



Philip Morris
(Pakistan) Limited

Leading Transformation

FOR THE NINE MONTHS
PERIOD ENDED SEPTEMBER 30, 2024





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Company Information

BOARD OF DIRECTORS

SARFARAZ AHMED REHMAN
ROMAN YAZBECK
ALIREZA TAKESH
MUHAMMAD ZEESHAN
PATTARAPORN AUTTAPHON
PETER CALON
MIRZA REHAN BAIG
JUNAID IQBAL

(Until July 31, 2024)
(From August 1, 2024)

(Chairman)
(Chief Executive)
(Chief Executive)
(Chief Finance Officer)

COMPANY SECRETARY

SANA ENAIT HASHMI

AUDIT COMMITTEE

MIRZA REHAN BAIG
PATTARAPORN AUTTAPHON
PETER CALON
SANA ENAIT HASHMI

(Chairman)

(Secretary)

HUMAN RESOURCE & REMUNERATION COMMITTEE

SARFARAZ AHMED REHMAN
ROMAN YAZBECK
ALIREZA TAKESH
JAY RAMOS

(Until July 31, 2024)
(From August 1, 2024)

(Chairman)

(Secretary)

AUDITORS

A. F. FERGUSON & CO.
Chartered Accountants

BANKERS

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

LEGAL ADVISOR

IJAZ AHMED & ASSOCIATES

REGISTERED OFFICE

OFFICE 04 & 05, 5TH FLOOR,
CORPORATE OFFICE BLOCK,
DOLMEN CITY, PLOT HC-3, BLOCK-4,
CLIFTON, KARACHI-75600

FACTORIES

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

SHARE REGISTRAR

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

Website : <http://philipmorriskpakistan.com.pk>
Email : pmpk.info@pmi.com Email : pmpk.info@pmi

Directors' Report

FOR THE QUARTER ENDED SEPTEMBER 30, 2024

Pakistan's economy is seen to make some progress towards macroeconomic stabilization with reduction in the interest rate, lower inflation, and exchange rate stability. The International Monetary Fund approved the 37-month Extended Fund Facility (EFF) of USD 7 billion for Pakistan, which is likely to help strengthen the economy. However, pressures on the economy continue and the downside risk remains high. Accordingly, faster and sustained growth requires substantial reforms and sound policies to support and strengthen macroeconomic stability.

The prevalence of illicit trade across various sectors, specifically the tobacco industry, is concerning for the legitimate businesses. According to media reports, illicit cigarettes hold a staggering >50% market share, causing an annual loss of ~PKR 300 billion to the National Exchequer. We acknowledge the enforcement measures taken by the Government during the last few months against non-tax paid brands, however, sustained efforts are need of the hour. We believe that the policymakers recognize the severity of the problem and the impact of non-tax paid brands to the Government revenues. It is important that rather than implementing short-term revenue measures with adverse long-term consequences, the Government continues to undertake effective enforcement and across the board implementation of measures already taken (such as Track & Trace) to help curb non-tax paying trade in the country which can result in building long term revenue base for the Government.


For the nine months ended September 30, 2024, Philip Morris Pakistan Limited (the "Company") reported a total net turnover of PKR 20,489 million, reflecting an increase of 50% vs. the same period last year. The total net turnover reflects a domestic net turnover of PKR 12,741 million (~62% of the total net turnover) grew by 20% vs. prior year, whereas the export turnover of PKR 7,748 million (~38% of the total net turnover) grew by >100% vs. the same period last year. Domestic cigarette volumes grew by ~5% vs. prior year reflecting some level of business recovery post Feb'23 excise hike. Furthermore, as the Company is also expanding, nicotine pouches now represent ~1.5% of the domestic net turnover. The Company recorded a profit after tax of PKR 421 million for the nine months ended September 30, 2024, vs. PKR 659 million in the same period prior year. The decline in profits is mainly attributed to increasing cost of sales, which was partially offset by other income. For the nine months period (January – September 2024), the Company contributed PKR 34,737 million to the National Exchequer, which is higher by ~33% vs. prior year.

The tax-paying tobacco industry continues to face the repercussions of the economic downturn in terms of inflated business expenses, increased energy tariffs, un-precedented tax increase witnessed in February 2023, coupled with the presence of non-tax-paying illicit tobacco trade. The Company remains committed to vigilantly monitoring market dynamics and striving to effectively manage operations amidst challenging circumstances.

