http://philipmorrispakistan.com.pk

Philip Morris
(Pakistan) Limited

Embrace the change

annual report 2022

“It is not the strongest or the most intelligent who will survive but those who can best manage change.”

Charles Darwin

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Who We Are -
A Story of Philip Morris International

Philip Morris International (PMI) is a leading international tobacco company working to deliver a smoke-free future and evolving its portfolio for the long-term to include products outside of the tobacco and nicotine sector.

With sustainability at the core of its transformation, PMI is committed to serve as an advocate of positive values and a provider of effective solutions. Innovation and inclusiveness are key elements in the company's efforts towards tobacco harm reduction, environmental sustainability and equity. With a strong foundation and significant expertise in life sciences, in February 2021, PMI announced its ambition to expand into wellness and healthcare areas and deliver innovative products and solutions that aim to address unmet patient and consumer needs.

PMI's current product portfolio primarily consists of cigarettes and smoke-free products, including heat-not-burn, vapour, and oral nicotine products, selling in markets outside the U.S.

Key Milestones

2016
PMI announces its goal to **deliver a smoke-free future.**

2019
PMI's leading smoke-free alternative is authorized for launch in the U.S.

2020
U.S FDA authorises PMI's leading smoke-free product as a **modified risk tobacco** product

2022
Number of adults who have switched to our leading smoke-free product and stopped smoking reaches **17.8 million.**

2025
We aim for smoke-free products to account for over **50 percent** of our total net revenues.

10 facts about Philip Morris International

Unless otherwise stated, the figures are as of December 31, 2022

69,600
employees around the world

Two smoke-free product research facilities in
Switzerland and **Singapore**

Over
980 research and development scientists, engineers, and technicians working on smoke-free products

180
markets where our products are sold

73 markets where our smoke-free products are sold.

39 production facilities worldwide

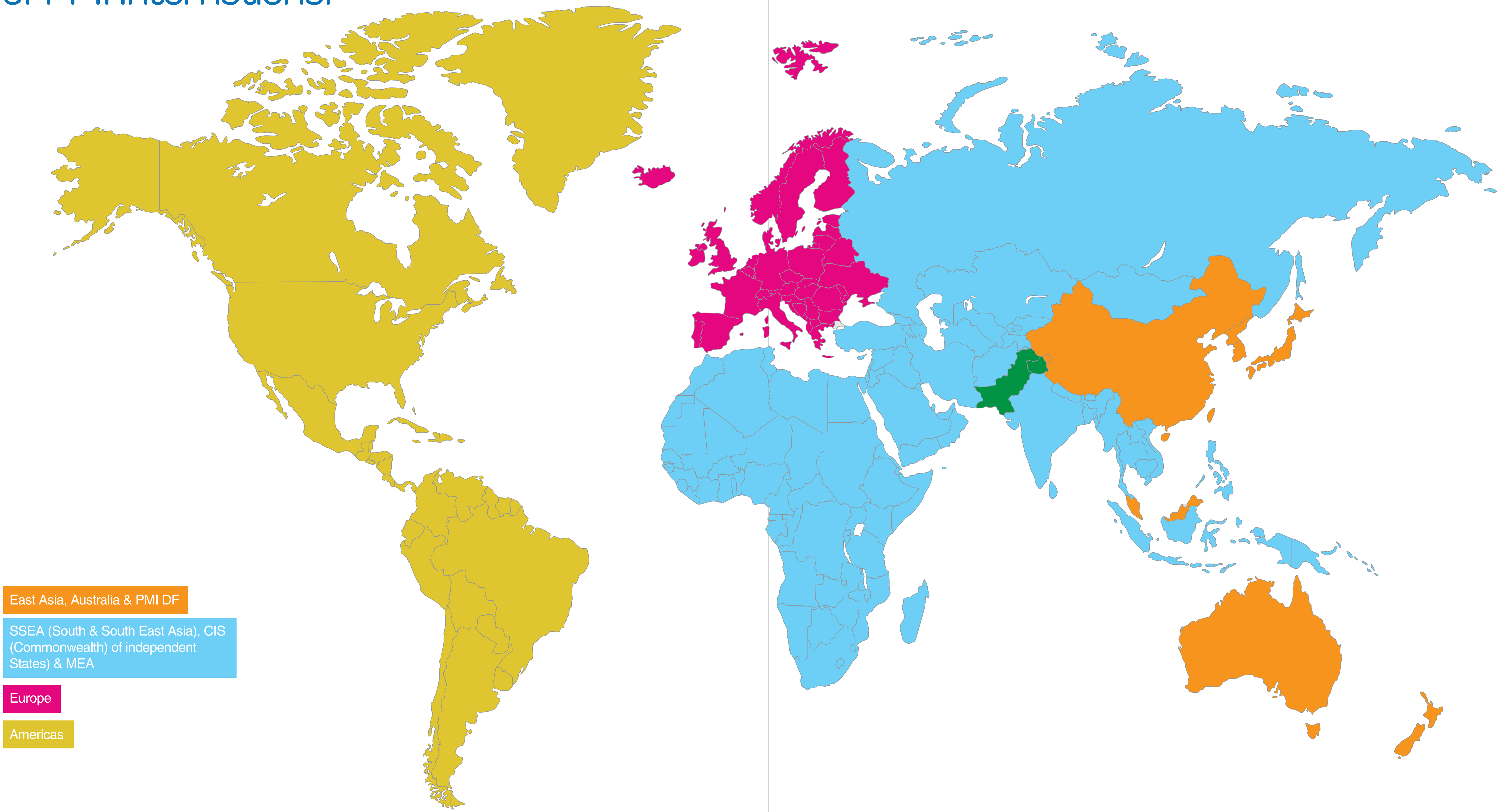
150 million consumers worldwide

5 of the world's top **15** cigarette brands, including Marlboro

USD
31.8
billion net revenue

731.1
billion units total shipment volume

Geographical Footprint of PMI International



About Philip Morris (Pakistan) Limited

Philip Morris (Pakistan) Limited (PMPKL/"the Company") is an affiliate of Philip Morris International (PMI), a leading international tobacco Company. PMPKL is listed on the Pakistan Stock Exchange with its head office in Karachi. The principal activity of the Company is the manufacturing and sale of cigarettes and tobacco products. PMPKL launched the oral nicotine pouches on December 15, 2022, on a pilot basis in Karachi. The Company has one tobacco Leaf Threshing Plant in Mardan and one cigarette manufacturing factory in Sahiwal. PMPKL is one of the leading tobacco Companies in Pakistan and holds a significant percentage of the tax-paid market share.

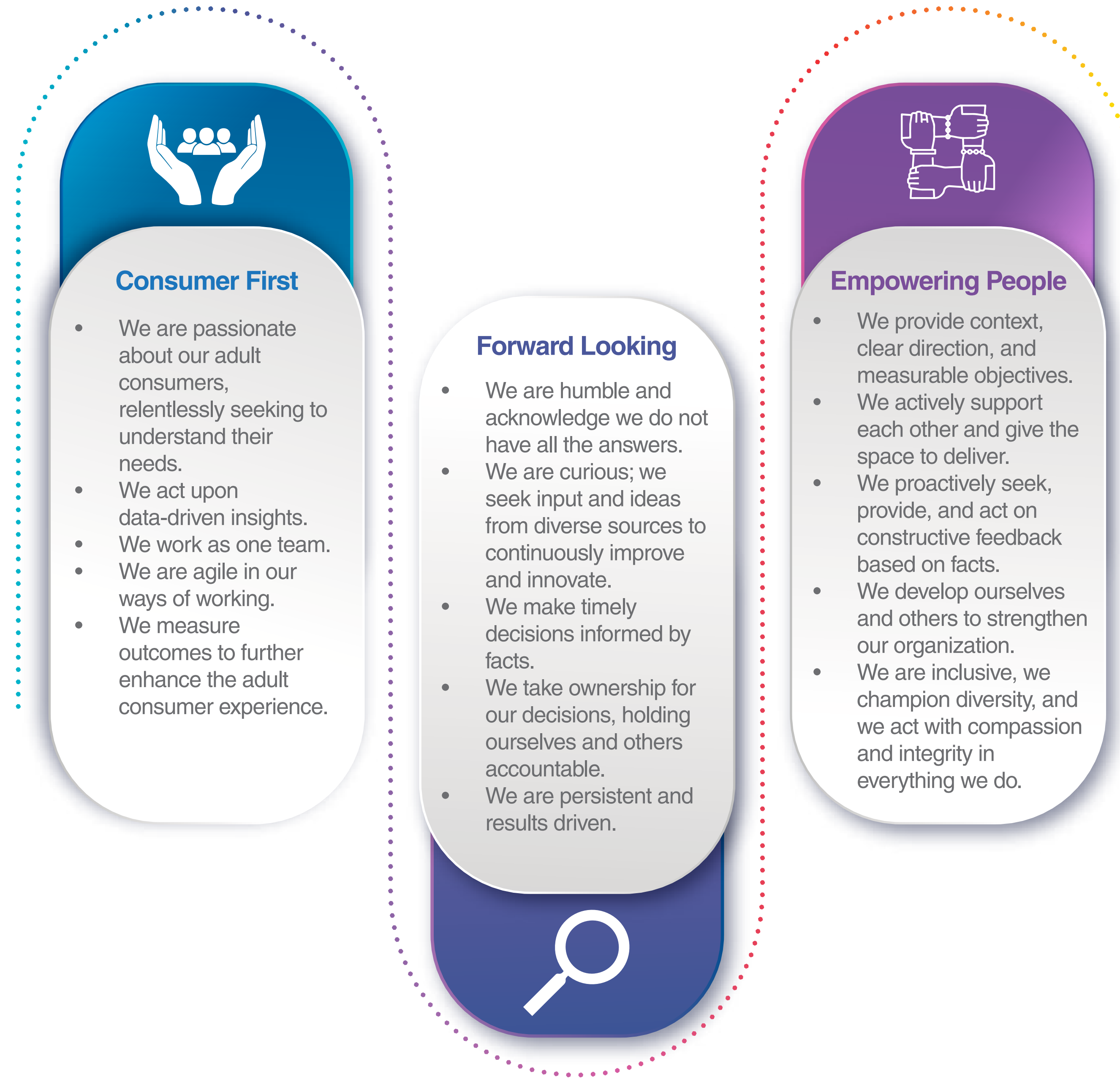
Vision

- Meet the expectations of adult smokers by offering innovative tobacco products of the highest quality available in their preferred price category.
- Generate superior returns to our stockholders.
- Be a responsible corporate citizen and to conduct our business with the highest degree of integrity.

Mission

We are committed towards the continuous betterment of our employees by providing professional training emphasizing teamwork, a clean and safe working environment and leadership imbued with humility.

Our Leadership Model



Consumer First

- We are passionate about our adult consumers, relentlessly seeking to understand their needs.
- We act upon data-driven insights.
- We work as one team.
- We are agile in our ways of working.
- We measure outcomes to further enhance the adult consumer experience.

Forward Looking

- We are humble and acknowledge we do not have all the answers.
- We are curious; we seek input and ideas from diverse sources to continuously improve and innovate.
- We make timely decisions informed by facts.
- We take ownership for our decisions, holding ourselves and others accountable.
- We are persistent and results driven.

Empowering People

- We provide context, clear direction, and measurable objectives.
- We actively support each other and give the space to deliver.
- We proactively seek, provide, and act on constructive feedback based on facts.
- We develop ourselves and others to strengthen our organization.
- We are inclusive, we champion diversity, and we act with compassion and integrity in everything we do.

*Consumers refers to external adult consumers as well as internal customers.

Philip Morris (Pakistan) Limited - Key Facts

652
Employees

16
Regional Offices

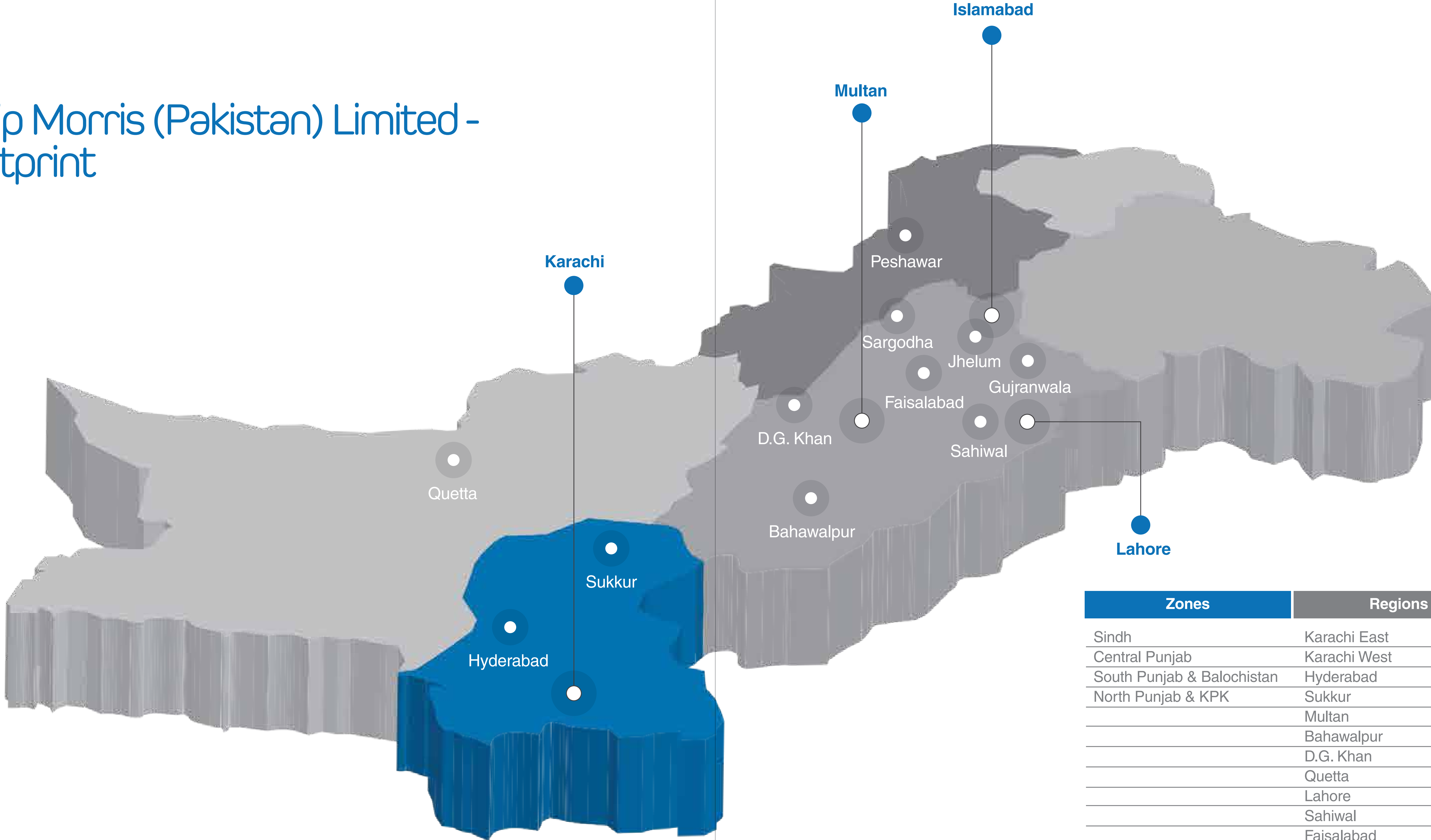
01
Tobacco manufacturing Factory in Sahiwal

01
Leaf threshing Plant in Mardan

04
Zones

Head Office in Karachi

Philip Morris (Pakistan) Limited - Footprint



Zones	Regions
Sindh	Karachi East
Central Punjab	Karachi West
South Punjab & Balochistan	Hyderabad
North Punjab & KPK	Sukkur
	Multan
	Bahawalpur
	D.G. Khan
	Quetta
	Lahore
	Sahiwal
	Faisalabad
	Gujranwala
	Islamabad
	Jhelum
	Peshawar
	Sargodha

Embrace the change

Keeping in line with PMI's sustainability agenda, PMPKL has also expanded its multi-category product range by launching SHIRO on a pilot basis in Karachi, on December 15, 2022. SHIRO nicotine pouches are smoke-free by design.

PMPKL understands that our business must become a provider of effective solutions and accurate information about smoke-free products. Innovation and inclusiveness are key to solving these challenges. Despite all the challenges, we have held steadfast to serve our consumers, stakeholders, and society at large, while working towards a sustainable future for everyone.

Our Portfolio

- Marlboro Gold
- Marlboro Red
- Marlboro Advance
- Morven Classic
- Red&White
- Red&White Special
- Parliament Night Blue
- Parliament Red
- Morven by Chesterfield
- Diplomat
- K2
- Royals

Oral Smoke - Free Products

PMPKL launched SHIRO- the next generation of oral smoke-free products from Europe. SHIRO's unique blends are flavors of oral nicotine products that have been perfected over five generations. New SHIRO nicotine pouches bring together heritage and expertise to create a harmonious nicotine experience.

SHIRO nicotine pouches are completely tobacco-free that offer a balanced and convenient nicotine experience for all legal-age nicotine users.

- No ash, no smoke, no smoke smell, and no teeth staining
- Made with high-quality ingredients.
- Crafted by experts
- Long-lasting flavors & comfortable mouth feel

SHIRO nicotine pouches are available in three exciting flavors and two levels of nicotine strengths

This product is not risk-free and provides nicotine, which is addictive. Only for use by adults.

Sustainability at PMPKL

Sustainability strategy is our corporate strategy and it is a guiding principle for us. We are committed towards building a brighter and inclusive future for all of our stakeholders and communities. Through our history in Pakistan, our efforts and initiatives have succeeded in reaching people from all corners of the country, to leave a positive and sustainable impact on their lives.

Community Development

PMPKL works to align its efforts with the overall sustainability strategy. Building on its long-standing commitment to support the communities that it operates in, PMPKL is constantly refining its approach to intensify targeted investments in relevant causes, for the best outcomes.

Skills Training Program for Adolescent Children Aged 15-17 Years – PMPKL has been consistently organising Skill Training Programs for children of farming communities across Pakistan, for many years now. During 2022, 500 children between the ages of 15 to 17 years were enrolled across 20 training centres for skills training programs, with the aim of imparting lifelong skills and enabling them to be financially empowered. Training, cloth weaving, handloom and electrician training was arranged across the centres for young girls and boys.

Mechanisation – In Pakistan, tobacco growing is a labour intensive activity. This overreliance on labour poses serious threats to the sustainability of tobacco as a crop of choice for farmers. Apart from raising the cost of production, a shortage of skilled workers can become critical during peak operation times. Farmers tend to involve children in some production activities, which carries a harmful impact on the mental well-being and health of children due to their limited immunity. One such activity is tying leaves to wooden sticks, and then hanging them in barns for curing purposes.

During 2022, PMPKL equipped its contracted farmers with a total of 593 machines to carry out their operations, and continues to provide them technical support and training to ensure a smooth transition. Thanks to the machinery upgrade, one farmer operating three machines, on average, is forecast to save PKR 24,385 for every hectare.

To eliminate children's involvement in the leaves production process, PMPKL's Leaf operations facility designed and developed a specialised mechanism that makes the stick tying activity impossible for children. Thanks to the improved design, the machine can now only be manually operated by qualified adults. Through this initiative, PMPKL successfully reduced child labour in its operations to 0.2%, compared to its original target of 2% for 2022.

Environment Protection

PMPKL leaves no stone unturned when it comes to protecting the environment. Its factory in Khyber Pakhtunkhwa has contributed a 30% reduction in emissions since switching to liquid gas, translating to an estimated 2,200 tonnes of carbon that was never emitted into the air. The company consistently it with monitors the 6.5 million trees that it has planted in the country, so far.

Khushali and Haryali Hub

PMPKL has made significant progress in countering the issue of public littering by raising awareness of adequate waste disposal practices, and advocating lifestyle changes among communities. The company partnered with Pak Mission Society to set up a recycling facility in Islamabad, called "Haryali hub and Khushali hub". The recycling facility has created economic opportunities for the community by providing safe waste collection kits along with a waste collection vehicle.

Through this initiative, workers from the communities collect the waste of 1,000 households in slums and middle-income communities, and transport it to the Haryali hub for recycling. Around 1,000 community members have been sensitised and mobilised through this initiative, with help from social media and local campaigns like "TRASH into CASH", in addition to the awareness sessions on littering.

PMPKL celebrated the World Clean-Up Day by organising a clean-up drive, along with a 100-tree plantation activity and awareness sessions. More than 250 volunteers helped collect over 90 kg of trash from a local hotspot, which was then transported for adequate disposal. Approximately 400 people were educated on the critical nature of climate change and the action needed to improve the health of the planet.

Venturi Furnace - To reduce the farmer cost on fuelwood consumption, PMPKL introduced fuel efficient furnaces which reduce the overall fuelwood consumption by 10%. During 2022, PMPKL Leaf continued to ensure the fuel wood used by our contracted farmers in tobacco curing is coming from 100% sustainable sources. The 100% fuelwood sustainability target is being achieved every crop year since 2020. A successful Barn Automation Trial also completed in the crop year 2022. This project contributes to the global target to achieve 50% CO_2 Reduction for Leaf by 2030 (35% in 2025). In addition, the fuel-efficient furnaces reduce the farmers' cost on fuel wood consumption during the process of FCV leaf curing. 94% of PMPKL contracted barns were upgraded with venturi furnace in 2022.

Sustainable Fuel wood - PMPKL has always been fully cognizant of its responsibility towards environment conservation. Continuing our commitment towards environment protection, In 2022, our contracted farmers needed around 59.45 Million kg wood which was arranged from sustainable & traceable sources. PMPKL remains committed to preserving the environment & is striving to contribute towards PMI's goal of Carbon Neutrality in the value chain by 2050.

Boiler Fuel Conversion from Furnace Oil to LPG - Among other initiatives to conserve the environment PMPKL successfully converted the boiler fuel for its Green Leaf Threshing Plant's operation from furnace oil to Liquified Petroleum Gas (LPG) which is a relatively cleaner fuel in 2021. Due to this conversion, during 2022, 284,194 Kgs of Co2 emission is reduced which corresponds to a 14.8% Co2 footprint reduction vs the 2019 baseline.

PK Waste Bank - Waste Collection & Disposal: Throughtout the course of 2022, the project was implemented through third party which collected a total waste of 10.27 tonnes from PMPKL's contracted farmers. About 30% of the collected waste was hazardous-plastic based waste. Hazardous waste was sent for incineration while non-hazardous waste was sent for recycling by third party.

Green Energy Generation - Staying true to Philip Morris International's vision to achieve net zero carbon neutrality in direct operations by 2025, PMPKL has undertaken several important projects to improve its energy efficiency and green energy usage across all operations.

Under the initiative, PMPKL has reduced its energy consumption by approximately 46% since 2018. In 2022, PMPKL consumed 149,808 kWh less electricity with approximately the same production volume compared to 2021. This was achieved by eliminating transformation, transportation & consumption losses on the utility equipment, auxiliaries and production machines. In 2022, PMPKL's Sahiwal factory generated 13% of its total yearly electricity demand from solar energy.

Water Stewardship

PMPKL conducted a detailed water-risk assessment by using various sets of publicly available data to identify the main water-related challenges that the factory is subjected to, as well as those shared by local stakeholders.

Over the years, we have implemented many initiatives to improve water efficiency and reduce water losses in our operations. PMPKL at its manufacturing site, reduced the water consumption by 45% in terms of water consumption per Million Cigarettes (Mio/Cig) produced from 2018 as a baseline. PMPKL Sahiwal is now operating with ZERO effluent discharge and utilising treated water in different routine activities. We continuously work to improve our processes, invest in novel technologies, and raise awareness among our employees. Our Drive 4 Zero program plays a crucial role in improving performance. We aim to take a holistic approach to water stewardship that considers our operations and the communities affected throughout.

Plant Saplings Distribution

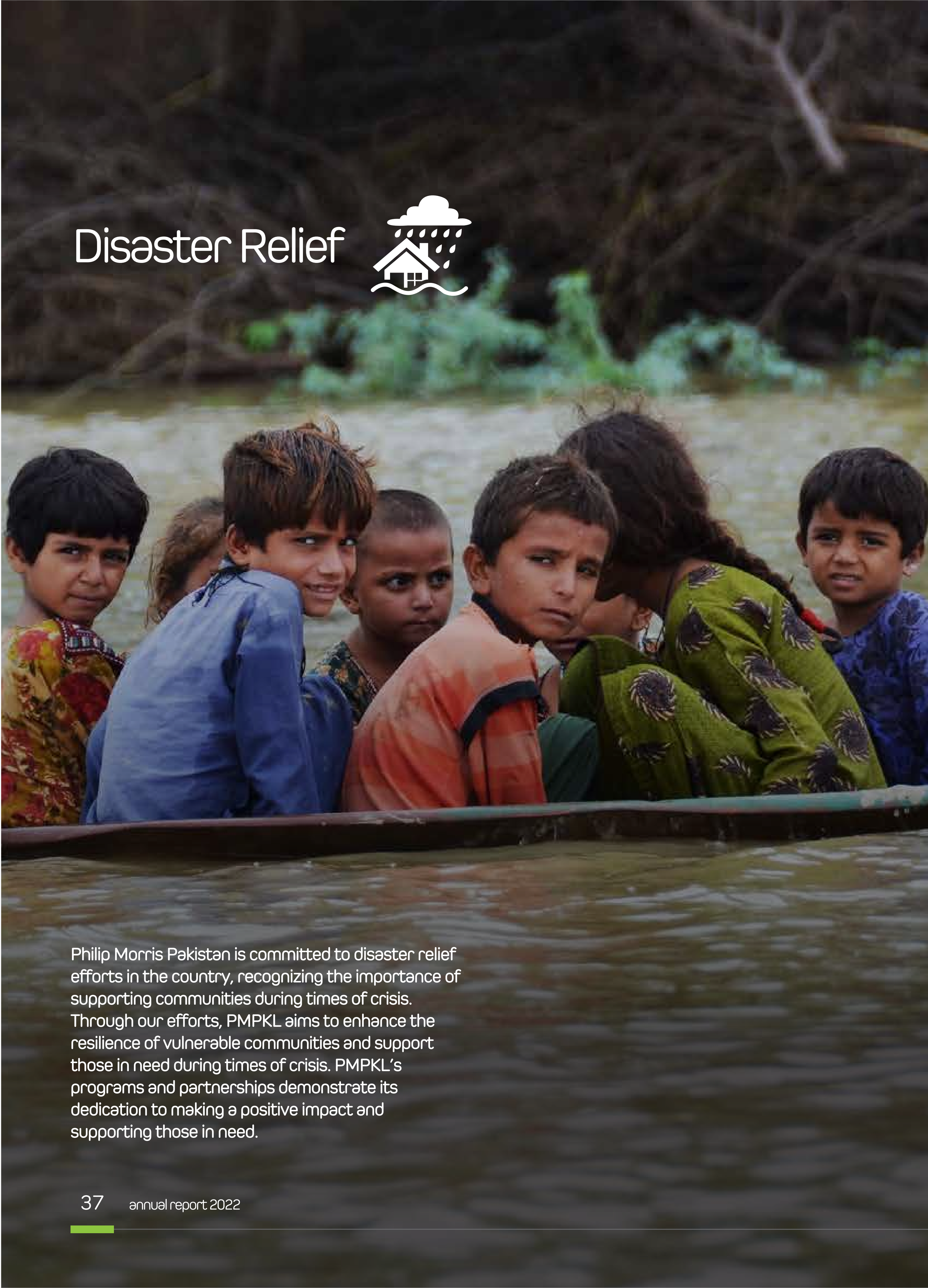
PMPKL donated 100,000 plant saplings at OKARA Cantt to indirectly increase rain potential, reduce evaporation from soil, and increase water catchment by soil.

Installation of Water Coolers with Filters and Hand Washing Stations in Public Schools

PMPKL installed water coolers with filters and hand washing facilities in 5 different local schools in Sahiwal in collaboration with the education department. The scope was to extend and increase the availability of WASH structures in local Sahiwal communities to mitigate/prevent health risks issues related to inadequate potable water provision.

Boiler Improvement Efficiency Project

In addition to its environment protection initiatives, PMPKL has also dedicated sizable efforts to maximising the efficiency of its operations. The company's Sahiwal factory successfully reduced its carbon emissions by more than 72 tonnes.



Disaster Relief

Philip Morris Pakistan is committed to disaster relief efforts in the country, recognizing the importance of supporting communities during times of crisis. Through our efforts, PMPKL aims to enhance the resilience of vulnerable communities and support those in need during times of crisis. PMPKL's programs and partnerships demonstrate its dedication to making a positive impact and supporting those in need.

