



PHILIP MORRIS  
(PAKISTAN) LIMITED

## QUARTERLY REPORT

For the 1st quarter ended March 31, 2021  
(Un-audited)



# QUARTERLY REPORT

For the 1st quarter ended March 31, 2021  
(Un-audited)



## CONTENTS

	PAGE
Company Information	2
Directors' Report	3-8
Condensed Interim Statement of Financial Position	9
Condensed Interim Statement of Profit or Loss and Other Comprehensive Income	10
Condensed Interim Statement of Changes in Equity	11
Condensed Interim Cash Flow Statement	12
Notes to the Condensed Interim Financial Statements	13-23



## 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	(Secretary)

### AUDITORS

A. F. FERGUSON & CO.  
Chartered Accountants

### BANKERS

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

### REGISTERED OFFICE

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

### FACTORIES

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

### SHARE REGISTRAR

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

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

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

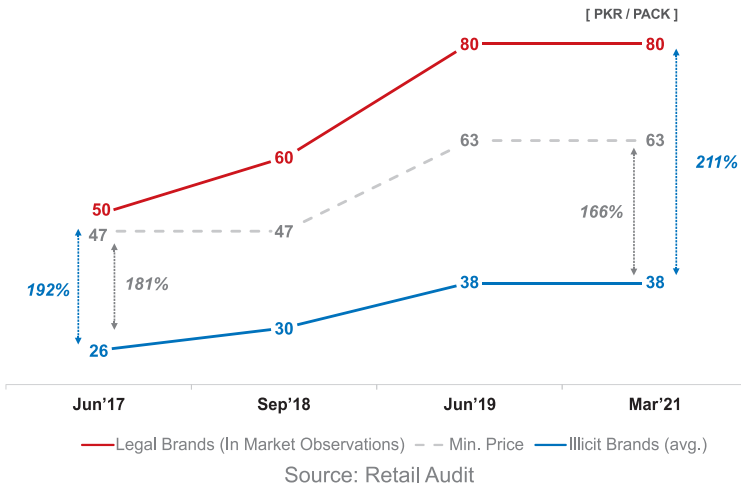


## DIRECTORS' REPORT

Despite the vaccine roll out, the Covid-19 pandemic is still the biggest challenge for countries around the globe. The pandemic has been taking a substantial toll on the global economy and the world is still experiencing desolating effects on public health. While dealing with the pandemic our priority remained the safety of our employees and stakeholders. The Company's offices across the country are operational based on the directives of the Government with relevant SOPs in place and closely monitoring the pandemic situation across Pakistan. The Company is continuously making all the efforts to ensure smooth running of the business and minimizing the adverse impact of the unprecedented circumstances with the support of its employees and stakeholders.

Major challenges being faced by the legally compliant tax paid cigarette industry are as follows:

- The lack of a level playing field is one of the key challenges for the legally compliant tax paying cigarette industry. In 2013, the share of non-tax paid illicit sector was 23% but due to sheer lack of enforcement, it has now captured almost 40% of the market. Significant and excessive excise increases over the past few years have widened the price gap between legal and non-tax-paid illicit cigarettes thus facilitating downtrading and contributing to the exponential growth of the illicit cigarette sector. Excessive excise duty increases of 93% on Value Tier brands (i.e. from PKR 17/pack in Apr'18 to PKR 33/pack in Jun'19) during Federal Budgets of Sep'18 and Jun'19 have stretched the price gap and non-tax paid illicit brands continue selling at below minimum price prescribed under tax laws i.e. PKR 63/pack. Further countless tax-evading brands of cigarettes across the country are being sold as low as PKR 25/pack (avg. illicit price is PKR 38/pack). For reference: Total Tax/pack (Excise & Sales Tax) on value brands is PKR 44/pack.





## DIRECTORS' REPORT

- The past decade has witnessed a mushroom growth of local cigarette manufacturers across Pakistan (including AJK) manufacturing over 100+ brands, selling at price points significantly below the minimum price prescribed under the tax regime (as mentioned above).
- Further, in March 2020, the government issued a Statutory Regulatory Order No. 72(I)/2020 further restricting advertising, promotion and sponsorship of tobacco and tobacco products. As a law abiding corporate, the Company ensured compliance of these directives, however, many brands by illicit domestic manufacturers continue to violate these advertising restrictions.

The legal industry has regularly engaged with the Government of Pakistan highlighting concerns on the continuous growth of the illicit sector and lack of enforcement against the illicit players. It was encouraging for the legal industry when Prime Minister Imran Khan acknowledged and reiterated his concern on the growing non-tax paid illicit cigarette trade. Mr. Imran Khan categorically stated that only 2 (two) companies with 60% market share are paying 98% of taxes generated from the tobacco sector while companies with remaining 40% market share pay only 2%.

The non-tax paid illicit cigarette in Pakistan causing an estimated annual revenue loss in the range of PKR 70-77 billion to the national exchequer, depicts the magnitude of tax evasion in the sector.

The Board strongly requests the Federal Government to take measures towards uniform implementation of policies and laws to protect the investment of the legally compliant industries that provide employment and revenue to Pakistan. If the policies continue in the same direction without taking into account a result-oriented approach, it is very likely that the tax-evaded illicit cigarette market share will further increase and not only hurt the law abiding legally compliant tax paying cigarette industry but will also be detrimental to government revenue and public health objectives.