On behalf of the Board of Directors.



SARFARAZ AHMED REHMAN
Chairman (Board of the Directors)



ALIREZA TAKESH
Chief Executive Officer

Karachi, October 28th, 2024.

ڈائریکٹرز رپورٹ

برائے سہ ماہی ختم ۳۰ ستمبر ۲۰۲۳

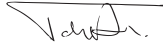
پاکستان کی معیشت میں میکرو اکنامک استحکام کے لحاظ سے کچھ بہتری واقع ہوئی جس میں افراط زر اور شرح سود میں کمی کے ساتھ شرح مبادلہ میں استحکام شامل ہیں۔ انٹرنیشنل مانیٹری فنڈ نے پاکستان کے لیے 37 ماہ کی ایکٹیو ڈیفنٹیلیٹی کے تحت 7 ارب ڈالر کے پروگرام کی منظوری دی جس سے معیشت کو مضبوط بنانے میں مدد ملیگی تاہم معیشت پر دباؤ اب بھی برقرار ہے اور معیشت سے متعلق خدشات تاحال بلند ہیں۔ تیز رفتار اور پائیدار نمو کے لیے بڑے پیمانے پر اصلاحات اور موثر پالیسیوں کی ضرورت ہے جو میکرو اکنامک استحکام کو سپورٹ کر سکیں۔

پاکستان کے متعدد شعبوں میں غیر قانونی تجارت کی موجودہ صورتحال تشویشناک ہے بالخصوص تمباکو کی صنعت میں غیر قانونی تجارت کی بلند شرح قانونی پابندیوں کے لیے باعث تشویش ہے۔ رپورٹس کے مطابق سگریٹ کی غیر قانونی فروخت کا مارکیٹ شیئر 50 فیصد سے زائد ہے جس سے قومی خزانے کو سالانہ 300 ارب روپے کا نقصان پہنچ رہا ہے۔ ہم گزشتہ چند ماہ کے دوران حکومت کے ٹیکس ادا نہ کرنے والے برانڈز کے خلاف تادیبی اقدامات کا اعتراف کرتے ہیں تاہم اس اقدامات کو پائیدار بنانا وقت کی ضرورت ہے۔ ہمیں یقین ہے کہ پالیسی میکرو سٹیک کی تکثیفی کا ادراک رکھتے ہیں اور انہیں حکومتی ریونیو پر ٹیکس ادا نہ کر نیوالی برانڈز کے اثرات کا بھی اندازہ ہے اسی لیے غیر قانونی تجارت کی روک تھام کے لیے وفاقی بجٹ 2024-25 میں سگریٹ پر ایکسائز کی شرح کو برقرار رکھا گیا۔ پائیدار معاشی ترقی کے لیے وسیع بنیادوں پر اصلاحات کے نفاذ اور ٹریڈ اینڈ ٹریڈ سسٹم پر عمل درآمد ناگزیر ہے جس سے نہ صرف حکومت کے ٹیکس ریونیو میں بہتری آئیگی بلکہ قانونی اور ٹیکس ادا کرنے والی صنعت کو بھی یکساں مواقع مہیا ہوں گے۔

۳۰ ستمبر ۲۰۲۳ کو ختم ہونے والے نو ماہ کی مدت کے لیے کمپنی کا خالص ٹرن اوور 20 ارب 48 کروڑ 90 لاکھ روپے رہا جو گزشتہ مالی سال کے اسی عرصے کے مقابلے میں 50 فیصد زائد رہا۔ اس میں 12 ارب 74 کروڑ 10 لاکھ روپے کا مقامی خالص ٹرن اوور شامل ہے (مجموعی ٹرن اوور کا 62 فیصد) جس میں گزشتہ سال کے مقابلے میں 20 فیصد اضافہ ہوا جبکہ ایکسپورٹ کا ٹرن اوور 7 ارب 74 کروڑ 80 لاکھ روپے رہا (مجموعی ٹرن اوور کا 38 فیصد) جس میں گزشتہ سال کے مقابلے میں 100 فیصد سے زائد اضافہ ریکارڈ کیا گیا۔ مقامی مارکیٹ میں سگریٹ کی فروخت کا حجم گزشتہ سال کی اسی مدت کے مقابلے میں 5 فیصد زائد رہا جو گزشتہ سال فروری 2023 میں ایکسائز کی شرح میں اضافے کے بعد سے کاروبار کی کسی حد تک ریکوری کو ظاہر کرتا ہے۔