Disaster Relief Tranche 1-

2022 saw extreme levels of devastation across the nation as floods engulfed a large part of the land, including farms and households. Food insecurity reached emergency levels in some areas, causing potentially disastrous long term effects on communities already suffering from a myriad of issues, especially malnutrition among children. The floods affected tens of millions of people, requiring emergency food assistance and facing further economic distress.

In the first tranche of its efforts to provide relief, PMPKL distributed nutritional packs, tents, mosquito nets and repellents to disaster-affected families across Badin, Sanghar and Larkana. PMPKL joined forces with Pak Mission Society to reach a total of 350 families and more than 2,000 people affected by the disastrous floods.






Disaster Relief Tranche 2 -

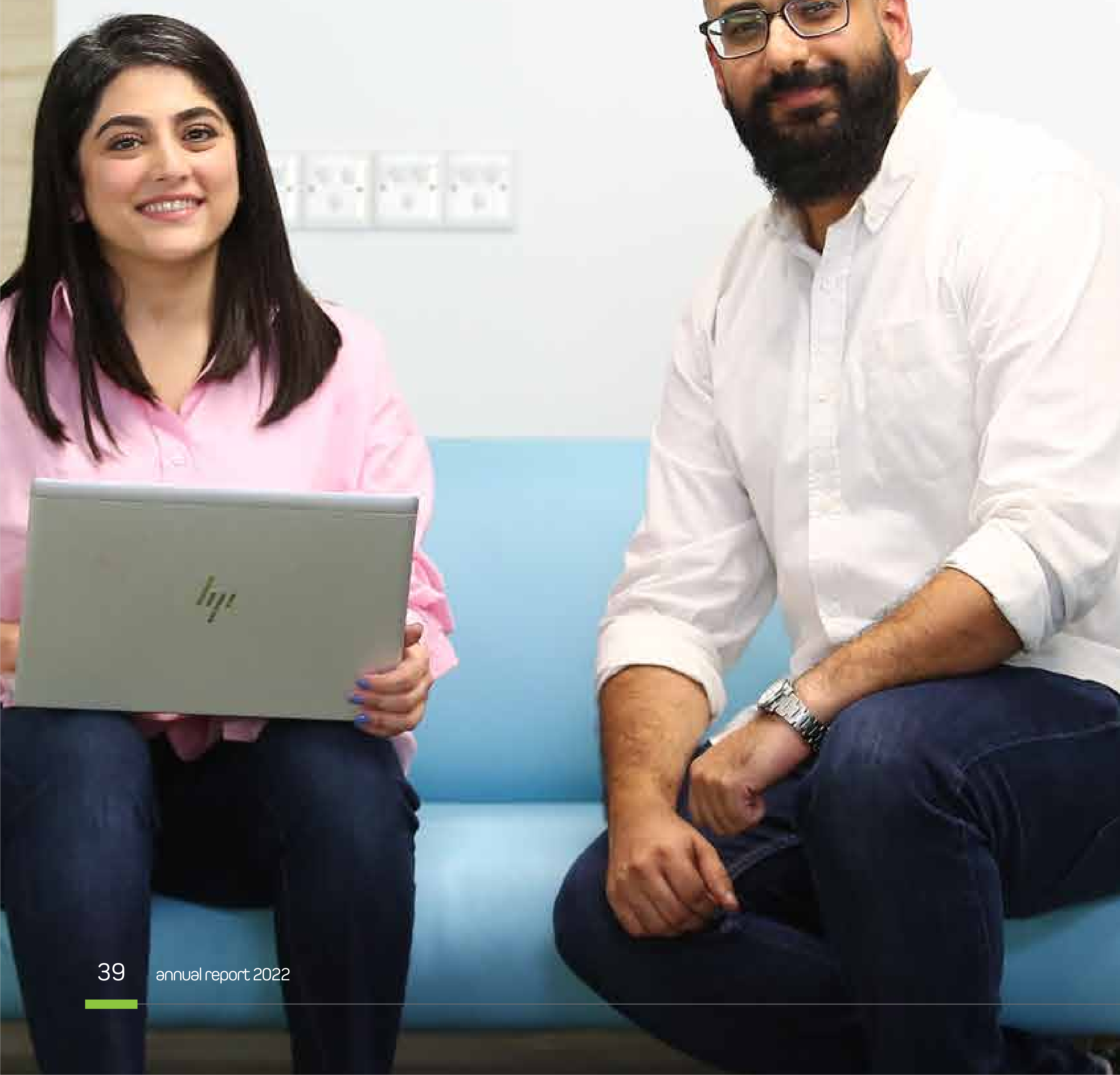
For the second part of its relief efforts, PMPKL took on the responsibility to provide dry food items to 22,000 flood affected families, accounting for more than 130,000 people facing a national-level disaster. This initiative was carried out in collaboration with the Rural Support Programmes Network.






People and Culture

Our people make us who we are. Understanding this, Philip Morris (Pakistan) Limited is continuously working on providing a culture for our people in which they not only grow professionally but also thrive in their personal lives.



Own your Career

As PMI is transforming, the need to learn new things, think differently, and have a growth mindset becomes even more important. PMPKL launched the Own Your Career campaign in 2022, with a focus to encourage employees to build a sense of ownership, take charge of their careers and invest in their own selves by using the learning opportunities provided internally at PMPKL and also by utilizing external opportunities. To help build this mindset, multiple internal and external speaker sessions were held during 2022 where experts across multiple industries (IT & Tech, consultancies, and FMCGs) were invited to share insights on the following topics;

- How to build a growth mindset
- Experience, Exposure, and Education
- How to build the brand called 'You'

In addition to the sessions, success stories of employees from PMPKL with inspiring career journeys were showcased to inspire and motivate employees. At the end of the campaign, our local FUSE learning channel and Learning catalogue were launched which is a one–stop solution to the learning needs of all employees at PMPKL.

Make Your Comeback

Make Your Come Back (MYCB) was launched in 2021 with the aim to provide a platform to women who have taken a break and wished to transition back into their careers. The goal through MYCB is to create an opportunity for such women by involving them in inspiring and meaningful projects which match their experiences and aspirations, while refining & building their skillset to enhance their future employability. Our focus for MYCB in 2022 has been to give back to community by

- Partnering with NGOs that work towards creating job opportunities for women
- Extensive social media campaign including broadcast on television, radio and newspaper articles
- Conducted Meet & Greets in Karachi & Lahore, which entailed inspirational sessions with external & internal speakers who are pioneers in different fields, networking opportunities, and upskilling sessions for the participating women.

During the program 800 applications were amassed , out of which 9 women were hired for various projects which is underway currently.

Equal Salary Certification

Being committed to Make PMI a Fair & inclusive workplace for all, PMPKL is proud have attained and maintained its Equal Salary Certification. The Certification has been awarded by the Equal Salary Foundation after a thorough Audit conducted by independent third-party auditors (PWC).
The Certification demonstrates our absolute and uncompromised commitment to equal pay for Women and Men.

Wellbeing & Flexibility

Our holistic approach towards employee's wellbeing means that we focus on all key dimensions crucial to enhance the prosperity of our employees, may it be partnering with Leading banks to introduce discounted financing in order to support their financial wellbeing, or enhancing medical entitlements to ensure physical wellbeing for our employees and their families.

To ensure a harmonious work life integration and peace of mind, PMPKL has introduced multiple initiatives to provide flexibility to its workforce, such as flexible work timings & hybrid working (Smart Work) at our Head office facility which provides employees with the option to work remotely up to 60% on a monthly basis.

Extensive Benefits

PMPKL ensures that its employees are competitively compensated and rewarded for their services. As per the recent benchmarking study conducted, while comparing to more than 50 leading companies operating in Pakistan across all sectors, more than 80% of PMPKL's benefit offerings are above the market.

The findings of the study is a testament of our commitment to provide our employees with holistic & extensive benefit offerings.

One Medical Plan

PMPKL is proud to offer all our employees the same medical plan to take care of their healthcare needs, irrespective of their grade or seniority. Under the company's medical and life insurance benefits, all the employees are eligible for preventative health check sub-limits. Additionally, the employees are also eligible for a three-year pay continuity plan in the unfortunate case of demise. PMPKL also offers its resources co-shared parental insurance coverage for complete peace of mind.

Child Care Benefit

We understand that child-care benefits are an important part of an employee's decision to join or continue working at an organization. Productivity at work is also significantly boosted when parents are not worried about their children's well-being. Given this, the working mothers at PMPKL have been provided with the flexibility to adjust their unutilized medical OPD limits with day care cost incurred for children under 6 years of age.

Promoting Sustainability with in the office

PMPKL has taken the following steps to promote sustainability within the office

Formation of cross-functional sustainability committee to promote sustainability agenda across the organization with a view to achieving the sustainability targets.

PMPKL arranged an awareness session at the Head office where along with the internal speakers, the external guest was also invited to talk about sustainable practices and promote sustainable living by making conscious choices. Sustainable giveaways were also distributed to all the employees.

Awareness messages on sustainable living were shared with the employees throughout the year to promote the importance of sustainable living.

PMPKL at its Sahiwal factory conducted internal awareness campaigns on water-related themes and employees were engaged and educated on conscious water conservation through the use of video clips, awareness emails, posters and dedicated workshops

All indoor artificial plants have been replaced with natural environment-friendly indoor plants.

PMPKL sent over 1600 kgs of shredded paper of recycling.

Glass bottles and ceramic cups were distributed to all employees with a view to replace non recyclable paper cups.

Replaced plastic spoons with wooden spoons.

PMPKL started using recyclable papers for wrapping employee's gifts instead of bopet / plastic films.

Phase-wise installation of sensor taps at our new office to control at the head office.

Cautious use of energy by maximum utilization of daylight by switching off unnecessary bulbs/lights and replacement of bulb/lights with LED lights.

PMPKL renovated washrooms for management, workers, and constructed ladies' common rooms to improve Water Sanitation & Hygiene (WASH) access at site.

Market Safety

At Philip Morris (Pakistan) Limited we believe in ensuring our people are safe no matter where they are. Our teams have worked hard to protect our employees from not only the pandemic but from any incident which can occur during travel and market visits as well.

Emergency Preparedness & Response

In order to strengthen emergency preparedness & response regime across commercial sites, Market Safety team assessed risks all sites and started off this year with project Sphinx. As an outcome of this project, all market sites were equipped with Automated External Defibrillator (AEDs), diagnostic devices including Blood Pressure apparatus, Glucometer, Oximeter, and Wheelchairs. Moreover, ERP procedure was also updated in line with Global guidelines and legal risk register prepared for market sites. In addition, ERP templates were updated to include emergency evacuation maps, emergency response teams, emergency equipment, training frequency and warning & notification system. The year culminated with in house ERP trainings for 80% of the market sites. The training included response to general & specific emergencies, basic life support and evacuation drills.

Project Renaissance

During the year, the Market Safety Team restored the fire hydrant system at our Jahangira warehouse that will provide immediate assistance for any fire-related emergency at the warehouse. The system is operational now, and personnel have been trained to operate independently. The project adequately ensured protection of people, assets, and products.

Fleet Safety Championship

Pakistan Market Safety team started its first ever recognition program for employees assigned with working tool cars in commercial. This initiative aims to recognize improvements in Global fleet safety indictors such as reduction in fleet collision rate, crash rate, CO_2 emissions and improvement in driving behaviors (wearing of seat belt, responsible and eco-driving and adhering to speed limits). The program entails quarterly competition between our four commercial zones. The zone with highest points and employees with best driving track record are awarded group & individual incentives.

Fleet Safety Trainings

Year 2022 had been phenomenal with respect to delivering superior fleet safety performance. 0.12 collision rate was achieved against target rate of 1.07. The same may be attributed to proactive fleet safety communications and an array of specialized trainings. Pakistan is the only affiliate in South & Southeast Asia which constantly maintained the lead in fleet safety e-Learnings and ensured 100% training completion rate through effective follow-ups. In addition, special focus was given on fleet telematics monitoring and drivers were advised/counseled to adopt safe driving behaviors based on their telematics data.

Delivering Perfection

Awards and Achievements

Financial Highlights for Last Six Years

Year ended December 31, 2022

	2022	2021	2020	2019	2018	2017
	(Rupees in thousand)					
Share Capital						
- Ordinary shares	615,803	615,803	615,803	615,803	615,803	615,803
- Preference shares	10,464,000	10,464,000	10,464,000	10,464,000	10,464,000	10,464,000
Transaction cost on issuance of						
Preference - net of tax	(33,911)	(33,911)	(33,911)	(33,911)	(33,911)	(33,911)
Reserves	4,188,832	2,325,580	27,607	(395,009)	1,564,754	1,855,384
Share Holders' Equity	**15,234,724**	**13,371,472**	**11,073,499**	**10,650,883**	**12,610,646**	**12,901,276**
Lease liabilities	251,145	134,142	325,422	416,752	-	-
TOTAL CAPITAL EMPLOYED	**15,485,869**	**13,505,614**	**11,398,921**	**11,067,635**	**12,610,646**	**12,901,276**
Fixed assets - NET	5,746,361	5,578,756	6,031,405	6,109,548	7,348,030	7,818,958
Investment in a subsidiary company	1	1	1	1	1	1
Long-term deposits	91,952	78,520	79,184	57,361	50,545	45,825
Deferred tax assets	19,073	651,482	1,069,520	1,399,704	659,761	678,585
Working capital	9,628,482	7,196,855	4,218,811	3,501,021	4,552,309	4,357,907
TOTAL ASSETS	**15,485,869**	**13,505,614**	**11,398,921**	**11,067,635**	**12,610,646**	**12,901,276**
Turnover	48,483,065	44,110,228	40,642,026	37,986,339	36,102,925	30,143,938
Profit / (Loss) before tax	4,271,687	3,343,306	2,554,392	(2,492,990)	616,908	476,315
Profit / (Loss) after tax & adjustment	2,809,746	2,306,663	1,764,848	(1,979,999)	543,151	191,008
Dividends declared (Cash)	(1,003,340)	-	(1,348,283)	-	(747,390)	(923,000)
	(Rupees)					
Break-up value of shares	247.40	217.14	179.82	172.96	204.78	209.50
Net Earning / (Loss) per Share	30.33	37.46	16.76	(32.15)	1.68	(1.89)

Corporate information

BOARD OF DIRECTORS
KAMRAN Y. MIRZA (Chairman)
ROMAN YAZBECK (Chief Executive)
MUHAMMAD ZEESHAN
PATTARAPORN AUTTAPHON
PETER CALON
MIRZA REHAN BAIG
GHULAM NABI KAZI (Until January 13, 2022)
JUNAID IQBAL (From April 21, 2022)

COMPANY SECRETARY
SANA ENAIT HASHMI

AUDIT COMMITTEE
MIRZA REHAN BAIG (Chairman)
PETER CALON
PATTARAPORN AUTTAPHON
SANA ENAIT HASHMI (Secretary)

HUMAN RESOURCE & REMUNERATION COMMITTEE
KAMRAN Y. MIRZA (Chairman)
ROMAN YAZBECK
PETER CALON
MIRELA SPAGOVIC (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

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

Website : **http://philipmorrispakistan.com.pk**
Email : **pmpk.info@pmi.com**

Message from the CEO and the Chairman of the Board

On behalf of the Board of Directors, we are pleased to present to you the Annual Report of Philip Morris (Pakistan) Limited (PM Pakistan) for the year ended December 31, 2022.

We are living in times of historic economic, geopolitical, and societal change and the world has completely been transformed since 2019, in just three years. As I write to you all, global inflation rates are higher than ever, and supply chains are adjusting to unprecedented disruptions caused by the COVID-19 pandemic and the Russia-Ukraine war.

At the same time, however, technological innovation has expanded to greater heights than ever with immense advancements and increased digitalization in every sector of the economy. As a leading international tobacco company, PMI is at a historic junction of innovative opportunity and responsibility to the communities in whichit operates. As part of the transformation journey, PM Pakistan is thrilled to offer SHIRO as an alternative to combustible tobacco products. With its variety of flavours available, SHIRO is a versatile product that caters to a diverse range of adult consumer preferences. We launched SHIRO on a pilot basis in Karachi on December 15, 2022. SHIRO is the first product in PM Pakistan's oral smokeless offerings in Pakistan.

During the fiscal year 2022-23, the FED on cigarettes was already increased by ~25%, however, in February 2023, the FED on cigarettes was further increased by more than 150% (cumulative increase in the current fiscal year of >200%).This recent unprecedented increase in FED on cigarettes would further widen the price gap between tax-paid and non-tax-paid cigarette products which is likely to impact the Government's tax collection efforts. We foresee a significant decline in cigarette sales, resulting in reduced tax revenue for the Government and a resultant decrease in legitimate (tax-paid) economic activity. Furthermore, an increasing number of people are expected to switch to locally produced or smuggled non-tax-paid cigarettes that are sold at lower than the minimum price prescribed under tax laws.

Sustainability at PM Pakistan

Sustainability stands at the core of PMI's transformation, and it helps address some of the challenges resulting from the transition while spurring innovation and better positioning the Company for success over the long haul.

PMI has been transforming and, in the process, it has expanded its social, human, intellectual, and manufacturing capital in ways that allow it to go a step further, moving from a value proposition centered on reducing impact toward one where it can seek to have a net positive impact on society. To adequately and rapidly address the changing climate, PM Pakistan has taken several initiatives to reduce our carbon footprint. To name a few, we set up a recycling facility in Islamabad in partnership with Pak Mission Society, we increased our reliance on green energy at our Sahiwal factory that resulted in achieving 44% energy reduction as compared with the 2018 baseline, we converted our boiler fuel for Green Leaf Threshing Plant (GLT) to a relatively cleaner fuel, 100% of our fuel wood is obtained from sustainable sources and we are making more conscious efforts to conserve water.

We take immense pride in empowering our employees with progressive policies and encouraging a transparent, equitable, and inclusive culture that leaves no one behind. During 2022, we have been pleased to see many employees utilize their gender-neutral parental leaves that extend up to six months for the primary caregiver and two months for the secondary caregiver. The post-pandemic mental health coverage support program for employees was also highly appreciated as COVID-19 had taken a serious toll on the nation's physical and psychological well-being.

Additionally, supporting a fair and equal workplace has always been a source of great pride for PM Pakistan, and we are extremely pleased to have been recognized by multiple platforms for our enduring commitment to diversity and inclusion across the organization. During 2022, PM Pakistan also participated in the Global Diversity & Inclusion Equity Benchmark (GDIEB) Awards, held by HR Metrics (an Independent Organisation) where employee-centric initiatives of the Company over the last year were recognized. We also feel delighted to announce that our Company has also been named as one of five (5) organizations in Pakistan to be awarded the Top Employer by the Top Employers Institute which recognizes excellence in people practices and the best employers around the world. Through sheer hard work and determination, we are achieving great progress every day in bringing together knowledge, learning, and global insights to empower our workforce and solidify their connection to the mission and culture of PM Pakistan.

On behalf of the Board of Directors, we would like to express our sincere gratitude to the shareholders, Management, and our immensely talented workforce for working tirelessly to ensure the best customer experience across the entire product range. However, the economic and political uncertainty, unprecedented policy rate, and inflation hikes were already putting pressure on businesses and the unexpected increases in the excise rates have further deteriorated the economic outlook. As a responsible corporate entity, we urge the Government to revisit its decision of an excessive increase in FED and to take effective steps to curb illicit trade as a decline in tax-paid cigarette sales and an increase in non-tax-paid cigarettes can have serious economic consequences for the tax paid tobacco industry and is expected to negatively impact the Government's revenue targets.

Despite these challenges, the Management of Philip Morris (Pakistan) Limited is committed to working closely with the Government and other stakeholders to find sustainable solutions that favor the overall economy and help provide a level playing field for the legitimate tobacco industry.

Kamran Y. Mirza
Chairman

Roman Yazbeck
Chief Executive Officer

Profiles of Board of Directors

Mr. Kamran Y. Mirza is a qualified Chartered Accountant (November 1968) from United Kingdom and started his career in Pakistan as an auditor with A.F. Ferguson & Co. Mr. Mirza then made a career move in December 1970 and joined Abbott Laboratories (Pakistan) Limited, a multinational pharmaceutical cum health care company as Chief Financial Officer.

He became one of the youngest Managing Director of his time in the year 1977 and remained in that position, i.e. Managing Director Abbott Pakistan, for 29 years.

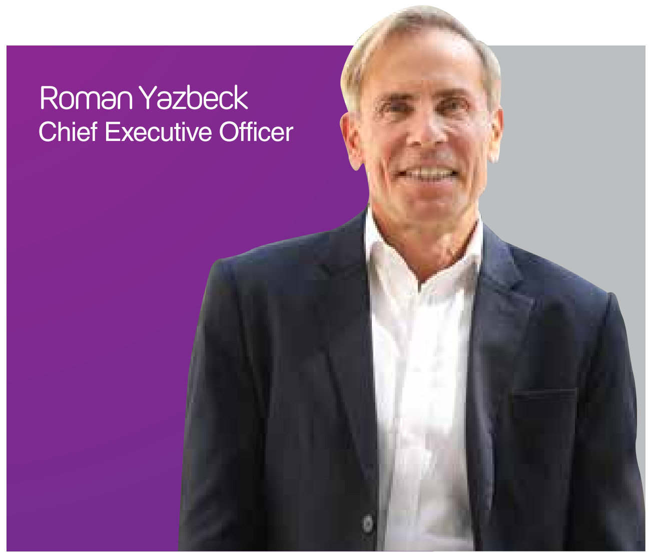
Mr. Mirza held the position of Chairman Export Processing Zones Authority from February 2007 to March, 2009 and then joined The Pakistan Business Council (PBC) as its Chief Executive Officer, a position he held till December, 2015. PBC is a Think Tank cum Business Policy Advocacy Forum.

He is the Chairman of Philip Morris (Pakistan) Ltd. and Unilever Pakistan Foods Ltd. (UPFL). He is also serving as Director on the Boards of Colgate Palmolive Pakistan and Education Fund for Sindh (EFS), of which he was the Chairman from December 2012 to October. 2016.

Previously, he served as Chairman of Pakistan Mercantile Exchange Ltd. (PMEX) – formerly National Commodity Exchange Ltd. (NCEL), Chairman of Karachi Stock Exchange (KSE), President of Overseas Chamber of Commerce & Industry (OICCI), President of American Business Council (ABC), and Chairman of Pharma Bureau – (Association of Pharmaceutical Multinationals).

He served as Director on the Boards of State Bank of Pakistan (SBP), Pakistan State Oil (PSO), Pakistan Steel (PS), and National Bank of Pakistan (NBP), Bank Alfalah Ltd, Pakistan Textile City Ltd. Competitiveness Support Fund (CSF), Genco Holding Company, NAVTEC, and Safari Club of Pakistan Ltd. Further, he represented PBC on the Board of BOI (Board of Investment) and other Government Bodies / Institutions.

Mr. Mirza has also been a former Chairman of a Task Force set up by Planning Commission on Pharmaceutical Industry. A member of the Economic Advisory Board of the Federal Government and Sindh Wildlife Board. He has served as a Member on Quality Control Board of Institute of Chartered Accountants of Pakistan. He also lectures regularly at the Pakistan Institute of Corporate Governance (PICG).



Mr. Roman has built an impressive career in Philip Morris International (PMI) since joining in 1996, defined by progress and passion across functions and continents.

He has served in a wide range of positions within PMI including Controller, Director Finance and Director Corporate Affairs in Italy to Managing Director Romania and Bulgaria to Vice President Africa and the Levant. His previous assignment at PMI was Vice President External Affairs & Business Development for South & South East Asia.

Prior to joining PMI, Roman has also worked with other leading organizations in Italy and the United Kingdom.

He holds a master's degree in Economics from the London School of Economics and Political Sciences and an MBA from INSEAD.

Mr. Zeeshan qualified as a Chartered Accountant in 2006 from the Institute of Chartered Accountants of Pakistan.

He started his career in Philip Morris (Pakistan) Limited as Manager Marketing Finance in 2008. Since then, he has assumed various roles across the functions including an assignment in Regional Head Quarter (HQ) in Hong Kong. He has gained experienced in Budgeting & Reporting, Risk & Controls (including Internal Audit), Business Development & Planning, cross functional role in Commercial as Zone Manager Sindh and long term assignment to Switzerland (PMI's HQ) in global Finance team. Effective February 2019 he took the current role of Chief Financial Officer of Philip Morris (Pakistan) Limited.

Peter Calon
Non-Executive Director

Mr. Peter is an experienced Philip Morris Finance Executive with a demonstrated history of 20 plus years of working in a variety of senior financial management positions at market, cluster, regional and corporate level across EU, Eastern Europe, Africa, Middle East and Asia.

He is Passionate about challenging assignments, building effective teams, transformation, digitalization, drive for success, strategy and business planning. He has a master's degree in Economics from the University of Antwerp.

Pattarapom Auttaphon
Non-Executive Director

Ms. Pattarapom Auttaphon started her career with Philip Morris Thailand in 2001 as Accounting Supervisor, followed by several positions of increasing responsibilities within Finance including Procurement, Treasury, Planning and Business Development. Presently she holds the position of Controller South and South East Asia with Philip Morris International.

She holds a Bachelor and Master's degrees of Business Administration from Thammasat University, Thailand.

Mirza Rehan Baig
Independent Director

Mirza Rehan Baig has extensive FMCG experience in C-level & senior management positions, building brands and businesses in strategic and emerging growth markets. He has a proven track record in driving growth, leading teams, growing and mentoring talent, building relationships and collaborating across all seniority levels for a FTSE 10 company and a strong track record of managing P&Ls and delivering results in international growth markets and complex environments in APAC and ME.

Rehan has held various management and marketing roles in Africa, Middle East and Asia Pacific in locations such as Hong Kong (HK), Indonesia, Lebanon, Dubai and Pakistan. He has represented various firms on listed company boards and continue to do so.

Rehan is partner of Rizwan Beyg Design, a leading fashion house in Pakistan, Co-Founder Pomegranate Kitchen, a catering and private dining business in Hong Kong that has won several awards.

Rehan is currently a Senior Advisor to the Chairman of ACWA Power - a developer, investor and operator of power generation and desalinated water plants with 64 assets in operation, construction or advanced development across 13 countries. An Advisor for Sprint Milestone - an automation, analytics, and AI software company in Asia Pacific that helps clients through digital transformation. He is also an advisor to Digitact UK - specialists in RFID and software applications.

He has graduated from McGill University with a BA Economics and Political Science and has been trained in General Management, Finance, Leadership, Strategic Marketing with IMD Business School. Rehan also has a Postgraduate Diploma in Digital Marketing from Institute of Digital Marketing London. He is also a qualified PICG director.

Junaid Iqbal
Independent Director

Junaid is the founder and CEO of Salt Ventures, a MENAP focused early stage venture investing and advisory firm with stakes in foremost startups, that are disrupting retail, logistics, Fintech, agri, health and construction industries.

He has a strong record of accomplishments in leading turnaround and growth strategies. As the founding CEO of Careem, he led the introduction of this new concept to Pakistan, making it a household name within a few years.

Previously, he served as the CEO of Elixir Securities and BMA Financial Services.

He holds a B.Sc in Economics from the University of Michigan, Ann Arbor.

Senior Management

Roman Yazbeck
Chief Executive Officer

Muhammad Zeeshan
Chief Financial Officer

Muneeza Kazi
Assistant General Counsel (Head of Legal)

Muhammad Khurrum Qamar
Director External Affairs

Peter Piroch
Director Commercial Operations

Mirela Spagovic
Director People & Culture

Asif Usman Kahloon
Head of Sales

Zia Ullah
Head of Commercial Strategy & Development

Muhammad Saadi Mansuri
Head of Marketing

Soban Farooq
Director Strategy & Program Delivery

Faisal Mushtaq
Director Manufacturing

Andleeb (Uroos) Ahmed
Head of Communications

Salman Anwer Ali Khan
Head of Operations Customer Service

Nida Shamim
Manager IT

Irshad Khan
Head of Leaf

Evolutionary
Achievements

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

Philip Morris (Pakistan) Limited for the Year ended December 31, 2022

This Statement is being presented to share the status of compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 ("the Regulations") by Philip Morris (Pakistan) Limited ("the Company") during the year ended December 31, 2022. The Company has complied with the requirements of the Regulations in the following manner:-

1. The total number of Directors as at December 31, 2022 were seven (7) as per the following:
   (a) Male: Six (6)
   (b) Female: One (1)

2. The composition of the Board as at December 31, 2022 was as follows:

Category	Name
Independent Directors	Kamran Y. Mirza-Chairman Mirza Rehan Baig Junaid Iqbal
Non-Executive Directors	Peter Calon Pattaraporn Auttaphon
Executive Directors	Roman Yazbeck Muhammad Zeeshan
Female Director	Pattaraporn Auttaphon

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

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

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

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

7. The meetings of the Board were presided over by the Chairman. The Board has complied with the requirements of the Companies Act, 2017 ("Act") and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;

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

9. As at December 31, 2022, out of seven (7) directors on the Board, two (2) directors have acquired the Directors Training Program (DTP) certification.

