



Philip Morris  
(Pakistan) Limited

# Embrace the change

For the third quarter ended  
September 30, 2023 (Un-audited)







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# Company Information

## BOARD OF DIRECTORS

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

(Chairman)  
(Chief Executive)

## COMPANY SECRETARY

SANA ENAIT HASHMI

## AUDIT COMMITTEE

MIRZA REHAN BAIG  
PETER CALON  
PATTARAPORN AUTTAPHON  
SANA ENAIT HASHMI

(Chairman)

(Secretary)

## HUMAN RESOURCE & REMUNERATION COMMITTEE

KAMRAN Y. MIRZA  
ROMAN YAZBECK  
PETER CALON  
MIRELA SPAGOVIC (Until July 31<sup>st</sup> 2023)  
JAY ACLAN RAMOS (From September 1<sup>st</sup>, 2023)

(Chairman)

(Secretary)

## AUDITORS

A. F. FERGUSON & CO.  
Chartered Accountants

## BANKERS

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

## LEGAL ADVISOR

IJAZ AHMED & ASSOCIATES

## REGISTERED OFFICE

OFFICE 04 & 05, 5TH FLOOR,  
CORPORATE OFFICE BLOCK,  
DOLMEN CITY, PLOT 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

CDC SHARE REGISTRAR SERVICES LIMITED  
CDC HOUSE, 99-B, BLOCK-B, S.M.C.H.S.,  
MAIN SHAHRAH-E-FAISAL, KARACHI -74400

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

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

# Director's Report

Pakistan's economy has already been witnessing the impact of the global economic crisis, and, the situation has further been exacerbated by the rising current account deficit, foreign exchange crunch, rupee devaluation, and political instability in the country. Though we recently have witnessed the rupee gaining some stability against US\$, however, the high interest rate, inflation and energy prices continue to pose great challenges for the businesses. As per the World Bank report, the economic growth in Pakistan is expected to remain sluggish and downside risks to the outlook will remain exceptionally high. These economic pressures coupled with demand, supply disruptions, and an exorbitant increase in taxes have adversely impacted investor confidence and are making the operating environment increasingly challenging for businesses.

With the cumulative increase of >200% in cigarette excise during fiscal year 2022/2023, including the unprecedented excise hike of 150% in Feb'23, a massive decline of ~55% in tax paid volumes were noted during Mar-Jun 2023 vs same period prior year. This massive decline in tax paid volumes is driven from the shock of Feb'23 excise. Further, during the first nine months of the current year (Jan-Sep'23) tax paid volumes declined by 37.9% reflecting the impact of multiple excises driven price increases. The minimum price prescribed under the tax laws for the levy and collection of FED and Sales Tax is PKR 127.4 per pack but according to the latest market observations, non-tax-paid cigarettes are being sold at an average price of PKR 100 per pack (price gap of ~200% vs. most sold tax paid brands) which is significantly below the prescribed minimum price. Without effective monitoring, the annual estimated loss of more than PKR 240 billion to the National Exchequer caused by the non-tax paid sector is expected to further increase.

During the nine months ended Sept 30, 2023, Philip Morris (Pakistan) Limited ('the Company') reported a Total Net Turnover of PKR 13,641 million reflecting a decrease of 8.9% vs. the same period last year. The Company's domestic Net Turnover of PKR 10,575 million reflects a significant decrease of 24.1% vs. prior year reflecting decline in volumes by 44% vs. prior year reflecting the Feb'23 exorbitant excise hike. The Company recorded a profit after tax of PKR 659 million for the nine months ended Sept 30, 2023, reflecting a significant decrease vs. prior year driven by the impact of decline in volumes as mentioned above. For the first nine months of the current year (Jan-Sep'23), the company contributed PKR 26,189 million to the National Exchequer higher by 22.5% vs. prior period.

The Track & Trace System (“the System”) for the tobacco industry was implemented effective July 01, 2022. The System was rolled out with a view to enhance tax revenue by preventing and reducing counterfeiting and smuggling of non-tax paid goods through robust nationwide implementation of the system. However, to date only Philip Morris (Pakistan) Limited and two other companies have fully implemented the System whereas, the remaining tobacco manufacturers have signed the Tri-Partite Agreement but not fully implemented the System. The System could only be effective through its across-the-board implementation, compliance and robust monitoring of the production volumes and tracking of the goods at the retail outlets.

The tax-compliant tobacco industry is facing the repercussions of deteriorating economic conditions, including heightened interest costs, inflated business expenses, and escalated energy tariffs. Coupled with the unexpected FED tax escalation, the environment for tax-paying tobacco entities has become increasingly challenging. The Company remains committed to vigilantly monitoring market dynamics and striving to effectively manage operations amidst these challenging circumstances.

On behalf of the Board of Directors.