We support the introduction of Track and Trace system as it will be an effective tool to supplement enforcement efforts against tax evasion. However, since 2019, the Federal Board of Revenue (FBR) has made multiple attempts to implement the system but, till date no major progress has been made on this front.

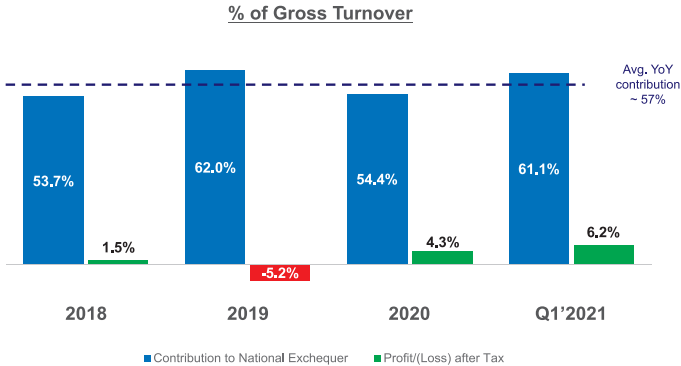
During the period ended March 31, 2021, the Company's domestic net turnover stood at PKR 4,440 million reflecting increase by 6% versus same period last year. Increase in Distribution & Marketing expenses showed commitment by the Company to continuously allocate the resources for initiatives behind building brands and route to market activities which can earn the best returns. Further, we continue to find efficiencies in Administrative Expenses to ensure the increase remains under inflation.

During the same period ended March 31, 2021, the Company's contribution to the National Exchequer, in the form of excise duty, sales tax and other government levies, stood at PKR 7,089 million (higher by 23.3% compared to the same period last year) reflecting 61.1% of Q1'21 Gross Turnover. The Company recorded Profit After Tax of PKR 718.4 million for the period ended March 31, 2021 (compared to Profit After Tax of PKR 361.4 million for the same period last year) which is equivalent to only 6.2% of Q1'21 Gross Turnover.



## DIRECTORS' REPORT

The Company's contribution to the National Exchequer since 2018 on an average remained 57% of the Gross Turnover while Profit after Tax as a % of Gross Turnover retained for the business remained minimal (see graph below).



While the Company is mindful of the recent surge in COVID-19 cases, the management team continues to remain committed towards improving the overall performance of the Company by utilizing global resources, pursuing strategic commercial activities, process and operational efficiency, as well as resource utilization and allocation. Further, growing our gross margin and controlling the cost remains our priority for improving profitability in a challenging environment.

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: April 27, 2021

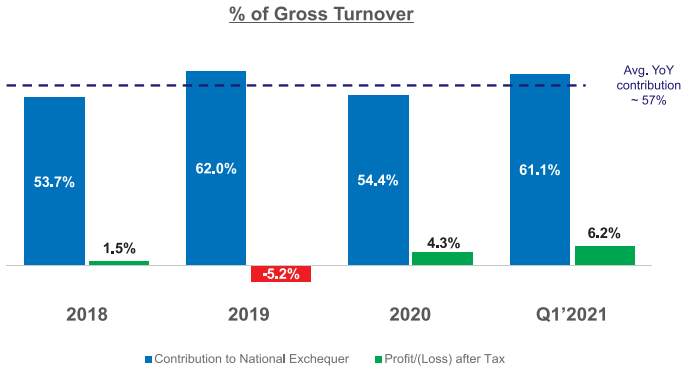




## ڈائریکٹرز رپورٹ

(گزشتہ برس، اسی عرصے میں 361.4 ملین روپے بعد از ٹیکس منافع حاصل ہوا تھا) جس سے کاروبار کے لیے سنہ 2021ء کی پہلی سہ ماہی کے لیے مجموعی حاصل میں 6.2 فیصد باقی رہا ہے۔

مجموعی حاصل کی بنیاد پر، سنہ 2018ء سے اب تک، قومی خزانے میں کمپنی کا اوسط حصہ 57 فیصد رہا ہے جبکہ بعد از ٹیکس میں کاروبار کے لیے فیصد مجموعی حاصل حاصل ہوئے ہیں جو نہایت معمولی ہے۔ (براہ مہربانی، ذیل میں دیا گیا گراف ملاحظہ فرمائیے۔)



کمپنی جہاں کووڈ-19 کی لہر میں آنے والی حالیہ تیزی سے آگاہ ہے انتظامی ٹیم عالمی وسائل کے استعمال، حکمت عملی پر مبنی تجارتی سرگرمیوں پر عمل درآمد، عمدہ طریقہ کار اور آپریشنل کارکردگی کے علاوہ وسائل کی فراہمی اور استعمال کے ذریعے کمپنی کی مجموعی کارکردگی بہتر بنانے کے لیے پرعزم ہے۔ مزید یہ کہ، ہماری بڑھتا ہوا مجموعی منافع اور اخراجات پر کنٹرول، ان مشکل حالات میں منافع بخش صورت کو بہتر بنانے کی غرض سے ہماری ترجیح ہے۔