10. During the year, there was no fresh appointment of the Chief Financial Officer (CFO), Company Secretary (CS) and the Head of Internal Audit (HoIA). Revisions in the remuneration of the CFO, HoIA and the CS for the year ended December 31, 2022 were made as per the Company policy in line with their terms of appointment.

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

12. The Board has formed the following committees, the composition of which as at December 31, 2022 was as follows:

a) Audit Committee

Name	Designation
Mirza Rehan Baig	Chairman
Peter Calon	Member
Pattaraporn Auttaphon	Member

b) Human Resource and Remuneration Committee

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

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

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

    (a) Audit Committee - Four (4)
    (b) Human Resource and Remuneration Committee - One (1)

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

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

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

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

19. Explanation for non-compliance with the requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below:

(a) For the Director appointed during the year to fill in the casual vacancy for the remaining term, the Company envisages to arrange the DTP certification in the ensuing year. The Company, nonetheless, believes that all its directors are highly qualified and experienced. The Company also believes that the training requirements for its head of departments and executives, including female executives, are completed through in-house trainings.

(b) The Board has not constituted a separate nomination committee and the functions are being performed by the Board Human Resource and Remuneration Committee.

(c) The risk management committee has not been constituted and the risk management areas are discussed and deliberated upon in the Board Audit Committee and subsequent findings are presented to the Board.

(d) The Company has not placed certain policies and terms of reference of the Board's committees on its official website as these have only been recommended by the Regulations.

The Board has been guided by the fact that the above requirements are not mandatory and the necessary explanation under the Regulations have been included above.

Kamran Y. Mirza
Chairman

Date: March 22nd, 2023

Independent Auditor's Review Report

To the members of Philip Morris (Pakistan) Limited

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

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Philip Morris (Pakistan) Limited for the year ended December 31, 2022 in accordance with the requirements of regulation 36 of the Regulations.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended December 31, 2022.

A. F. Ferguson & Co.
Chartered Accountants
Karachi

Date: April 03, 2023

UDIN: CR202210056TMB3QA0N5

Review Report by the Chairman on Board's Overall Performance u/s 192 of the Companies Act, 2017

For the Year ended December 31, 2022

It gives me great pleasure to present the Annual Report for the year ended December 31, 2022, to the shareholders of Philip Morris (Pakistan) Limited ("the Company") and to comment on the overall performance and effectiveness of the Board of Directors ("the Board").

As required under the Listed Companies (Code of Corporate Governance) Regulations, 2019 an annual evaluation mechanism was put into place for the evaluation of the Board, individual Directors, and its committees. This process has been carried out internally as permitted under Section 28 (6) (ii) of the Listed Companies (Code of Corporate Governance) Regulation, 2019. The purpose of this evaluation is to assess the Board's overall performance and effectiveness which is measured and benchmarked against expectations in the context of objectives set for the Company. Areas of improvement are duly considered, and action plans are accordingly framed.

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

1. Vision, mission and values:

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

2. Engagement in strategic planning:

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

3. Diligence and Monitoring of Business Activities:

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

4. Diversity and Mix:

The Board members are sufficiently diverse, and each member brings experience in various fields. The constitution is a mix of Independent, Executive, and Non-Executive directors including female director. The Non-Executive and Independent directors are equally involved in important board decisions.

5. Governance and Control Environment:

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

Acknowledgment:

I would like to express my appreciation for the continued support of all stakeholders & especially acknowledge the dedication demonstrated by the employees. I will take this opportunity to also sincerely thank the Board members for their valuable contributions which helped the Company in managing its affairs in a pragmatic manner.

Kamran Y. Mirza
Chairman

Karachi
Date: March 22nd, 2023

Motivated with

Challenges

Directors' Report

For the Year Ended December 31, 2022

Pakistan's economy has been going through turbulent times owing to the rising current account deficit, foreign exchange crunch, rupee devaluation, and political instability aggravated by the catastrophic floods in the country. These economic pressures coupled with demand, supply disruptions, and an exorbitant increase in taxes have shaken investor confidence and are making the operating environment increasingly challenging for businesses. The State Bank of Pakistan has increased the policy rate to 20% to curb inflationary pressure. With inflation almost reaching 31.6% which is at a 50-year historically high rate, has significantly impacted livelihoods and businesses and is expected to further exacerbate if effective economic measures are not taken.

Industry Overview

The Track & Trace System ("the System") for tobacco was implemented effective July 01, 2022. However, to date, only three companies including Philip Morris (Pakistan) Limited (the Company), Pakistan Tobacco Company, and Khyber Tobacco Company have fully implemented the System whereas, the remaining tobacco manufacturers are still operating without the implementation of the System rendering the System ineffective until all tobacco manufacturers implement the System. The illicit non-tax paid sector causes an estimated annual loss of more than PKR 80 billion to the National Exchequer.

During the period 2019-2021, the increase in the Federal Excise Duty (FED) on cigarettes was to the tune of ~26%. In the current fiscal year 2022-23, the FED on cigarettes was already increased by ~25%, however, the latest budget announcement in February 2023, increases the FED on cigarettes by more than 150% (cumulative increase in the current fiscal year of >200%) resulting in a price impact of more than ~250% for adult consumers versus Q1, 2022.The minimum price prescribed under the tax laws for the levy and collection of FED and Sales Tax has also now been increased from PKR 70.1 to PKR 127.4 per pack.

This unexpected and unprecedented increase in excise is likely to provide an opportunity for illicit non-tax-paying tobacco manufacturers to expand their businesses and grow further at the expense of the compliant tax-paid tobacco industry. The non-tax-paid illicit tobacco sector prior to this excise increase was estimated at 38% , however, with the recent excise increase, it is expected that the price gap between non-tax-paid and tax-paid cigarettes is likely to exponentially increase which may result in a shortfall of the additional revenue targets set by the Government from the tobacco industry as more adult smokers may shift to cheaper non-tax paid cigarettes. Based on the market observation, it is noted that illicit non-tax-paid cigarettes are being sold at an average price of PKR 100 per pack which is way below the legal minimum price as mentioned above. For reference, the excise on value-tier brands alone is PKR 101 per pack.

In August 2022, while announcing the mini-budget, the Government targeted to generate PKR 200 billion in taxes from the tobacco industry during the fiscal year 2022-2023. In February 2023,a supplemental budget announcement targeted a further PKR 170 billion revenue out of which PKR 115 billion was allocated to be generated from the tobacco industry. However, this is only possible if the Government takes immediate and effective enforcement measures against the non-tax-paid illicit tobacco sector. In absence of any effective measures against the non-tax-paid sector, the Government may not be able to meet the revenue targets. The estimated annual loss of more than PKR 80 billion to the National Exchequer caused by the non-tax-paid illicit tobacco sector is expected to increase exponentially in the absence of continued enforcement measures against the non-tax-paid illicit tobacco sector.

Financial Performance

During the year ended December 31, 2022, the Company's domestic Net Turnover stood at PKR 18,350 million reflecting an increase of 14.8% vs. the prior year. However, this increase is after a decrease in volumes of 4% vs. prior. The Company's export turnover stood at PKR 1,488 million (US$ 7.4 million). During the same period, Gross Profit increased to PKR 8,895 million which is higher by 18.9% vs. the prior year, due to an increase in domestic turnover driven by pricing coupled with efficiencies and cost optimization in the manufacturing operations. The Company recorded a profit after tax of PKR 2,809 million (equivalent to 5.9% of full-year Gross Turnover) for the year ended December 31, 2022, vs. the prior year profit after tax of PKR 2,307 million. The key financial indicators of the Company for the year ended December 31, 2022, are as follows:

Key Metrics	Unit measure	31-Dec-22	%
Net Turnover	Rupees in Million	19,838	13.6
Gross Profit	Rupees in Million	8,895	18.9
Profit after tax	Rupees in Million	2,809	21.8
Earnings per Share	Rupees	30.33	-19.0

Contribution to the National Exchequer

During the year ended December 31, 2022, the Company's contribution to the National Exchequer, in the form of excise duty, sales tax, and other government levies, stood at PKR 29,087 million (higher by 9.0% compared to the same period last year), equivalent to 60.0% of Gross Turnover.

Sustainability & Corporate Social Responsibility

For the Company, Sustainability lies at the heart of everything we do, and it is an integral part of our business strategy. From the manufacturing of our products to their distribution and marketing, we are taking sustainable initiatives for protecting the environment, and for the development of the people and communities where we operate.

Caring for the People We Work With

The Company has actively been involved in organizing Skill Training Programs for children of farming communities across Pakistan. During 2022, 500 children between the ages of 15 to 17 years were enrolled across 20 training centers for skills training programs, with the aim of imparting lifelong skills and enabling them to be financially empowered.

Farmers tend to involve children in some production activities which carries a harmful impact on the mental well-being and health of children due to their limited immunity. To eliminate children's involvement in the leaf production process, during 2022, the Company equipped its contracted farmers with a total of 593 stringing machines to carry out their operations and continues to provide them with technical support and training to ensure the elimination of children's involvement in labor.

The Company launched Make Your Come Back (MYCB) in 2021 with the aim to provide a platform to women who have taken a break and wished to transition back into their careers. The goal through MYCB was to create an opportunity for such women by involving them in inspiring and meaningful projects which match their experiences and aspirations while refining & building their skill set to enhance their future employability. During 2022, we amassed around 800 applications, out of which 9 women were hired for various projects which is currently underway.

Protecting the Environment and Ensuring Health & Safety

Taking forward the anti-littering and sustainability agenda, the Company in collaboration with Pak Mission Society set up a recycling facility in Islamabad, called the "Haryali hub and Khushali hub". The recycling facility has created economic opportunities for the community by imparting training on sorting and recycling waste and also by providing safe waste collection kits.

During 2022, the Company also donated 100,000 saplings to OKARA Cantt to indirectly increase rain potential, reduce evaporation from the soil, and increase water catchment by soil.

The Company has been making strides in bringing infrastructural improvements in its operations across the Company with a view to not only improve operational efficiency but also to reduce our carbon footprint. We recognize the health and safety of our employees as one of our core responsibilities. The policies and practices are in place to prevent occupational injuries, illnesses, and foreseeable hazards. The manufacturing site received an "Excellent" PMI rating (6/6) from Bureau Veritas on ISO 45001:2018 (Health &Safety) and the new standard of ISO 14001:2015 (Environment). In accordance with the commitment towards a sustainable future, the Company also embarked on the journey of the Alliance for Water Stewardship (AWS) program.

Disaster Relief-Flood

The Company has always remained at the forefront to support the communities in testing times. Continuing our commitment the Company distributed nutritional packs, tents, mosquito nets, and repellants to flood disaster-affected families across Badin, Sanghar, and Larkana. The Company joined forces with Pak Mission Society to reach a total of 350 families and more than 2,000 people affected by the disastrous floods.

Additionally, as part of its flood relief efforts, the Company distributed dry food items to 22,000 flood-affected families, accounting for more than 130,000 people facing a national-level disaster. This initiative was carried out in collaboration with the Rural Support Programmes Network.

Diverse & Inclusive Work Environment

The Company emphasizes the well-being of all its employees as a top priority. The Company takes immense pride to offer a unified medical plan for all its employees to help take better care of all their healthcare needs. Aside from the unified medical plan, the Company also introduced medical and life insurance benefits, under which all the employees are eligible for preventative health check sub-limits. Additionally, the employees are also eligible for a three-year pay continuity plan in the unfortunate case of demise. The Company also offers co-shared parental insurance coverage for complete peace of mind.

Awards &Recognition

The Company received the equal salary certification for 2022. During 2022, the Company also participated in the Global Diversity & Inclusion Equity Benchmark (GDIEB) Awards, held by HR Metrics (an Independent Organisation) where employee-centric initiatives of the Company over the last year were recognized. We received awards in the categories of (1) Advancement & retention (2) Job design, classification, and compensation & 3) Work life integration flexibility and benefits.

We feel delighted to announce that the Company has also been named as one of five (5) organizations in Pakistan to be awarded the Top Employer by the Top Employers Institute which recognizes excellence in people practices and the best employers around the world.

Dividend

The Company declared an interim cash dividend of PKR 1 per ordinary share and PKR 0.9 per preference share during 2022.

Code of Corporate Governance

The Directors of the Company are aware of their responsibilities as defined under the Listed Companies (Code of Corporate Governance) Regulations 2019 ("the Code") issued by the Securities & Exchange Commission of Pakistan. Further, the Company has taken all necessary steps to ensure good corporate governance and compliance to the Code.

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

- The financial statements prepared by the Management of the Company represent fairly its state of affairs, the results of its operations, cash flows, and changes in its equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been applied consistently in preparing the financial statements. Accounting estimates are based on reasonable and prudent judgment.
- Approved accounting standards, as applicable in Pakistan, have been followed in the preparation of the financial statements.
- The Company's system of internal controls is sound in design and has been effectively implemented and is continuously reviewed.
- There are no doubts about the Company's ability to continue as a going concern.

- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- A summary of the key financial highlights for the year and of the assets and liabilities of the Company as of December 31, 2022, and for the last six financial years are set out on pages 49,
- Information about taxes and levies is given in the corresponding notes in the financial statements.
- The Management of the Company is committed to good corporate governance and has taken all necessary steps to ensure compliance with the Code.

Statement of Internal Controls

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

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

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

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

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

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

Statement of Compliance

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

Investment in Retirement Funds

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

	PKR in Million	
Provident Fund	654	(Financial statements audited as of December 31, 2021)
Gratuity Fund	738	(Financial statements audited as of December 31, 2021)

Holding Company

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

Evaluation of the Board of Directors

The Board has put in place a process for conducting an annual performance evaluation of the Board, individual directors, and its committees. The purpose of the evaluation is to ensure that the Board's performance is measured with reference to overall corporate objectives, the governance structure of the Company, statutory and regulatory compliance, effectiveness, collaboration, and value addition. As per the results of the evaluation of the Board's performance for 2022, the performance of the Board remained satisfactory.

Director's Remuneration Policy

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

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

The details of remuneration paid to the Directors is available under note 32 of the attached financial statements.

Changes in the Board of Directors

Mr. Ghulam Nabi Kazi resigned from the Board effective January 13, 2022, and Mr. Junaid Iqbal was appointed in his place effective April 21, 2022.

Meeting of the Board of Directors

The Board comprises of seven Directors, of which three are independent Directors, two are Non-Executive Directors and two are Executive Directors(s). As of December 31, 2022, the Board consists of 6 Male Directors and 1 Female Director.

During 2022, the Board of Directors (the "Board") held 4 meetings. The attendance of Directors in those meetings is documented and provided here under:

Name of Directors	No. of meetings held in tenure	No. of meetings attended
Mr. Kamran Y. Mirza	4	4
Mr. Roman Yazbeck	4	4
Mr. Muhammad Zeeshan	4	4
Mr. Mirza Rehan Baig	4	4
Ms. Pattaraporn Auttaphon	4	3
Mr. Peter Calon	4	4
Mr. Junaid Iqbal	3	3

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

Board Audit Committee

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

The Audit Committee comprises of three members, of which one is an Independent Director and two are Non-Executive Directors.

As at the year ended December 31, 2022, the composition of the Audit Committee was as follows;

Mr. Rehan Baig	Chairman
Mr. Peter Calon	Member
Ms. Pattaraporn Auttaphon	Member

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

Name of Directors	No. of meetings attended
Mr. Rehan Baig	4
Ms. Pattaraporn Auttaphon	3
Mr. Peter Calon	4

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

Board Human Resource and Remuneration Committee (BHRRC)

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

As at the year-ended December 31, 2022, the composition of the BHRRC was as follows.

Mr. Kamran Y. Mirza	Chairman
Mr. Roman Yazbeck	Member
Mr. Peter Calon	Member

During 2022, one meeting of the BHRRC Committee was held as required by the Code.

Training of Directors

Most of the Directors were traveling for a major part of the year and due to the logistic difficulties caused by the timing differences, no training was arranged for the Directors during the year. However, training will be arranged for Directors in the future.

Pattern of Shareholding

The details of pattern of shareholding of the Company as of December 31, 2022, are included in this Annual Report as per the requirements of the Code.

Auditors

The existing external auditors, A. F. Ferguson & Co., Chartered Accountants will retire at the conclusion of the ensuing Annual General Meeting and being eligible, offered themselves for re-appointment as external auditors for the year ending December 31, 2023. As per the recommendation by the Audit Committee, the Auditors are recommended to be re-appointed in the upcoming Annual General Meeting.

Accounting Policies

The Company has adopted or applied new accounting standards, amendments to approved standards, and new interpretations as applicable during 2022. Details of those are provided in the Notes to the Financial Statements section 2.4.1.

Future Outlook

The Company is a fully integrated affiliate of Philip Morris International Inc. and as such will continue to benefit from global resources and expertise to help further improve its effectiveness and long-term sustainability and profitability. However, the turbulent economic situation coupled with the import restrictions, rupee devaluation, and rising cost of business has negatively impacted the investors' confidence. Further, the recent increase in FED by over 150% and the resultant widening of the price gap between the illicit non-tax paid and tax-paid cigarettes creates a challenging environment for the tax-paid tobacco industry. Without effective enforcement and regularization efforts to curb the non-tax-paid illicit tobacco sector, the tax-paid tobacco industry may be further burdened. The unexpected and unprecedented tax hike for the tax-paying tobacco companies will effectively favor the already vast illicit non-tax-paying tobacco manufacturers in Pakistan. This is expected to lead to shortfalls in Government revenue as more adult smokers may shift from the tax-paid sector to the non-tax-paid sector.

Despite the aforementioned challenges, the Management of the Company continues to be committed to improving the overall financial performance of the Company by utilizing global resources, pursuing strategic commercial activities, and bringing continuous improvements in product quality, process, and operational efficiency. Growing the gross margin and controlling the cost base were the key objectives for managing the Company's profitability in a continuously challenging environment. The Company will also continue to support Government policies and actions to address the menace of non-tax-paid illicit tobacco trace including enhanced enforcement through the Inland Revenue Force of the Federal Board of Revenue ("FBR").

Acknowledgments

The Directors wish to take this opportunity to thank all the Company's employees for their efforts, dedication, commitment, and support in 2022.

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

On behalf of the Board of Directors.

KAMRAN Y. MIRZA	**ROMAN YAZBECK**
Chairman Board	Chief Executive

Karachi, March 22nd, 2023

Independent Auditor's Report

To the members of Philip Morris (Pakistan) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Philip Morris (Pakistan) Limited (the Company), which comprise the statement of financial position as at December 31, 2022, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2022 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matter

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

Following is the Key audit matter:

S. No.	Key audit matter	How the matter was addressed in our audit
(i)	**Super tax on income for the year ended December 31, 2021** (Refer note 30.3 to the annexed financial statements) The Federal Government, through the Finance Act, 2022, introduced section 4C in the Income Tax Ordinance, 2001 whereby a super tax at the rate of 10% was imposed on the Company's income for the year ended December 31, 2021 (i.e. Tax Year 2022). The Company, through its legal advisor, challenged the imposition of the super tax at the rate of 10% for the tax year 2022. The details of the decisions of the High Court of Sindh and Supreme Court in this respect are explained in note 30.3 to the annexed financial statements. The Company on the basis of prudence has recorded the super tax charge amounting to Rs 344.484 million in the annexed financial statements. Given the nature and amount involved, the matter is a significant event that occurred during the year and also involves significant management judgment. Accordingly, we considered this a key audit matter.	Our audit procedures amongst others, included the following: • Obtained and read the underlying documents of the matter including correspondence of the Company with the relevant authorities including judgments and orders passed by competent authorities. • Discussed with the Company's management about their view and the basis of their judgment to record the super tax charge in the annexed financial statements. • Circularised the confirmation to the Company's external legal advisor for the views and expected outcome of the matter. • Involved internal tax expert to assess the appropriateness of the Company's management's judgment on the matter. • Assessed adequacy of the disclosures made in the annexed financial statements in respect of this matter.

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

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

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

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

A. F. Ferguson & Co.
Chartered Accountants
Karachi

Date: April 03, 2023

UDIN: AR202210056AwUtiFZxg

Financial Statements

Statement of Financial Position

As at December 31, 2022

	Note	2022	2021
		(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Fixed assets			
- Property, plant and equipment	3	**5,443,070**	5,350,514
- Right-of-use assets	4	**279,178**	181,307
- Intangibles	5	**24,113**	46,935
		5,746,361	5,578,756
Investment in a subsidiary company	6	**1**	1
Long term deposits		**91,952**	78,520
Deferred taxation	7	**19,073**	651,482
		5,857,387	6,308,759
CURRENT ASSETS			
Stores and spares - net	8	**57,503**	65,821
Stock in trade - net	9	**8,689,766**	5,869,601
Trade debts - net	10	**-**	-
Advances	11	**134,011**	136,972
Prepayments		**72,541**	59,756
Other receivables	12	**1,755,838**	292,739
Income tax - net		**646,714**	589,322
Staff retirement benefits	13	**144,173**	111,463
Short term investment	14	**2,015,377**	-
Cash and bank balances	15	**7,302,365**	7,991,843
Non-current assets held for disposal	16	**-**	-
TOTAL CURRENT ASSETS		**20,818,288**	15,117,517
TOTAL ASSETS		**26,675,675**	21,426,276
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital	17	**12,000,000**	12,000,000
Issued, subscribed and paid-up capital			
- Ordinary shares	17	**615,803**	615,803
- Preference shares	17	**10,464,000**	10,464,000
		11,079,803	11,079,803
Transaction cost on issuance of preference shares - net of tax		**(33,911)**	(33,911)
		11,045,892	11,045,892
Reserves		**4,188,832**	2,325,580
TOTAL EQUITY		**15,234,724**	13,371,472
NON CURRENT LIABILITIES			
Lease liabilities	19	**251,145**	134,142
CURRENT LIABILITIES			
Short term borrowings	20	**-**	-
Trade and other payables	21	**8,800,476**	6,310,239
Current maturity of lease liabilities	19	**61,276**	121,866
Unclaimed dividend		**37,780**	37,029
Unpaid dividend		**901,706**	-
Accrued mark-up on short term borrowings		**-**	67
Sales tax and federal excise duty payable		**1,388,568**	1,451,461
TOTAL CURRENT LIABILITIES		**11,189,806**	7,920,662
TOTAL LIABILITIES		**11,440,951**	8,054,804
TOTAL EQUITY AND LIABILITIES		**26,675,675**	21,426,276
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes from 1 to 43 form an integral part of these financial statements.

Kamran Mirza
Chairman / Director

Roman Yazbeck
Chief Executive Officer

Muhammad Zeeshan
Chief Financial Officer

Statement of Profit or Loss and other Comprehensive Income

For the Year Ended December 31, 2022

	Note	2022	2021
		(Rupees in thousand)	
Turnover - net	23	**19,838,541**	17,458,557
Cost of sales	24	**10,943,558**	9,975,405
Gross profit		**8,894,983**	7,483,152
Distribution and marketing expenses	25	**3,329,049**	2,979,029
Administrative expenses	26	**1,645,663**	1,404,349
Other expenses	27	**1,039,056**	765,591
Other income	28	**(1,457,171)**	(1,076,085)
		4,556,597	4,072,884
Operating profit		**4,338,386**	3,410,268
Finance cost and bank charges	29	**66,699**	66,962
Profit before taxation		**4,271,687**	3,343,306
Taxation	30	**1,461,941**	1,036,643
Profit after taxation		**2,809,746**	2,306,663
Other comprehensive income / (loss) for the year - net of tax			
Item that will not be reclassified to profit or loss			
Remeasurement gain / (loss) relating to staff retirement benefits	13	**33,300**	(20,013)
- Impact of current tax		**(10,989)**	5,804
		22,311	(14,209)
Total comprehensive income for the year		**2,832,057**	2,292,454
		Rupees	
Earnings per share - basic	31	**30.33**	37.46
Earnings per share - diluted	31	**Note 31.3**	30.57

The annexed notes from 1 to 43 form an integral part of these financial statements.

Kamran Mirza
Chairman / Director

Roman Yazbeck
Chief Executive Officer

Muhammad Zeeshan
Chief Financial Officer

Statement of Changes in Equity

For the Year Ended December 31, 2022

	Issued, subscribed and paid-up capital		Transaction cost on issuance of preference shares - net of tax	Reserves							Total
				Capital reserves			Revenue reserves			Subtotal - reserves	
	Ordinary shares	Preference shares		Reserve for share-based payments	Remeasurement of staff retirement gratuity plan - net of tax	Subtotal capital reserves	General reserve	Unappropriated (loss) / profit	Subtotal revenue reserves		
	(Rupees in thousand)										
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
Transaction with owners											
Share-based payment											
- expense	-	-	-	37,132	-	37,132	-	-	-	37,132	37,132
- recharge	-	-	-	(31,613)	-	(31,613)	-	-	-	(31,613)	(31,613)
(notes 2.6.20 and 18)	-	-	-	5,519	-	5,519	-	-	-	5,519	5,519
Total comprehensive income											
Profit after taxation for the year ended December 31, 2021	-	-	-	-	-	-	-	2,306,663	2,306,663	2,306,663	2,306,663
Other comprehensive loss for the year	-	-	-	-	(14,209)	(14,209)	-	-	-	(14,209)	(14,209)
	-	-	-	-	(14,209)	(14,209)	-	2,306,663	2,306,663	2,292,454	2,292,454
Balance as at December 31, 2021	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
Transactions with owners											
- Interim cash dividend for the year ended December 31, 2022 (note 17.8)	-	-	-	-	-	-	-	(1,003,340)	(1,003,340)	(1,003,340)	(1,003,340)
Share-based payment											
- expense	-	-	-	84,506	-	84,506	-	-	-	84,506	84,506
- recharge	-	-	-	(49,971)	-	(49,971)	-	-	-	(49,971)	(49,971)
(notes 2.6.20 and 18)	-	-	-	34,535	-	34,535	-	(1,003,340)	(1,003,340)	(968,805)	(968,805)
Total comprehensive income											
Profit after taxation for the year ended December 31, 2022	-	-	-	-	-	-	-	2,809,746	2,809,746	2,809,746	2,809,746
Other comprehensive income for the year	-	-	-	-	22,311	22,311	-	-	-	22,311	22,311
	-	-	-	-	22,311	22,311	-	2,809,746	2,809,746	2,832,057	2,832,057
Balance as at December 31, 2022	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

The annexed notes from 1 to 43 form an integral part of these financial statements.

Kamran Mirza
Chairman / Director

Roman Yazbeck
Chief Executive Officer

Muhammad Zeeshan
Chief Financial Officer

Statement of Cash Flows

For the Year Ended December 31, 2022

	Note	2022	2021
		(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	35	**2,324,870**	4,471,271
Staff retirement benefits paid	13.1.4	**(77,631)**	(78,455)
Finance cost paid		**(40,445)**	(41,978)
Profit received on deposit accounts		**957,239**	419,053
Profit received on term deposit receipts		**129,549**	-
Income taxes paid		**(936,576)**	(550,124)
Long term deposits		**(13,432)**	664
Net cash generated from operating activities		**2,343,574**	4,220,431
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		**(945,520)**	(686,669)
Acquisition of intangibles	5	**(1,152)**	(9,516)
Proceeds from disposal of items of non current assets held for disposal		**-**	77,044
Proceeds from disposal of items of property, plant and equipment		**95,105**	189,290
Net cash used in investing activities		**(851,567)**	(429,851)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		**(100,883)**	(1,073,541)
Lease payments	19.1	**(80,602)**	(108,530)
Net cash used in financing activities		**(181,485)**	(1,182,071)
Net increase in cash and cash equivalents during the year		**1,310,522**	2,608,509
Cash and cash equivalents at the beginning of the year		**7,972,982**	5,364,473
Cash and cash equivalents at the end of the year	36	**9,283,504**	7,972,982

The annexed notes from 1 to 43 form an integral part of these financial statements.

Kamran Mirza
Chairman / Director

Roman Yazbeck
Chief Executive Officer

Muhammad Zeeshan
Chief Financial Officer

1. THE COMPANY AND ITS OPERATIONS

1.1 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.

During the year effective October 17, 2022, the registered office of the Company has changed from 19th Floor, The Harbour Front, Dolmen City, HC-3, Block-4, Clifton Karachi, Sindh to Office 04 & 05, 5th Floor, Corporate Office Block, Dolmen City, Plot HC-3, Block-4, Clifton Karachi, Sindh.