ٹیکس ادا کرنے والی تمباکو کی صنعت کو بڑھے ہوئے کاروباری اخراجات، توانائی کے نرخوں میں اضافہ، ٹیکس ادا نہ کرنے والے غیر قانونی تمباکو کی تجارت کی موجودگی کے ساتھ ٹیکسیز میں غیر معمولی اضافے کے حوالے سے حالیہ معاشی بد حالی کے اثرات کا سامنا ہے۔ کمپنی مارکیٹ کی محرکات کی مہنٹا طریقے سے نگرانی کرنے اور ان مشکل حالات کے درمیان آپریشنز کو مؤثر طریقے سے منظم کرنے کے لیے پرعزم ہے۔

بورڈ آف ڈائریکٹرز کی جانب سے



علی اکاش

چیف ایگزیکٹو آفیسر

Sayyid Khud Rehman

سرفراز احمد رحمان

چیئر مین بورڈ آف ڈائریکٹرز

کراچی، ۲۸ اکتوبر ۲۰۲۳

FINANCIAL STATEMENTS

PHILIP MORRIS (PAKISTAN) LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

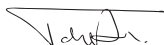
AS AT SEPTEMBER 30, 2024

		September 30, 2024 (Un-audited)	December 31, 2023 (Audited)
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS	Note		
Fixed Assets			
- Property, plant and equipment	5	6,330,331	5,251,337
- Right-of-use assets		274,462	322,396
- Intangibles		15,118	3,604
		<u>6,619,911</u>	<u>5,577,337</u>
Investment in a subsidiary company	6	1	1
Long term deposits		73,670	73,582
Deferred taxation		356,436	144,269
		<u>7,050,018</u>	<u>5,795,189</u>
CURRENT ASSETS			
Stores and spares - net		270,846	215,791
Stock in trade - net	7	21,817,748	12,033,405
Trade debts - net	8	376,773	-
Advances	9	166,877	287,937
Prepayments		23,563	62,139
Other receivables	10	2,587,876	2,164,436
Income tax - net		835,757	876,658
Staff retirement benefits		34,724	34,724
Sales tax and excise duty adjustable		138,801	-
Short term investments	11	50,000	-
Cash and bank balances		3,601,683	9,062,895
		<u>29,904,648</u>	<u>24,737,985</u>
Non-current assets held for disposal	12	-	1,600
TOTAL CURRENT ASSETS		<u>29,904,648</u>	<u>24,739,585</u>
TOTAL ASSETS		<u>36,954,666</u>	<u>30,534,774</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital		12,000,000	12,000,000
Issued, subscribed and paid-up capital			
- Ordinary shares		615,803	615,803
- Preference shares		10,464,000	10,464,000
		<u>11,079,803</u>	<u>11,079,803</u>
Transaction cost on issuance of preference shares - net of tax		(33,911)	(33,911)
		<u>11,045,892</u>	<u>11,045,892</u>
Reserves		4,966,840	4,548,931
TOTAL EQUITY		<u>16,012,732</u>	<u>15,594,823</u>
NON-CURRENT LIABILITIES			
Lease liabilities		222,760	265,035
CURRENT LIABILITIES			
Trade and other payables	13	20,521,346	13,504,425
Current maturity of lease liabilities		106,597	92,186
Unclaimed dividend		37,109	37,128
Unpaid dividend		54,122	54,122
Sales tax and excise duty payable		-	987,055
TOTAL CURRENT LIABILITIES		<u>20,719,174</u>	<u>14,674,916</u>
TOTAL LIABILITIES		<u>20,941,934</u>	<u>14,939,951</u>
TOTAL EQUITY AND LIABILITIES		<u>36,954,666</u>	<u>30,534,774</u>
CONTINGENCIES AND COMMITMENTS	14		

The annexed notes from 1 to 25 form an integral part of these condensed interim financial statements.