**KAMRAN Y. MIRZA**  
Chairman Board



**ROMAN YAZBECK**  
Chief Executive

Karachi, October 23<sup>rd</sup>, 2023

# ڈائریکٹرز رپورٹ

برائے سہ ماہی ختم 30 ستمبر 2023ء

پاکستان کی معیشت کو پہلے ہی عالمی اقتصادی بحران کا سامنا ہے تاہم بڑھتے ہوئے کرنٹ اکاؤنٹ خسارے، زرمبادلہ کی کمی، روپے کی قدر میں کمی اور ملک میں سیاسی عدم استحکام نے صورت حال کو مزید گھمبیر کر دیا ہے۔ اگرچہ ہم نے حال ہی میں امریکی ڈالر کے مقابلے میں روپے کو مستحکم ہوتے دیکھا ہے، تاہم، بلند شرح سود، افراط زر اور توانائی کی قیمتیں کاروبار کے لیے بڑی دشواریوں کا باعث ہیں۔ ورلڈ بینک کی رپورٹ کے مطابق پاکستان میں معیشت کی نموست رہنے کی توقع ہے اور آئندہ امکانات کے لیے منفی خطرات غیر معمولی طور پر بلند رہیں گے۔ طلب، رسد میں رکاوٹوں اور ٹیکسز میں بے تحاشہ اضافے کے ساتھ ان معاشی دباؤ نے سرمایہ کاروں کے اعتماد کو متزلزل کیا ہے اور یہ معاشی دباؤ کاروبار کے لیے آپریٹنگ ماحول کو تیزی سے دشوار بنا رہے ہیں۔

مالی سال 2022/2023 کے دوران سگریٹ ایکسائز میں 200 فیصد سے زیادہ ہونے والے مجموعی اضافے کے ساتھ، فروری 2023 میں ایکسائز میں ہونے والا 150 فیصد کا بدترین اضافہ بھی شامل ہے، فروری 2023 کے ایکسائز کے جھٹکے سے مارچ - جون 2023 کے دوران ٹیکس کے ادا شدہ حجم میں 55 فیصد کی زبردست کمی نوٹ کی گئی۔ مزید برآں، رواں سال کے پہلے نو مہینوں (جنوری - ستمبر 2023) کے دوران ٹیکس کے ادا شدہ حجم میں 37.9 فیصد کمی واقع ہوئی جو متعدد ایکسائز کی وجہ سے ہونے والی قیمت میں اضافے کے اثرات کو ظاہر کرتی ہے۔ ٹیکس قوانین کے تحت FED اور سیلز ٹیکس کی وصولی اور لیوی کے لیے تجویز کردہ کم از کم قیمت 127.4 روپے فی پیکٹ ہے لیکن مارکیٹ کے تازہ ترین مشاہدے کے مطابق، ٹیکس ادا نہ کرنے والے سگریٹ 100 روپے فی پیکٹ (قیمت کا فرق 200 فیصد بمقابلہ ٹیکس ادا کرنے والے سب سے زیادہ فروخت ہونے والے برانڈز) کی اوسط قیمت پر فروخت ہو رہے ہیں۔ موثر گمرانی کے بغیر، ٹیکس ادا نہ کرنے والے شعبے کی وجہ سے قومی خزانے کو سالانہ تقریباً 240 ارب روپے سے زیادہ کے ہونے والے نقصان میں اضافے کی توقع ہے۔

30 ستمبر 2023 کو ختم ہونے والے نو مہینوں کے دوران، کمپنی نے 13,641 ملین روپے کا مجموعی خالص ٹرن اوور رپورٹ کیا جو گزشتہ سال کی اسی مدت کے مقابلے میں 8.9 فیصد کمی کو ظاہر کرتا ہے۔ کمپنی کا 10,575 ملین روپے کا مقامی خالص ٹرن اوور پچھلے سال کے مقابلے میں 24.1 فیصد کمی نمایاں کمی کو ظاہر کرتا ہے، گزشتہ سال کے مقابلے میں حجم کے اندر 44 فیصد کمی کو ظاہر کرتا ہے جو فروری 2023 میں ہونے والے ایکسائز میں بے تحاشہ اضافے کی عکاسی کرتا ہے۔ کمپنی نے 30 ستمبر 2023 کو ختم ہونے والے نو مہینوں کے لیے 659 ملین روپے کا بعد از ٹیکس منافع ریکارڈ کیا جو اوپر بیان کیے گئے حجم میں کمی کے اثرات سے پچھلے سال کے مقابلے میں نمایاں کمی کو ظاہر کرتا ہے۔ رواں سال کے پہلے نو مہینوں (جنوری - ستمبر 2023) کے لیے، کمپنی نے قومی خزانے میں 26,189 ملین روپے کا حصہ ڈالا جو گزشتہ مدت کے مقابلے میں 22.5 فیصد زیادہ ہے۔