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

Business unit	Location / address
a) Registered office	Office 04 & 05, 5th Floor, Corporate Office Block, Dolmen City, Plot HC-3, Block 4, Clifton Karachi, Sindh
b) Green Leaf Threshing Plant	Leaf Division Complex, 22 KM, Mardan Swabi Road, Mardan, KPK
c) Sahiwal Factory	G.T Road, Qadirabad, District Sahiwal, Punjab

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

1.3 In view of the exemption granted by the Securities & Exchange Commission of Pakistan (the SECP) vide its letter No. SMD/PRDD/Comp/(23)/2022/398 dated February 14, 2023 from the requirement of section 228 (1) and (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 following conditions:

i) Material and relevant details of the aforesaid subsidiary shall be prominently disclosed by the Company; and

ii) the financial statements of the subsidiary company shall be available for inspection at the Company's registered office to the members on request without any cost.

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

These are the separate financial statements of the Company in which investment in subsidiary is stated at cost less impairment loss if any.

1.4 Due to the current economic situation prevalent in the country in relation to the foreign reserves and its consequenital impact on imports, the Company is closely monitoring the current situation and has been able to procure essential stock to ensure business continuity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of measurement

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

2.2 Functional and presentation currency

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

2.3 Statement of compliance

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

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

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

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

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

2.4.1 New standards, amendments and interpretation to accounting and reporting standards which became effective during the year ended December 31, 2022:

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

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

There is a new standard and certain amendments to the accounting and reporting standards that will be mandatory for the Company's annual accounting periods beginning on or after January 1, 2023. However, these will not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these financial statements.

2.5 Critical accounting judgments and estimates

The preparation of financial statements in conformity with accounting and reporting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to these financial statements:

Property, plant and equipment

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

Stock in trade

Assumptions and estimates used in writing down items of stock in trade to their net realisable value (note 9). Net realisable value is determined on the basis of estimated selling price of the product in the ordinary course of business less estimated costs of completion and the estimated costs necessary to be incurred for its sale.

Income taxes

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

Deferred taxes

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

Staff retirement benefits

Certain actuarial assumptions as disclosed in note 13 are used for the valuation of present value of defined benefit obligations and fair value of plan assets.

Provisions

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

Contingencies

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

Leases

The process to identify and gather relevant data associated with the leases is complex and the measurement of the right-of-use asset and lease liability is based on assumptions such as discount rates and lease terms, including termination and renewal options.

Notes to and Forming Part of the Financial Statements
For the Year Ended December 31, 2022

2.6 Summary of significant accounting policies

2.6.1 Property, plant and equipment

(i) Operating property, plant and equipment

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

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

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

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

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

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

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

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

(ii) Capital work-in-progress

All expenditure, connected with specific assets, incurred during installation and construction period are carried under this head. Capital work-in-progress is transferred to specific assets as and when these assets become available for use. Capital work-in-progress is stated at cost less accumulated impairment losses, if any.

(iii) Major spare parts and stand-by equipment

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

2.6.2 Right-of-use assets

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

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

2.6.3 Intangibles

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

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

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

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

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

2.6.4 Investment in a subsidiary company

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

2.6.5 Stores and spares

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

2.6.6 Stock in trade

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

Cost of raw materials include procurement expenses are measured at lower of weighted average cost and net realisable value. Raw materials in bonded warehouse and in transit, which are stated at invoice values plus other charges incurred thereon.

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

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

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

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

2.6.7 Trade debts and other receivables

Trade debts and other receivables are recognised and carried at original invoice amount less an estimated allowance made for doubtful receivables based on 'Expected Credit Loss' model. Balances considered bad and irrecoverable are written off when identified. Subsequent recoveries of amounts previously written off are credited in profit or loss.

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

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

2.6.9 Lease liability

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

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

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

The Company applies the short-term or low value lease recognition exemption towards certain leases (i.e. those lease that have a lease term of 12 months or less from the commencement date and do not contain a purchase option or those having low value). Lease payments on such leases are recognised as expense on straight line basis over the lease term. Rental contracts are typically made for fixed periods of eleven months to five years but may have extension options.

2.6.10 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for the goods and services, whether or not billed to the Company.

2.6.11 Provisions

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

2.6.12 Contingent assets

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

2.6.13 Contingent liabilities

Contingent liability is disclosed when:

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

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

Notes to and Forming Part
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2.6.14 Taxation

(i) Current

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

(ii) Deferred

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the Company has the legally enforceable right to offset and intends either to settle on net basis or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to the items recognised in other comprehensive income or directly in equity, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.6.15 Cash and cash equivalents

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

2.6.16 Borrowing costs

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

2.6.17 Revenue recognition

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

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

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

- Other revenues are recognised when performance obligations are satisfied.

2.6.18 Staff retirement benefits

The Company operates:

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

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

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

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

2.6.19 Compensated absences

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

2.6.20 Equity-settled share-based payment plans

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

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2.6.21 Foreign currency transactions

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

2.6.22 Financial assets

The Company classifies its financial assets in the following categories:

(i) Amortised cost

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

(ii) Fair value through other comprehensive income

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

Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss, except for the investments in equity instruments as explained in the ensuing paragraphs.

(iii) Fair value through profit or loss

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

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

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

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

2.6.23 Financial liabilities

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

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

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

2.6.24 Off-setting of financial assets and financial liabilities

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

2.6.25 Impairment of assets

a) Financial assets

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

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

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

b) Non-financial assets

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

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

2.6.26 Contract liabilities

A contract liability is recognised if a payment is received from a customer before the Company transfers the related goods. Contract liabilities are recognised as revenue when the Company transfers control of the related goods to the customer.

2.6.27 Dividend and appropriation to reserves

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

2.6.28 Segment reporting

The Company operates predominantly in Pakistan and in one main industry. The activities comprise the manufacture, distribution and sale of cigarettes, tobacco products and other smoke free products. Accordingly, the figures reported in these financial statements are related to the Company's only reportable segment.

2.6.29 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

	Note	2022	2021
		(Rupees in thousand)	
3. PROPERTY, PLANT AND EQUIPMENT			
Operating property, plant and equipment	3.1	**4,936,829**	4,685,850
Capital work-in-progress (CWIP)	3.2	**506,241**	664,664
		5,443,070	5,350,514

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3.1 Operating property, plant and equipment

	Freehold land	Leasehold land	Buildings on freehold land	Buildings on leasehold land	Leasehold improve-ments	Plant and machinery	Furniture and fixtures	Office equipment	Vehicles	Power and other installations	Computer equipment	Total
	Rupees in thousand											
As at December 31, 2020												
Cost	81,938	2,441	1,855,275	66,884	103,146	7,902,994	153,798	132,832	882,914	1,591,143	819,814	13,593,179
Accumulated depreciation	-	(1,285)	(427,453)	(34,776)	(92,822)	(4,239,676)	(136,878)	(123,358)	(552,266)	(577,596)	(711,895)	(6,898,005)
Accumulated impairment	-	(29)	(545,065)	-	-	(558,106)	(1,652)	(1,466)	-	(585,062)	(508)	(1,691,888)
Net book value	81,938	1,127	882,757	32,108	10,324	3,105,212	15,268	8,008	330,648	428,485	107,411	5,003,286
Year ended December 31, 2021												
Transfers from CWIP see note 3.2.1	-	-	93,367	-	12,819	429,989	18,430	4,250	11,296	46,307	25,069	641,527
Disposals												
Cost	-	-	-	-	-	(200,588)	(8,745)	-	(120,041)	(4,873)	(339,743)	(673,990)
Accumulated depreciation	-	-	-	-	-	176,771	8,399	-	85,326	4,873	333,906	609,275
	-	-	-	-	-	(23,817)	(346)	-	(34,715)	-	(5,837)	(64,715)
Write offs - note 27												
Cost	-	-	(6,395)	-	-	(85,313)	(3,799)	-	(22,375)	(38,664)	(22,256)	(178,802)
Accumulated depreciation	-	-	6,395	-	-	85,313	3,799	-	21,184	38,664	22,169	177,524
	-	-	-	-	-	-	-	-	(1,191)	-	(87)	(1,278)
Impairment - other assets (notes 3.1.3 and 27)	-	-	-	-	-	(11,159)	-	-	-	-	-	(11,159)
Depreciation charge - note 3.1.1	-	-	(29,222)	-	(18,503)	(597,462)	(11,508)	(6,416)	(74,565)	(87,515)	(56,620)	(881,811)
Net book value as at December 31, 2021	81,938	1,127	946,902	32,108	4,640	2,902,763	21,844	5,842	231,473	387,277	69,936	4,685,850
Net book value as at January 1, 2022	81,938	1,127	946,902	32,108	4,640	2,902,763	21,844	5,842	231,473	387,277	69,936	4,685,850
Year ended December 31, 2022												
Transfers from CWIP see note 3.2.1	-	-	203,308	-	69,934	623,379	4,570	8,810	40,650	70,346	82,946	1,103,943
Disposals												
Cost	-	-	-	-	-	-	(18)	-	(72,995)	(66,542)	(29,229)	(168,784)
Accumulated depreciation	-	-	-	-	-	-	18	-	51,979	66,542	29,229	147,768
	-	-	-	-	-	-	-	-	(21,016)	-	-	(21,016)
Write-offs - note 27												
Cost	-	-	-	-	(36,903)	(861,318)	(831)	(8,882)	(1,010)	-	(123,876)	(1,032,820)
Accumulated depreciation	-	-	-	-	17,126	860,660	634	8,369	1,010	-	123,734	1,011,533
	-	-	-	-	(19,777)	(658)	(197)	(513)	-	-	(142)	(21,287)
Impairment - other assets (note 27)	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation charge - note 3.1.1	-	-	(31,337)	(803)	(19,244)	(527,570)	(11,128)	(8,253)	(73,340)	(85,837)	(53,149)	(810,661)
Net book value as at December 31, 2022	81,938	1,127	1,118,873	31,305	35,553	2,997,914	15,089	5,886	177,767	371,786	99,591	4,936,829
At December 31, 2021												
Cost	81,938	2,441	1,942,247	66,884	115,965	8,047,082	159,684	137,082	751,794	1,593,913	482,884	13,381,914
Accumulated depreciation	-	(1,285)	(450,280)	(34,776)	(111,325)	(4,575,054)	(136,188)	(129,774)	(520,321)	(621,574)	(412,440)	(6,993,017)
Accumulated impairment	-	(29)	(545,065)	-	-	(569,265)	(1,652)	(1,466)	-	(585,062)	(508)	(1,703,047)
Net book value	81,938	1,127	946,902	32,108	4,640	2,902,763	21,844	5,842	231,473	387,277	69,936	4,685,850
At December 31, 2022												
Cost	81,938	2,441	2,145,555	66,884	148,996	7,809,143	163,405	137,010	718,439	1,597,717	412,725	13,284,253
Accumulated depreciation	-	(1,285)	(481,617)	(35,579)	(113,443)	(4,241,964)	(146,664)	(129,658)	(540,672)	(640,869)	(312,626)	(6,644,377)
Accumulated impairment	-	(29)	(545,065)	-	-	(569,265)	(1,652)	(1,466)	-	(585,062)	(508)	(1,703,047)
Net book value	81,938	1,127	1,118,873	31,305	35,553	2,997,914	15,089	5,886	177,767	371,786	99,591	4,936,829
Depreciation rate	-	3.33%	2.50%	2.50%	20% to 33.33%	6.67% to 20%	20%	20%	20%	6.67%	20% to 33.33%	

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

	Note	2022	2021
		(Rupees in thousand)	
Purchases, redrying and related expenses	24.1	56,577	61,560
Manufacturing expenses	24.2	620,650	680,989
Distribution and marketing expenses	25	54,960	67,831
Administrative expenses	26	78,474	71,431
		810,661	881,811

3.1.2 Details of items of property, plant and equipment disposed of during the year and having net book value of more than Rs 500,000 each are given in note 39.

3.1.3 During the year ended December 31, 2021, the Company had identified certain items of property, plant and equipment from which further economic benefits were no longer expected to be derived i.e. the Company neither intended to utilise nor could it dispose of the same in accordance with its policy except as scrap material. Accordingly, such assets having a cost and net book value of Rs 13.852 million and Rs 11.159 million respectively had been written down to Rs Nil as impairment expense.

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

	Business unit type	Location	Total area (Square yards)
a)	Sahiwal factory	Sahiwal	85,488
b)	Land in Kotri	Kotri	109,336
c)	Land in Mardan	Mardan	90,844
d)	Land in Mandra	Mandra	50,789
e)	Land in Swabi	Swabi	37,355
f)	Land in Naushera	Naushera	67,679

3.1.5 The Company has sales offices located across the country. Considering the quantum, the geographical locations and addresses are not presented in these financial statements.

3.2 Capital work-in-progress

	2022	2021
	(Rupees in thousand)	
Civil works	58,566	-
Plant and machinery	248,886	531,717
Power and other installations	10,414	9,253
Furniture and fixtures	35,242	39,812
Computer equipment pending installations	-	58,662
Advance to suppliers and contractors	153,133	25,220
	506,241	664,664

	Note	2022	2021
		(Rupees in thousand)	
3.2.1 The movement in capital work-in-progress is as follows:			
Balance as at beginning of the year		**664,664**	618,273
Additions during the year			
- Civil works		**331,807**	103,093
- Plant and machinery		**340,548**	461,606
- Power and other installations		**71,507**	27,108
- Computer equipment pending installations		**24,284**	82,856
- Advance to suppliers and contractors		**177,374**	13,255
		945,520	687,918
Transfers to operating property, plant and equipment			
- Buildings on freehold land		**203,308**	93,367
- Leasehold improvements		**69,934**	12,819
- Plant and machinery		**623,379**	429,989
- Furniture and fixtures		**4,570**	18,430
- Office equipment		**8,810**	4,250
- Vehicles		**40,650**	11,296
- Power and other installations		**70,346**	46,307
- Computer equipment		**82,946**	25,069
		1,103,943	641,527
Balance at the end of the year		**506,241**	664,664

4. RIGHT-OF-USE ASSETS

	Note	2022	2021
Balance as at beginning of the year		**570,895**	642,436
Accumulated depreciation		**(389,588)**	(294,431)
Net book value		**181,307**	348,005
Year ended December 31			
Additions		**294,347**	7,956
Impact of termination of lease			
Cost		**(131,676)**	-
Accumulated depreciation		**16,882**	-
		(114,794)	-
Impact of modification of lease		**12,388**	(79,497)
Depreciation for the year	4.1	**(94,070)**	(95,157)
Net book value as at December 31		**279,178**	181,307
At December 31			
Cost		**745,954**	570,895
Accumulated depreciation		**(466,776)**	(389,588)
Net book value		**279,178**	181,307

	Note	2022	2021
		(Rupees in thousand)	
4.1 The depreciation charge for the year has been allocated as follows:			
Purchases, redrying and related expenses	24.1	**2,514**	-
Manufacturing expenses	24.2	**3,456**	4,483
Distribution and marketing expenses	25	**14,086**	13,168
Administrative expenses	26	**74,014**	77,506
		94,070	95,157

5. INTANGIBLES

Computer software

	Note	2022	2021
At January 1			
Cost		**131,427**	121,911
Accumulated amortisation		**(84,492)**	(61,319)
Net book value		**46,935**	60,592
Year ended December 31			
Additions		**1,152**	9,516
Amortisation for the year	5.1	**(23,974)**	(23,173)
Net book value as at December 31		**24,113**	46,935
At December 31			
Cost		**132,579**	131,427
Accumulated amortisation		**(108,466)**	(84,492)
Net book value		**24,113**	46,935

	Note	2022	2021
5.1 The amortisation charge for the year has been allocated as follows:			
Purchases, redrying and related expenses	24.1	**20**	127
Distribution and marketing expenses	25	**22,060**	20,702
Administrative expenses	26	**1,894**	2,344
		23,974	23,173

6. INVESTMENT IN A SUBSIDIARY COMPANY

This represents the cost of 103 fully paid ordinary shares of Rs 10 each in Laksonpremier Tobacco Company (Private) Limited. Out of the 103 shares, two shares are in the name of the nominees. The statement of profit or loss and other comprehensive income of the subsidiary company for the year ended December 31, 2022 amounted to Rs Nil resulting in an accumulated loss of Rs 1,030 as at that date. The net assets of the subsidiary company as at December 31, 2022 amounted to Rs Nil, in accordance with the audited financial statements for the year then ended. The subsidiary company has filed an application dated August 30, 2019 with the Securities and Exchange Commission of Pakistan (SECP) for obtaining the status of an inactive company under section 424 of the Companies Act, 2017, however, response in this regard from SECP is awaited.

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

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

7. DEFERRED TAXATION

	2022	2021
	(Rupees in thousand)	
Deferred tax asset on deductible temporary differences:		
Unutilised tax losses	**-**	408,867
Alternative Corporate Tax	**-**	227,790
Provision for spares	**7,524**	16,553
Provision for obsolete stocks	**15,686**	6,123
Provision for litigation	**5,335**	4,688
Provision for doubtful debts	**917**	806
Other provisions	**30,918**	45,899
Workers' Welfare Fund	**9,103**	8,000
Right-of-use assets - net of lease liabilities	**9,835**	21,663
Unrealised exchange loss	**89,194**	-
Accrual for employees compensated absences	**9,672**	7,916
	178,184	748,305
Deferred tax liability on taxable temporary differences:		
Tax depreciation allowance	**(159,111)**	(96,823)
Deferred tax asset	**19,073**	651,482

7.1 The movement in temporary differences is as follows:

	Balance as at January 1, 2021	Recognised in profit or loss	Balance as at December 31, 2021	Recognised in profit or loss	Balance as at December 31, 2022
	Rupees in thousand				
Deferred tax debits:					
Accrual for employees compensated absences	9,149	(1,233)	7,916	1,756	**9,672**
Unutilised tax losses	917,222	(508,355)	408,867	(408,867)	**-**
Alternate Corporate Tax	108,823	118,967	227,790	(227,790)	**-**
Provision for spares	19,976	(3,423)	16,553	(9,029)	**7,524**
Provision for obsolete stocks	20,181	(14,058)	6,123	9,563	**15,686**
Provision for litigation	4,688	-	4,688	647	**5,335**
Provision for doubtful debts	806	-	806	111	**917**
Other provisions	-	45,899	45,899	(14,981)	**30,918**
Workers' Welfare Fund	8,000	-	8,000	1,103	**9,103**
Unrealised exchange loss	-	-	-	89,194	**89,194**
Right of use asset - net of lease liabilities	25,541	(3,878)	21,663	(11,828)	**9,835**
	1,114,386	(366,081)	748,305	(570,121)	**178,184**
Deferred tax credits:					
Tax depreciation allowance	(44,866)	(51,957)	(96,823)	(62,288)	**(159,111)**
	1,069,520	(418,038)	651,482	(632,409)	**19,073**

7.2 The deferred tax asset as at December 31, 2021 included amounts of Rs 227.790 million and Rs 408.867 million on account of carried forward balance of Alternative Corporate Tax (ACT) and unutilised tax losses respectively. These balances have been completely adjusted while computing current tax liability for the current year and accordingly charged to profit or loss.

8. STORES AND SPARES - net

	Note	2022	2021
		(Rupees in thousand)	
Stores		**116**	309
Spares		**80,187**	85,918
		80,303	86,227
Less: Provision for slow moving spares	8.1	**(22,800)**	(20,406)
		57,503	65,821

8.1 Provision for slow moving spares

	2022	2021
Opening balance	**20,406**	68,881
Provision made during the year	**5,378**	1,519
Write off against provision	**(2,984)**	(49,994)
Closing balance	**22,800**	20,406

		Note	2022	2021
			(Rupees in thousand)	
9.	**STOCK IN TRADE - net**			
	Raw and packing materials	9.2	**7,518,621**	5,047,334
	Work-in-process		**366,817**	260,725
	Finished goods	9.3	**851,861**	619,328
			8,737,299	5,927,387
	Less: Provision for obsolete stocks	9.1	**(47,533)**	(57,786)
			8,689,766	5,869,601
9.1	Provision for obsolete stocks			
	Opening balance		**57,786**	69,590
	Provision made during the year		**32,913**	21,284
	Write off against provision		**(43,166)**	(33,088)
	Closing balance		**47,533**	57,786

9.2 These include raw and packing material in transit aggregating Rs 348.533 million (2021: Rs 312.616 million).

9.3 Finished goods include items costing Rs 16.004 million (2021: Rs Nil) which are stated at their net realisable value aggregating Rs 4.355 million (2021: Rs Nil). The amount charged to the profit or loss in respect of stocks written down to their net realisable values is Rs 11.649 million (2021: Rs Nil).

		Note	2022	2021
			(Rupees in thousand)	
10.	**TRADE DEBTS - net**			
	Considered good - unsecured		**-**	-
	Considered doubtful		**2,780**	2,780
			2,780	2,780
	Less: Provision for doubtful debts		**(2,780)**	(2,780)
			-	-
11.	**ADVANCES**			
	Unsecured:			
	Advances to:			
	- Employees	11.1	**29,360**	9,442
	- Suppliers and contractors		**9,556**	32,435
			38,916	41,877
	Secured			
	Advance to a supplier	11.2	**111,261**	111,261
	Less: Provision against advance		**(16,166)**	(16,166)
			95,095	95,095
			134,011	136,972

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

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

In September 2020, an order was passed by the Senior Civil Judge after hearing both parties on the point of territorial jurisdiction of Mardan where by, the Senior Civil Judge found the matter in favour of the Company and returned the suit, removing the stay order against the encashment of the Insurance Guarantee and the restriction on dealing with other fuelwood vendors ("Order"). On September 18, 2021 the appeal was decided in the Company's favour. The Service Provider subsequently filed another appeal before the Peshawar High Court which is pending adjudication.

Simultaneously, the Company filed a counter claim before the High Court of Sindh (the agreed territorial jurisdiction under the Agreement) on June 17, 2020 for refund of full advance payment of Rs 106.254 million (net of withholding tax) and additional damages. The case is pending adjudication.

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

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

		Note	2022	2021
			(Rupees in thousand)	
12.	**OTHER RECEIVABLES**			
	Receivable from 'associated undertakings'	12.1, 12.2 & 12.3	**126,077**	13,753
	Cash margins held with banks		**1,625,056**	273,786
	Others		**4,705**	5,200
			1,755,838	292,739

		2022	2021
		(Rupees in thousand)	
12.1	This amount represents outstanding balances from the following associated undertakings:		
	Philip Morris Management Services S.A., Switzerland	**27,334**	13,753
	Philip Morris Products S.A., Switzerland	**98,743**	-
		126,077	13,753

12.2 The maximum aggregate balance of receivable due from related parties at the end of any month during the year was Rs 126.077 million (2021: Rs 13.753 million).

12.3 The ageing analysis of other receivables due from related parties is as follows:

	Amount not past due	Amount past due but not impaired: 0-30 days	31-60 days	61-90 days	91-365 days	> 365 days	Total gross amount due
	2022 (Rupees in thousand)						
Philip Morris Management Services S.A., Switzerland	-	14,781	12,553	-	-	-	27,334
Philip Morris Products S.A., Switzerland	-	98,743	-	-	-	-	98,743
	-	113,524	12,553	-	-	-	126,077

	Amount not past due	Amount past due but not impaired: 0-30 days	31-60 days	61-90 days	91-365 days	> 365 days	Total gross amount due
	2021 (Rupees in thousand)						
Philip Morris Management Services S.A., Switzerland	-	-	13,753	-	-	-	13,753
Philip Morris Products S.A., Switzerland	-	-	-	-	-	-	-
	-	-	13,753	-	-	-	13,753

13. STAFF RETIREMENT BENEFITS

13.1 Defined benefit plan

As stated in note 2.6.18, the Company operates an approved funded gratuity scheme for all its permanent employees. An actuarial valuation of the scheme is peformed every year with the latest actuarial valuation performed as at December 31, 2022.

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

	Note	2022	2021
		(Rupees in thousand)	
13.1.1 Net asset			
Fair value of plan assets	13.1.5	**880,968**	758,528
Present value of defined benefit obligation	13.1.6	**(736,795)**	(647,065)
		144,173	111,463
13.1.2 Amounts charged to profit or loss:			
Current service cost		**77,701**	72,151
Net interest income		**520**	(14,946)
	13.1.3	**78,221**	57,205

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	Note	2022	2021
		(Rupees in thousand)	
13.1.3 The charge for the year has been allocated as follows:			
Purchases, redrying and related expenses	24.1	**8,118**	3,762
Manufacturing expenses	24.2	**18,976**	14,065
Distribution and marketing expenses	25	**27,246**	19,938
Administrative expenses	26	**23,881**	19,440
		78,221	57,205
13.1.4 Movement in the asset recognised in the statement of financial position:			
Balance as at the beginning of the year		**111,463**	110,226
Net charge for the year	13.1.3	**(78,221)**	(57,205)
Contributions		**77,631**	78,455
Net remeasurement gain / (loss) for the year		**33,300**	(20,013)
Balance as at the end of the year		**144,173**	111,463
13.1.5 Movement in the fair value of plan assets:			
Opening balance		**758,528**	697,902
Interest income		**66,361**	71,145
Contributions		**77,631**	78,455
Benefits paid		**(38,145)**	(51,369)
Remeasurement gain / (loss) on plan assets		**16,593**	(37,605)
Closing balance		**880,968**	758,528
13.1.6 Movement in the present value of defined benefit obligation:			
Opening balance		**647,065**	587,676
Current service cost		**77,701**	72,151
Interest cost		**66,881**	56,199
Benefits paid		**(38,145)**	(51,369)
Remeasurement gain on obligation		**(16,707)**	(17,592)
Closing balance		**736,795**	647,065
13.1.7 Total remeasurement (gain) / loss recognised in Other Comprehensive Income			
Actuarial gain from changes in demographic assumptions		**(38,651)**	-
Actuarial loss from changes in financial assumptions		**29,835**	341
Experience adjustments		**(7,891)**	(17,932)
		(16,707)	(17,591)
(Return) / loss on plan assets, excluding interest income		**(16,593)**	37,604
		(33,300)	20,013

	2022	2021
	(Rupees in thousand)	
13.1.8 Major categories / composition of plan assets are as follows:		
Debt instruments	590,323	616,987
Equity	57,818	67,296
Balances with banks	232,827	74,245
	880,968	758,528
13.1.9 Principal actuarial assumptions used are as follows:		
Expected rate of increase in salary level	13.65%	10.65%
Valuation discount rate	13.65%	10.65%

13.1.10 Actual gain on plan assets during the year ended December 31, 2022 was Rs 82.954 million (2021: Rs 33.541 million).

13.1.11 Expected contribution to defined benefit plan for the year ending December 31, 2023 is Rs 39.548 million (2022: Rs 77.631 million).

13.1.12 Weighted average duration of the defined benefit obligation is 11.8 years.

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

13.1.14 As of the reporting date, the sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumptions	Impact on present value of defined benefit obligation: Increase in assumption	Decrease in assumption
	(%)	(Rupees in thousand)	
Valuation discount rate	1%	(657,050)	830,891
Expected rate of increase / decrease in salary level	1%	830,791	(655,691)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the staff retirement gratuity recognised within the statement of financial position.

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

Asset volatility

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

Inflation risk

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

Life expectancy / withdrawal rate

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

	Note	2022	2021
		(Rupees in thousand)	
13.2 Defined contribution plan			
The charge for the year has been allocated as follows:			
Purchases, redrying and related expenses	24.1	10,042	9,366
Manufacturing expenses	24.2	24,900	22,321
Distribution and marketing expenses	25	31,495	29,730
Administrative expenses	26	35,195	31,533
		101,632	92,950

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

	Note	2022	2021
		(Rupees in thousand)	
14. SHORT TERM INVESTMENT			
Term Deposit Receipt	14.1	2,000,000	-
Accrued interest		15,377	-
		2,015,377	-

14.1 Represents Term Deposit Receipt having maturity on January 13, 2023 carrying interest at the rate of 14.63% per annum.

15. CASH AND BANK BALANCES

	Note	2022	2021
		(Rupees in thousand)	
With banks in:			
- Foreign currency		538,122	435,743
- Local currency			
- Current accounts		99,261	113,616
- Deposit accounts	15.1 & 15.2	6,664,982	7,442,315
		6,764,243	7,555,931
		7,302,365	7,991,674
Cash in hand		-	169
		7,302,365	7,991,843

15.1 Deposit accounts carry markup at the rate 14.5% (2021: 9.4%) per annum.

15.2 These include an amount of Rs 18.861 million (2021: Rs 18.861 million) held by a commercial bank as security against the guarantees and funded facilities obtained from the bank in the normal course of business.

