                     |



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

### 11.3 Contingencies

11.3.1 There is no significant change in the status of the cases set out in notes 21.3 to 21.6 to the December 2020 financial statements.

11.3.2 In addition to the above, while reviewing the income tax return of the Company for the tax year 2018, the Deputy Commissioner Inland Revenue (DCIR) through an Order dated March 30, 2021 had disallowed certain deductions aggregating Rs 1,253.655 million and created a tax demand of Rs 26.342 million. The Company filed an appeal before the Commissioner Inland Revenue (Appeals) (CIR(A)) on April 12, 2021 on items amounting to Rs 1,240.635 million. On June 22, 2021 the Company received an order from CIR(A) through which disallowances amounting to Rs 1,043.246 million were deleted and disallowances amounting to Rs 197.389 million were remanded back to DCIR for reconsideration which is pending to date.

Management is of the view, based on the advice of the tax consultants, that the matter will eventually be decided in Company's favour and therefore no provision has been recorded in this period.

### 12. TURNOVER - net

|                      | Quarter ended        |                  | Six months period ended |                  |
|----------------------|----------------------|------------------|-------------------------|------------------|
|                      | June 30,<br>2021     | June 30,<br>2020 | June 30,<br>2021        | June 30,<br>2020 |
|                      | (Un-Audited)         |                  |                         |                  |
|                      | (Rupees in thousand) |                  |                         |                  |
| Gross turnover       | 12,315,137           | 11,673,647       | 23,925,625              | 21,852,944       |
| Less: Trade discount | 231,147              | 269,285          | 461,245                 | 539,366          |
| Sales tax            | 1,826,084            | 1,688,687        | 3,561,962               | 3,071,402        |
| Excise duty          | 5,473,672            | 5,107,691        | 10,678,393              | 9,435,906        |
|                      | 7,530,903            | 7,065,663        | 14,701,600              | 13,046,674       |
|                      | <u>4,784,234</u>     | <u>4,607,984</u> | <u>9,224,025</u>        | <u>8,806,270</u> |



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

### 13. COST OF SALES

|  | Quarter ended        |                  | Six months period ended |                  |
|--|----------------------|------------------|-------------------------|------------------|
|  | June 30,<br>2021     | June 30,<br>2020 | June 30,<br>2021        | June 30,<br>2020 |
|  | (Un-Audited)         |                  |                         |                  |
|  | (Rupees in thousand) |                  |                         |                  |

#### Raw and packing materials consumed

|  |             |             |             |             |
|--|-------------|-------------|-------------|-------------|
| Opening stock                            | 3,494,917   | 3,718,123   | 3,856,116   | 5,082,504   |
| Purchases, redrying and related expenses | 1,149,268   | 986,636     | 2,271,790   | 1,859,612   |
|  | 4,644,185   | 4,704,759   | 6,127,906   | 6,942,116   |
| Closing stock                            | (3,056,739) | (3,305,629) | (3,056,739) | (3,305,629) |
|  | 1,587,446   | 1,399,130   | 3,071,167   | 3,636,487   |
| Government levies                        | 6,751       | 5,378       | 11,654      | 11,437      |
| Manufacturing expenses                   | 570,991     | 527,709     | 1,081,880   | 972,320     |
|  | 2,165,188   | 1,932,217   | 4,164,701   | 4,620,244   |

#### Work-in-process

|                            |           |           |           |           |
|----------------------------|-----------|-----------|-----------|-----------|
| Opening stock              | 183,922   | 155,663   | 174,886   | 177,687   |
| Closing stock              | (131,406) | (150,769) | (131,406) | (150,769) |
| Sale of waste              | (2,608)   | -         | (5,691)   | (1,363)   |
|                            | 49,908    | 4,894     | 37,789    | 25,555    |
| Cost of goods manufactured | 2,215,096 | 1,937,111 | 4,202,490 | 4,645,799 |

#### Finished goods

|               |           |           |           |           |
|---------------|-----------|-----------|-----------|-----------|
| Opening stock | 601,161   | 918,716   | 904,945   | 937,805   |
| Closing stock | (344,396) | (405,948) | (344,396) | (405,948) |
|               | 256,765   | 512,768   | 560,549   | 531,857   |
|               | 2,471,861 | 2,449,879 | 4,763,039 | 5,177,656 |