تمباکو کی صنعت کے لیے ٹریک اینڈ ٹریس سسٹم ("سسٹم") کا نفاذ یکم جولائی 2022 سے کیا گیا تھا۔ یہ سسٹم ٹیکس ریویو میں اضافے، جعل سازی کو کم کرنے اور مضبوط ملک گیر الیکٹرونکس مانیٹرنگ کے نفاذ کے ذریعے غیر قانونی اشیاء کی اسمگلنگ کو روکنے کے مقصد سے شروع کیا گیا تھا۔ تاہم، آج تک، فلپ مونس (پاکستان) لمیٹڈ (کمپنی) اور دیگر دو کمپنیوں نے اس سسٹم کو مکمل طور پر نافذ کیا ہے جب کہ تمباکو بنانے والے بقیہ اداروں نے صرف سہ فریقی معاہدوں پر دستخط کیے ہیں اور وہ ابھی تک مناسب طریقے کی پیروی کیے بغیر کام کر رہے ہیں۔ یہ سسٹم صرف تمباکو بنانے والے تمام اداروں پر عمل درآمد، پیداوار کے حجم کی سخت نگرانی اور ریٹیل آؤٹ لیٹس پر اشیاء کی ٹریکنگ کے ساتھ ہی مؤثر ہو سکتا ہے۔

ٹیکس کی تعمیل کرنے والی تمباکو کی صنعت کو سود کے بڑھتے ہوئے اخراجات، بڑھے ہوئے کاروباری اخراجات، اور توانائی کے بڑھتے ہوئے نرخ سمیت بگڑتے ہوئے معاشی حالات کے اثرات کا سامنا ہے۔ FED ٹیکس میں غیر متوقع اضافے کے ساتھ، ٹیکس ادا کرنے والے تمباکو کے اداروں کے لیے ماحول تیزی کے ساتھ دشوار بن گیا ہے۔ کمپنی مارکیٹ کی حرکیات کی مستعدی کے ساتھ نگرانی کے لیے پُر عزم ہے اور ان مشکل حالات میں آپریشنز کو مؤثر طریقے سے منظم کرنے کے لیے کوشاں ہے۔

بورڈ آف ڈائریکٹرز کی جانب سے



کامران وائی۔ مرزا

چیئر مین بورڈ



رون یازبیک

چیف ایگزیکٹو

کراچی، 13 اکتوبر 2023



# FINANCIAL STATEMENTS


**PHILIP MORRIS (PAKISTAN) LIMITED**  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)**  
AS AT SEPTEMBER 30, 2023

<b>ASSETS</b>		<b>September 30,</b>	<b>December 31,</b>
<b>NON-CURRENT ASSETS</b>	<b>Note</b>	<b>2023</b>	<b>2022</b>
<b>Fixed Assets</b>		<b>(Un-audited)</b>	<b>(Audited)</b>
		<b>(Rupees in thousand)</b>	
- Property, plant and equipment	5	5,036,850	5,443,070
- Right-of-use assets		349,315	279,178
- Intangibles		7,508	24,113
		<u>5,393,673</u>	<u>5,746,361</u>
Investment in a subsidiary company	6	1	1
Long term deposits		92,151	91,952
Deferred taxation		64,582	19,073
		<u>5,550,407</u>	<u>5,857,387</u>
<b>CURRENT ASSETS</b>			
Stores and spares - net		188,748	57,503
Stock in trade - net	7	13,776,573	8,689,766
Advances	8	171,958	134,011
Prepayments		26,393	72,541
Other receivables	9	756,556	1,755,838
Income tax - net		166,018	646,714
Staff retirement benefits		135,762	144,173
Short term investments		43,810	2,015,377
Cash and bank balances		7,906,738	7,302,365
		<u>23,172,556</u>	<u>20,818,288</u>
Non-current assets held for disposal	10	1,600	-
<b>TOTAL CURRENT ASSETS</b>		<u>23,174,156</u>	<u>20,818,288</u>
<b>TOTAL ASSETS</b>		<u>28,724,563</u>	<u>26,675,675</u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital		12,000,000	2,000,000
Issued, subscribed and paid-up capital			
- Ordinary shares		615,803	615,803
- Preference shares		10,464,000	10,464,000
		<u>11,079,803</u>	<u>11,079,803</u>
Transaction cost on issuance of preference shares - net of tax		(33,911)	(33,911)
		<u>11,045,892</u>	<u>11,045,892</u>
Reserves		4,834,792	4,188,832
<b>TOTAL EQUITY</b>		<u>15,880,684</u>	<u>15,234,724</u>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		281,800	251,145
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	9,109,490	8,800,476
Current maturity of lease liabilities		98,314	61,276
Unclaimed dividend		37,194	37,780
Unpaid dividend		901,706	901,706
Sales tax and excise duty payable		2,415,375	1,388,568
<b>TOTAL CURRENT LIABILITIES</b>		<u>12,562,079</u>	<u>11,189,806</u>
<b>TOTAL LIABILITIES</b>		<u>12,843,879</u>	<u>11,440,951</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>28,724,563</u>	<u>26,675,675</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	12		

The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements.