16. NON-CURRENT ASSETS HELD FOR DISPOSAL

	Note	2022	2021
		(Rupees in thousand)	
Transferred from operating property, plant and equipment			
Cost		193,526	193,526
Less: Accumulated depreciation		(56,524)	(56,524)
Less: Accumulated impairment		(137,002)	(137,002)
		-	-

16.1 Due to closure of Kotri factory in March 2019, items of plant and machinery relating to Kotri factory were transferred from operating property, plant and equipment. As these items could not be disposed of except as scrap material in accordance with the Company's policy, accordingly these were carried at Rs Nil. The period of one year has lapsed from the date of classification of these assets as 'Held for Sale'. However, certain assets continue to be classified as 'Held for Sale' as the Company remains committed to its plan to dispose such assets in its present form and condition.

17. SHARE CAPITAL

17.1 Authorised capital

2022	2021		2022	2021
(Number of shares)			(Rupees in thousand)	
1,200,000,000	1,200,000,000	Ordinary shares of Rs 10 each	12,000,000	12,000,000

17.2 Issued, subscribed and paid-up share capital

17.2.1 Ordinary shares

2022	2021		2022	2021
(Number of shares)			(Rupees in thousand)	
5,541,429	5,541,429	Ordinary shares of Rs 10 each fully paid in cash	55,414	55,414
47,722,912	47,722,912	Ordinary shares of Rs 10 each issued as fully paid bonus shares	477,229	477,229
8,316,000	8,316,000	Ordinary shares of Rs 10 each issued for consideration other than cash	83,160	83,160
61,580,341	61,580,341		615,803	615,803

17.2.2 Preference shares

		Preference shares of Rs 10 each fully paid in cash (notes 17.4 to 17.7)	10,464,000	10,464,000
1,046,400,000	1,046,400,000		11,079,803	11,079,803

17.3 As at December 31, 2022 the number of ordinary shares of Rs 10 each held by Philip Morris Investments B.V., (the parent company) and Philip Morris Brands S.a.r.l., both subsidiaries of Philip Morris International Inc., were 47,819,356 and 12,316,061 respectively. All ordinary shares rank equally with regard to the Company's residual assets after the preference shares are paid. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

17.4 On October 28, 2015 after the approval by shareholders at the Extraordinary General Meeting, the Company issued 1,046,400,000 Class A Preference Shares of Rs 10 each to the Parent Company and an associated undertaking. As at December 31, 2022, these preference shares were held by the parent company and Philip Morris Brands S.a.r.l., in the ratio of 79.52% and 20.48% respectively.

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

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

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

- The shares were issued under the provisions of section 86 of the Companies Ordinance, 1984, read with section 90 of the Companies Ordinance, 1984 and the Companies Share Capital (Variation in Rights and Privileges 1984) Rules, 2000.
- The issue of the shares was duly approved by the members of the Company at the Extra Ordinary General Meeting held on October 28, 2015.
- The requirements of the Companies Ordinance, 1984 (now the Companies Act, 2017) take precedence over the requirements of the IFRSs.
- The preference shareholders have the right to convert these shares into ordinary shares.

17.8 The Board of Directors of the Company, in its meeting held on October 26, 2022, declared an interim dividend on preference shares at Re 0.9 per share i.e. aggregating Rs 941.760 million and on ordinary shares at Re 1 per share i.e. aggregating Rs 61.580 million for the year ended December 31, 2022.

18. SHARE-BASED PAYMENT PLAN

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

18.1 Share prices and grant dates

Share price at grant date (February 7, 2019)	Rs 10,917 / share (US $ 79.05 / share)
Share price at grant date (February 6, 2020)	Rs 13,298 / share (US $ 86.18 / share)
Share price at grant date (February 4, 2021)	Rs 13,405 / share (US $ 83.63 / share)
Share price at grant date (February 10, 2022)	Rs 18,404 / share (US $ 105.07 / share)
Number of shares outstanding at the end of the year	16,579

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

	Note	2022	2021
		(Number of shares)	
Outstanding as at the beginning of the year		11,859	10,769
Granted during the year		8,560	4,010
Vested / exercised during the year	18.4	(2,090)	(1,630)
Forfeited during the year		(1,750)	(1,290)
Outstanding as at the end of the year		16,579	11,859

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

	Note	2022	2021
		(Rupees in thousand)	
Purchase, redrying and related expenses	24.1	5,854	8,027
Manufacturing expenses	24.2	2,848	359
Distribution and marketing expenses	25	33,622	2,549
Administrative expenses	26	42,182	26,197
		84,506	37,132

18.4 During the year shares granted on February 7, 2019 were fully vested.

18.5 An amount of Rs 49.971 million (US$ 271,285) was recharged by Philip Morris International Inc. United States during the year, which was payable as at December 31, 2022 [2021: Rs 31.613 million (US$ 205,677)].

19. LEASE LIABILITIES

	2022	2021
	(Rupees in thousand)	
Lease liabilities	312,421	256,008
Less : Current maturity of lease liabilities	(61,276)	(121,866)
	251,145	134,142
Maturity analysis		
Not later than 1 year	61,276	121,866
Later than 1 year and not later than 5 years	251,145	134,142
	312,421	256,008

19.1 Set out below is the carrying amount of lease liabilities and the movement during the year:

	Note	2022	2021
		(Rupees in thousand)	
As at January 1		256,008	436,079
Financing cash flows		(80,602)	(108,530)
Additions during the year		294,347	7,956
Modification / termination of lease		(157,332)	(79,497)
Other changes			
Accretion of interest	29	40,378	40,913
Interest payments (presented as operating cash flows)		(40,378)	(40,913)
As at December 31		312,421	256,008

19.2 The Company leases registered office, sale offices and warehouses.

19.3 Lease payments on short-term leases and leases of low-value assets amounting to Rs 36.208 million (2021: Rs 43.145 million) have been recognised as expense during the year.

20. SHORT TERM BORROWINGS

20.1 The Company has arranged for running finance to the extent of Rs 3,275 million (2021: Rs 4,025 million) from commercial banks. These facilities are available for various periods expiring between May 31, 2023 and June 30, 2023. The facilities are secured by way of hypothecation of stock in trade of the Company and are carrying markup rates ranging from 16.40% to 16.83% (2021: 10.27%) per annum.

The facilities for opening of letters of credits and letters of guarantees included in the aforementioned facilities of Rs 3,275 million as at December 31, 2022 aggregated Rs 1,700 million and Rs 540 million respectively of which the cumulative unutilised amount as at December 31, 2022 was Rs 2,170 million. There is no balance of running finance outstanding as at December 31, 2022.

21. TRADE AND OTHER PAYABLES

	Note	2022	2021
		(Rupees in thousand)	
Creditors	21.1 & 21.2	2,915,705	2,245,336
Bills payable		2,097,541	967,614
Royalty payable to a related party	21.1 & 21.2	509,168	270,378
Accrued expenses		1,404,092	1,152,944
Tobacco development cess	21.6	67,275	53,685
Contractors' retention money		4,129	7,489
Advance from customers - unsecured	21.1, 21.3 & 21.7	1,350,939	1,129,175
Workers' welfare fund	21.4	82,466	61,713
Workers' profits participation fund	21.5	-	-
Others		369,161	421,905
		8,800,476	6,310,239

21.1 The amount due to group undertakings included in creditors, advances from customer - unsecured and royalty payable aggregated Rs 2,167.603 million (2021: Rs 1,328.218 million).

21.2 These include outstanding balances to the following associated undertakings:

	2022	2021
	(Rupees in thousand)	
Philip Morris Products S.A. Manufacturing, Switzerland	2	1
Philip Morris International Management S.A. (Tolling), Switzerland	2,010	1,459
Philip Morris Products S.A., Switzerland	-	11,565
PMFTC Inc., Philippines	2,296	1,929
Philip Morris International Inc., United States	107,666	49,605
Philip Morris Global Brands Inc., United States	509,168	265,318
Philip Morris Korea Inc., Korea	4,078	3,195
PT Philip Morris, Indonesia	1,646	1,065
Philip Morris Philippines Manufacturing Inc., Philippines	254,397	156,703
PMI Service Center Europe spolka z ograniczona odpoweidzialnoscia, Poland	4,068	3,746
Massalin particulares S.R.L., Argentina	1,632	1,357
Profigen Do Brasil LTDA, Brazil	-	9,826
Philip Morris Investments B.V., Jordan	454	-
PT Hanjaya Mandala Sampoerna TBK., Indonesia	7,104	6,407
	894,521	512,176

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21.3 These include the advances from the following related parties:

	2022	2021
	(Rupees in thousand)	
Philip Morris Operations A.D., Serbia	1,247	977
Philip Morris International Management S.A. (Tolling), Switzerland	898,311	606,376
PMFTC Inc., Philippines	43	-
PT Hanjaya Mandala Sampoerna TBK., Indonesia	373,481	208,689
	1,273,082	816,042

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

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

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

	Note	2022	2021
		(Rupees in thousand)	
Balance as at the beginning of the year		(854)	16,365
Accrual for the year	27	227,836	177,696
Less: Payments made during the year		(230,837)	(194,915)
Balance at the end of the year		(3,855)	(854)

21.6 The movement of tobacco development cess is as follows:

	2022	2021
Balance as at the beginning of the year	53,685	45,375
Provision for the year	106,800	95,002
Less: Payments made during the year	(93,210)	(86,692)
Balance at the end of the year	67,275	53,685

21.6.1 Effective July 1, 1999, the Tobacco Development Cess was levied on the purchases of tobacco leaf. The Company had filed a constitutional petition in the Supreme Court of Pakistan against the levy which was dismissed against the Company on September 13, 2022. Accordingly, the Company is paying the said levy and has made the above provision in its books of account.

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

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

21.7 These represent advances received by the Company from associated undertakings and distributors for goods to be delivered. The advances outstanding as at December 31, 2021 amounting to Rs 1,129.175 million have been fully recognized as revenue during the current year.

22. CONTINGENCIES AND COMMITMENTS

22.1 Guarantees

Indemnities given to banks for guarantees issued by them in the normal course of business aggregated Rs 69.565 million (2021: Rs 69.565 million).

22.2 Commitments

	2022	2021
	(Rupees in thousand)	
Capital expenditure contracted for but not incurred	100,293	28,077
Post dated cheques	111,365	44,631
Letters of credit	-	57,340
Operating lease commitments	30,174	11,148

22.3 Income tax related contingencies

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

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

(iii) While reviewing the income tax return of the Company for the tax year 2013, the Additional Commissioner Inland Revenue (ADCIR) through an order dated April 28, 2014 had disallowed certain deductions aggregating Rs 455.747 million having an incremental tax impact of Rs 77.829 million. The Company had filed an appeal before the CIR - Appeals. The order of CIR - Appeals was passed dated September 29, 2015 through which disallowances of deductions amounting to Rs 210.620 million were deleted whereas disallowances of Rs 95.685 million were set aside for further consideration.

In 2016, the Company filed an appeal before the next level i.e. Appellate Tribunal to get relief on the remaining matters. On December 14, 2021, Appellate Tribunal's order was received on the matter whereby disallowances amounting to Rs 97.983 million were deleted and disallowances amounting to Rs 147.140 million were remanded back to DCIR for reverification based on the evidences presented by the Company.

(iv) While reviewing the income tax return of the Company for the tax year 2014, the DCIR through an order dated June 28, 2016 had disallowed certain deductions aggregating Rs 131.086 million having an incremental tax impact of Rs 39.326 million. The CIR – Appeals passed an order dated September 20, 2019 on the appeal filed by the Company through which disallowances of deductions amounting to Rs 80.394 million were deleted, disallowances of Rs 47.339 million were remanded back to DCIR and disallowances amounting to Rs 3.353 million were maintained. The management decided not to file an appeal against the order issued by CIR – Appeals. LTU has filed appeal with Appellate Tribunal against the order passed by CIR-Appeals, the decision of which is pending.

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

(v) While reviewing the income tax return of the Company for the tax year 2018, the DCIR through an order dated March 30, 2021 disallowed certain deductions aggregating Rs 1,253.665 million, resulting in a tax demand of Rs 26.342 million. The Company filed an appeal before the CIR - Appeals on April 12, 2021 on items amounting to Rs 1,240.635 million. On June 22, 2021 the Company received an order from CIR - Appeals 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. The DCIR has filed appeal with Appellate Tribunal against the order passed by CIR - Appeals, the decision of which is pending.

(vi) While reviewing the income tax return of the Company for the tax year 2019, the DCIR through an order dated April 25, 2022 disallowed certain deductions aggregating Rs 1,094.158 million resulting in a tax demand of Rs 148.5 million. The Company filed an appeal before the CIR - Appeals who issued an order dated June 22, 2022 through which disallowances amounting to Rs 1,086.203 million were deleted and remaining balance was remanded back to DCIR for reconsideration.

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

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

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

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

The Federal Board of Revenue (FBR) filed two reference applications before the High Court of Sindh during August 2016 (i.e. referred to as 'Reference Applications') against the Tribunal Order, which are pending adjudications. The Company's management believes that the ultimate order in relation to the Reference Applications shall be in the Company's favour as the Demand had also been earlier set aside by the Tribunal Order. Accordingly, no provision has been recognized in respect of this matter.

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

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

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

The Company received an order from the Tribunal on September 30, 2021, whereby the demand of Rs 1,765.008 million for alleged evasion of FED and sales tax was set aside in the Company's favour. However, the Appellate Tribunal directed FBR to re-initiate the proceedings afresh after assessing the facts of the case to reach a fair and lawful conclusion. To date no additional demand has been received by the Company in this respect.

On the basis that demands were set aside, the Company, after informing the FBR in writing, adjusted the amounts paid on February 8, 2019 for the Injunction, against its excise and sales tax payment for the month of October 2021.

Further, the Company has filed a Reference Application in the High Court of Sindh against the Tribunal's order to the extent of its direction to FBR to re-initiate proceedings. The Reference Application is currently pending adjudication.

23. TURNOVER - net

	Note	2022	2021
		(Rupees in thousand)	
Gross turnover			
- Domestic		46,994,968	42,642,939
- Export		1,488,097	1,467,289
		48,483,065	44,110,228
Less: Trade discount		1,191,275	968,237
Sales tax		7,100,348	6,412,099
Federal excise duty		20,352,901	19,271,335
		28,644,524	26,651,671
		19,838,541	17,458,557

24. COST OF SALES

	Note	2022	2021
		(Rupees in thousand)	
Raw and packing material consumed			
Opening stock		5,047,334	3,856,116
Purchases, redrying and related expenses	24.1	11,295,545	8,612,178
		16,342,879	12,468,294
Closing stock	9	(7,518,621)	(5,047,334)
		8,824,258	7,420,960
Government levies		34,449	39,308
Manufacturing expenses	24.2	2,383,681	2,324,201
		11,242,388	9,784,469
Work in process			
Opening stock		260,725	174,886
Closing stock	9	(366,817)	(260,725)
Sale of waste		(8,462)	(8,842)
		(114,554)	(94,681)
Cost of goods manufactured		11,127,834	9,689,788
Finished goods			
Opening stock		619,328	904,945
Finished goods purchased		48,257	-
Closing stock	9	(851,861)	(619,328)
		(184,276)	285,617
		10,943,558	9,975,405

24.1 Purchases, redrying and related expenses

	Note	2022	2021
Raw and packing material		10,112,040	7,745,844
Salaries, wages and other benefits	13 & 18	424,107	341,111
Stores and spares consumed		40,614	21,783
Fuel and power		180,278	127,690
Rent, rates and taxes		13,637	4,784
Freight and stacking		178,865	128,585
Postage, telephone and stationery		27,708	14,438
Depreciation on property, plant and equipment	3.1.1	56,577	61,560
Depreciation on right-of-use asset	4.1	2,514	-
Amortisation on intangibles	5.1	20	127
Repair and maintenance		99,107	51,898
Travelling and vehicle expenses		29,269	17,447
Professional charges		18,686	10,250
Fumigation and pesticide expenses		36,129	30,243
Security charges		74,839	56,239
Other expenses		1,155	179
		1,183,505	866,334
		11,295,545	8,612,178

		Note	2022	2021
			(Rupees in thousand)	
24.2	**Manufacturing expenses**			
	Salaries, wages and other benefits	13 & 18	817,608	689,896
	Stores and spares consumed		469,194	499,133
	Fuel and power		267,957	177,517
	Rent, rates and taxes		-	400
	Cartage		22,081	55,988
	Postage, telephone and stationery		13,114	9,011
	Depreciation on property, plant and equipment	3.1.1	620,650	680,989
	Depreciation on right-of-use assets	4.1	3,456	4,483
	Travelling and vehicle expenses		64,255	47,475
	Security charges		68,502	55,759
	Other expenses		36,864	103,550
			2,383,681	2,324,201

25. DISTRIBUTION AND MARKETING EXPENSES

	Note	2022	2021
Salaries, allowances and other benefits	13 & 18	1,199,266	1,101,787
Selling expenses		1,228,886	1,151,593
Freight expense		237,301	170,230
Rent, rates and taxes		27,848	22,487
Postage, telephone and stationery		12,627	19,426
Depreciation on property, plant and equipment	3.1.1	54,960	67,831
Depreciation on right-of-use assets	4.1	14,086	13,168
Amortisation on intangibles	5.1	22,060	20,702
Travelling and vehicle expenses		149,720	126,222
Royalty	25.1	151,497	120,257
Repair and maintenance		20,116	18,395
Security charges		18,984	16,135
Other expenses		191,698	130,796
		3,329,049	2,979,029

25.1 Royalty is payable to associated undertaking Philip Morris Global Brands Inc., United States, the registered office of which is located at 120 Park Ave., 6th Floor, 10017, New York, USA.

26. ADMINISTRATIVE EXPENSES

	Note	2022	2021
		(Rupees in thousand)	
Salaries, allowances and other benefits	13 & 18	871,366	796,161
Rent, rates and taxes		31,434	10,109
Postage, telephone and stationery		25,327	33,708
Travelling and vehicle expenses		136,328	88,071
Repairs and maintenance		63,705	50,207
Legal and professional charges		101,390	103,807
Utilities		15,626	10,168
Fee and subscription		51,294	27,039
Insurance		34,966	34,813
Auditor's remuneration	26.1	11,184	13,494
Depreciation on property, plant and equipment	3.1.1	78,474	71,431
Depreciation on right-of-use assets	4.1	74,014	77,506
Donation	26.2 & 26.3	86,846	28,485
Amortisation on intangibles	5.1	1,894	2,344
Security charges		23,131	19,854
Other expenses		38,684	37,152
		1,645,663	1,404,349

26.1 Auditor's remuneration

	2022	2021
Audit fee	3,450	2,884
Review of half yearly financial statements	1,250	1,161
Taxation and other services	6,149	9,121
	10,849	13,166
Out of pocket expenses	335	328
	11,184	13,494

26.2 Details of donations are given below:

	2022	2021
Kashf Foundation	-	6,249
Paiman Alumni Trust	-	3,528
Network of Organizations Working with Persons with Disabilities	-	14,021
Entrepreneurship Youth Development Society	1,800	4,687
Pak Mission Society	18,642	-
Rural Support Programmes Network	66,404	-
	86,846	28,485

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

27. OTHER EXPENSES

	Note	2022	2021
		(Rupees in thousand)	
Exchange loss - net	27.1	425,699	163,269
Employee separation costs		234,836	181,526
Impairment charge on items of property, plant and equipment	3.1.3	-	11,159
Property, plant and equipment written off	3.1	21,287	1,278
Workers' welfare fund		57,206	32,919
Workers' profit participation fund	21.5	227,836	177,696
Miscellaneous expenses		72,192	197,744
		1,039,056	765,591

27.1 This includes net unrealised exchange loss amounting to Rs 270.284 million (2021: Rs 43.265 million) arising on 'trade and other payables'.

28. OTHER INCOME

	Note	2022	2021
		(Rupees in thousand)	
Profit on deposit accounts		957,239	419,053
Profit on term deposit receipts		144,926	-
Profit on disposal of items of non current assets held for sale		-	75,939
Profit on disposal of items of property, plant and equipment		74,089	124,575
Reimbursement of expenses	28.1	111,100	-
Liabilities no longer payable written back		73,052	386,867
Gain on termination of lease liability		57,380	-
Others	28.2	39,385	69,651
		1,457,171	1,076,085

28.1 These represent reimbursement of expenses by a group undertaking in relation to one of the Company's product.

28.2 These mainly include sale of scrap material.

29. FINANCE COST AND BANK CHARGES

	Note	2022	2021
		(Rupees in thousand)	
Mark-up on short term borrowings		-	883
Accretion of interest on lease liabilities	19.1	40,378	40,913
		40,378	41,796
Bank commission and other charges		26,321	25,166
		66,699	66,962

30. TAXATION

	Note	2022	2021
Current - for the year	30.2	485,048	597,623
- for prior year	30.3	344,484	20,982
		829,532	618,605
Deferred	7.1	632,409	418,038
		1,461,941	1,036,643

30.1 Relationship between tax expense and accounting profit

	Note	2022	2021
Accounting profit before tax		4,271,687	3,343,306
Effective tax rate	30.3	33%	29%
Tax on accounting profit		1,409,657	969,559
Tax effect of:			
• income assessed under Final Tax Regime		12,456	23,735
• income assessed under Minimum Tax Regime		22,446	-
• minimum tax adjusted		(340,756)	-
• others		13,654	22,367
		1,117,457	1,015,661
Current tax for the prior year		344,484	20,982
Tax expense for the year charged in profit or loss		1,461,941	1,036,643

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

	2022	2021
	(Rupees in thousand)	
Current tax charge / (reversal) recognised in:		
Profit or loss	485,048	597,623
Other comprehensive income	10,989	(5,804)
	496,037	591,819

30.3 Through the Finance Act, 2022, Section 4C was inserted into the Income Tax Ordinance, 2001 whereby an additional income tax called 'super tax' was imposed at the rate of 4% for the tax year 2023 and onwards on high earning taxpayers i.e. those earning annual income exceeding Rs 300 million. In addition to that on certain specified industries (including the cigarette and tobacco industry in which the Company operates) 'super tax' at the rate of 10% was imposed for the tax year 2022.

The Company, through its legal advisor, challenged the retrospective imposition of the cumulative 'super tax' at the rate of 10% before the High Court of Sindh (the High Court) on which the High Court passed an interim order dated November 1, 2022 refraining the Federal Board of Revenue (FBR) and its officers to take any adverse measures against the Company till the date of hearing and to allow the Company to submit its income tax return for the tax year 2022 by excluding the disputed amount of 'super tax'. The High Court directed the Company to secure the disputed amount of 'super tax' before the Nazir of the High Court by furnishing pay order / bank guarantee / cheques within seven days from the date of that order.

Thereafter, the High Court, through its short order dated December 22, 2022 passed the judgement that the 'super tax' shall be applicable from the tax year 2023; and the additional 6% was declared to be discriminatory, hence, ultra vires to the Constitution of Pakistan. Subsequent to the year end, as a result of the appeal process the Supreme Court, through its order dated February 16, 2023, ordered the taxpayers who are liable to pay 'super tax' at the rate of 10% to deposit the said 'super tax' at the rate of 4%. In the event that the taxpayers have furnished bank guarantees then the same shall be encashed to the extent of 4%. For the remaining portion of the 'super tax' i.e. 6% the Supreme Court granted the FBR time to prepare the case and the cheque for such amount shall remain with the Nazir with no directions to encash it.

Accordingly, the Company submitted a cheque dated November 4, 2022 amounting to Rs 344.484 million in favour of the Nazir of the High Court. The impact of this cheque has not been recorded in these financial statements as the Company has filed a statement dated November 5, 2022 before the Nazir of the High Court stating that there is no direction to encash the cheque in the above order of the High Court and therefore the same may be kept as a security only in terms of the order dated November 1, 2022.

On February 28, 2023, the High Court ordered the petitoners (including the Company) to pay 4% out of such amount of 10% to the Nazir of the High Court for onward payment to the FBR and secure the balance 6% in terms of the interim order passed in their respective petitions. Based on the order of High Court, the cheque earlier submitted amounting to Rs 344.484 million has been returned to the Company and two cheques both dated March 1, 2023 amounting to Rs 137.794 million (4%) and Rs 206.690 million (6%) have been submitted in the name of the Nazir of the High Court. The cheque amounting to Rs 137.794 million has been encashed by the Nazir of the High Court.

Without prejudice to the pendency of the above matter and on the basis of prudence, the Company has recorded the 'super tax' charge as a prior year charge for the tax year 2022 at the rate of 10% amounting to Rs 344.484 million in these financial statements.

30.4 Further, due to imposition of the additional tax of 4% effective tax rate for the Company has increased from 29% to 33%.

31. EARNINGS PER SHARE - BASIC AND DILUTED

31.1 Basic and diluted earnings per share

	Note	2022	2021
		(Rupees in thousand)	
Profit for the year after taxation		**2,809,746**	2,306,663
Less: dividend on non-cumulative preference shares	17.8	**(941,760)**	-
Profit attributable to ordinary shareholders		**1,867,986**	2,306,663
		(No. of shares)	
Weighted average number of ordinary shares - basic	17.2	**61,580,341**	61,580,341
Weighted average number of ordinary shares - diluted	31.2	**Note 31.3**	75,460,837
		(Rupees)	
Earnings per share - basic		**30.33**	37.46
Earnings per share - diluted	31.4	**Note 31.3**	30.57

31.2

	Note	2022	2021
		(No. of shares)	
Weighted average number of ordinary shares - basic		**61,580,341**	61,580,341
Effect of convertible preference shares	31.4	**Note 31.3**	13,880,496
Weighted average number of ordinary shares - diluted		**Note 31.3**	75,460,837

31.3 1,046,400,000 preference shares are not included in the calculation of diluted earnings per share because these are antidilutive for the year ended December 31, 2022.

31.4 1,046,400,000 preference shares were included in the calculation of diluted earnings per share for the year ended December 31, 2021. These preference shares could potentially dilute basic earnings per share for the year ended December 31, 2021 in the future.

Notes to and Forming Part
of the Financial Statements
For the Year Ended December 31, 2022

32. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Chief Executive		Directors		Executives		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	Rupees in thousand							
Remuneration	**-**	-	**9,747**	8,552	**633,853**	646,418	**643,600**	654,970
House rent	**-**	-	**4,386**	3,849	**285,234**	290,888	**289,620**	294,737
Directors' fee	**-**	-	**4,961**	5,324	**-**	-	**4,961**	5,324
Bonus	**-**	-	**7,211**	4,873	**208,720**	168,001	**215,931**	172,874
Retirement benefits	**-**	-	**1,770**	1,675	**113,094**	119,070	**114,864**	120,745
Utilities	**-**	-	**975**	855	**63,385**	64,898	**64,360**	65,753
Others	**13,200**	13,200	**1,629**	642	**162,917**	200,092	**177,746**	213,934
	13,200	13,200	**30,679**	25,770	**1,467,203**	1,489,367	**1,511,082**	1,528,337
Number of persons	**1**	1	**6**	6	**247**	296	**254**	303

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

32.2 The Company considers its Chief Executive and executive director as members of key management personnel.

32.3 The benefits available to certain executives and an executive director recognised by the Company in the expenses during the year on account of share-based payment plan aggregate Rs 84.506 million (2021: Rs 37.132 million).

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

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

33. RELATED PARTIES DISCLOSURES

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 funds and key management personnel. Transactions with related parties, other than remuneration and benefits to key management personnel under the terms of their employment as disclosed in note 32, are as follows:

	Nature of transactions	2022	2021
		(Rupees in thousand)	
Associated undertakings	Sale of goods	**1,307,281**	1,196,046
	Sale of plant and machinery	**39,670**	278,978
	Purchase of goods	**584,727**	465,790
	Purchase of plant and machinery	**1,089**	10,762
	Appropriation of preference dividend	**941,760**	-
	Appropriation of ordinary dividend	**60,135**	-
	Services procured	**-**	3,222
	Reimbursement of expenses	**111,100**	-
	Royalty expense	**151,497**	120,257
	Share based payment recharge	**49,971**	31,613
	Liability written back	**-**	285,654
Subsidiary Company	Expenses borne by the Company	**100**	106
Staff retirement plans	Expense in relation to gratuity scheme	**78,221**	57,205
	Gain / (loss) in other comprehensive income - gratuity	**33,300**	(20,013)
	Expense in relation to provident fund	**101,632**	92,950

The Company carries out transaction with its related parties at mutually agreed terms.

The related party status of outstanding balances with related parties as at December 31, 2022 is included in notes 12.1, 13.1, 21.2 and 21.3. These balances are to be settled in the ordinary course of business.