Sarfaraz Ahmed Rehman
Chairman / Director



Alireza Takesh
Chief Executive Officer



Muhammad Zeeshan
Chief Financial Officer

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

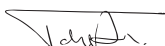
FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2024

	Note	Quarter ended		Nine months period ended	
		September 30, 2024	September 30, 2023 (Restated)	September 30, 2024	September 30, 2023 (Restated)
------(Rupees in thousand)-----					
Turnover - net	15	7,552,968	4,581,634	20,489,068	13,641,228
Cost of sales	16	6,765,981	2,627,588	18,106,485	8,305,378
Gross profit		786,987	1,954,046	2,382,583	5,335,850
Distribution and marketing expenses		1,669,330	1,180,602	4,741,565	2,942,615
Administrative expenses		542,827	430,583	1,507,882	1,256,505
Other expenses	17	12,378	56,204	164,665	1,048,265
Other income	18	(1,653,804)	(543,222)	(5,391,417)	(1,604,405)
		570,731	1,124,167	1,022,695	3,642,980
Operating profit		216,256	829,879	1,359,888	1,692,870
Finance cost and bank charges		71,869	25,272	156,108	56,849
Profit before taxation and levy		144,387	804,607	1,203,780	1,636,021
Levy	2.4 to 19	221,123	7,504	389,371	35,856
Profit before taxation		(76,736)	797,103	814,409	1,600,165
Taxation	2.4 to 19	36,392	509,866	393,237	941,427
(Loss) / profit after taxation		(113,128)	287,237	421,172	658,738
Other comprehensive income		-	-	-	-
Total comprehensive (loss) / income for the period		(113,128)	287,237	421,172	658,738
------(Rupees)-----					
Earnings / (loss) per share					
- Basic	20	(1.84)	4.66	6.84	10.70
- Diluted	20	Note 20.3	3.11	5.03	7.13

The annexed notes from 1 to 25 form an integral part of these condensed interim financial statements.



Sarfaraz Ahmed Rehman
Chairman / Director



Alireza Takesh
Chief Executive Officer

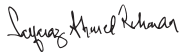


Muhammad Zeeshan
Chief Financial Officer

PHILIP MORRIS (PAKISTAN) LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
 FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2024

	Issued, subscribed and paid-up capital		Transaction cost on issuance of preference shares - net of tax	Capital Reserves			Reserves			Subtotal Reserves	Total
	Ordinary shares	Preference shares		Reserve for share based payments	Remeasurement of staff retirement benefits plan - net of tax	Subtotal Capital Reserves	General reserves	Revenue Reserves	Subtotal Revenue Reserves		
(Rupees in thousand)											
Balance as at January 1, 2023	615,803	10,464,000	(33,911)	57,717	(236,118)	(178,401)	3,328,327	1,038,906	4,367,233	4,188,832	15,234,724
Share based payments	-	-	-	-	-	-	-	-	-	-	-
- expense	-	-	-	50,317	-	50,317	-	-	-	-	50,317
- recharge	-	-	-	(63,095)	-	(63,095)	-	-	-	-	(63,095)
	-	-	-	(12,778)	-	(12,778)	-	-	-	-	(12,778)
Total comprehensive income											
Profit after taxation for the nine months period ended September 30, 2023	-	-	-	-	-	-	-	658,738	658,738	658,738	658,738
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	658,738	658,738	658,738	658,738
Balance as at September 30, 2023	615,803	10,464,000	(33,911)	44,939	(236,118)	(191,179)	3,328,327	1,697,644	5,025,971	4,834,792	15,880,684
Balance as at January 1, 2024	615,803	10,464,000	(33,911)	94,153	(292,256)	(198,103)	3,328,327	1,418,707	4,747,034	4,548,931	15,594,823
Share based payments	-	-	-	-	-	-	-	-	-	-	-
- expense	-	-	-	80,752	-	80,752	-	-	-	-	80,752
- recharge	-	-	-	(84,015)	-	(84,015)	-	-	-	-	(84,015)
	-	-	-	(3,263)	-	(3,263)	-	-	-	-	(3,263)
Total comprehensive income											
Profit after taxation for the nine months period ended September 30, 2024	-	-	-	-	-	-	-	421,172	421,172	421,172	421,172
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	421,172	421,172	421,172	421,172
Balance as at September 30, 2024	615,803	10,464,000	(33,911)	90,890	(292,256)	(201,366)	3,328,327	1,839,879	5,168,206	4,965,840	16,012,732

The annexed notes from 1 to 25 form an integral part of these condensed interim financial statements.