  
Kamran Mirza  
Chairman / Director

  
Roman Yazbeck  
Chief Executive Officer

  
Muhammad Zeeshan  
Chief Financial Officer

**PHILIP MORRIS (PAKISTAN) LIMITED**  
**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS**  
**AND OTHER COMPREHENSIVE INCOME (UNAUDITED)**


FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023

	Note	Quarter ended		Nine months period ended	
		September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
----- (Rupees in thousand) -----					
Turnover - net	13	4,581,634	4,800,443	13,641,228	14,966,441
Cost of sales	14	2,627,588	2,570,582	8,305,378	8,087,820
Gross profit		1,954,046	2,229,861	5,335,850	6,878,621
Distribution and marketing expenses		1,180,602	744,783	2,942,615	2,113,083
Administrative expenses		430,583	381,825	1,256,505	1,017,931
Other expenses	15	68,249	296,588	1,048,265	755,243
Other income	16	(555,267)	(380,209)	(1,604,405)	(1,015,090)
		1,124,167	1,042,987	3,642,980	2,871,167
Operating profit		829,879	1,186,874	1,692,870	4,007,454
Finance cost and bank charges		25,272	14,792	56,849	49,751
Profit before taxation		804,607	1,172,082	1,636,021	3,957,703
Taxation charge	17	517,370	329,768	977,283	1,582,074
Profit after taxation		287,237	842,314	658,738	2,375,629
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		287,237	842,314	658,738	2,375,629
----- (Rupees in thousand) -----					
Earnings per share					
- Basic	18	4.66	13.68	10.70	38.58
- Diluted	18	3.11	10.10	7.13	28.48

The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements.

  
Kamran Mirza  
Chairman / Director

  
Roman Yazbeck  
Chief Executive Officer

  
Muhammad Zeeshan  
Chief Financial Officer

**PHILIP MORRIS (PAKISTAN) LIMITED**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
 FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023

	Issued, subscribed and paid-up capital		Transaction cost on issuance of preference shares - net of tax	Capital Reserves			Reserves			Subtotal Reserves	Total
	Ordinary shares	Preference shares		Reserve for share based payments	Remeasurement of staff retirement gratuity plan - net of tax	Subtotal Capital Reserves	General reserves	Revenue Reserves	Subtotal Revenue Reserves		
(Rupees in thousand)											
<b>Balance as at January 1, 2022</b>	615,803	10,464,000	(33,911)	23,182	(258,429)	(235,247)	3,328,327	(767,500)	2,560,827	2,325,580	13,371,472
Share based payments	-	-	-	-	-	-	-	-	-	-	-
- expense	-	-	-	14,789	-	14,789	-	-	-	14,789	14,789
- recharge	-	-	-	(49,971)	-	(49,971)	-	-	-	(49,971)	(49,971)
Total comprehensive income	-	-	-	(35,182)	-	(35,182)	-	-	-	(35,182)	(35,182)
Profit after taxation for the nine months period ended September 30, 2022	-	-	-	-	-	-	-	2,375,629	2,375,629	2,375,629	2,375,629
<b>Balance as at September 30, 2022</b>	615,803	10,464,000	(33,911)	(12,000)	(258,429)	(270,429)	3,328,327	1,608,129	4,936,456	4,666,027	15,711,919
<b>Balance as at January 1, 2023</b>	615,803	10,464,000	(33,911)	57,717	(236,118)	(178,401)	3,328,327	1,038,906	4,367,233	4,188,832	15,234,724
Share based payments	-	-	-	-	-	-	-	-	-	-	-
- expense	-	-	-	50,317	-	50,317	-	-	-	50,317	50,317
- recharge	-	-	-	(63,095)	-	(63,095)	-	-	-	(63,095)	(63,095)
Total comprehensive income	-	-	-	(12,778)	-	(12,778)	-	-	-	(12,778)	(12,778)
Profit after taxation for the nine months period ended September 30, 2023	-	-	-	-	-	-	-	658,738	658,738	658,738	658,738
<b>Balance as at September 30, 2023</b>	615,803	10,464,000	(33,911)	44,939	(236,118)	(191,179)	3,328,327	1,697,644	5,025,971	4,834,792	15,680,684

The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements.

  
 Kamran Mirza  
 Charman / Director

  
 Roman Yazbeck  
 Chief Executive Officer

  
 Muhammad Zeeshan  
 Chief Financial Officer

**PHILIP MORRIS (PAKISTAN) LIMITED**  
**CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)**  
 FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023

	Note	Nine months period ended	
		September 30, 2023	September 30, 2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
		(Rupees in thousand)	
Cash generated from operations	20	(1,444,248)	2,129,961
Staff retirement gratuity paid		(29,661)	(57,451)
Finance cost paid		(56,849)	(49,818)
Profit received on savings accounts		791,125	796,168
Income taxes paid		(563,057)	(415,640)
Long term deposits		(199)	4,842
Net cash generated from operating activities		(1,302,889)	2,408,062
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(633,292)	(457,724)
Acquisition of intangibles		-	(1,152)
Proceeds from disposal of items of :			
Property plant and equipment		35,500	75,203
Non-current assets held for disposal		583,953	-
Net cash used in investing activities		(13,839)	(383,673)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(586)	(122)
Principal element of lease payments		(78,313)	(59,001)
Net cash paid for financing activities		(78,899)	(59,123)
Net increase in cash and cash equivalents during the period		(1,395,627)	1,965,266
Cash and cash equivalents at the beginning of the period		9,283,504	7,972,982
Cash and cash equivalents at the end of the period	21	7,887,877	9,938,248

The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements.