مسلحہ اعتماد اور اعانت کے لیے بورڈ آف ڈائریکٹرز اپنے تمام کاروباری شراکت داروں، مثلاً تقسیم کنندگان، فراہم کنندگان، حصص یافتگان اور دیگر اداروں کا بھی شکریہ ادا کرتا ہے۔

بورڈ آف ڈائریکٹرز کی جانب سے



رومن یاز بیک  
چیف ایگزیکٹو



کامران یوسف مرزا  
چیئر مین

بتاریخ: کراچی، 27 اپریل 2021ء



## ڈائریکٹرز رپورٹ

- گزشتہ دہائی میں، آزاد کشمیر سمیت، پورے پاکستان میں سگریٹ بنانے مقامی ادارے خود روپودوں کی طرح سامنے آئے جو 100 سے بھی زائد برانڈز تیار کرتے تھے اور (جیسا کہ اوپر بیان کیا جا چکا ہے) ٹیکسوں کے نظام کے تحت مقرر کردہ کم سے کم قیمت سے بھی کم قیمت پر فروخت کرتے تھے۔ قانون کی پابندی کرنے والی ٹیکس ادا شدہ اور غیر قانونی اور بنا ٹیکس ادا شدہ سگریٹوں کے درمیان قیمت کا فرق بڑھ کر 200 فیصد ہو گیا ہے۔
- مزید یہ کہ مارچ 2020ء میں، حکومت نے ایک قانونی انضباطی حکم (Statutory Regulatory Order) نمبر 72(I)/2020 جاری کیا اور اس حکم کے ذریعے تقریباً دو تہائی کو سے تیار کردہ مصنوعات کی تشہیر فروغ اور اسپانسرشپ پر پابندی عائد کر دی۔ قانون پر عمل کرنے والے ادارے کی حیثیت سے کہنی نے ان احکامات پر فوری عمل درآمد یقینی بنایا، تاہم مختلف برانڈز بنانے والے متعدد مقامی اداروں نے ان پابندیوں کی خلاف ورزی جاری رکھی

خوش قسمتی سے اس خرابی کا احساس بالائی سطح پر بھی موجود ہے، حتیٰ کہ خود وزیراعظم، عمران خان بھی اس کا اعتراف کر چکے ہیں اور بنا ٹیکس ادا شدہ غیر قانونی سگریٹوں کی تجارت میں اضافے پر اپنی تشویش کا اظہار کر چکے ہیں۔ وہ اپنے بیان میں یہ بات بھی واضح طور پر کہہ چکے ہیں کہ صرف دو کمپنیاں، جن کا مارکیٹ میں حصہ 60 فیصد ہے، تباہی کے شیعے سے حاصل ہونے والے ٹیکسوں کا 98 فیصد ادا کر رہی ہیں جبکہ مارکیٹ کا باقی 40 فیصد صرف 2 فیصد ٹیکس ادا کر رہا ہے۔ ایک اندازے کے مطابق، پاکستان میں بنا ٹیکس ادا شدہ غیر قانونی سگریٹیں قومی خزانے کو 77-70 ارب روپے کا نقصان پہنچا رہی ہیں جس سے اس شیعے میں ٹیکس چوری کی شدت کا اندازہ ہوتا ہے۔

کہنی کا بورڈ وفاقی حکومت سے پر زور درخواست کرتا ہے کہ وہ قانون کی پابندی کرنے والی صنعتوں میں کی گئی سرمایہ کاری کے تحفظ کے لیے پالیسیوں اور قوانین کا یکساں نفاذ کرے تاکہ پاکستان کے لیے محصولات میں اضافہ ہو اور لوگوں کو روزگار میسر آ سکے۔ پالیسیاں اگر اسی سمت میں جاری رہیں، اور نتائج پر مبنی انداز نگارنا اپنایا گیا تو اس بات کا امکان ہے کہ ٹیکس چوری کرنے والی غیر قانونی سگریٹوں کی مارکیٹ میں مزید اضافہ ہو جس سے نہ صرف قانون کی پابندی کرنے والی ٹیکس ادا کرنے والی صنعت کو نقصان پہنچے گا بلکہ یہ حکومت کی جانب سے دستاویز سازی کے لیے کی جانے والی کوششوں اور تباہی کو پر کنٹرول کرنے والے قوانین کو شدید نقصان پہنچے گا۔

ہم ٹریک اینڈ ٹریس سسٹم ("سسٹم") کے نفاذ کی حمایت کرتے ہیں کیوں کہ یہ ٹیکس چوری کی روک تھام میں مددگار ثابت ہوگا۔ تاہم، سنہ 2019ء سے، فیڈرل بورڈ آف ریونیو (ایف بی آر) نے اس سسٹم کا آغاز کرنے کے لیے متعدد کوششیں کی ہیں اور اس سسٹم کی تیاری، دیکھ بھال اور آپریشن کے لیے درخواستیں طلب کی ہیں لیکن کوئی پیش رفت، اب تک، دیکھنے میں نہیں آئی ہے اور یہ عمل تعطل کا شکار ہے۔