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

S. No.	Name of related parties	Basis of relationship	Aggregate shareholding % in the Company
1.	Philip Morris Products S.A. Manufacturing, Switzerland	Group Company	Nil
2.	Philip Morris Management Services S.A., Switzerland	Group Company	Nil
3.	Philip Morris CR A.S., Czech Republic	Group Company	Nil
4.	PMI Engineering SA., Switzerland	Group Company	Nil
5.	Philip Morris Operations A.D., Serbia	Group Company	Nil
6.	Philsa Philip Morris Sabanci, Turkey	Group Company	Nil
7.	Philip Morris International Managment SA., Switzerland	Group Company	Nil
8.	Philip Morris International Management S.A. (Tolling), Switzerland	Group Company	Nil
9.	Philip Morris Kazakhstan LLP., Kazakhstan	Group Company	Nil
10.	Tabaqueira - Empresa Industrial De Tabacos, S.A., Portugal	Group Company	Nil
11.	Philip Morris Products S.A., Switzerland	Group Company	Nil
12.	Philip Morris Romania S.R.L., Romania	Group Company	Nil
13.	AO Philip Morris Izhora, Russia	Group Company	Nil

S. No.	Name of related parties	Basis of relationship	Aggregate shareholding % in the Company
14.	Philip Morris Switzerland SARL Export Division, Switzerland	Group Company	Nil
15.	PMFTC Inc., Philippines	Group Company	Nil
16.	Philip Morris International Inc., United States	Group Company	Nil
17.	Philip Morris Global Brands Inc., United States	Group Company	Nil
18.	Philip Morris Asia Limited, Hong Kong	Group Company	Nil
19.	Philip Morris Korea Inc., Korea	Group Company	Nil
20.	Philip Morris Malaysia SDN. BHD., Malaysia	Group Company	Nil
21.	PT Philip Morris, Indonesia	Group Company	Nil
22.	Philip Morris Philippines Manufacturing Inc. Philippines	Group Company	Nil
23.	PMI Service Center Europe spolka z organiczona odpowiedzialnoscia, Poland	Group Company	Nil
24.	Massalin particulares S.R.L., Argentina	Group Company	Nil
25.	Philip Morris Mexico Productos, Mexico	Group Company	Nil
26.	Tabacalera Andina S.A. Tanasa, Ecuador	Group Company	Nil
27.	Philip Morris Brasil Industria Ecomercio LTDA, Brazil	Group Company	Nil
28.	Profigen Do Brasil LTDA, Brazil	Group Company	Nil
29.	PT. Philip Morris Sampoerna, Indonesia	Group Company	Nil
30.	Philip Morris Tutunski Kombinat Prilep LLC, Macedonia	Group Company	Nil
31.	PT Hanjaya Mandala Sampoerna TBK., Indonesia	Group Company	Nil
32.	Philip Morris Investments B.V., Jordan	Group Company	Nil
33.	Philip Morris Brands Sarl, Switzerland	Group Company	Note 17
34.	Philip Morris Investments B.V., Netherlands	Parent company	Note 17
35.	Laksonpremier Tobacco Company (Private) Limited	Subsidiary	Nil
36.	Philip Morris (Pakistan) Limited Employees' Gratuity Fund	Retirement benefit trust	Nil
37.	Philip Morris (Pakistan) Limited Employees' Provident Fund	Retirement benefit trust	Nil
38.	Mr. Kamran Y. Mirza	Chairman	0.000081%
39.	Mr. Roman Yazbeck	Chief Executive	0.000002%
40.	Mr. Peter Stefan M. Calon	Director	0.000002%
41.	Mr. Junaid Iqbal	Director	0.000002%
42.	Ms. Pattaraporn Auttaphon	Director	0.000002%
43.	Mr. Mirza Rehan Baig	Director	0.000002%
44.	Mr. Muhammad Zeeshan	Director	0.000003%

34. CAPACITY AND PRODUCTION

Against an installed manufacturing capacity of 21,297 million (2021: 23,501 million) cigarette sticks, the manned manufacturing capacity is 11,877 million cigarette sticks (2021: 11,645 million sticks). Actual production was 10,200 million (2021: 10,170 million) cigarette sticks. Actual production was sufficient to meet the demand.

	Note	2022	2021
		(Rupees in thousand)	

35. CASH GENERATED FROM OPERATIONS

	Note	2022	2021
Profit before taxation		4,271,687	3,343,306
Adjustment for non-cash and other items:			
Depreciation on property, plant and equipment	3.1.1	810,661	881,811
Depreciation on right-of-use assets	4.1	94,070	95,157
Property, plant and equipment written off	27	21,287	1,278
Impairment charge on items of property, plant and equipment	27	-	11,159
Amortisation of intangibles	5.1	23,974	23,173
Provision for slow moving spares	8.1	5,378	1,519
Provision for obsolete stocks	9.1	32,913	21,284
Expenses arising from equity-settled share-based payment plan	18.3	84,506	37,132
Staff retirement benefits expense	13.1	78,221	57,205
Liabilities written back	28	(73,052)	(386,867)
Exchange loss - net	27	270,284	163,269
Profit on deposit accounts	28	(957,239)	(419,053)
Profit on term deposit receipt	28	(144,926)	-
Profit on disposal of items of non current assets held for sale		-	(75,939)
Profit on disposal of items of property, plant and equipment	28	(74,089)	(124,575)
Gain on termination of lease liability	28	(57,380)	-
Other current assets written off		38,663	-
Finance cost	29	40,378	41,796
		193,649	328,349
Working capital changes	35.1	(2,140,466)	799,616
		2,324,870	4,471,271

35.1 Working capital changes

	2022	2021
(Increase) / decrease in current assets		
Stores and spares	2,940	27,000
Stock in trade	(2,853,078)	(1,024,528)
Advances	2,961	(13,075)
Prepayments	(12,785)	14,931
Other receivables	(1,463,099)	425,166
	(4,323,061)	(570,506)
Increase / (decrease) in current liabilities		
Trade and other payables	2,245,488	1,603,786
Sales tax and federal excise duty payable	(62,893)	(233,664)
	(2,140,466)	799,616

36. CASH AND CASH EQUIVALENTS

	Note	2022	2021
		(Rupees in thousand)	
Cash and bank balances	15	7,302,365	7,991,843
Short term investments	14	2,000,000	-
Less: Amount held as security	15.2	(18,861)	(18,861)
		9,283,504	7,972,982

37. FINANCIAL RISK MANAGEMENT

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

(i) Market risk

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

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

(a) Interest rate risk

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

- Fair value risk - Fair value risk to the Company arises from instruments which are based on fixed interest rates. As at December 31, 2022, the Company had an investment in a Term Deposit Receipt of Rs 2,000 million with a fixed rate of return. The investment has a maturity date of January 13, 2023. Therefore, fair value risk is not likely to be material on the Company's operations and results.

- Future cash flow risk - Presently, future cash flow risk to the Company arises from deposit accounts with banks which are based on floating interest rates (i.e. KIBOR based). As at December 31, 2022, had there been increase / decrease of 50 basis points in KIBOR with all other variables held constant, profit after taxation for the year then ended would have been higher / lower by Rs 22.328 million (2021: Rs 26.420 million) mainly as a result of profit on deposit accounts.

(b) Currency risk

Currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The Company primarily has foreign currency exposures in US Dollars, Euro and UK Pound in the form of other receivables (note 12), bank balances (note 15), trade and other payables (note 21).

As at December 31, 2022, had the Company's functional currency strengthened / weakened by 5% against US Dollar, Euro and UK Pound, with all other variables held constant, profit after taxation for the year then ended would have been higher / lower by Rs 77.983 million (2021: Rs 36.575 million) mainly as a result of foreign exchange gains / losses.

(c) Other price risk

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

(ii) Credit risk and its concentration

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted. The Company enters into financial contracts in accordance with the internal risk management policies which mainly include incurring of sales on an advance payment basis and holding of balances with reputable banks of the country. Further, the Company considers a financial asset to be in default when contractual payments are 365 days past due and internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full and it is subsequently written off, if required. Out of the total financial assets as set out in note 37.3, those that are subject to credit risk aggregated Rs 11,165.532 million as at December 31, 2022 (2021: Rs 8,362.933 million). The analysis below summarises the credit quality of the Company's financial assets as at December 31, 2022 due to which the Company considers that the credit risk is minimal:

- Long term deposits aggregating Rs 91.952 million (2021: Rs 78.520 million) are held with parties which have long association with the Company and have a good credit history.

- Amounts aggregating Rs 126.077 million (2021: Rs 13.753 million) are receivable from group companies whereby credit exposure and the corresponding risk associated with recoverability is considered minimal.

- Other financial assets aggregating Rs 10,947.503 million which mainly represent cash margins held with banks, bank balances and short term investment are maintained with banks having credit rating of atleast A-2 representing good certainty of timely payment.

Concentration of credit risk exists when changes in economic and industry factors similarly affect the group of counter parties whose aggregated credit exposure is significant in relation to the Company's total credit exposure. A significant portion (i.e. 98%) of the Company's financial assets are held within a single industry i.e. banks. However, the Company considers that all such banks are credit worthy parties and hence risk of default is minimal.

(iii) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. The Company's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its financial liabilities when due. Accordingly, the Company maintains sufficient cash and cash equivalents and also makes availability of funding through credit facilities, representing short term borrowings (note 20) and also a new intercompany borrowing arrangement upto USD 2.5 million, approved by the Company's Board of Directors in its meeting held on February 14, 2023. The new facility shall be repayable after three years and has been entered into to facilitate payment to the Company's suppliers.

Notes to and Forming Part of the Financial Statements
For the Year Ended December 31, 2022

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

	2022		
	Contractual cash flows	**Less than 1 year**	**Between 1 and 5 Years**
		(Rupees in thousand)	
Trade and other payables	**7,299,796**	**7,299,796**	**-**
Unclaimed dividend	**37,780**	**37,780**	**-**
Unpaid dividend	**901,706**	**901,706**	**-**
Lease liabilities	**389,989**	**87,432**	**302,557**
	8,629,271	**8,326,714**	**302,557**

	2021		
	Contractual cash flows	Less than 1 year	Between 1 and 5 Years
		(Rupees in thousand)	
Trade and other payables	5,065,666	5,065,666	-
Accrued mark-up on short term borrowings	67	67	-
Unclaimed dividend	37,029	37,029	-
Lease liabilities	298,757	174,009	124,748
	5,401,519	5,276,771	124,748

37.2 Fair values of financial assets and liabilities

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

As at December 31, 2022, the carrying values of all financial assets and liabilities approximated to their fair values due to the fact that most of the financial assets and liabilities are of short term nature.

	2022	2021
	(Rupees in thousand)	
37.3 Financial instruments by category		
FINANCIAL ASSETS		
At amortised cost		
Long term deposits	**91,952**	78,520
Other receivables	**1,755,838**	292,739
Cash and bank balances	**7,302,365**	7,991,843
Short term investment	**2,015,377**	-
	11,165,532	8,363,102

	2022	2021
	(Rupees in thousand)	
FINANCIAL LIABILITIES		
At amortised cost		
Trade and other payables	7,299,796	5,065,666
Accrued mark-up on short term borrowings	-	67
Unclaimed dividend	37,780	37,029
Unpaid dividend	901,706	-
Lease liabilities	312,421	256,008
	8,551,703	5,358,770

38. CAPITAL RISK MANAGEMENT

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

39. DETAILS OF DISPOSALS OF PROPERTY, PLANT AND EQUIPMENT

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

Category	Original cost	Accumulated depreciation	Net Book value	Disposal proceeds	Gain / (loss)	Mode of disposal	Particulars of buyers	Relationship of buyers with company or director if any
Vehicles	3,489	(1,442)	2,047	2,791	744	Company policy	Mohammad Mobin Shah	Employee
	1,476	(827)	649	959	310	Company policy	Syed Hasnain Ali Moosvi	Employee
	2,755	(992)	1,763	2,204	441	Company policy	Naveed Ali Shigri	Employee
	2,755	(1,102)	1,653	1,378	(275)	Company policy	Syed Waqas Ur Rehman	Employee
	2,054	(1,315)	739	1,027	288	Company policy	Abid Javed	Employee
	2,663	(1,633)	1,030	1,332	302	Company policy	Malik Zaheer	Employee
	1,476	(768)	708	959	251	Company policy	Bushra Rathore	Employee
	2,663	(2,130)	533	906	373	Company policy	Khawaja Muhammad Kashif Siddiq	Employee
	2,663	(2,130)	533	906	373	Company policy	Zehra Aftab	Employee
	2,054	(1,397)	657	1,027	370	Company policy	Farhad Siddique	Employee
	6,299	(5,039)	1,260	3,250	1,990	Auction	Rizwan Mushtaq	Employee
	30,347	(18,775)	11,572	16,739	5,167			

40. NUMBER OF EMPLOYEES

The average number of employees during the year and as at December 31, 2022 and 2021 respectively are as follows:

	2022	2021
	No. of employees	
Number of employees as at December 31	652	675
Average number of employees during the year	682	689

41. ENTITY WIDE INFORMATION

The Company has one reportable segment, the principal class of products are cigarettes and other tobacco products, and other smoke free products.

41.1 Information about geographical areas

The Company does not hold non-current assets in any foreign country.

41.2 Information about major customers

The Company does not have transactions with any external customer which amount to 10% or more of its revenues.

42. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on March 22, 2023 by the Board of Directors of the Company.

43. GENERAL

43.1 Figures in these financial statements have been rounded off to the nearest thousand of Pakistan Rupees unless otherwise stated.

43.2 Wherever considered necessary, corresponding figures have been reclassified for the purpose of comparison and improved presentation. However, the impacts are not material.

Kamran Mirza	Roman Yazbeck	Muhammad Zeeshan
Chairman / Director	Chief Executive Officer	Chief Financial Officer

Pattern of Shareholding

As At December 31, 2022

# Of Shareholders	Shareholdings'Slab		Total Shares Held
937	1to	100	22,067
336	101to	500	85,491
112	501to	1000	82,643
170	1001to	5000	326,408
19	5001to	10000	128,717
3	10001to	15000	32,907
2	15001to	20000	31,506
1	20001to	25000	20,883
1	25001to	30000	28,915
1	45001to	50000	46,255
1	635001to	640000	639,139
2	12315001to	12320000	24,632,116
1	35500001to	35505000	35,503,294
1586			**61,580,341**

Pattern of Shareholding

As At December 31, 2022

Categories of Shareholders (Ordinary Shareholders)	Shares Held	Percentage
Directors, Chief Executive Officer and their spouse(s) and minor children		
MS.PATTARAPORN AUTTAPHON	1	0.000002
MR.MUHAMMAD ZEESHAN	2	0.000003
MR. ROMAN YAZBECK	1	0.000002
MIRZA REHAN BAIG	1	0.000002
MR. JUNAID IQBAL	1	0.000002
MR. PETER STEFAN M. CALON	1	0.000002
KAMRAN YOUSUF MIRZA	50	0.000081
Associated companies, undertakings and related parties	60,135,410	97.65
NIT and ICP	58	0.00009
Banks Development Financial Institutions, Non-Banking Financial Institutions	3,360	0.005
Insurance Companies	10,580	0.02
General Public Foreign		
a. Local	730,796	1.1867
b. Foreign	211	0.0003
Foreign Companies	639,139	1.0379
Others	60,730	0.0986
Total	**61,580,341**	**100.00**

Ordinary Shareholders holding 10% or more	Shares Held	Percentage
PHILIP MORRIS INVESTMENTS B.V.	**47,819,350**	**77.65**
M/S PHILIP MORRIS BRANDS SARL	**12,316,060**	**20.00**

Details of pattern of shareholding as per requirements of code of corporate governance

As At December 31, 2022

categories of shareholders (Ordinary shareholders)

S.No.	Name of shareholder	Number of shares
Associated companies, undertakings and related parties		
1	M/S PHILIP MORRIS BRANDS SARL	12,316,060
2	PHILIP MORRIS INVESTMENTS B.V.	12,316,056
3	PHILIP MORRIS INVESTMENTS B.V.	35,503,294
		60,135,410
Directors, Chief Executive Officer and their spouse(s) and minor children		
1	MS.PATTARAPORN AUTTAPHON	1
2	MR.MUHAMMAD ZEESHAN	2
3	MR. ROMAN YAZBECK	1
4	MIRZA REHAN BAIG	1
5	MR. JUNAID IQBAL	1
6	MR. PETER STEFAN M. CALON	1
7	KAMRAN YOUSUF MIRZA	50
		57
NIT and ICP		
1	M/S INVESTMENT CORPN OF PAK	58
		58
Banks Development Financial Institutions, Non-Banking Financial Institutions		
1	M/S HABIB BANK LIMITED	132
2	MCB BANK LIMITED - TREASURY	3,228
		3,360
Insurance Companies		
1	PAKISTAN REINSURANCE COMPANY LIMITED	10,580
		10,580

Pattern of Shareholding - Preference shareholders

As At December 31, 2022

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

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

CATEGORIES OF PREFERENCE SHAREHOLDERS

ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES

PHILIP MORRIS INVESTMENTS B.V.	832,097,280
PHILIP MORRIS BRANDS SARL	214,302,720
	1,046,400,000

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

INCORPORATION NUMBER - 0002832

PREFERENCE SHAREHOLDING PREFERENCE	PREFERENCE SHAREHOLDING		PREFERENCE SHAREHOLDING
	FROM	TO	
1	1	250,000,000	214,302,720
1	250,000,001	850,000,000	832,097,280

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 54th Annual General Meeting ("AGM") of **PHILIP MORRIS (PAKISTAN) LIMITED** ('the Company") will be held on **Thursday, April 27, 2023 at 3:00 p.m.** at the Institute of Chartered Accountants of Pakistan, Chartered Accountants Avenue, Clifton, Karachi. To ensure maximum participation by the shareholders a video link for attending the meeting virtually will also be provided.

The shareholders can log in through Microsoft Teams by joining the link to participate in the AGM proceedings to transact the following business: (for details please see the notes below).

ORDINARY BUSINESS

1. To receive, consider and adopt the audited financial statements for the year ended December 31, 2022 together with the Directors' and Auditor's Report thereon.
2. To appoint the External Auditors and fix their remuneration for the year ending December 31, 2023.

The retiring auditor M/s. A. F. Ferguson & Co. Chartered Accountants has given consent to act as Auditor of the Company for the year ending December 31, 2023.

By Order of the Board

SANA ENAIT HASHMI
Company Secretary

Karachi: Thursday, April 6, 2023

NOTES:

1. Participation in the Annual General Meeting in person or online via video link.

To ensure maximum participation from the Members, online arrangements are also being made.

The shareholders interested to attend the AGM in person or online via video link are requested to register themselves by providing the following information via email at *AGM2023@pmi.com* at least 48 hours before the AGM.

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

The link to attend the meeting virtually will be provided to the shareholders on their email addresses before the meeting. The Company reserves the right to refuse entry to any shareholder who has not pre-registered for physical attendance.

The shareholders can also provide their comments/suggestions for the proposed agenda items of the AGM at the above-mentioned email address.

2. Participation in the AGM.

The Members whose names appear in the Register of Members as of April 19, 2023, are entitled to attend and vote at the AGM. A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend, speak and vote for him/her. A proxy must be a Member of the Company.

An instrument of proxy applicable for the Meeting is being provided with the Notice sent to Members. Further copies of the instrument of proxy may be obtained from the Registered Office of the Company during normal office hours. Proxy form may also be downloaded from the Company's website: http://philipmorrispakistan.com.pk

An instrument of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must, to be valid, be deposited through email on *AGM2023@pmi.com* not less than 48 hours before the time of AGM.

Members are requested to submit a copy of their Computerized National Identity Card/Smart National Identity Card (CNIC/SNIC), if not already provided and notify immediately changes, if any, in their registered address to our Shares Registrar address mentioned in the Notes.

3. Closure of Shares Transfer Books.

The share transfer books of the Company will remain closed from April 20, 2023 to April 27, 2023 (both days inclusive). Transfer received in order at the Office of the Company's share Registrar, CDC Share Registrar Services Limited, CDC House, 99-B, Block B, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi – 74400 till April 19, 2023 will be considered in time to be eligible to attend the meeting.

4. Electronic transmission of Annual Report 2022.

Pursuant to the directions given by the Securities and Exchange Commission of Pakistan through its SRO 787(1)/2014 dated September 8, 2014 and SRO 470(1)/2016 dated May 31, 2016 circulation of Annual Audited Accounts (i.e. Annual Balance Sheet and Profit and Loss Accounts, Statements of Comprehensive Income, Cash Flow Statement, Notes to the Financial Statements, Auditor's and Director's Report) in soft copy form via email/US-B/DVD/CD to the shareholders at their registered mailing address have been allowed by SECP. However, the Company will also provide hard copies of the Annual Report free of cost to the member on demand, by submitting a written request at our registered office.

5. Guidelines for Central Depository Company of Pakistan (CDC) Accounts Holders.

CDC Account Holders will further have to follow the under-mentioned guidelines as laid down in Circular 1 dated January 26, 2000, issued by the Securities and Exchange Commission of Pakistan (SECP).

A. For Attending the AGM:

(i) In the case of individuals, the account holder or sub-account holder and/or the person whose securities are in a group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by sharing a copy of his/her CNIC/SNIC or passport through email (as mentioned in the notes) at least 48 hours before the AGM.

(ii) In the case of a corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be shared through email (as mentioned in the notes) (unless it has been provided earlier) at least 48 hours before the AGM.

B. For Appointing Proxies:

(i) In the case of individuals, the account holder or sub-account holder and/or the person whose securities are in a group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.

(ii) The proxy form shall be witnessed by two persons whose names, addresses, and CNIC/SNIC numbers shall be mentioned on the form.

(iii) Copies of CNIC/SNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form through email (as mentioned in the notes)

(iv) The proxy shall produce his original CNIC/SNIC or original passport at the time of the AGM.

(v) In case of a corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company through email (as mentioned in the notes).

6. Placement of Financial Statements on the Company's Website.

The Financial Statements of the Company for the year ended December 31, 2022 have been placed on the website of the Company http://philipmorrispakistan.com.pk

7. **Unclaimed Dividend.**

As per the provision of section 244 of the Companies Act, 2017, any shares issued or dividend declared by the Company which have remained unclaimed/unpaid for a period of three years from the date on which it was due and payable are required to be deposited with Securities and Exchange Commission of Pakistan for the credit of Federal Government after issuance of notices to the Shareholders. The details of the shares issued, and dividends declared by the Company which have remained due for more than three years was sent to shareholders. The shareholders are requested to ensure that claims for unclaimed dividends and shares are lodged promptly. In case, no claim is lodged with the Company, the Company shall, after giving notice in the newspaper, proceed to deposit the unclaimed/unpaid amount and shares with the Federal Government pursuant to the provision of Section 244(2) of the Act.

8. **Conversion of Physical Shares into CDC Account.**

The Securities and Exchange Commission of Pakistan (SECP), through its letter No. CSD/ED/Misc/2016-639-640 dated March 26, 2021, has advised all listed companies to adhere to the provisions of Section 72 of the Companies Act, 2017 (the “Act”), which requires all companies to replace shares issued in physical form to book-entry form within four years of the promulgation of the Act. Accordingly, all shareholders of the Company having physical folios/share certificates are requested to convert their shares from the physical form into book-entry form at the earliest.

9. **Treatment of Withholding Tax:**

Dividend income on shares is liable to deduction of withholding tax under Section 150 of the Income Tax Ordinance, 2001. Withholding of tax on dividends based on the ‘Active’ and ‘Non-Active’ status of shareholders shall be as follows:

a. Rate of the tax deduction for active taxpayers is 15%.
b. Rate of the tax deduction for non-active taxpayers is 30%

Further, according to clarification received from the Federal Board of Revenue (FBR), withholding tax will be determined separately on the Active / Non-Active status of the principal shareholder as well as joint-holder(s) based on their shareholding proportions, in case of joint accounts.

All shareholders who hold shares with joint shareholders are requested to provide shareholding proportions of principal shareholder and joint-holder(s) in respect of shares held by them to our share registrar, CDC Share Registrar Services Limited., CDC House, 99-B, Block B, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi – 74400 before the close of business on April 19, 2023.

10. **Dividend Mandate:**

In accordance with the provisions of Section 242 of the Companies Act, 2017, and Regulation 4 of the Companies (Distribution of Dividends) Regulations 2017, a listed company is required to pay cash dividends to the shareholders **ONLY** through electronic mode directly into the bank account designated by the entitled shareholders.

In compliance with the above regulatory requirement, shareholders are requested to provide (if not already provided) the information to the brokers / CDC for shares held in electronic form or to the Company’s Shares Registrar, for shares held in physical form. In case of non-receipt of information, the Company will be constrained to withhold payment of dividends to shareholders.

11. **Submission of CNIC/NTN:**

Pursuant to the directives of the SECP, the dividends of shareholders whose valid CNIC or NTN (in case of corporate entities) are not available with the Share Registrar could be withheld. Shareholders are, therefore, requested to submit a copy of their valid CNIC (if not already provided) to the Company’s Share Registrar. In the absence of a shareholder’s valid CNIC, the Company will be constrained to withhold the dividend of the shareholder.

Subsidiary Company's Accounts:

Laksonpremier Tobacco Company (Private) Limited

Statement of Financial Position

As at December 31, 2022

	Note	2022 (Un-audited)	2021 (Audited)
		(Rupees)	
ASSETS		-	-
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital 5,000,000 Ordinary Shares of Rs 10 each	3	**50,000,000**	50,000,000
Issued, subscribed and paid-up capital	3	**1,030**	1,030
Accumulated loss		**(1,030)**	(1,030)
		-	-
LIABILITIES		-	-
TOTAL EQUITY AND LIABILITIES		-	-

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

Muhammad Zeeshan
Chief Financial Officer

Sana Hashmi
Director

Statement of Profit or Loss and other Comprehensive Income

For the Year Ended December 31, 2022

	2022 (Un-audited)	2021 (Audited)
	(Rupees)	
Turnover	-	-
Expenses	-	-
Profit before taxation	-	-
Taxation	-	-
Profit after taxation	-	-
Other comprehensive income	-	-
Total comprehensive income	-	-

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

Muhammad Zeeshan
Chief Financial Officer

Sana Hashmi
Director

Statement of Changes in Equity

As at December 31, 2022

	Issued, subscribed and paid-up capital	Accumulated loss	Total
	-----------------------------	(Rupees)	-----------------------------
Balance as at January 1, 2021	1,030	(1,030)	-
Total comprehensive income for the year ended December 31, 2021	-	-	-
Balance as at December 31, 2021	1,030	(1,030)	-
Total comprehensive income for the year ended December 31, 2022	-	-	-
Balance as at December 31, 2022	1,030	(1,030)	-

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

Muhammad Zeeshan
Chief Financial Officer

Sana Hashmi
Director

Statement of Cash Flows

For the Year Ended December 31, 2022

	2022 (Un-audited)	2021 (Audited)
	(Rupees)	
Cash flow from operating activities	-	-
Cash flow from investing activities	-	-
Cash flow from financing activities	-	-
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	-	-
Cash and cash equivalents at the end of the year	-	-

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

Muhammad Zeeshan
Chief Financial Officer

Sana Hashmi
Director

1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 Laksonpremier Tobacco Company (Private) Limited (the Company) was incorporated in Pakistan on March 14, 1955 as a private limited company under the Companies Act, 1913 (now the Companies Act, 2017). The principal activity of the Company is the manufacturing and sale of cigarettes and tobacco.

During the year effective October 17, 2022, the registered office of the Company has changed from 19th Floor, The Harbour Front, Dolmen City, HC-3, Block-4, Clifton Karachi, Sindh to Office 04 & 05th Floor, Corporate Office Block, Dolmen City, Plot HC-3, Block-4, Clifton Karachi, Sindh.

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

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

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

1.5 The Holding Company has confirmed to the Company through its letter dated February 14, 2021, that the Holding Company intends to continue to provide financial support to the Company to enable it to continue as a 'going concern' in the foreseeable future. Accordingly, these financial statements have been prepared on a going concern basis.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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

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

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

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

Notes to and Forming Part of the Financial Statements
For the Year Ended December 31, 2022

3. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2022	2021		2022	2021
(Number of shares)			(Rupees)	
		Authorised share capital		
5,000,000	5,000,000	Ordinary shares of Rs 10 each	50,000,000	50,000,000
		Issued, subscribed and paid-up share capital		
103	103	Ordinary shares of Rs 10 each fully paid in cash	1,030	1,030

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

4. TRANSACTIONS WITH RELATED PARTIES

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

	Note	2022 (Un-audited)	2021 (Audited)
		(Rupees)	
Expenses borne by the Holding Company			
- Filing fees for corporate forms		-	5,675
- Audit fee		-	100,000

5. DATE OF AUTHORISATION

These financial statements were authorised for issue on March 21, 2023 by the board of directors of the Company.