  
 Kamran Mirza  
 Chairman / Director

  
 Roman Yazbeck  
 Chief Executive Officer

  
 Muhammad Zeeshan  
 Chief Financial Officer

**PHILIP MORRIS (PAKISTAN) LIMITED**  
**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023**

**1. THE COMPANY AND ITS OPERATIONS**

Lakson Tobacco Company Limited was incorporated in Pakistan on February 10, 1969 as a public limited company under the Companies Act, 1913 (now the Companies Act, 2017) and was subsequently acquired by the Philip Morris International Inc. as a majority shareholder. On February 25, 2011, the name of the Company was changed to Philip Morris (Pakistan) Limited (the Company). The Company is listed on the Pakistan Stock Exchange and the principal activity of the Company is the manufacturing and sale of cigarettes, tobacco products and other smoke free products. The registered office of the Company is situated at Office 04 & 05, 5th Floor, Corporate Office Block, Dolmen City, Plot HC-3, Block-4, Clifton Karachi, Sindh, Pakistan.

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

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

- (a) International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (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, 2022 (December 2022 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 September 30, 2023:

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

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

There is a new standard and certain amendments to the accounting and reporting standards as applicable in Pakistan which will be effective for the Company for its accounting periods beginning on or after January 1, 2024. However, these will not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these condensed interim financial statements.

**PHILIP MORRIS (PAKISTAN) LIMITED**  
**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023**

**3. BASIS OF PREPARATION**

- 3.1** These condensed interim financial statements include the condensed interim statement of financial position as at September 30, 2023, the condensed interim statement of profit or loss and other comprehensive income, the condensed interim statement of changes in equity, the condensed interim statement of cash flows and notes thereto for the nine months period then ended which have not been audited. These condensed interim financial statements also include the condensed interim statement of profit or loss and other comprehensive income and notes thereto for the quarter ended September 30, 2023 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, 2022 has been extracted from the December 2022 financial statements. The comparative statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the nine months period ended September 30, 2022 have been extracted from the condensed interim financial statements of the Company for the nine months period then ended, which were not audited.
- 3.3** These interim financial statements should be read in conjunction with the December 2022 financial statements as these provide an update of previously reported information.

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

- 4.1** The preparation of these condensed interim financial statements in conformity with approved accounting and reporting standards for interim reporting requires the use of certain accounting estimates. It also requires management to exercise its judgments in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.
- 4.2** During the preparation of these condensed interim financial statements, significant judgments made by management in applying the Company's accounting policies and key sources of estimation were the same as those applied in the December 2022 financial statements.
- 4.3** The Company's financial risk management objectives and policies are consistent with those disclosed in the December 2022 financial statements.
- 4.4** 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 2022 financial statements.

	<b>Note</b>	<b>September 30, 2023 (Un-audited)</b>	<b>December 31, 2022 (Audited)</b>
<b>(Rupees in thousand)</b>			
<b>5. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating property, plant and equipment	5.1 to 5.4	<b>4,657,588</b>	4,936,829
Capital work-in-progress (CWIP)	5.5	<b>374,035</b>	506,241
Major capital spares and stand-by equipment		<b>5,227</b>	-
		<b>5,036,850</b>	<b>5,443,070</b>

**PHILIP MORRIS (PAKISTAN) LIMITED**

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL**

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023

	September 30, 2023 (Un-audited) (Rupees in thousand)	December 31, 2022 (Audited)
<b>5.1 Operating property, plant and equipment</b>		
Book value at the beginning of the period / year	4,936,829	4,685,850
Transfers from CWIP during the period / year	5.2 761,871	1,103,943
Assets transferred to held for disposal	10 (352,832)	-
	<u>5,345,868</u>	<u>5,789,793</u>
Disposals during the period / year - net book value	5.3 (14,181)	(21,016)
Write offs during the period / year - net book value	(1,722)	(21,287)
Depreciation charge during the period / year	5.4 (672,377)	(810,661)
	<u>(688,280)</u>	<u>(852,964)</u>
Book value at the end of the period / year	<u>4,657,588</u>	<u>4,936,829</u>

**September 30, 2023**

**5.2 Transfers from CWIP during the period:**

	September 30, 2023 (Un-audited) (Rupees in thousand)	September 30, 2022
Buildings on freehold land	35,300	72,128
Leasehold improvements	49,553	-
Plant and machinery	112,184	556,628
Furniture and fixtures	15,390	4,216
Office equipment	654	6,641
Vehicles	334,510	37,170
Power and other installations	40,886	14,144
Computer equipment	173,394	59,617
	<u>761,871</u>	<u>750,544</u>