مؤرخہ 31 مارچ 2021ء کو ختم ہونے والے عرصے میں، کہنی کو خالص ملکی حاصل کی صورت میں 4,440 ملین روپے حاصل ہوئے جس سے، گزشتہ برس اسی عرصے کے مقابلے میں، 6 فیصد کا معمولی اضافہ دیکھنے میں آیا۔ ڈسٹری بیوشن اور مارکیٹنگ پر ہونے والے اخراجات سے کہنی کا عزم ظاہر ہوتا ہے کہ وہ برانڈز کی تخلیق اور مارکیٹ کی سرگرمیوں کے لیے راستہ تیار کرنے کے پیچھے موجود اقدامات کے لیے وسائل مہیا کرتی رہے گی تاکہ بہترین منافع حاصل کیا جاسکے۔ مزید یہ کہ، ہم انتظامی اخراجات میں بھی بہترین کارکردگی کا مظاہر کریں گے تاکہ ان میں ہونے والا اضافہ افراط زر سے کم رہے۔

مؤرخہ 31 مارچ 2021ء کو ختم ہونے والے عرصے کے دوران، ایکسائز ڈیوٹی، سیلز ٹیکس اور دیگر سرکاری حاصل کی صورت میں، قومی خزانے میں کہنی کا حصہ 7,089 ملین روپے تھا (گزشتہ برس کے اسی عرصے کے مقابلے میں 23.3 فیصد زیادہ) جس سے سنہ 2021ء کی پہلی سہ ماہی میں مجموعی حاصل میں 16.1 فیصد اضافہ ظاہر ہوتا ہے۔ مؤرخہ 31 مارچ 2021ء کو ختم ہونے والے عرصے میں، کہنی کو 718.4 ملین روپے کا بعد از ٹیکس منافع حاصل ہوا

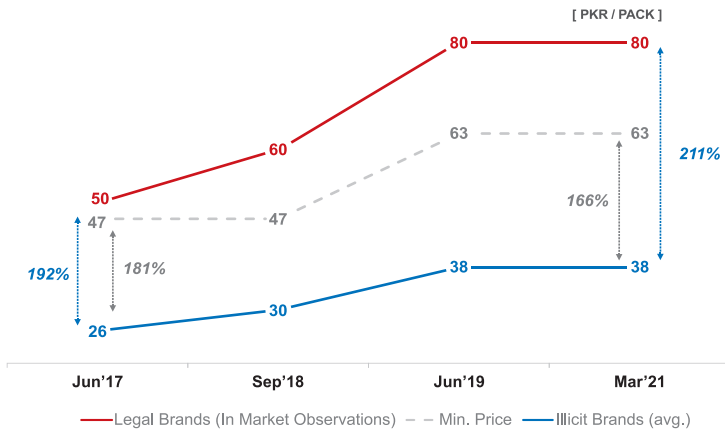
## ڈائریکٹرز رپورٹ

### برائے پہلی سہ ماہی ختم شدہ 31 مارچ، 2021ء

اگرچہ کینسیشن کا آغاز ہو چکا ہے، اس کے باوجود عالمی سطح پر کووڈ-19 (COVID-19)، اب بھی سب سے بڑا چیلنج ہے۔ اس وبائے عالمی معیشت پر غیر معمولی اثرات مرتب کیے ہیں اور دنیا بھر میں بھی عوامی صحت پر مایوس کن اثرات دکھ رہی ہے۔ وبائے نمٹنے کے دوران ہمارے ملازمین اور اسٹیک ہولڈرز کا تحفظ ہماری ترجیح رہی ہے۔ ملک بھر میں کمپنی کے دفاتر مقرر کردہ SOPs کے ساتھ کام کر رہے ہیں اور پاکستانی کے پورے جغرافیہ میں وبا کی صورت حال کا مشاہدہ کر رہے ہیں۔ کمپنی، اپنے اسٹیک ہولڈرز اور ملازمین کے تعاون سے مسلسل کوششیں کر رہی ہے کہ کاروبار جاری رکھا جاسکے اور ایسے حالات کے اثرات کم سے کم رکھے جائیں جن کی پہلے کوئی مثال نہیں ملتی ہے۔

نگس ادا کرنے والی سگریٹ کی صنعت کے لیے مساوی مواقع کی عدم دستیابی اہم چیلنجوں میں سے ایک چیلنج ہے۔ سنہ 2013ء میں، پالیسیوں اور مختلف نظاموں کی غیر موجودگی کے باعث بنا نگیس ادا شدہ سگریٹیں بنانے والی صنعت کا مارکیٹ میں حصہ 23 فیصد تھا جواب بڑھ کر 40 فیصد ہو چکا ہے۔ نگیسوں کی وجہ سے، قانون کی پابندی کرنے اور نگیس ادا شدہ سگریٹیں منگی ہوتی جاری ہیں جبکہ نگیس چوری کرنے والے برانڈز باسانی دستیاب ہیں جس سے سرکاری محصولات پر بھی منفی اثر پڑ رہا ہے۔ فی الحقیقت زیادہ قیمتیں اور نگیس، نگیس چوری کرنے والے غیر قانونی سیلر کے لیے ترغیب کا باعث بن گئی ہیں۔ قانون کی پابندی کرنے اور نگیس ادا شدہ سگریٹوں کی صنعت کو درج ذیل چیلنجوں کا سامنا ہے:

- ویلیو ایڈڈ برانڈز پر اضافی ایکسائز ڈیوٹی بڑھ کر 93 فیصد ہو چکی ہے (یعنی اپریل 2018ء میں 17.00 روپے فی پیک سے بڑھ کر جون 2019ء میں 33.00 روپے فی پیک) جس کی وجہ سے، 2018ء اور جون 2019ء میں وفاقی بجٹ کے دوران کیے گئے اعلانات ہیں جن سے نگیس چوری کرنے اور نگیس ادا کرنے والی سگریٹوں کی قیمتوں کے درمیان فرق بڑھ گیا ہے کیوں کہ بنا نگیس ادا شدہ سگریٹیں کم سے کم مقرر کردہ قیمت -/63 روپے فی پیک سے قیمت پر فروخت ہو رہی ہیں۔ سگریٹوں کی کم سے کم قیمت فروخت کے تعین کا مقصد وفاقی ایکسائز ڈیوٹی کا نفاذ اور منظم کرنا تھا لیکن نگیس چوری کرنے والے بے شمار برانڈز، پورے ملک میں -/25 روپے فی پیک سے بھی کم قیمت پر فروخت ہو رہے ہیں (اوسط غیر قانونی قیمت -/38 روپے فی پیک)۔ مثال کے طور پر ویلیو ایڈڈ برانڈ پر کل نگیس، فی پیک (ایکسائز اور نگیس) -/44 روپے فی پیک۔



Source: Retail Audit



# CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (Un-audited)

## AS AT MARCH 31, 2021

		March 31, 2021 (Un-audited)	December 31, 2020 (Audited)
	Note	(Rupees in thousand)	
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
<b>FIXED ASSETS</b>			
-Property, plant and equipment	4	5,495,777	5,622,808
-Right-of-use assets		294,252	348,005
-Intangibles		56,808	60,592
		<u>5,846,837</u>	<u>6,031,405</u>
Investment in a subsidiary company	5	1	1
Long term deposits		78,944	79,184
Deferred taxation		905,088	1,069,520
		<u>6,830,870</u>	<u>7,180,110</u>
<b>CURRENT ASSETS</b>			
Stores and spares - net		88,767	94,340
Stock in trade - net	6	4,227,241	4,866,357
Advances	7	113,019	123,897
Prepayments		81,758	74,687
Other receivables		702,107	717,905
Income tax - net		526,829	651,999
Staff retirement benefits		110,226	110,226
Cash and bank balances		6,415,727	5,383,334
Assets held for disposal	8	1,105	1,105
		<u>12,266,779</u>	<u>12,023,850</u>
<b>TOTAL ASSETS</b>		<u><b>19,097,649</b></u>	<u><b>19,203,960</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital		12,000,000	12,000,000
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		746,019	27,607
<b>TOTAL EQUITY</b>		<u><b>11,791,911</b></u>	<u><b>11,073,499</b></u>
<b>NON CURRENT LIABILITIES</b>			
Lease liabilities		268,718	325,422
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	4,785,663	4,898,438
Current maturity of lease liabilities		119,882	110,657
Unclaimed dividend		37,211	33,725
Unpaid dividend		-	1,076,845
Accrued mark-up on short term borrowings		237	249
Sales tax and excise duty payable		2,094,027	1,685,125
<b>TOTAL CURRENT LIABILITIES</b>		<u><b>7,037,020</b></u>	<u><b>7,805,039</b></u>
<b>TOTAL LIABILITIES</b>		<u><b>7,305,738</b></u>	<u><b>8,130,461</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>19,097,649</b></u>	<u><b>19,203,960</b></u>

### CONTINGENCIES AND COMMITMENTS

10

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.

**KAMRAN Y. MIRZA**  
Chairman

**ROMAN YAZBECK**  
Chief Executive

**MUHAMMAD ZEESHAN**  
Chief Financial Officer

Karachi: April 27, 2021



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

## FOR THE QUARTER ENDED MARCH 31, 2021

	Note	Quarter Ended	
		March 31, 2021 (Un-audited) (Rupees in thousand)	March 31, 2020 (Un-audited) (Rupees in thousand)
Turnover - net	11	4,439,791	4,198,286
Cost of sales	12	2,291,178	2,727,777
Gross profit		2,148,613	1,470,509
Distribution and marketing expenses		850,882	521,708
Administrative expenses		338,770	352,298
Other expenses		134,855	125,129
Other income		(253,260)	(89,590)
		1,071,247	909,545
Operating profit		1,077,366	560,964
Finance cost and bank charges		19,160	12,104
Profit before taxation		1,058,206	548,860
Taxation	13	339,794	187,461
Profit after taxation		718,412	361,399
Other comprehensive income		-	-
Total comprehensive income for the year		718,412	361,399
.....(Rupees).....			
Earnings per share			
- Basic	14.1	11.67	5.87
- Diluted	14.2	10.19	5.42

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.