 Sarfaraz Ahmed Rehman
 Chairman / Director


 Alireza Takesh
 Chief Executive Officer


 Muhammad Zeeshan
 Chief Financial Officer

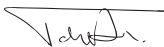
PHILIP MORRIS (PAKISTAN) LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2024

	Note	Nine months period ended	
		September 30, 2024	September 30, 2023
(Rupees in thousand)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	22	(3,420,632)	(1,444,248)
Staff retirement gratuity paid		(59,736)	(29,661)
Finance cost paid		(156,108)	(56,849)
Interest received on savings accounts		898,230	791,125
Taxes and levy paid		(953,875)	(563,057)
Long term deposits		(88)	(199)
Net cash generated from operating activities		(3,692,209)	(1,302,889)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(1,909,606)	(633,292)
Acquisition of intangibles		(15,001)	-
Proceeds from disposal of items of : property plant and equipment		22,890	35,500
non-current assets held for disposal		255,000	583,953
Net cash used in investing activities		(1,646,717)	(13,839)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(19)	(586)
Principal element of lease payments		(72,267)	(78,313)
Net cash paid for financing activities		(72,286)	(78,899)
Net increase in cash and cash equivalents during the period		(5,411,212)	(1,395,627)
Cash and cash equivalents at the beginning of the period		9,044,034	9,283,504
Cash and cash equivalents at the end of the period	23	3,632,822	7,887,877

The annexed notes from 1 to 25 form an integral part of these condensed interim financial statements.



Sarfaraz Ahmed Rehman
Chairman / Director



Alireza Takesh
Chief Executive Officer



Muhammad Zeeshan
Chief Financial Officer

PHILIP MORRIS (PAKISTAN) LIMITED

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2024

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., through PMI Group entities. On February 25, 2011, the name of the Company was changed to Philip Morris (Pakistan) Limited (the Company). The Company is listed on the Pakistan Stock Exchange and the principal activity of the Company is the manufacturing and sale of cigarettes, tobacco products and other smoke free products. The registered office of the Company is situated at Office 04 & 05, 5th Floor, Corporate Office Block, Dolmen City, Plot HC-3, Block 4, Clifton Karachi, Sindh, Pakistan.

2. STATEMENT OF COMPLIANCE AND MATERIAL ACCOUNTING POLICY INFORMATION

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

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

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

2.2 The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the Company's audited financial statements for the year ended December 31, 2023 (December 2023 financial statements), except relating to the matters stated in notes 2.3 and 2.4 below.

2.3 Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

2.4 Amendments to published accounting and reporting standards and interpretation / guidance which became effective during the period ended September 30, 2024:

There were certain amendments to accounting and reporting standards which became effective for the Company during the current period. However, these do not have any significant impact on the Company's financial reporting and, therefore, have not been detailed in these condensed interim financial statements except that during the year, the Institute of Chartered Accountant of Pakistan (ICAP) has withdrawn Technical Release 27 'IAS 12, Income Taxes (Revised 2012)' and issued the 'IAS 12 Application Guidance on Accounting for Minimum Taxes and Final Taxes' (the Guidance). Accordingly, in accordance with the Guidance, the Company has changed its accounting policy to recognise minimum and final taxes as 'levy' under IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" which were previously being recognised as 'income tax'.

The Company has accounted for the effects of these changes in accounting policy retrospectively under IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and the corresponding figures have been restated in these condensed interim financial statements. The effects of restatements are as follows:

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	Had there been no change in accounting policy	Impact of change in accounting policy	After incorporating effects of change in accounting policy
Effect on condensed interim statement of profit or loss and other comprehensive income			

(Rupees in thousand)

**For the nine months period
ended September 30, 2024**

Levy	-	389,371	389,371
Profit before taxation	1,203,780	(389,371)	814,409
Taxation	(782,608)	389,371	(393,237)
Profit after taxation	421,172	-	421,172

**For the nine months period
ended September 30, 2023**

Levy	-	35,856	35,856
Profit before taxation	1,636,021	(35,856)	1,600,165
Taxation	(977,283)	35,856	(941,427)
Profit after taxation	658,738	-	658,738

**For the quarter ended
September 30, 2024**

Levy	-	221,123	221,123
Profit before taxation	144,387	(221,123)	(76,736)
Taxation	(257,515)	221,123	(36,392)
Profit after taxation	(113,128)	-	(113,128)

**For the quarter ended
September 30, 2023**

Levy	-	7,504	7,504
Profit before taxation	804,607	(7,504)	797,103
Taxation	(517,370)	7,504	(509,866)
Profit after taxation	287,237	-	287,237

The related changes to the statement of cash flows with respect to the amount of profit before taxation have been made as well. There is no impact on profit after taxation and earnings per share, basic and diluted and statement of financial position.