**September 30, 2023**

**5.3 Disposals during the period - net book value**

	September 30, 2023 (Un-audited) (Rupees in thousand)	September 30, 2022
Vehicles	14,181	15,529

**5.4 Depreciation charge during the period on:**

- property, plant and equipment	672,377	600,028
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**PHILIP MORRIS (PAKISTAN) LIMITED**  
**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023**

	September 30, 2023 (Un-audited) (Rupees in thousand)	December 31, 2022 (Audited)
<b>5.5 Capital work-in-progress</b>		
Civil works	11,272	58,566
Plant and machinery	277,769	248,886
Power and other installations	7,422	10,414
Furniture and fixtures	57	35,242
Computer equipment pending installations	33,485	-
Advance to suppliers and contractors	44,030	153,133
	<u>374,035</u>	<u>506,241</u>

**6. INVESTMENT IN A SUBSIDIARY COMPANY**

This represents the cost of 103 fully paid ordinary shares of Rs 10 each in Laksonpremier Tobacco Company (Private) Limited (the Subsidiary Company). Out of such 103 shares, two shares are in the name of the nominees. The statement of profit or loss and other comprehensive income of the Subsidiary Company for the nine months period ended September 30, 2023 amounted to Rs Nil resulting in an accumulated loss of Rs 1,030 as at that date. The net assets of the Subsidiary Company as at September 30, 2023 amounted to Rs Nil, in accordance with the un-audited condensed interim financial statements for the nine months period then ended. The subsidiary company has filed an application dated August 30, 2019 with the Securities and Exchange Commission of Pakistan (SECP) for obtaining the status of an inactive company under section 424 of the Companies Act, 2017, however, response in this regard from SECP is awaited.

The 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.

	Note	September 30, 2023 (Un-audited) (Rupees in thousand)	December 31, 2022 (Audited)
<b>7. STOCK IN TRADE - net</b>			
Raw and packing materials	7.1	12,105,902	7,518,621
Work-in-process		290,410	366,817
Finished goods		1,409,607	851,861
		<u>13,805,919</u>	8,737,299
Less: Provision for obsolete stocks	7.2	(29,346)	(47,533)
		<u>13,776,573</u>	<u>8,689,766</u>
<b>7.1</b>	Include raw and packing materials in transit aggregating Rs 533.428 million (December 31, 2022: Rs 348.533 million).		
<b>7.2</b>	During the current period, the Company has written off raw and packing materials aggregating Rs 14.437 million (December 31, 2022: Rs 43.166 million).		

**PHILIP MORRIS (PAKISTAN) LIMITED**  
**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023**

	Note	September 30, 2023 (Un-audited) (Rupees in thousand)	December 31, 2022 (Audited)
<b>8. ADVANCES</b>			
Unsecured			
Advances to:			
	8.1	29,931	29,360
- Employees		46,932	9,556
- Suppliers and contractors		<u>76,863</u>	<u>38,916</u>
Secured			
Advance to a supplier	8.2	111,261	111,261
Less: Provision against advance		(16,166)	(16,166)
		95,095	95,095
		<u>171,958</u>	<u>134,011</u>

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

**8.2** There is no significant change in the status of the case as set out in note 11.2 to the December 31, 2022 financial statements.

**9.** These includes cash margins held with banks amounting to Rs 714.406 million (December 31, 2022: Rs 1,625.056 million).

	September 30, 2023 (Un-audited) (Rupees in thousand)	December 31, 2022 (Audited)
<b>10. NON-CURRENT ASSETS HELD FOR DISPOSAL</b>		
Transferred from operating property, plant and equipment		
- Cost	1,600	193,526
- Less: Accumulated depreciation	-	(56,524)
- Less: Accumulated impairment	-	(137,002)
	<u>1,600</u>	<u>-</u>

**10.1** During the period ended June 30, 2023, the Company entered into 'Agreement to Sell' with respect to its properties located at Kotri, Sindh along with certain equipment resulting in classification of these as 'Held for Sale'. The total consideration agreed for above properties is Rs 906.7 million, out of which PKR 618.7 million has been received by the Company as of the reporting period. The balance amount is expected to be received by year end.

**PHILIP MORRIS (PAKISTAN) LIMITED**  
**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023**

	September 30, 2023 (Un-audited) (Rupees in thousand)	December 31, 2022 (Audited)
<b>11. TRADE AND OTHER PAYABLES</b>		
Creditors	4,353,859	2,915,705
Bills payable	1,238,770	2,097,541
Royalty payable to related party	757,403	509,168
Accrued expenses	1,459,030	1,404,092
Tobacco development cess	69,375	67,275
Contractors' retention money	2,063	4,129
Advance from customers - unsecured	711,053	1,350,939
Workers' welfare fund	117,132	82,466
Workers' profits participation fund	88,128	-
Others	312,672	369,161
	<u>9,109,490</u>	<u>8,800,476</u>

**12. CONTINGENCIES AND COMMITMENTS**

**12.1 Guarantees**

Indemnities given to banks for guarantees issued by them in the normal course of business aggregated Rs 48.861 million (December 31, 2022: Rs 69.565 million).