**KAMRAN Y. MIRZA**  
Chairman

**ROMAN YAZBECK**  
Chief Executive

**MUHAMMAD ZEESHAN**  
Chief Financial Officer



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

## FOR THE QUARTER ENDED MARCH 31, 2021

	Issued, subscribed and paid-up capital		Transaction cost on issuance of preference shares -net of tax	Capital Reserves		Subtotal Capital Reserves	Reserve			Subtotal-Reserves	Total
							Revenue Reserves				
	Ordinary shares	Preference shares		Reserve for share based payments	Remeasure-ment of staff retirement gratuity plan-net of tax		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
Total comprehensive income											
Profit after taxation for the three months period ended March 31, 2020	-	-	-	-	-	-	-	361,399	361,399	361,399	361,399
Balance as at March 31, 2020	615,803	10,464,000	(33,911)	11,148	(243,756)	(232,608)	4,676,610	(4,477,612)	198,998	(33,610)	11,012,282
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
Total comprehensive income											
Profit after taxation for the three months period ended March 31, 2021	-	-	-	-	-	-	-	718,412	718,412	718,412	718,412
	-	-	-	-	-	-	-	718,412	718,412	718,412	718,412
Balance as at March 31, 2021	615,803	10,464,000	(33,911)	17,663	(244,220)	(226,557)	3,328,327	(2,355,751)	972,576	746,019	11,791,911

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.

**KAMRAN Y. MIRZA**  
Chairman

**ROMAN YAZBECK**  
Chief Executive

**MUHAMMAD ZEESHAN**  
Chief Financial Officer

Karachi: April 27, 2021



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

FOR THE QUARTER ENDED MARCH 31, 2021

Note	Quarter Ended	
	March 31, 2021 (Un-audited)	March 31, 2020 (Un-audited)
(Rupees in thousand)		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash generated from operations	16 2,171,913	2,430,623
Finance cost paid	(19,172)	(13,305)
Income taxes paid	(50,192)	(37,780)
Profit received on savings accounts	80,543	25,808
Long term deposits and prepayments	240	-
Net cash generated from operating activities	2,183,332	2,405,346
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure	(119,229)	(98,399)
Proceeds from disposal of items of property, plant and equipment	62,771	22,447
Net cash used in investing activities	(56,458)	(75,952)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(1,073,359)	(29)
Principal element of lease payments	(21,122)	(25,409)
Net cash used in financing activities	(1,094,481)	(25,438)
Net increase in cash and cash equivalents during the period	1,032,393	2,303,956
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	17 6,396,866	1,768,903

The annexed notes from 1 to 19 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 (Un-audited)

### FOR THE QUARTER ENDED MARCH 31, 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 The Company is a subsidiary of Philip Morris International Inc., (the ultimate parent) through Philip Morris Investments B.V., (the parent company) and Philip Morris Brands S.à.r.l.
- 1.3 In view of the exemption granted by the Securities & Exchange Commission of Pakistan (the SECP) vide its letter No. EMD/233/619/2002-641 dated March 26, 2021 from the requirement of section 228(7) of the Companies Act, 2017 the consolidated financial statements of the group comprising the Company and its subsidiary, Laksonpremier Tobacco Company (Private) Limited, have not been prepared. The exemption is, however, subject to the condition that any material and relevant details of the aforesaid subsidiary shall be prominently disclosed by the Company.

In accordance with the requirements of the said exemption, financial highlights of the subsidiary are stated in note 5.

#### 2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

- 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 Standards (IAS 34), Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- (b) Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 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, 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.





## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited) Continued

- 2.4 There were certain amendments and interpretations 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 The comparative statement of financial position presented in these condensed interim financial statements as at December 31, 2020 has been extracted from the audited financial statements of the Company for the year then ended (December 31, 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 three months period ended March 31, 2020 have been extracted from the condensed interim financial statements of the Company for the three months period then ended, which were not audited.
- 2.6 These condensed interim financial statements should be read in conjunction with the financial statements for the year ended December 31, 2020 as they provide an update of previously reported information.

### 3. **SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT**

- 3.1 The preparation of these condensed interim financial statements in conformity with approved accounting and reporting standards 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.
- 3.2 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 Company's December 2020 financial statements.
- 3.3 The Company's financial risk management objectives and policies are consistent with those disclosed in the December 31, 2020 financial statements.



## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited) Continued

### 4. PROPERTY, PLANT AND EQUIPMENT

	Note	March 31, 2021 (Un-audited) (Rupees in thousand)	December, 2020 (Audited)
Operating property , plant and equipment	4.1	4,832,534	5,003,286
Capital work-in-progress (CWIP)	4.5	661,994	618,273
Major capital spares and stand-by equipment		1,249	1,249
		<u>5,495,777</u>	<u>5,622,808</u>

#### 4.1 Operating property, plant and equipment

Book value at the beginning of the period/ year		5,003,286	4,344,780
Additions / transfers from CWIP during the period / year	4.2	73,700	1,235,926
Assets transferred from held for disposal		-	438,378
		<u>5,076,986</u>	<u>6,019,084</u>
Disposals during the period / year - net book value	4.3	(18,157)	(42,547)
Write offs during the period / year - net book value		(137)	(33,031)
Impairment during the period / year - net book value		-	(12,086)
Transfer to held for disposal		-	(1,105)
Depreciation charge during the period / year	4.4	(226,158)	(927,029)
		<u>(244,452)</u>	<u>(1,015,798)</u>
Book value at the end of the period / year		<u>4,832,534</u>	<u>5,003,286</u>

Quarter Ended	
March 31, 2021 (Un-audited)	March 31, 2020
(Rupees in thousand)	

#### 4.2 Additions / transfers from CWIP during the period

Buildings on freehold land	18,158	34,904
Buildings on leasehold land	9,663	-
Plant and machinery	21,864	70,672
Furniture and fixtures	3,031	-
Office equipments	592	9,109
Vehicles	-	120,803
Power and other installations	14,174	5,037
Computer Equipment	6,218	-
	<u>73,700</u>	<u>240,525</u>



## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited) Continued

	Quarter Ended	
	March 31, 2021 (Un-audited)	March 31, 2020 (Un-audited)
	(Rupees in thousand)	
4.3 Disposals during the period - net book value		
Freehold land	-	1,504
Building on freehold land	-	2,963
Vehicles	18,157	5,346
	<u>18,157</u>	<u>9,813</u>
4.4 Depreciation charge during the period on property, plant and equipment	<u>226,158</u>	<u>186,873</u>
	March 31, 2021 (Un-audited)	December 31, 2020 (Audited)
	(Rupees in thousand)	
4.5 Capital work-in-progress		
Civil works	199	3,093
Plant and machinery	641,112	500,100
Power and other installations	17,847	28,452
Furniture and fixtures	-	58,242
Computer equipment pending installations	-	875
Advance to suppliers and contractors	2,836	27,511
	<u>661,994</u>	<u>618,273</u>

### 5. 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 three months period ended March 31, 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 March 31, 2021 amounted to Rs Nil, in accordance with the un-audited condensed interim financial statements for the three 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 auditor of the subsidiary company has expressed an unmodified audit opinion on the financial statements of the subsidiary company for the year ended December 31, 2020.



## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited) Continued

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.

### 6. STOCK IN TRADE - net

	Note	March 31, 2021 (Un-audited) (Rupees in thousand)	December 31, 2020 (Audited)
Raw and packing materials	6.1	3,494,917	3,856,116
Work-in-process		183,922	174,886
Finished goods		601,161	904,945
		4,280,000	4,935,947
Provision for obsolete stocks	6.2	(52,759)	(69,590)
		4,227,241	4,866,357

6.1 Includes raw & packing material in transit aggregating Rs 252.897 million (December 31, 2020: Rs 177.508 million)

6.2 During the current period, the Company has written off provision against raw and packing materials aggregating Rs 16.832 million (December 31, 2020: Rs 30.460 million).

### 7. ADVANCES

	Note	March 31, 2021 (Un-audited) (Rupees in thousand)	December 31, 2020 (Audited)
Unsecured			
Advances to:			
- Employees	7.1	6,408	6,996
- Suppliers and contractors		11,516	21,806
		17,924	28,802
Secured			
Advance to a supplier	7.2	111,261	111,261
Less: Provision against advance		(16,166)	(16,166)
		95,095	95,095
		113,019	123,897

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

7.2 This matter relates to an advance payment of Rs 111.261 million paid by Philip Morris (Pakistan) Limited ("PMPKL") 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"). PMPKL terminated the Agreement and invoke the Insurance Guarantee as the Service Provider failed to comply with its obligations including provision of supporting documents to PMPKL's satisfaction.

There is no signification change in the status of the case as set out in note 11.2 to the December 31, 2020 financial statement.



## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited) Continued

### 8. ASSETS HELD FOR DISPOSAL

	March 31, 2021 (Un-audited)	December 31, 2020 (Audited)
	(Rupees in thousand)	
Transferred from property, plant and equipment		
Cost	195,242	372,583
Less: Accumulated depreciation	(57,109)	(153,278)
Less: Accumulated impairment	(137,028)	(218,200)
	<u>1,105</u>	<u>1,105</u>

### 9. TRADE AND OTHER PAYABLES

Creditors	2,503,760	2,310,468
Bills payable	678,069	742,495
Royalty payable to a related party	154,976	127,056
Accrued expenses	984,323	1,126,984
Tobacco development cess	45,375	45,375
Contractors' retention money	7,489	7,489
Advance from customers / contract liabilities - unsecured	55,667	218,940
Workers' welfare fund	105,269	82,539
Workers' profit participation fund	73,191	16,365
Others	177,544	220,727
	<u>4,785,663</u>	<u>4,898,438</u>

### 10. CONTINGENCIES AND COMMITMENTS

#### 10.1 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).

#### 10.2 Commitments

	March 31, 2021 (Un-audited)	December 31, 2020 (Audited)
	(Rupees in thousand)	
Capital expenditure contracted for but not incurred	11,753	32,883
Post dated cheques	<u>55,128</u>	<u>55,128</u>
Letters of credit	<u>1,691</u>	<u>18,132</u>

#### 10.3 Contingencies

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.

In addition to the above, while reviewing the income tax return of the Company for the tax year 2018, the DCIR through an Order dated March 30, 2021 has disallowed



## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited) Continued

certain deductions aggregating Rs 1,218 million creating a tax demand of Rs 26.342 million. The Company filed an appeal before the Commissioner Inland Revenue (Appeals) on April 12, 2021 which is pending adjudication. Management is of the view, based on the advice of the tax consultants, that the matter will eventually be decided in the Company's favor and therefore no provision has been recorded in this period.