Muhammad Zeeshan
Chief Financial Officer

Sana Hashmi
Director

ممبران سے گزارش ہے کہ وہ اپنے کمپیوٹرائزڈ قومی شناختی کارڈ/اسمارٹ قومی شناختی کارڈ (CNIC/SNIC) کی ایک نقل جمع کرائیں، اگر پہلے سے فراہم نہیں کی گئی ہیں اور اگر ان کے رجسٹرڈ پتے میں کوئی تبدیلیاں ہیں تو فوری طور پر ہمارے شیئرز رجسٹرار کو مذکورہ بالا پتے پر مطلع کریں۔

3. شیئرز کی منتقلی کی کتب کی بندش

کمپنی کی شیئرز منتقلی کتب 20 اپریل 2023 سے 27 اپریل 2023 (بشمول دونوں ایام) بند رہیں گی۔ کمپنی کے شیئر رجسٹرار کے دفتر، سی ڈی سی شیئر رجسٹرار سروسز لمیٹڈ، سی ڈی سی ہاؤس، B-99، بلاک-B، ایس ایم سی ایچ ایس، مین شاہراہ فیصل، کراچی-74400 پر 19 اپریل 2023 تک موصول ہونے والی منتقلیاں اجلاس میں شرکت کیلئے بروقت سمجھی جائیں گی۔

4. سالانہ رپورٹ 2022 کی الیکٹرونک ترسیل

سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کی طرف سے دی گئی ہدایات کے مطابق اس کے ایس آر او 787(1)/2014 مورخہ 8 ستمبر 2014 اور ایس آر او 470(1)/2016 مورخہ 31 مئی 2016 سالانہ آڈٹ شدہ اکاؤنٹس کی گردش (یعنی سالانہ بیلنس شیٹ اور نفع ونقصان اکاؤنٹس، جامع آمدنی کے گوشوارے، کیش فلو اسٹیٹمنٹ، مالی گوشواروں کے نوٹس، آڈیٹرز اور ڈائریکٹرز رپورٹ) سوفٹ کاپی کی شکل میں بذریعہ ای میل/یو ایس بی/ڈی وی ڈی/سی ڈی شیئر ہولڈرز کو ان کے رجسٹرڈ ڈاک کے پتے پر بھیجنے کی اجازت دی گئی ہے۔ تاہم، کمپنی کے رجسٹرڈ پتے پر موصول ہونے والی درخواست پر، کمپنی کسی بھی ممبر کے مطالبے پر اُسے سالانہ رپورٹ کی ہارڈ کاپیاں بلا معاوضہ بھی فراہم کرے گی۔

5. سینٹرل ڈپازٹری کمپنی آف پاکستان (CDC) کے اکاؤنٹ ہولڈرز کے لیے ہدایات

سی ڈی سی اکاؤنٹ ہولڈرز کو مزید مندرجہ ذیل ہدایات پر عمل کرنا ہوگا جیسا کہ 26 جنوری 2000 کے سرکلر 1 میں بیان کیا گیا ہے، جو سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کی جانب سے جاری کیا گیا ہے۔

A. سالانہ اجلاسِ عام میں شرکت کرنے کے لیے

(i) افراد کی صورت میں، اکاؤنٹ ہولڈر یا ذیلی اکاؤنٹ ہولڈر اور/یا شخص، جن کی سیکورٹیز گروپ اکاؤنٹ میں ہیں اور ریگولیشنز کے مطابق جن کی رجسٹریشن کی تفصیلات اپ لوڈ ہو چکی ہیں، وہ اجلاس سے کم از کم 48 گھنٹے پہلے بذریعہ ای میل (جیسا کہ نوٹس میں بیان کیا گیا ہے) اپنے کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) یا اسمارٹ قومی شناختی کارڈ (SNIC) یا پاسپورٹ کی نقل دکھا کر اپنی شناخت کی تصدیق کریں گے/گی۔

(ii) کارپوریٹ ادارے کی صورت میں، بورڈ آف ڈائریکٹرز کی قرارداد/مختار نامہ معہ نامزد فرد کے دستخط کا نمونہ بذریعہ ای میل (جیسا کہ نوٹس میں بیان کیا گیا ہے) اجلاس سے کم از کم 48 گھنٹے پہلے شیئر کیا جائے گا (اگر پہلے فراہم نہ کئے گئے ہوں)

B. پراکسیز کی تقرری کے لیے:

(i) افراد کی صورت میں، اکاؤنٹ ہولڈر یا ذیلی اکاؤنٹ ہولڈر اور/یا شخص، جن کی سیکورٹیز گروپ اکاؤنٹ میں ہیں اور ریگولیشنز کے مطابق جن کی رجسٹریشن کی تفصیلات اپ لوڈ ہو چکی ہیں، مندرجہ بالا ضرورت کے مطابق پراکسی فارم جمع کریں گے۔

(ii) پراکسی فارم پر دو (2) افراد گواہ ہوں گے جن کے نام، پتے اور کمپیوٹرائزڈ قومی شناختی کارڈ/اسمارٹ قومی شناختی کارڈ (CNIC/SNIC) نمبرز فارم پر درج ہوں گے۔

(iii) فائدہ اٹھانے والے مالکان کے کمپیوٹرائزڈ قومی شناختی کارڈ/اسمارٹ قومی شناختی کارڈ (CNIC/SNIC) یا پاسپورٹ کی نقول اور پراکسی کو بذریعہ ای میل (جیسا کہ نوٹس میں بیان کیا گیا ہے) پراکسی فارم کے ساتھ پیش کیا جائے گا۔

(iv) اجلاس میں شرکت کے وقت پراکسی اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ/اسمارٹ قومی شناختی کارڈ (CNIC/SNIC) یا اصل پاسپورٹ فراہم کرے گا/گی۔

(v) کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/مختار نامہ مع نامزد فرد کے دستخط کا نمونہ بذریعہ ای میل (جیسا کہ نوٹس میں بیان کیا گیا ہے) پراکسی فارم کے ساتھ کمپنی میں جمع کرانا ہوگا (اگر پہلے فراہم نہ کئے گئے ہوں)۔

6 کمپنی کی ویب سائٹ پر مالی گوشواروں کی جگہ کا تعین

31 دسمبر 2022 کو ختم ہونے والے سال کے لیے کمپنی کے مالی گوشواروں کو کمپنی کی ویب سائٹ http:\\philipmorrispakistan.com.pk پر رکھا گیا ہے۔

7. غیر دعوٰی شدہ منافع منقسمہ

کمپنیز ایکٹ، 2017 کے سیکشن 244 کی دفعات کے مطابق، کمپنی کی طرف سے جاری کردہ شیئرز یا منافع منقسمہ جس کا اعلان کیا جا چکا ہے اور جو اپنی واجب الادا اور قابلِ ادائیگی تاریخ سے تین (3) سال کی مدت تک غیر دعوٰی شدہ/غیر ادا شدہ رہ گیا ہے، شیئر ہولڈرز کو نوٹس جاری کرنے کے بعد وفاقی حکومت کے کریڈٹ کے لیے سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کے پاس جمع کرانا ضروری ہے۔ جاری کردہ شیئرز کی تفصیلات اور کمپنی کی جانب سے اعلان کردہ منافع منقسمہ جو تین (3) سال سے زیادہ عرصے سے واجب الادا ہیں، شیئر ہولڈرز کو بھیج دیے گئے تھے۔ شیئر ہولڈرز سے گزارش ہے کہ وہ اس بات کو یقینی بنائیں کہ غیر دعوٰی شدہ منافع منقسمہ اور شیئرز کے دعوے فوری طور پر داخل کریں۔ اگر کمپنی کے پاس کوئی دعوٰی داخل نہیں کیا جاتا تو کمپنی اخبار میں نوٹس دینے کے بعد، ایکٹ کے سیکشن (2)244 کے تحت وفاقی حکومت کے پاس غیر دعوٰی شدہ/غیر ادا شدہ رقم اور شیئرز جمع کرانے کے لیے قدم اٹھائے گی۔

8. فزیکل شیئرز کا سی ڈی سی اکاؤنٹ میں تبدّل

سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) نے اپنے خط نمبر CSD/ED/Misc/2016-639-640 مورخہ 26 مارچ 2021 کے ذریعے تمام لسٹڈ کمپنیوں کو مشورہ دیا ہے کہ وہ کمپنیز ایکٹ، 2017 ("ایکٹ") کے سیکشن 72 کی دفعات پر عمل کریں، جس کے تحت تمام کمپنیوں کو ایکٹ کے نافذ ہونے کے چار (4) سال کے اندر فزیکل فارم میں جاری کردہ شیئرز کو بُک انٹری فارم میں بدلنے کی ضرورت ہے۔ اس لیے فزیکل فولیوز/شیئر سرٹیفکیٹ رکھنے والوں سے گزارش ہے کہ وہ اپنے شیئرز کو جلد از جلد فزیکل فارم سے بُک انٹری فارم میں تبدیل کر لیں۔

9. وِدہولڈنگ ٹیکس کی مدارت

انکم ٹیکس آرڈیننس، 2001 کے سیکشن 150 کے تحت، شیئرز پر منافع منقسمہ کی آمدنی وِدہولڈنگ ٹیکس کے لیے ذمہ دار ہے۔ شیئر ہولڈرز کی "فعال" اور "غیر فعال" حیثیت کی بنیاد پر منافع منقسمہ پر ٹیکس کی کٹوتی حسبِ ذیل ہوگی:

ا) فعال ٹیکس دہندگان کے لیے ٹیکس کٹوتی کی شرح 15 فیصد ہے

ب) غیر فعال ٹیکس دہندگان کے لیے ٹیکس کٹوتی کی شرح 30 فیصد ہے

مزید یہ کہ، فیڈرل بورڈ آف ریونیو (FBR) سے موصول ہونے والی وضاحت کے مطابق، مشترکہ اکاؤنٹس کے معاملے میں وِدہولڈنگ ٹیکس کا تعیّن پرنسپل شیئر ہولڈر کے ساتھ ساتھ جوائنٹ ہولڈرز کی ان کے شیئرنگ ہولڈنگ کے تناسب کی بنیاد پر فعال/غیر فعال اسٹیٹس پر الگ سے کیا جائے گا۔

ایسے تمام شیئر ہولڈرز جن کے شیئرز مشترکہ شیئر ہولڈرز کے ساتھ ہیں، سے درخواست کی جاتی ہے کہ وہ اپنے پاس رکھے ہوئے شیئرز ہمارے شیئر رجسٹرار، سی ڈی سی شیئر رجسٹرار سروسز لمیٹڈ، سی ڈی سی ہاؤس، B-99، بلاک-B، ایس۔ایم۔سی۔ایچ۔ایس، مین شاہراہِ فیصل، کراچی-74400 کو 19 اپریل 2023 کو کاروبار بند ہونے سے پہلے فراہم کریں۔

10. منافع منقسمہ کا حکم

کمپنیز ایکٹ 2017 کے سیکشن 242 اور کمپنیز (منافع منقسمہ کی تقسیم) ریگولیشنز 2017 کے ضابطہ 4 کی دفعات کے مطابق، ایک لِسٹڈ کمپنی کو شیئر ہولڈرز کو نقد منافع کی ادائیگی صرف الیکٹرانک موڈ کے ذریعے براہِ راست شیئر ہولڈر کے نامزد کردہ بینک اکاؤنٹ میں کرنا ہوگی۔ مندرجہ بالا انضباطی تقاضے کی تعمیل میں، شیئر ہولڈرز سے درخواست کی جاتی ہے کہ وہ الیکٹرانک صورت میں رکھے ہوئے شیئرز کی معلومات بروکرز/سی ڈی سی کو یا فزیکل شیئرز کی معلومات کمپنی کے شیئر رجسٹرار کو فراہم کریں (اگر پہلے سے فراہم نہیں کی گئی ہیں)۔ معلومات نہ ملنے کی صورت میں، کمپنی شیئر ہولڈرز کو منافع منقسمہ کی ادائیگی روکنے پر مجبور ہوگی۔

11. کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC)/ نیشنل ٹیکس نمبر (NTN) جمع کرانا

سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کی ہدایت کے مطابق، وہ شیئر ہولڈرز جن کے درست CNIC یا NTN (کارپوریٹ اداروں کی صورت میں) شیئر رجسٹرار کے پاس موجود نہیں ہیں ان کا منافع منقسمہ روکا جا سکتا ہے۔ اس لیے شیئر ہولڈرز سے درخواست کی جاتی ہے کہ وہ اپنے درست CNIC کی ایک نقل (اگر پہلے سے فراہم نہیں کی گئی ہے) کمپنی کے شیئر رجسٹرار کے پاس جمع کرا دیں۔ شیئر ہولڈر کے درست CNIC کی عدم موجودگی میں، کمپنی شیئر ہولڈر کا منافع منقسمہ روکنے پر مجبور ہوگی۔

مستقبل کے امکانات

کمپنی فلپ مورس انٹرنیشنل انکارپوریشن مکمل طور پر مربوط الحاق ہے اور یہ اسی طرح عالمی وسائل اور مہارت سے استفادہ کرتا رہے گا تاکہ اس کی اثر پذیری اور طویل مدتی پائیداری اور منافع کو مزید بہتر بنانے میں مدد ملے۔ تاہم، درآمدی پابندیوں، روپے کی قدر میں کمی اور کاروبار میں بڑھتی ہوئی لاگت کے ساتھ ہنگامہ خیز صورتِ حال نے سرمایہ کاروں کے اعتماد کو منفی طور پر متاثر کیا ہے۔ علاوہ ازیں، FED میں 150% کا حالیہ اضافہ اور اس کے نتیجے میں غیر ٹیکس ادا شدہ اور ٹیکس ادا شدہ سگریٹ کے درمیان قیمت کے فرق کو بڑھانا، ٹیکس ادا کرنے والی تمباکو کی صنعت کے لیے ایک چیلنجنگ ماحول پیدا کرتا ہے۔ ٹیکس ادا نہ کرنے والے غیر قانونی ٹوبیکو سیکٹر کو روکنے کے لیے مؤثر نفاذ اور ضابطگیوں کی کوشش کے بغیر، ٹیکس ادا کرنے والی تمباکو کی صنعت مزید بوجھ کا شکار ہو سکتی ہے۔ ٹیکس ادا کرنے والی تمباکو کی کمپنیوں کے لیے غیر متوقع اور بے تحاشہ ٹیکس میں اضافہ پاکستان میں پہلے ہی سے غیر قانونی طور پر ٹیکس ادا نہ کرنے والے تمباکو مینوفیکچررز کی حمایت کرے گا۔ اس سے حکومت کی آمدنی میں کمی ہونے کی توقع ہے کیوں کہ سگریٹ نوشی کرنے والے زیادہ تر بالغ افراد ٹیکس ادا کرنے والے سیکٹر سے ٹیکس ادا نہ کرنے والے سیکٹر میں منتقل ہو سکتے ہیں۔

مذکورہ بالا چیلنجز کے باوجود، کمپنی کی انتظامیہ عالمی وسائل کو بروئے کار لاتے ہوئے، اسٹریٹیجک مارکیٹنگ سرگرمیوں میں اضافہ کر کے، مصنوعات کے معیار، عمل اور آپریشنل کارکردگی میں مسلسل بہتری لا کر کمپنی کی مجموعی مالی کارکردگی کو بہتر بنانے کے لیے پُرعزم ہے۔ مسلسل چیلنجنگ ماحول میں اپنے مجموعی مارجن میں اضافہ کرنا اور لاگت کی بنیاد کو کنٹرول کرنا کمپنی کے منافع کو منظّم کرنے کے کلیدی مقاصد تھے۔ کمپنی فیڈرل بورڈ آف ریونیو ("FBR") کی اِن لینڈ ریوینو فورس کے ذریعے بہتر نفاذ سمیت ٹیکس ادا نہ کرنے والے غیر قانونی سگریٹ کے خطرے سے نمٹنے کے لیے حکومتی پالیسیوں اور اقدامات کی حمایت جاری رکھے گی۔

اعترافات

2022 میں کمپنی کے ملازمین کی کوششوں، لگن، عزم اور تعاون کے لیے ڈائریکٹرز اِن کا شکریہ ادا کرنا چاہتے ہیں۔

بورڈ آف ڈائریکٹرز اپنے تمام کاروباری شراکت داروں جیسے کہ ڈسٹری بیوٹرز، سپلائرز، شیئر ہولڈرز اور دیگر اداروں کو کمپنی کے انتظام پر اعتماد کے لیے انہیں بے حد سراہتے ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے

کامران وائی۔ مرزا
چیئرمین بورڈ

رومن یاز بیک
چیف ایگزیکٹو

کراچی، 22 مارچ 2023

اطلاع برائے سالانہ اجلاسِ عام

بذریعہ ہذا مطلع کیا جاتا ہے کہ فلپ مورس (پاکستان) لمیٹڈ ("کمپنی") کا 54 واں سالانہ اجلاسِ عام ("سالانہ اجلاسِ عام") بروز جمعرات، مورخہ 27 اپریل 2023ء کو انسٹیٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان، چارٹرڈ اکاؤنٹنٹس ایوینو، کلفٹن، کراچی میں سہ پہر 03:00 بجے منعقد ہوگا۔ اجلاس میں عملی طور پر شرکت کرنے کے حوالے سے شیئر ہولڈرز کی زیادہ سے زیادہ شرکت کو یقینی بنانے کے لیے ایک ویڈیو لنک بھی فراہم کیا جائے گا۔

شیئر ہولڈرز سالانہ اجلاس عام کی کارروائی میں شرکت کر کے مندرجہ ذیل امور کی انجام دہی کے لیے لنک میں شامل ہو کر مائیکروسوفٹ ٹیمز کے ذریعے لاگ اِن کر سکتے ہیں: (تفصیلات کے لیے براہِ کرم نیچے دیے گئے نوٹس ملاحظہ فرمائیں)۔

عمومی امور:

1. ڈائریکٹرز اور آڈیٹرز رپورٹ کے ساتھ 31 دسمبر 2022 کو ختم ہونے والے سال کے آڈٹ شدہ مالی گوشواروں کو وصول کرنا، ان پر غور اور ان کی منظوری۔
2. بیرونی آڈیٹرز کی تقرری اور 31 دسمبر 2023ء کو مکمل ہونے والے سال کے لیے ان کے معاوضے کا تعیّن کرنا۔

سبکدوش ہونے والے آڈیٹر میسرز۔ اے۔ایف۔ فرگوسن اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس نے 31 دسمبر 2023 کو ختم ہونے والے سال کے لیے کمپنی کے آڈیٹر کے طور پر کام کرنے کی رضامندی دی ہے

بورڈ کے حکم سے

ثناء عنایت ہاشمی
کمپنی سیکریٹری

کراچی: جمعرات، 6 اپریل 2023

نوٹس:

1. سالانہ اجلاسِ عام میں ویڈیو لنک کے ذریعے یا ذاتی طور پر شرکت

ممبران کی زیادہ سے زیادہ شرکت کو یقینی بنانے کے لیے آن لائن انتظامات بھی کیے جا رہے ہیں۔

سالانہ اجلاسِ عام کی کارروائی میں ذاتی طور پر یا ویڈیو لنک کے ذریعے آن لائن شرکت کرنے کے خواہش مند شیئر ہولڈرز سے گزارش ہے کہ وہ سالانہ اجلاسِ عام سے کم از کم 48 گھنٹے پہلے AGM2023@pmi.com پر بذریعہ ای میل درج ذیل معلومات فراہم کر کے خود کو رجسٹرڈ کرائیں۔

شیئر ہولڈر کا نام	کمپیوٹرائزڈ قومی شناختی کارڈ نمبر	فولیو نمبر / سی ڈی سی اکاؤنٹ نمبر	سیل نمبر	ای میل ایڈریس

سالانہ اجلاسِ عام میں شرکت کرنے کے لیے ممبران کو ان کے ای میل ایڈریس پر اجلاس سے پہلے لنک فراہم کر دیا جائے گا۔ کمپنی کسی بھی ایسے شیئر ہولڈر کے داخلے کے انکار کا حق محفوظ رکھتی ہے جس نے جسمانی حاضری کے لیے پہلے سے رجسٹریشن نہیں کرائی۔

شیئر ہولڈرز مذکورہ ای میل ایڈریس پر سالانہ اجلاسِ عام کے مجوزہ ایجنڈا آئٹمز کے لیے حاضری کے ساتھ اپنے تبصرے / تجاویز فراہم کر سکتے ہیں۔

2. سالانہ اجلاسِ عام میں شرکت

وہ ممبران جن کے نام 19 اپریل 2023 تک ممبران کے رجسٹر میں موجود ہیں، وہ سالانہ اجلاسِ عام میں شریک ہونے اور رائے دہی کے حق دار ہیں۔ اس اجلاس عام میں شرکت اور رائے دہی کا حق دار ممبر، کسی دوسرے ممبر کو بطور اپنی پراکسی تقرر کرنے کا حق دار ہوگا جو اس کے بجائے اجلاس میں شرکت کرنے، بولنے اور رائے دہی کا حق دار ہوگا۔ پراکسی کو لازمی طور پر کمپنی کا ممبر ہونا چاہیے۔

پراکسی کی ایک دستاویز اور مختار نامہ یا دیگر اتھارٹی (اگر کوئی ہے) جس کے تحت اس پر دستخط کیے گئے ہیں، یا اس طرح کی پاور یا اتھارٹی کی نوٹری سے تصدیق شدہ ایک درست نقل، AGM2023@pmi.com پر بذریعہ ای میل سالانہ اجلاسِ عام کے وقت سے کم از کم 48 گھنٹے پہلے جمع کرانا ضروری ہے۔

ڈائریکٹر کا نام	مدت میں منعقد ہونے والے اجلاسوں کی تعداد	اجلاسوں میں حاضری کی تعداد
جناب کامران وائی۔ مرزا	4	4
جناب رومن یاز بیک	4	4
جناب محمد ذیشان	4	4
جناب مرزا ریحان بیگ	4	4
محترمہ پترا پورن اناّ فون	4	3
جناب پیٹر کیلن	4	4
جناب جنید اقبال	3	3

بورڈ کے اجلاسوں میں شرکت نہ کرنے والے ڈائریکٹرز کو غیر حاضری کی چھٹیاں دی گئیں۔

بورڈ آڈٹ کمیٹی

آڈٹ کمیٹی، کمپنی کے بورڈ کی طرف سے مقرر کردہ شرائط کے مطابق کارکردگی کا مظاہرہ کرتی ہے اور یہ سیکیورٹیز اینڈ ایکسچینج کمیشن پاکستان (SECP) کے جاری کردہ قوانین و ضوابط کے تقاضوں کی تصدیق کرتی ہے۔

آڈٹ کمیٹی تین افراد پر مشتمل ہے جن میں سے ایک (1) آزاد ڈائریکٹر اور دو (2) نان ایگزیکٹو ڈائریکٹرز ہیں۔

سال 2022 کے آخر میں آڈٹ کمیٹی کی تشکیل حسبِ ذیل تھی:

جناب ریحان بیگ	چیئرمین
جناب پیٹر کیلن	رکن
محترمہ پترا پورن اناّ فون	رکن

سال کے دوران مجموعی طور پر چار (4) اجلاس ہوئے۔ ان اجلاسوں میں ڈائریکٹرز کی حاضری کو دستاویزی شکل دی گئی ہے اور اسے یہاں ذیل میں فراہم کیا گیا ہے:

ڈائریکٹر کا نام	اجلاسوں میں حاضری کی تعداد
جناب ریحان بیگ	4
محترمہ پترا پورن اناّ فون	3
جناب پیٹر کیلن	4

آڈٹ کمیٹی کے اجلاسوں میں شرکت نہ کرنے والے ڈائریکٹرز کو غیر حاضری کی چھٹیاں دی گئیں۔

بورڈ انسانی وسائل اور معاوضہ کمیٹی (BHRRC)

بورڈ کی HR&R کمیٹی تین ارکان پر مشتمل ہوتی ہے جس میں ایک (1) نان ایگزیکٹو ڈائریکٹر، ایک (1) آزاد ڈائریکٹر اور ایک (1) ایگزیکٹو ڈائریکٹر شامل ہوتا ہے۔

سال 2022 کے آخر میں (BHRRC) کی تشکیل حسبِ ذیل تھی:

جناب کامران وائی۔ مرزا	چیئرمین
جناب رومن یاز بیک	رکن
جناب پیٹر کیلن	رکن

2022 کے دوران، ضابطے کی ضرورت کے مطابق (BHRRC) کا ایک (1) اجلاس منعقد ہوا۔

ڈائریکٹرز کی تربیت

زیادہ تر ڈائریکٹرز سال کے بڑے حصے میں سفر کرنے میں مصروف تھے اور وقت کے فرق کی وجہ سے لاجسٹک مشکلات کے باعث سال کے دوران ڈائریکٹرز کے لیے کسی تربیت کا اہتمام نہیں کیا گیا۔ تاہم، مستقبل میں ڈائریکٹرز کے لیے تربیت کا انتظام کیا جائے گا۔

شیئر ہولڈنگ کا نمونہ

قانون و ضابطے کے مطابق 31 دسمبر 2022 تک کمپنی کے شیئر ہولڈنگ کے نمونے کی تفصیلات اس سالانہ رپورٹ میں شامل ہیں۔

آڈیٹرز

موجودہ بیرونی آڈیٹر، اے ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس آئندہ سالانہ اجلاسِ عام کے اختتام پر ریٹائر ہو جائیں گے اور اہل ہوتے ہوئے، 31 دسمبر 2023 کو آنے والے سال کے لیے بطور بیرونی آڈیٹرز خود کو دوبارہ تقرری کے لیے پیش کریں گے۔ آڈٹ کمیٹی کی سفارش کے مطابق، آڈیٹرز کو آئندہ سالانہ اجلاسِ عام میں دوبارہ تعینات کرنے کی سفارش کی جاتی ہے۔

اکاؤنٹنگ پالیسیاں

کمپنی نے 2022 کے دوران اکاؤنٹنگ کے نئے معیارات، منظور شدہ معیارات میں ترامیم اور قابلِ اطلاق نئی تشریحات کو اپنایا ہے یا لاگو کیا ہے۔ ان کی تفصیلات مالی گوشواروں کے سیکشن 2.4.1 کے نوٹس میں فراہم کی گئی ہیں۔

اندرونی کنٹرولز کا بیان

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

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

مقامی اور عالمی اثرات کے حامل موجودہ اور ابھرتے ہوئے خطرات سے نمٹنے کی غرض سے اعلی انتظامیہ سے مشاورت کے ساتھ انٹرنل آڈٹ ڈپارٹمنٹ، سالانہ بنیادوں پر رسک اسیسمنٹ اینڈ آڈٹ پلانز (Risk Assesment & Audit Plans) تیار کرتا ہے اور اہم آپریشنل، کمپلائنس اور فنانشل رپورٹنگ کی نشاندہی کے لیے ان کا باقاعدگی سے جائزہ لیتا ہے، مشورے دیتا ہے اور ان سے نمٹنے کے لیے اہم کنٹرولز تجویز کرتا ہے۔ ان کنٹرولز کی دستاویز سازی کی جاتی ہے، ذمہ داریاں تفویض کی جاتی ہیں اور ان منصوبوں کے اور آپریشنز کی اثر پذیری کی نگرانی کی جاتی ہے۔ ایسے کنٹرولز جو مؤثر ثابت نہ ہوں، انھیں بہتر بنایا جاتا ہے۔

آڈٹ کمیٹی کو سالانہ رِسک اینڈ آڈٹ پلان پیش کیا جاتا ہے جس کے بعد تجزیوں اور مشاورت کی تازہ کاری ہوتی ہے۔

مزید برآں، اندرونی آڈٹ کا فنکشن انتظامیہ کو ان شرائط میں معقول یقین دہانی کے حصول میں بھی معاونت کرتا ہے:

- کمپنی کی مالی اور آپریشن معلومات کا اعتبار اور سالمیّت
- مطلوبہ نتائج حاصل کرنے کے لیے کمپنی کے آپریشن میں اثر پذیری
- کمپنی کے اثاثوں کی حفاظت؛ اور
- متعلقہ قوانین وضوابط کے ساتھ کمپنی کے اقدامات کی تعمیل

تعمیل کا بیان

کمپنی تعمیل کا بیان شائع کرنے کی ذمہ دار ہے جو اس سالانہ رپورٹ کا حصہ ہے۔

ریٹائرمنٹ فنڈز میں سرمایہ کاری

کمپنی کی جانب سے چلائے جانے والے ملازمین کے ریٹائرمنٹ فنڈز کے ذریعے کی جانے والی سرمایہ کاری کی مالیت ان کے آڈٹ شدہ مالی گوشواروں کے مطابق درج ذیل ہے:

	پاکستانی روپے ملین میں	
پروویڈنٹ فنڈ	654	(31 دسمبر 2021 تک آڈٹ شدہ مالی گوشوارے)
گریجویٹی فنڈ	738	(31 دسمبر 2021 تک آڈٹ شدہ مالی گوشوارے)

ہولڈنگ کمپنی

نیدرلینڈ میں ادارے کی حیثیت سے تشکیل یافتہ، فلپ موریس انویسٹمنٹس بی. وی. ایک ہولڈنگ کمپنی ہے جس کے کمپنی کے اندر 77.65 فیصد شیئرز ہیں۔ فلپ موریس برانڈز ایس اے آر ایل (SARL) ایک ایسوسی ایٹ کمپنی ہے جس کے کمپنی میں 20 فیصد شیئرز ہیں۔

بورڈ آف ڈائریکٹرز کی تقویم

بورڈ، انفرادی ڈائریکٹرز اور اس کی کمیٹیوں کی سالانہ کارکردگی کا جائزہ لینے کے لیے بورڈ نے ایک عمل وضع کیا ہے۔ تقویم کا مقصد اس بات کو تشخیص کا مقصد اس بات کو یقینی بنانا ہے کہ بورڈ کی کارکردگی کو مجموعی کارپوریٹ مقاصد، کمپنی کے گورننس ڈھانچے، قانون اور ضابطے کی تعمیل، اثر پذیری، اشتراک اور قدر میں اضافے کے حوالے سے ناپا جائے۔ بورڈ کی 2022 کی کارکردگی کے جائزے کے نتائج کے مطابق بورڈ کی کارکردگی تسلّی بخش رہی۔

ڈائریکٹرز کے معاوضے کی پالیسی

بورڈ نے ڈائریکٹرز کے معاوضے کی پالیسی کی منظوری دے دی ہے، جس میں بورڈ اور اس کی کمیٹیوں کے اجلاسوں میں شرکت کرنے کے لیے انفرادی ڈائریکٹرز کے معاوضے کے پیکیج کے تعیّن کے حوالے سے مقاصد اور ایک شفاف طریقہءکار کو تفصیل سے بیان کیا گیا ہے۔ ڈائریکٹرز کے معاوضے کی پالیسی کی نمایاں خصوصیات مندرجہ ذیل ہیں:

- معاوضے کی سطح کاروبار کی ضروریات، اسٹریٹیجک صف بندی، کمپنی اور اس کے شیئر ہولڈرز کے بہترین مفادات کی مناسبت سے ہوگی۔
- کوئی بھی ڈائریکٹر اپنے معاوضے کا تعیّن خود نہیں کرے گا۔
- معاوضے کی سطح تقابلی کمپنیز/صنعت کی مارکیٹ پریکٹس کے مطابق ہوگی۔
- معاوضے کا تعیّن کرتے وقت صنف کی بنیاد پر کوئی امتیاز نہیں برتا جائے گا۔
- معاوضہ اس سطح پر نہیں ہوگا جس سے ڈائریکٹر کی آزادی پر سمجھوتہ کیا جا سکے۔
- بورڈ کے اجلاسوں میں شرکت کے لیے معاوضہ صرف آزاد ڈائریکٹرز کو ملے گا۔
- معاوضے کی مناسب سطح کی سفارش کرنے کے لیے بورڈ ایک آزاد مشیر کو شامل کر سکتا ہے۔

منسلک مالی گوشواروں کے نوٹ 31 کے تحت ڈائریکٹرز کو ادا کیے گئے معاوضے کی تفصیلات دستیاب ہیں۔

بورڈ آف ڈائریکٹرز میں تبدیلیاں

جناب غلام نبی قاضی نے 13 جنوری 2022 کو بورڈ سے استعفیٰ دے دیا تھا اور 21 اپریل 2022 کو ان کی جگہ جناب جنید اقبال کو مقرر کیا گیا تھا۔

بورڈ آف ڈائریکٹرز کا اجلاس

بورڈ سات (7) ڈائریکٹرز پر مشتمل ہے۔ جن میں تین (3) آزاد ڈائریکٹرز، دو (2) نان ایگزیکٹو ڈائریکٹرز اور دو (2) ایگزیکٹیو ڈائریکٹرز ہیں۔ 31 دسمبر 2022 تک بورڈ چھ (6) مرد ڈائریکٹرز اور ایک (1) خاتون ڈائریکٹر پر مشتمل ہے۔

2022 کے دوران، بورڈ آف ڈائریکٹرز ("بورڈ") نے چار (4) اجلاس منعقد کیے۔ ان اجلاسوں میں ڈائریکٹرز کی حاضری کو دستاویزی شکل دی ہے اور اسے یہاں ذیل میں فراہم کیا گیا ہے:

2021 میں کمپنی نے Make Your Come Back (MYCB) کا آغاز کیا جس کا مقصد ان خواتین کو ایک پلیٹ فارم فراہم کرنا ہے جنھوں نے ایک وقفہ لیا ہے اور اپنے کیریئر میں واپسی کی خواہش مند ہیں۔ مقصد یہ تھا کہ (MYCB) کے ذریعے ایسی خواتین کو متاثر کن اور بامعنی پروجیکٹس میں شامل کر کے ان کے لیے ایک موقع فراہم کیا جائے جو اِن کے مستقبل کے روزگار کو بڑھانے کے لیے ان کی مہارتوں کو بہتر بناتے ہوئے اِن کے تجربات اور امنگوں سے ہم آہنگ ہو۔ 2022 کے دوران، ہم نے تقریباً آٹھ سو (800) درخواستیں جمع کیں، ان میں سے نو (9) خواتین کو مختلف پروجیکٹس پر رکھا گیا جو اس وقت بھی جاری ہیں۔

ماحول، صحت اور تحفظ کے اقدامات

پائیداری کے ایجنڈے کو آگے بڑھاتے ہوئے اور کوڑے کرکٹ کی روک تھام کے لیے کمپنی نے پاک مشن سوسائٹی کے ساتھ مل کر اسلام آباد میں ری سائیکلنگ کی ایک سہولت قائم کی جسے "ہریالی حب اور خوشحالی حب" کہا جاتا ہے۔ ری سائیکلنگ کی سہولت نے کچرے کو چھانٹنے اور ری سائیکلنگ کی تربیت دے کر اور محفوظ ویسٹ اکٹھا کرنے کی کِٹس فراہم کر کے کمیونٹی کے لیے معاشی مواقع پیدا کیے ہیں۔

2022 کے دوران، کمپنی نے بالواسطہ بارش کے امکان کو بڑھانے، مٹی سے بخارات کو کم کرنے اور زمین کے ذریعے پانی کے حصول کو بڑھانے کے لیے اوکاڑہ کینٹ کو 100,000 پودے بھی عطیہ کیے ہیں۔

کمپنی نہ صرف آپریشنل کارکردگی کو بہتر بنانے بلکہ ہمارے کاربن فٹ پرنٹ کو کم کرنے کے مقصد سے پوری کمپنی میں اپنے آپریشنز کے اندر بنیادی ڈھانچے میں بہتری لانے میں پیش رفت کر رہی ہے۔ ہم اپنے ملازمین کی صحت اور تحفظ کو اپنی بنیادی ذمہ داریوں میں سے ایک سمجھتے ہیں۔ پیشہ ورانہ امور کے دوران لگنے والی چوٹوں، بیماریوں اور ممکنہ خطرات کو روکنے کے لیے پالیسیاں اور طریقہء کار موجود ہیں۔ مینوفیکچرنگ سائٹ کو ISO 4500:2018 (صحت اور تحفظ) اور ISO 14001:2015 (ماحولیات) کے نئے معیار پر بیورو ویریٹاس (Bureau Veritas) کی جانب سے "بہترین" PMI درجہ بندی موصول ہوئی۔ پائیدار مستقبل کے عزم کے مطابق، کمپنی نے الائنس فار واٹر اسٹیورڈ شپ (AWS) پروگرام پر عمل درآمد بھی شروع کر دیا ہے۔

قدرتی آفت سے نجات- سیلاب

کڑے وقت میں کمپنی کمیونیٹیز کی مدد کے لیے ہمیشہ سب سے آگے رہی ہے۔ اپنے عزم کو جاری رکھتے ہوئے کمپنی نے بدین، سانگھڑ اور لاڑکانہ میں سیلاب کی تباہی سے متاثرہ خاندانوں کے لیے غذائیت کے پیک، خیمے، مچھر دانیاں اور حشرات بھگانے والی ادویات تقسیم کیں۔ کمپنی نے پاک مشن سوسائٹی کے ساتھ مل کر مجموعی طور پر 350 خاندانوں اور تباہ کن سیلاب سے متاثر 2,000 سے زائد لوگوں تک رسائی حاصل کی۔

مزید برآں، سیلاب سے نجات کی کوششوں کے ایک حصے کے طور پر، کمپنی نے سیلاب سے متاثرہ 22,000 خاندانوں میں خشک خوراک کی اشیا تقسیم کیں، جب کہ 130,000 سے زیادہ افراد کو قومی سطح کی آفت کا سامنا ہے۔ یہ اقدام رُورَل سپورٹ پروگرام نیٹ ورک کے تعاون سے کیا گیا تھا۔

کام کا متنوع اور مشمولی ماحول

کمپنی اوّلین ترجیح کے طور پر اپنے تمام ملازمین کی فلاح و بہبود پر زور دیتی ہے۔ کمپنی اپنے تمام ملازمین کے لیے ان کی صحت کے حوالے سے بہتر دیکھ بھال کرنے میں مدد کے لیے ایک متحد طبّی منصوبہ پیش کرنے پر بہت فخر محسوس کرتی ہے۔ یونیفائیڈ میڈیکل پلان کے علاوہ، کمپنی نے میڈیکل اور لائف انشورنس کے فوائد بھی متعارف کرائے ہیں، جس کے تحت تمام ملازمین احتیاطی صحت کی جانچ کی ذیلی حدود کے اہل ہیں۔ اس کے علاوہ، خدانخواستہ انتقال ہو جانے کی صورت میں تین (3) سالہ تنخواہ کے تسلسل کے منصوبے کے بھی اہل ہیں۔ کمپنی مکمل ذہنی سکون کے لیے مشترکہ والدین کی انشورنس کوریج بھی پیش کرتی ہے۔

اعزازات اور اعترافات

کمپنی نے 2022 کے لیے مساوی تنخواہ کا سرٹیفکیشن حاصل کیا۔ 2022 کے دوران، کمپنی نے گلوبل ڈائیورسٹی اینڈ انکلوژن ایکویٹی بینچ مارک (GDIEB) ایوارڈز میں حصہ لیا، جو HR Metrics (ایک آزاد تنظیم) کے ذریعے منعقد کیا گیا تھا۔ اس پلیٹ فارم پر گزشتہ سال کے دوران کمپنی کے ملازم مرکوز اقدامات کا اعتراف کیا گیا۔ ہم نے (1) ملازمین کی ترقی اور برقراری، (2) کام کے اختصاص اور درجہ بندی اور معاوضہ اور (3) ورک لائف انٹگریشن لچک اور فوائد کے زمرے میں ایوارڈ حاصل کیے۔

ہمیں یہ اعلان کرتے ہوئے بھی خوشی محسوس ہو رہی ہے کہ ہماری کمپنی پاکستان کے ان پانچ (5) اداروں میں شامل ہے جنھیں ٹاپ ایمپلائرز انسٹی ٹیوٹ کی طرف سے بہترین ایمپلائر کے اعزاز سے نوازا گیا ہے۔ ٹاپ ایمپلائرز انسٹی ٹیوٹ دنیا بھر میں کمپنیوں کے بہترین طرزِ عمل کی سند دینے والا ادارہ ہے۔

منافع منقسمہ

کمپنی نے 2022 کے دوران فی عام شیئر 1 روپے اور فی ترجیحی شیئر 0.9 روپے کے عبوری نقد منافع کا اعلان کیا ہے۔

کارپوریٹ گورننس کا ضابطہ

کمپنی کے ڈائریکٹرز، سیکیورٹیز اینڈ ایکسچینج کمیشن پاکستان کی طرف سے جاری کردہ لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 ("ضابطہ") کے تحت اپنی ذمے داریوں سے آگاہ ہیں۔ مزید یہ کہ کمپنی نے اچھی کارپوریٹ گورننس کو یقینی بنانے اور اس ضابطے کی تعمیل کے لیے تمام ضروری اقدامات کیے ہیں۔

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

- کمپنی کی انتظامیہ کی جانب سے تیار کردہ مالی گوشوارے، اس کے معاملات، آپریشنز کے نتائج، نقدی کے بہاؤ اور اس کی ایکویٹی میں تبدیلی کی مناسب عکاسی کرتے ہیں۔
- کمپنی کے حسابات کی کتب درست انداز میں رکھی گئی ہیں۔
- مالیاتی گوشواروں کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کا اطلاق کیا گیا ہے۔ حسابی تخمینے دانشمندانہ اور محتاط فیصلوں کی بنیاد پر ہیں۔
- مالیاتی گوشواروں کی تیاری میں پاکستان میں لاگو اکاؤنٹنگ کے منظور شدہ معیارات پر عمل کیا گیا ہے۔
- کمپنی کے اندرونی کنٹرولز کا نظام ڈیزائن کے اعتبار سے مضبوط ہے، جس پر مؤثر انداز میں عمل کیا گیا ہے اور مزید بہتر بنانے کے لیے اس کا مسلسل جائزہ بھی لیا جاتا ہے۔
- ایک جاری کاروبار کی حیثیت سے تسلسل برقرار رکھنے کے لیے کمپنی کی اہلیت شکوک وشبہات سے بالاتر ہے۔
- جیسا کہ ضوابط کی فہرست میں تفصیل موجود ہے، ادارہ جاتی نگرانی کے بہترین طریقوں سے کوئی قابل ذکر انحراف نہیں ہوا ہے۔
- 31 دسمبر 2022ء کو ختم ہونے والے مالی سال کی اہم مالیاتی جھلکیوں، اثاثوں اور واجبات کا خلاصہ اور گزشتہ چھ برسوں کے مالیاتی نتائج کا خلاصہ صفحہ نمبر ----- پر موجود ہے اور؛
- ٹیکسوں اور محصولات کے بارے میں معلومات مالیاتی گوشواروں کے متعلق نوٹس میں دی گئی ہے اور۔
- کمپنی کی انتظامیہ اچھی کارپوریٹ گورننس کے لیے پرعزم ہے اور اس نے ضابطے کی تعمیل کے لیے تمام ضروری اقدامات کیے ہیں۔

ڈائریکٹرز رپورٹ

برائے سال مختتم 31 دسمبر 2022ء

پاکستان کی معیشت کرنٹ اکاؤنٹ کے بڑھتے ہوئے خسارے، زرمبادلہ اور روپے کی قدر میں کمی اور ملک میں تباہ کن سیلاب کی وجہ سے پیدا ہونے والے سیاسی عدم استحکام کے باعث بحرانی دور سے گزر رہی ہے۔ طلب رسد میں رکاوٹوں اور ٹیکسوں میں بے تحاشہ اضافے کے ساتھ اس معاشی دباؤ نے سرمایہ کاروں کے اعتماد کو متزلزل کیا ہے اور کاروبار کے لیے آپریٹنگ ماحول کی مشکلات میں اضافہ ہو رہا ہے۔ اسٹیٹ بینک آف پاکستان نے مہنگائی کے دباؤ کو کم کرنے کے لیے پالیسی کی شرح بڑھا کر 20 فیصد کر دی۔ افراط زر تقریباً 31.6 فیصد تک پہنچنے کے ساتھ جو پچاس سال کی تاریخ میں بلند ترین شرح ہے، اس نے معاش اور کاروبار کو واضع طور پر متاثر کیا ہے اور اگر مؤثر اقتصادی اقدامات نہ کیے گئے تو اس میں مزید اضافہ ہونے کی توقع ہے۔

صنعت کا جائزہ

تمباکو کے لیے ٹریک اینڈ ٹریس سسٹم ("سسٹم") کا نفاذ یکم جولائی 2022 سے کیا گیا تھا۔ تاہم آج تک صرف تین کمپنیز، بشمول فلپ مورس (پاکستان) لمیٹڈ، پاکستان ٹوبیکو کمپنی اور خیبر ٹوبیکو کمپنی میں اس کا مکمل طور پر نفاذ کیا گیا ہے، جب کہ اس وقت تک جب تک کہ بقیہ تمام ٹوبیکو مینوفیکچررز جو ابھی تک سسٹم کے نفاذ کے بغیر کام کر رہے ہیں، سسٹم کا نفاذ نہیں کرتے تب تک سسٹم غیر مؤثر ہے۔ غیر قانونی طور پر ٹیکس ادا نہ کرنے والا شعبہ قومی خزانے کو سالانہ تقریباً 80 ارب روپے سے زائد کا نقصان پہنچاتا ہے۔

2019-2021 کی مدت کے دوران، سگریٹ پر فیڈرل ایکسائز ڈیوٹی (FED) میں 26 فیصد اضافہ ہوا۔ رواں مالی سال 23-2022 میں سگریٹ پر فیڈرل ایکسائز ڈیوٹی (FED) میں پہلے ہی 25 فیصد اضافہ کیا گیا تھا، تاہم فروری 2023 میں تازہ ترین بجٹ اعلان میں، سگریٹ پر فیڈرل ایکسائز ڈیوٹی (FED) میں 150 فیصد سے زیادہ اضافہ ہوا (موجودہ مالی سال میں مجموعی اضافہ 200 فیصد سے زیادہ)۔ فیڈرل ایکسائز ڈیوٹی (FED) اور سیلز ٹیکس کی وصولی اور لیوی کے لیے ٹیکس قوانین کے تحت تجویز کردہ کم از کم قیمت کو بھی اب 70.1 روپے سے بڑھا کر 127.4 روپے فی پیک کر دیا گیا ہے۔

ایکسائز میں یہ غیر متوقع اور حد سے زیادہ اضافہ غیر قانونی طور پر ٹیکس ادا نہ کرنے والے ٹوبیکو مینوفیکچررز کو اپنے کاروبار بڑھانے اور ٹیکس ادا کرنے والی تمباکو کی صنعت کے اخراجات پر مزید ترقی کرنے کا موقع فراہم کرنا ہے۔ اس ایکسائز میں اضافے سے قبل ٹیکس ادا نہ کرنیوالے غیر قانونی ٹوبیکو سیکٹر کا تخمینہ 38 فیصد لگایا گیا تھا، تاہم، ایکسائز میں حالیہ اضافے کے ساتھ، یہ توقع ہے کہ ٹیکس ادا کرنے والی اور ٹیکس ادا نہ کرنے والی سگریٹوں کے درمیان قیمت کا فرق تیزی سے بڑھنے کا امکان ہے جس کے نتیجے میں تمباکو کی صنعت سے حکومت کی جانب سے مقرر کردہ اضافی آمدنی کے اہداف میں کمی ہو سکتی ہے کیوں کہ سگریٹ نوشی کرنے والے زیادہ تر بالغ افراد ٹیکس ادا نہ کرنے والی سستی سگریٹوں کی طرف منتقل ہو سکتے ہیں۔ مارکیٹ کے مشاہدے کی بنیاد پر، اس بات کو نوٹ کیا گیا ہے کہ ٹیکس ادا نہ کرنے والی غیر قانونی سگریٹ 100 روپے فی پیکٹ کی اوسط قیمت پر فروخت ہو رہی ہے جو اوپر بیان کی گئی قانونی کم از کم قیمت سے انتہائی کم ہے۔ حوالہ کے لیے، صرف ویلیوٹیئر برانڈز پر ایکسائز 101 روپے فی پیک ہے۔

اگست 2022 میں، منی بجٹ کا اعلان کرتے ہوئے، حکومت نے مالی سال 2022-2023 کے دوران تمباکو کی صنعت سے ٹیکسوں کی مد میں 200 ارب روپے حاصل کرنے کا ہدف رکھا تھا۔ فروری 2023 میں، ایک ضمنی بجٹ کا اعلان کرتے ہوئے مزید 170 ارب روپے کا بجٹ رکھا گیا تھا جس میں سے 115 ارب روپے تمباکو کی صنعت سے حاصل کرنے کے لیے مختص کیے گئے تھے۔ تاہم، یہ اسی وقت ممکن ہے جب حکومت ٹیکس ادا نہ کرنے والے غیر قانونی ٹوبیکو سیکٹر کے خلاف فوری اور مؤثر اقدامات کا نفاذ کرے۔ ٹیکس ادا نہ کرنے والے سیکٹر کے خلاف کسی مؤثر اقدامات کی عدم موجودگی میں، حکومت محصولات کے اہداف کو پورا نہیں کر سکتی۔ ٹیکس ادا نہ کرنے والے غیر قانونی ٹوبیکو سیکٹر کی وجہ سے قومی خزانے کو تقریباً 80 ارب روپے سے زائد کا ہونے والا نقصان، ٹیکس ادا نہ کرنے والے غیر قانونی ٹوبیکو سیکٹر کے خلاف نفاذ کے اقدامات کی مسلسل عدم موجودگی میں تیزی سے بڑھنے کی توقع ہے۔

مالیاتی کارکردگی

31 دسمبر 2022ء کو ختم ہونے والے سال کے دوران، کمپنی کے ملکی خالص محاصل 18,350 ملین روپے رہے جو گزشتہ سال کے مقابلے میں 14.8 فیصد اضافے کی عکاسی کرتا ہے۔ تاہم، یہ اضافہ پہلے کے مقابلے میں حجم کی مقدار میں 4 فیصد کمی کے بعد ہے۔ کمپنی کی برآمدات کا کاروبار 1,488 ملین روپے (7.4 ملین امریکی ڈالر) رہا۔

اسی مدت کے دوران، مجموعی منافع 8,895 ملین روپے تک بڑھ گیا جو گزشتہ سال کے مقابلے میں 18.9 فیصد زیادہ ہے، جس کی وجہ قیمتوں کے تعین کے ساتھ ساتھ مینوفیکچرنگ آپریشنز میں کارکردگی اور لاگت کی اصلاح کے ذریعے ملکی کاروبار میں اضافہ ہے۔ 31 دسمبر 2022ء کو ختم ہونے والے سال کے لیے کمپنی کا منافع بعد از ٹیکس 2,809 ملین روپے رہا (پورے سال کے مجموعی کاروبار کے 5.9 فیصد برابر) جب کہ گزشتہ سال بعد از ٹیکس منافع 2,307 ملین روپے رہا تھا۔

31 دسمبر 2022ء کو ختم ہونے والے سال کے لیے کمپنی کے اہم مالی اشاریے درج ذیل ہیں:

اہم میٹرکس	پیمائش کا یونٹ	31 دسمبر 2022ء	%
خالص کاروباری حجم	ملین روپے	19,838	13.6
مجموعی منافع	ملین روپے	8,895	18.9
منافع بعد از ٹیکس	ملین روپے	2,809	21.8
فی شیئر آمدنی	فی شیئر	30.33	-19.0

قومی خزانے میں حصہ

31 دسمبر 2022ء کو ختم ہونے والے سال کے دوران، ایکسائز ڈیوٹی، سیلز ٹیکس اور دیگر سرکاری محصولات کی صورت میں قومی خزانے میں کمپنی کا حصہ 29,087 ملین روپے رہا (گزشتہ سال کی اسی مدت کے مقابلے میں 9.0 فیصد زیادہ) جو مجموعی کاروباری حجم کے 60.0 فیصد کے برابر ہے۔

پائیداری اور ادارہ جاتی سماجی ذمہ داری

کمپنی کے لیے، ہمارے ہر کام کا مرکزی جزو پائیداری ہے اور یہ ہماری کاروباری حکمت عملی کا ایک لازمی حصہ ہے۔ اپنی مصنوعات کی تیاری سے لے کر ان کی تقسیم اور مارکیٹنگ تک، ہم ماحول کے تحفظ کے لیے اور جہاں ہم کام کرتے ہیں وہاں کے لوگوں اور کمیونٹیوں کی ترقی کے لیے، پائیدار اقدامات کر رہے ہیں۔

ہم سے وابستہ افراد کی فلاح و بہبود

کمپنی پورے پاکستان میں کاشت کار برادریوں کے نوعمر بچوں کے لیے ہنرمندی کے تربیتی پروگراموں کے انعقاد میں سرگرمِ عمل رہی ہے۔ 2022 کے دوران، 15 سے 17 سال کی عمر کے 500 نوعمر بچوں کا 20 تربیتی مراکز میں اندراج کیا گیا، جس کا مقصد انہیں زندگی بھر کے لیے مہارتیں فراہم کرنا اور مالی طور پر بااختیار بنانا تھا۔

کاشت کار اپنے بچوں کو کچھ پیداواری سرگرمیوں میں شامل کرنے کا رجحان رکھتے ہیں جو بچوں کی محدود قوتِ مدافعت کی وجہ سے ان کی ذہنی تندرستی اور صحت پر مضر اثرات مرتب کرتی ہیں۔ پتّی کے پیداواری عمل میں بچوں کی شمولیت کو ختم کرنے کے لیے، 2022 کے دوران کمپنی نے اپنے کنٹریکٹ یافتہ کسانوں کو مجموعی طور پر 593 اسٹرنجنگ مشینوں سے لیس کیا تاکہ وہ اپنے کام کو انجام دے سکیں اور انہیں تکنیکی مدد اور تربیت فراہم کرنا جاری رکھی تاکہ محنت مزدوری کے کام میں بچوں کی شمولیت کے خاتمے کو یقینی بنایا جا سکے۔

Form of Proxy

I / We ______________________________
of ______________________________
a member of Philip Morris (Pakistan) Limited
hereby appoint ______________________________
of ______________________________
or failing him ______________________________
of ______________________________
who is/are also members of Philip Morris (Pakistan) Limited to act as my / our proxy and to vote for me/us and on my / our behalf at the Annual General Meeting of the shareholders of the Company to be held on April 27, 2023 and at any adjournment thereof.

Signed this __________________ day of __________ 2023.

Folio No.	CDC Participant ID No.	CDC Account / Sub Account No.	No. of shares held	
				Signature over Revenue Stamp

Witness 1 ______________________
Signature ______________________
Name ______________________
CNIC No. ______________________
Address ______________________

Witness 2 ______________________
Signature ______________________
Name ______________________
CNIC No. ______________________
Address ______________________

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

پراکسی فارم

میں / ہم-- -جس / جن کا

تعلق --- سے ہے۔فلپ مورس (پاکستان) لمیٹڈ کے ایک رکن کی حیثیت

سے -- کو یا ان کی غیر حاضری کی صورت میں --- - جو فلپ مورس

(پاکستان) لمیٹڈ کا رکن بھی ہے / کے رکن بھی ہیں جو بطور میرے / ہمارے پراکسی کام کریں گے اور 27 اپریل 2023 کو ہونے والے کمپنی کے شیئر ہولڈرز کے سالانہ اجلاسِ عام میں اور اس کے کسی بھی التو پر میری / ہماری طرف سے شرکت کریں گے اور ووٹ دیں گے۔

--------- 2023 کے -------دن اس پر دستخط کیے

فولیو نمبر	سی ڈی سی پارٹیسپنٹ شناختی نمبر	سی ڈی سی اکاؤنٹ / ذیلی اکاؤنٹ نمبر	موجود شیئرز کی تعداد	رسیدی ٹکٹ کے اوپر دستخط کریں

گواہ 1

دستخط---

نام---

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر----------------------------------

ایڈریس ---

گواہ 2

دستخط---

نام---

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر----------------------------------

ایڈریس ---

نوٹس:

1. پراکسی کے لیے کمپنی کا رکن ہونا ضروری ہے۔
2. دستخط کو کمپنی کے پاس رجسٹرڈ نمونے کے دستخط / دستخطوں کے ساتھ ملانا چاہیے۔
3. اگر کسی رکن کی جانب سے پراکسی دی جاتی ہے جس نے اپنے شیئرز سینٹرل ڈپازٹری کمپنی آف پاکستان میں جمع کرائے ہیں، تو پراکسی کو شرکت کنندہ کے شناختی نمبر اور سی ڈی سی اکاؤنٹ / ذیلی اکاؤنٹ کے ساتھ کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) کی تصدیق شدہ نقول یا فائدہ اٹھانے والے مالک کا پاسپورٹ اپنے ہمراہ لانا چاہیے۔ کارپوریٹ ارکان کے نمائندے کو اس مقصد کے لیے درکار معمول کی دستاویزات اپنے ساتھ لانا چاہیے۔
4. پراکسی کی صحیح طریقے سے مکمل ہونے والی دستاویز اجلاس کے وقت سے کم از کم 48 گھنٹے پہلے کمپنی کے شیئر رجسٹرار آفس میں جمع کرائی جانا چاہیے۔