	September 30, 2023 (Un-audited) (Rupees in thousand)	December 31, 2022 (Audited)
<b>12.2 Commitments</b>		
Capital expenditure contracted for but not incurred	176,058	100,293
Post dated cheques	138,966	111,365
Operating lease commitments	20,353	30,174

**12.3 Contingencies**

**12.3.1** There is no significant change in the status of the cases set out in notes 21.6.1, 21.6.2 and 22.3 to 22.6 to the December 2022 financial statements.

**PHILIP MORRIS (PAKISTAN) LIMITED**  
**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023**

	Quarter ended		Nine months period ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	(Un-audited)			
	(Rupees in thousand)			
<b>13. TURNOVER - net</b>				
Gross turnover				
- Domestic	16,298,597	11,969,550	37,406,797	35,680,312
- Export	265,770	51,823	3,066,788	1,043,257
	16,564,367	12,021,373	40,473,585	36,723,569
Less: Trade discount	325,243	316,993	960,427	858,179
Sales tax	2,575,326	1,805,805	5,886,564	5,378,545
Excise duty	9,082,164	5,098,132	19,985,366	15,520,404
	11,982,733	7,220,930	26,832,357	21,757,128
	4,581,634	4,800,443	13,641,228	14,966,441
<b>14. COST OF SALES</b>				
<b>Raw and packing materials consumed</b>				
Opening stock	6,385,451	4,148,316	7,518,621	5,047,334
Purchases, redrying and related expenses	7,659,039	5,064,665	11,169,304	8,737,647
	14,044,490	9,212,981	18,687,925	13,784,981
Closing stock	(12,105,902)	(7,329,639)	(12,105,902)	(7,329,639)
	1,938,588	1,883,342	6,582,023	6,455,342
Government levies	18,458	5,000	32,525	24,588
Manufacturing expenses	634,292	529,164	1,656,412	1,726,446
	2,591,338	2,417,506	8,270,960	8,206,376
<b>Work-in-process</b>				
Opening stock	362,606	370,209	366,817	260,725
Closing stock	(290,410)	(276,959)	(290,410)	(276,959)
Sale of waste	(2,958)	(5,331)	(10,530)	(7,412)
	69,238	87,919	65,877	(23,646)
Cost of goods manufactured	2,660,576	2,505,425	8,336,837	8,182,730
<b>Finished goods</b>				
Opening stock	1,083,690	779,395	851,861	619,328
Finished goods purchased	292,929	-	526,287	-
Closing stock	(1,409,607)	(714,238)	(1,409,607)	(714,238)
	(32,988)	65,157	(31,459)	(94,910)
	2,627,588	2,570,582	8,305,378	8,087,820

**PHILIP MORRIS (PAKISTAN) LIMITED**  
**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023**

	Quarter ended		Nine months period ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	(Un-audited)			
	----- (Rupees in thousand) -----			
<b>15. OTHER EXPENSES</b>				
Employee separation cost	13,151	13,186	28,016	30,214
Property, plant and equipment written off	1,722	-	1,722	20,435
Workers' welfare fund	1,802	18,544	36,654	44,123
Workers' profit participation fund	42,535	62,050	88,128	210,544
Exchange loss - net	-	192,022	863,442	416,929
Miscellaneous expenses	9,039	10,786	30,303	32,998
	<u>68,249</u>	<u>296,588</u>	<u>1,048,265</u>	<u>755,243</u>
<b>16. OTHER INCOME</b>				
Profit on savings accounts	213,748	318,466	791,125	796,168
Profit on disposal of items of non current assets held for sale	232,721	-	232,721	-
Profit on disposal of items of property, plant and equipment	16,072	13,710	21,319	59,674
Reimbursement of expenses	72,728	-	497,745	-
Liabilities no longer payable written back	5,717	47,833	55,685	69,869
Exchange gain - net	12,045	-	-	-
Others	2,236	200	5,810	89,379
	<u>555,267</u>	<u>380,209</u>	<u>1,604,405</u>	<u>1,015,090</u>
<b>17. TAXATION</b>				
Current				
- for the period	228,995	246,701	771,102	816,988
- for the prior period	-	4,235	262,676	344,484
	<u>228,995</u>	<u>250,936</u>	<u>1,033,778</u>	<u>1,161,472</u>
Deferred	288,375	78,832	(56,495)	420,602
	<u>517,370</u>	<u>329,768</u>	<u>977,283</u>	<u>1,582,074</u>

17.1 In continuation with note 30.3 to the December 2022 financial statements, through the Finance Act, 2023, section 4C of the Income Tax Ordinance, 2001 was amended and 'super tax' at the rate of 10% for tax year 2023 and onwards has been imposed on high earning taxpayers, i.e. those earning an annual income exceeding Rs 500 million, in addition to the corporate tax rate of 29%. Accordingly, the applicable tax rate of the Company has increased from 33% to 39% and deferred tax is also recorded at 39%.