### 11. TURNOVER - net

	<b>Quarter Ended</b>	
	<b>March 31, 2021</b>	<b>March 31, 2020</b>
	<b>(Un-audited)</b>	
	<b>(Rupees in thousand)</b>	
Gross turnover	<b>11,610,488</b>	10,179,297
Less: Trade discount	<b>230,098</b>	270,081
Sales tax	<b>1,735,878</b>	1,382,715
Excise duty	<b>5,204,721</b>	4,328,215
	<b>7,170,697</b>	5,981,011
	<b>4,439,791</b>	4,198,286

### 12. COST OF SALES

#### Raw and packing materials consumed

Opening stock	<b>3,856,116</b>	5,082,504
Purchases, redrying and related expenses	<b>1,122,522</b>	872,976
	<b>4,978,638</b>	5,955,480
Closing stock	<b>(3,494,917)</b>	(3,718,123)
	<b>1,483,721</b>	2,237,357

Government levies	<b>4,903</b>	6,059
Manufacturing expenses	<b>510,889</b>	444,611
	<b>1,999,513</b>	2,688,027

#### Work-in-process

Opening stock	<b>174,886</b>	177,687
Closing stock	<b>(183,922)</b>	(155,663)
Sale of waste	<b>(3,083)</b>	(1,363)
	<b>(12,119)</b>	20,661
Cost of goods manufactured	<b>1,987,394</b>	2,708,688

#### Finished goods

Opening stock	<b>904,945</b>	937,805
Closing stock	<b>(601,161)</b>	(918,716)
	<b>303,784</b>	19,089
	<b>2,291,178</b>	2,727,777



## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited) Continued

	Quarter Ended	
	March 31, 2021 (Un-audited)	March 31, 2020 (Un-audited)
	(Rupees in thousand)	
<b>13. TAXATION</b>		
Current	175,168	57,405
Deferred	164,626	130,056
	<u>339,794</u>	<u>187,461</u>
<b>14. EARNINGS PER SHARE – BASIC AND DILUTED</b>		
<b>14.1 Basic earnings per share</b>		
Profit for the period after taxation	<u>718,412</u>	<u>361,399</u>
	(No. of shares)	
Weighted average number of ordinary shares	<u>61,580,341</u>	<u>61,580,341</u>
	(Rupees)	
Basic earnings per share	<u>11.67</u>	<u>5.87</u>
	(Rupees in thousand)	
<b>14.2 Diluted earnings per share</b>		
Profit for the period after taxation	<u>718,412</u>	<u>361,399</u>
	(No. of shares)	
Weighted average number of ordinary shares	61,580,341	61,580,341
Adjustment for convertible preference shares	8,903,818	5,133,638
	<u>70,484,159</u>	<u>66,713,979</u>
	(Rupees)	
Diluted earnings per share	<u>10.19</u>	<u>5.42</u>



## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited) Continued

### 15. RELATED PARTIES DISCLOSURES

15.1 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	Quarter Ended	
		March 31,	March 31,
		2021	2020
		(Un-audited)	
(Rupees in thousand)			
Associated undertakings	Sale of goods and services	39,460	965,533
	Purchase of goods and services	197,282	312,129
	Royalty charges	32,243	24,422
Staff retirement plans	Contribution to gratuity fund	18,038	16,720
	Contribution to provident fund	21,640	20,368
Key management personnel	Remuneration and benefits - note 15.1.1 to 15.1.3	10,077	10,387

The company enters into transactions with related parties on the basis of mutually agreed terms.

- 15.1.1 The Company considers its chief executive and directors as key management personnel.
- 15.1.2 The chief executive, executive directors and certain executives are provided with free use of the company maintained cars.
- 15.1.3 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 (Un-audited) Continued

### 16. CASH GENERATED FROM OPERATIONS

		Quarter Ended	
		March 31, 2021	March 31, 2020
Note		(Un-audited)	
		(Rupees in thousand)	
Profit before taxation		1,058,206	548,860
Adjustments for non cash changes and other items:			
Depreciation		253,554	206,286
Amortisation		5,592	1,142
Provision for obsolete stocks		-	(465)
Profit on short term deposits		(80,543)	(25,808)
Profit on disposal of property, plant and equipment		(44,614)	(12,634)
Property, plant and equipment written off		137	5,020
Finance cost		19,160	12,104
Working capital changes	16.1	960,421	1,696,118
		<u>2,171,913</u>	<u>2,430,623</u>

#### 16.1 Working capital changes

Decrease / (increase) in current assets

Stores and spares	5,573	(1,028)
Stock in trade	639,116	1,406,424
Advances	10,878	(105,572)
Prepayments	(7,071)	303,558
Other receivables	15,798	(92,106)
	<u>664,294</u>	<u>1,511,276</u>

Increase / (decrease) in current liabilities

Trade and other payables	(112,775)	(649,066)
Sales tax and excise duty payable	408,902	833,908
	<u>296,127</u>	<u>184,842</u>
	<u>960,421</u>	<u>1,696,118</u>

### 17. CASH AND CASH EQUIVALENTS

Cash and bank balances	6,415,727	1,864,796
Less: Amount held as security	(18,861)	(18,861)
Short term borrowings	-	(77,032)
	<u>6,396,866</u>	<u>1,768,903</u>



## 18. DATE OF AUTHORISATION FOR ISSUE

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

## 19. GENERAL

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

**KAMRAN Y. MIRZA**  
Chairman

**ROMAN YAZBECK**  
Chief Executive

**MUHAMMAD ZEESHAN**  
Chief Financial Officer

Karachi: April 27, 2021





**Philip Morris (Pakistan) Limited**

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