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

### 14. OTHER EXPENSES

|   | <u>Quarter ended</u>        |                 | <u>Six months period ended</u> |                 |
|---|-----------------------------|-----------------|--------------------------------|-----------------|
|   | <u>June 30,</u>             | <u>June 30,</u> | <u>June 30,</u>                | <u>June 30,</u> |
|   | <u>2021</u>                 | <u>2020</u>     | <u>2021</u>                    | <u>2020</u>     |
|   | <u>(Un-Audited)</u>         |                 |                                |                 |
|   | <u>(Rupees in thousand)</u> |                 |                                |                 |
| Employee separation cost                  | <b>21,628</b>               | -               | <b>62,013</b>                  | -               |
| Property, plant and equipment written off | <b>492</b>                  | -               | <b>579</b>                     | 5,017           |
| Workers' welfare fund                     | <b>30,363</b>               | 27,280          | <b>51,906</b>                  | 39,273          |
| Workers' profit participation fund        | <b>75,906</b>               | 68,200          | <b>129,764</b>                 | 98,181          |
| Exchange loss - net                       | -                           | 21,072          | -                              | 80,239          |
| Miscellaneous expenses                    | <b>2,118</b>                | 7,522           | <b>21,100</b>                  | 26,493          |
|   | <u><b>130,507</b></u>       | <u>124,074</u>  | <u><b>265,362</b></u>          | <u>249,203</u>  |

|  | <u>Quarter ended</u>        |                 | <u>Six months period ended</u> |                 |
|--|-----------------------------|-----------------|--------------------------------|-----------------|
|  | <u>June 30,</u>             | <u>June 30,</u> | <u>June 30,</u>                | <u>June 30,</u> |
|  | <u>2021</u>                 | <u>2020</u>     | <u>2021</u>                    | <u>2020</u>     |
|  | <u>(Un-Audited)</u>         |                 |                                |                 |
|  | <u>(Rupees in thousand)</u> |                 |                                |                 |

### 15. TAXATION

|                  |                       |                |                       |                |
|------------------|-----------------------|----------------|-----------------------|----------------|
| Current          |                       |                |                       |                |
| - for the period | <b>225,872</b>        | 237,360        | <b>401,040</b>        | 294,765        |
| Deferred         | <b>128,057</b>        | 123,692        | <b>292,683</b>        | 253,748        |
|                  | <u><b>353,929</b></u> | <u>361,052</u> | <u><b>693,723</b></u> | <u>548,513</u> |



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

### 16. EARNINGS PER SHARE – BASIC

|  | Quarter ended        |                   | Six months period ended |                   |
|--|----------------------|-------------------|-------------------------|-------------------|
|  | June 30,<br>2021     | June 30,<br>2020  | June 30,<br>2021        | June 30,<br>2020  |
|  | (Un-Audited)         |                   |                         |                   |
|  | (Rupees in thousand) |                   |                         |                   |
| 16.1 Basic earnings per share                        |                      |                   |                         |                   |
| Profit for the period after taxation                 | <u>1,001,469</u>     | <u>891,117</u>    | <u>1,719,881</u>        | <u>1,252,516</u>  |
|  | (Number of shares)   |                   |                         |                   |
| Weighted average number of ordinary shares           | <u>61,580,341</u>    | <u>61,580,341</u> | <u>61,580,341</u>       | <u>61,580,341</u> |
|  | (Rupees)             |                   |                         |                   |
| Earnings per share – basic                           | <u>16.26</u>         | <u>14.47</u>      | <u>27.93</u>            | <u>20.34</u>      |
| 16.2 Diluted earnings per share                      |                      |                   |                         |                   |
| Profit / (loss) for the period after taxation        | <u>1,001,469</u>     | <u>891,117</u>    | <u>1,719,881</u>        | <u>1,252,516</u>  |
|  | (Number of shares)   |                   |                         |                   |
| Weighted average number of potential ordinary shares | <u>72,095,615</u>    | <u>67,182,767</u> | <u>72,095,615</u>       | <u>67,182,767</u> |
|  | (Rupees)             |                   |                         |                   |
| Earnings per share – diluted                         | <u>13.89</u>         | <u>13.26</u>      | <u>23.86</u>            | <u>18.64</u>      |

### 17. RELATED PARTIES TRANSACTIONS

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



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

| Relationship                   | Nature of transaction                                 | Six months period ended              |                  |
|--------------------------------|---|--------------------------------------|------------------|
|                                |   | June 30,<br>2021                     | June 30,<br>2020 |
|                                |   | (Un-audited)<br>(Rupees in thousand) |                  |
| Associated undertakings        | Sale of goods and services                            | 84,697                               | 1,312,430        |
|                                | Purchase of goods and services                        | 316,975                              | 503,206          |
|                                | Royalty charges                                       | 67,830                               | 52,597           |
|                                | Share based payment expense                           | 13,421                               | 13,846           |
|                                | Share based payment recharge                          | 31,613                               | 27,236           |
| Staff retirement benefit plans | Contribution to gratuity fund                         | 36,076                               | 33,440           |
|                                | Contribution to provident fund                        | 44,357                               | 42,429           |
| Key management personnel       | Remuneration and benefits -<br>notes 17.1.1 to 17.1.3 | 18,012                               | 22,412           |

17.1.1 The Company considers its chief executive and directors as key management personnel.

17.1.2 The chief executive, executive directors and certain executives are provided with free use of the Company maintained cars.