- 2.5 New standards and amendments to published accounting and reporting standards that are not yet effective and not early adopted by the Company:

There are certain new standards and amendments that will be applicable to the Company for its annual periods beginning on or after January 1, 2025. The new standards include IFRS 18 Presentation and Disclosure in Financial Statements and IFRS 19 Subsidiaries without Public Accountability: Disclosures both with applicability date of January 1, 2027 as per IASB. These standards will become part of the Company's financial reporting framework upon adoption by the Securities and Exchange Commission of Pakistan (SECP). The amendments include update to IFRS 7 and IFRS 9 which clarify the date of recognition and derecognition of a financial asset or financial liability which are applicable effective January 1, 2026. The Company's management at present is in the process of assessing the full impacts of these new standards and the amendments to IFRS 7 and IFRS 9 and is expecting to complete the assessment in due course.

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3. BASIS OF PREPARATION

3.1 These condensed interim financial statements include the condensed interim statement of financial position as at September 30, 2024, the condensed interim statement of profit or loss and other comprehensive income, the condensed interim statement of changes in equity, the condensed interim statement of cash flows and notes thereto for the nine months period then ended which have not been audited. These condensed interim financial statements also include the condensed interim statement of profit or loss and other comprehensive income and notes thereto for the quarter ended September 30, 2024 which were not subjected to auditor's review.

3.2 The comparative statement of financial position presented in these condensed interim financial statements as at December 31, 2023 has been extracted from the December 2023 financial statements. The comparative statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the nine months period ended September 30, 2023 have been extracted from the condensed interim financial statements of the Company for the nine months period then ended, which were not audited.

3.3 These interim financial statements should be read in conjunction with the December 2023 financial statements as these provide an update of previously reported information.

4. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

4.1 The preparation of these condensed interim financial statements in conformity with approved accounting and reporting standards for interim reporting requires the use of certain accounting estimates. It also requires management to exercise its judgments in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

4.2 During the preparation of these condensed interim financial statements, significant judgments made by management in applying the Company's accounting policies and key sources of estimation were the same as those applied in the December 2023 financial statements.

4.3 The Company's financial risk management objectives and policies are consistent with those disclosed in the December 2023 financial statements.

	Note	September 30, 2024 (Un-audited) (Rupees in thousand)	December 31, 2023 (Audited)
5. PROPERTY, PLANT AND EQUIPMENT			
Operating property, plant and equipment	5.1 to 5.4	4,597,694	4,708,383
Capital work-in-progress (CWIP)	5.5	1,732,637	542,954
		<u>6,330,331</u>	<u>5,251,337</u>
5.1 Operating property, plant and equipment			
Book value at the beginning of the period / year		4,708,383	4,936,829
Transfers from CWIP during the period / year	5.2	719,923	1,101,594
		<u>5,428,306</u>	<u>6,038,423</u>
Disposals during the period / year - net book value	5.3	(14,529)	(31,659)
Assets transferred to held for sale / disposal during the period / year - net book value		-	(352,832)
Write offs during the period / year - net book value		(20,146)	(34,809)
Depreciation charge during the period / year	5.4	(795,937)	(910,740)
		<u>(830,612)</u>	<u>(1,330,040)</u>
Book value at the end of the period / year		<u>4,597,694</u>	<u>4,708,383</u>