The Company has recorded super tax charge as current tax for the tax year 2024 at the rate of 10% aggregating Rs 135.474 million and 6% (differential of 10% and 4%) aggregating Rs 262.676 million for tax year 2023 as prior period charge.

**PHILIP MORRIS (PAKISTAN) LIMITED**  
**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL**  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023

**18. EARNINGS PER SHARE - BASIC AND DILUTED**

	Quarter ended		Nine months period ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
(Un-audited)				
(Rupees in thousand)				
<b>18.1</b> Basic earnings per share				
Profit for the period after taxation	<b>287,237</b>	842,314	<b>658,738</b>	2,375,629
	(Number of shares)			
Weighted average number of ordinary shares	<b>61,580,341</b>	61,580,341	<b>61,580,341</b>	61,580,341
	(Rupees)			
Earnings per share – basic	<b>4.66</b>	13.68	<b>10.70</b>	38.58
<b>18.2</b> Diluted earnings per share				
Profit for the period after taxation	<b>287,237</b>	842,314	<b>658,738</b>	2,375,629
	(Number of shares)			
Weighted average number of potential ordinary shares	<b>92,366,475</b>	83,418,709	<b>92,366,475</b>	83,418,709
	(Rupees)			
Earnings per share – diluted	<b>3.11</b>	10.10	<b>7.13</b>	28.48

**19. RELATED PARTIES TRANSACTIONS**

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

Relationship	Nature of transaction	Nine months period ended	
		September 30, 2023	September 30, 2022
(Un-audited)			
(Rupees in thousand)			
Associated undertakings	Sale of goods and services	<b>3,068,793</b>	1,530,975
	Purchase of goods and services	<b>1,650,492</b>	421,326
	Royalty charges	<b>95,193</b>	112,942
	Share based payment expense	<b>50,317</b>	14,789
	Share based payment recharge	<b>63,095</b>	49,971
	Reimbursement of expenses	<b>497,745</b>	-
Staff retirement benefit plans	Contribution to gratuity fund	<b>29,661</b>	57,451
	Contribution to provident fund	<b>85,276</b>	75,593
Key management personnel	Remuneration and benefits - notes 20.1.1 to 20.1.3	<b>37,760</b>	29,341

**PHILIP MORRIS (PAKISTAN) LIMITED**  
**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023**

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

	Note	Nine months period ended	
		September 30, 2023 (Un-audited) (Rupees in thousand)	September 30, 2022
<b>20. CASH GENERATED FROM OPERATIONS</b>			
Profit before taxation		1,636,021	3,957,703
Adjustments for non cash changes and other items:			
Depreciation on operating property, plant and equipment		672,377	600,028
Depreciation on right-of-use assets		75,869	69,044
Retirement of lease liabilities net of right-of-use assets		-	(58,256)
Amortisation		16,605	18,424
Profit on disposal of items of :			
- property, plant and equipment - net		(21,319)	(59,674)
- Non-current Assets held for Disposal - net		(232,721)	-
Property, plant and equipment written off		1,722	20,435
Staff retirement gratuity expense		42,277	57,451
Expenses arising from equity-settled share-based payment plan		50,317	14,789
Liabilities written back		(55,685)	(69,869)
Provision for obsolete stocks		(4,919)	8,769
(Reversal) / Provision for obsolete stocks		29,346	-
Profit on savings accounts		(791,125)	(796,168)
Unrealised exchange loss - net		863,442	416,929
Finance cost		56,849	49,751
Working capital changes	20.1	(3,783,304)	(2,099,395)
		<u>(1,444,248)</u>	<u>2,129,961</u>

**PHILIP MORRIS (PAKISTAN) LIMITED**  
**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023**

**Nine months period ended**

September 30, 2023	September 30, 2022
(Un-audited)	
(Rupees in thousand)	

**20.1 Working capital changes**

(Increase) / decrease in current assets

Stores and spares - net	(131,245)	(2,267)
Stock in trade - net	(5,130,590)	(2,410,988)
Trade debts - net	-	(376)
Advances	(37,947)	(21,781)
Prepayments	46,148	38,419
Other receivables	999,282	(511,510)
	<u>(4,254,352)</u>	<u>(2,908,503)</u>

Increase / (decrease) in current liabilities

Trade and other payables	(555,759)	418,629
Sales tax and excise payable	1,026,807	390,479
	471,048	809,108
	<u>(3,783,304)</u>	<u>(2,099,395)</u>

**21. CASH AND CASH EQUIVALENTS**

Cash and bank balances	7,906,738	9,957,109
Less: Amount held as security	(18,861)	(18,861)
	<u>7,887,877</u>	<u>9,938,248</u>

**22. DATE OF AUTHORISATION FOR ISSUE**

These condensed interim financial statements were authorised for issue on October 23, 2023 by the Board of Directors of the Company.

**23. GENERAL**

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



Kamran Mirza  
Chairman / Director



Roman Yazbeck  
Chief Executive Officer



Muhammad Zeeshan  
Chief Financial Officer





<http://philipmorrispakistan.com.pk>