17.1.3 Certain executives are on secondment from the group undertakings and no remuneration is charged to the Company in respect of those executives.





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

### 18. CASH GENERATED FROM OPERATIONS

|   | Note | Six months period ended              |                  |
|---|------|--------------------------------------|------------------|
|   |      | June 30,<br>2021                     | June 30,<br>2020 |
|   |      | (Un-audited)<br>(Rupees in thousand) |                  |
| Profit before taxation  |      | 2,413,604                            | 1,801,029        |
| Adjustments for:  |      |                                      |                  |
| - Depreciation on operating property, plant and equipment     |      | 450,745                              | 374,305          |
| - Depreciation on right-of-use assets                         |      | 47,627                               | 80,933           |
| - Amortisation  |      | 11,517                               | 2,284            |
| Staff retirement gratuity expense                             |      | 36,076                               | 33,939           |
| Provision for slow moving spares                              |      | 28                                   | 16,908           |
| Expenses arising from equity-settled share-based payment plan |      | 13,421                               | 13,846           |
| Liabilities written back                                      |      | (41,446)                             | (47,301)         |
| Stock in trade written down to net realisable value           |      | 14,228                               | 14,410           |
| (Reveral) / Provision for obsolete stocks                     |      | (2,602)                              | 35,342           |
| Profit on savings accounts                                    |      | (197,601)                            | (15,550)         |
| Unrealised exchange (gain) / loss                             |      | (27,244)                             | 80,239           |
| Profit on disposal of items of:                               |      |                                      |                  |
| Property, plant and equipment - net                           |      | (54,465)                             | (39,043)         |
| Non-current Assets held for Disposal - net                    |      | (75,910)                             | -                |
| Property, plant and equipment written off                     |      | 579                                  | 5,017            |
| Finance cost  |      | 34,548                               | 49,482           |
| Working capital changes                                       | 18.1 | 805,334                              | 2,217,206        |
|   |      | <u>3,428,439</u>                     | <u>4,623,046</u> |



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

### 18.1 Working capital changes

|   | <b>Six months period ended</b> |                          |
|---|--------------------------------|--------------------------|
|   | <b>June 30,<br/>2021</b>       | <b>June 30,<br/>2020</b> |
|   | <b>(Un-audited)</b>            |                          |
|   | <b>(Rupees in thousand)</b>    |                          |
| (Increase) / decrease in current assets |                                |                          |
| Stores and spares - net                 | 17,235                         | 1,358                    |
| Stock in trade - net                    | 1,374,950                      | 2,308,773                |
| Trade debts - net                       | (3,238)                        | (110,193)                |
| Advances                                | 6,459                          | (111,196)                |
| Prepayments                             | 20,002                         | (4,151)                  |
| Other receivables                       | 52,829                         | 120,826                  |
|   | <u>1,468,237</u>               | <u>2,205,417</u>         |

### Increase / (decrease) in current liabilities

|                              |                  |                  |
|------------------------------|------------------|------------------|
| Trade and other payables     | (160,124)        | (928,668)        |
| Sales tax and excise payable | (502,779)        | 940,457          |
|                              | <u>(662,903)</u> | <u>11,789</u>    |
|                              | <u>805,334</u>   | <u>2,217,206</u> |

### 19. CASH AND CASH EQUIVALENTS

|                               | <b>June 30,<br/>2021</b>    | <b>June 30,<br/>2020</b> |
|-------------------------------|-----------------------------|--------------------------|
|                               | <b>(Un-audited)</b>         |                          |
|                               | <b>(Rupees in thousand)</b> |                          |
| Six months period ended       |                             |                          |
| Cash and bank balances        | 7,626,542                   | 3,763,527                |
| Less: Amount held as security | (18,861)                    | (18,861)                 |
|                               | <u>7,607,681</u>            | <u>3,744,666</u>         |

### 20. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on August 27, 2021 by the Board of Directors of the Company.

### 21. GENERAL

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

**KAMRAN Y. MIRZA**  
Chairman

**ROMAN YAZBECK**  
Chief Executive

**MUHAMMAD ZEESHAN**  
Chief Financial Officer



**Philip Morris (Pakistan) Limited**

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