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	Nine months period ended	
	September 30, 2024	September 30, 2023
	(Un-audited)	
	(Rupees in thousand)	
5.2 Transfers from CWIP during the period:		
Buildings on freehold land	115,159	35,300
Leasehold improvements	-	49,553
Plant and machinery	291,660	112,184
Furniture and fixtures	75,157	15,390
Office equipment	381	654
Vehicles	148,827	334,510
Power and other installations	60,473	40,886
Computer equipment	28,266	173,394
	<u>719,923</u>	<u>761,871</u>
5.3 Disposals during the period - net book value		
Vehicles	<u>14,529</u>	<u>14,181</u>
5.4 Depreciation charge during the period on:		
- property, plant and equipment	<u>795,937</u>	<u>672,377</u>
	September 30, 2024	December 31, 2023
	(Un-audited)	(Audited)
	(Rupees in thousand)	
5.5 Capital work-in-progress		
Civil works	160,111	11,967
Plant and machinery	1,249,394	363,571
Power and other installations	89,659	45,522
Furniture and fixtures	81,442	7,187
Computer equipment pending installations	45,807	54,790
Advance to suppliers and contractors	106,224	59,917
	<u>1,732,637</u>	<u>542,954</u>

6. INVESTMENT IN A SUBSIDIARY COMPANY

This represents the cost of 103 fully paid ordinary shares of Rs 10 each in Laksonpremier Tobacco Company (Private) Limited (the Subsidiary Company). Out of such 103 shares, two shares are in the name of the nominees. The statement of profit or loss and other comprehensive income of the Subsidiary Company for the nine months period ended September 30, 2024 amounted to Rs Nil resulting in an accumulated loss of Rs 1,030 as at that date. The net assets of the Subsidiary Company as at September 30, 2024 amounted to Rs Nil, in accordance with the un-audited condensed interim financial statements for the nine months period then ended. The subsidiary company has filed an application dated August 30, 2019 with the Securities and Exchange Commission of Pakistan (SECP) for obtaining the status of an inactive company under section 424 of the Companies Act, 2017, however, response in this regard from SECP is awaited.

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

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	Note	September 30, 2024 (Un-audited) (Rupees in thousand)	December 31, 2023 (Audited)
7. STOCK IN TRADE - net			
Raw and packing materials	7.1 & 7.3	20,579,537	11,004,979
Work-in-process		83,500	208,652
Finished goods	7.2	1,508,920	1,270,331
		<u>22,171,957</u>	<u>12,483,962</u>
Less: Provision for obsolete stocks	7.3	(354,209)	(450,557)
		<u>21,817,748</u>	<u>12,033,405</u>
7.1	Include raw and packing materials in transit aggregating Rs 523.831 million (December 31, 2023: Rs 236.314 million).		
7.2	Include finished goods in transit aggregating Rs 37.214 million (December 31, 2023: Rs Nil).		
7.3	During the current period, the Company has written off raw and packing materials aggregating Rs 9.334 million (December 31, 2023: Rs 27.701 million) against provision.		
8. TRADE DEBTS - net			
Considered good - unsecured	8.1	376,773	-
Considered doubtful		2,780	2,780
		<u>379,553</u>	<u>2,780</u>
Less: Provision for doubtful debts		(2,780)	(2,780)
		<u>376,773</u>	<u>-</u>
8.1	This represents amount receivable from group undertaking against export sales.		
9. ADVANCES			
Unsecured			
Advances to:			
- Employees	9.1	30,885	32,863
- Suppliers and contractors		40,897	159,979
		<u>71,782</u>	<u>192,842</u>
Secured			
Advance to a supplier	9.2	111,261	111,261
Less: provision against advance		(16,166)	(16,166)
		<u>95,095</u>	<u>95,095</u>
		<u>166,877</u>	<u>287,937</u>

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

9.2 There is no significant change in the status of the case as set out in note 11.2 to the December 31, 2023 financial statements. During the period, through order dated September 09, 2024, the Peshawar High Court restored the appeal on basis of restoration application filed by the service provider.

	September 30, 2024 (Un-audited) (Rupees in thousand)	December 31, 2023 (Audited)
10. OTHER RECEIVABLES		
Receivable from associated undertakings	1,930,879	1,887,174
Cash margins held with banks	632,588	195,602
Accrued interest on deposit accounts	14,970	70,096
Others	9,439	11,564
	<u>2,587,876</u>	<u>2,164,436</u>

11. This amount represents Term Deposit Receipts invested with a commercial bank having maturity on October 9, 2024 carrying interest at the rate of 17% per annum.

12. NON-CURRENT ASSETS HELD FOR SALE / DISPOSAL

	September 30, 2024 (Un-audited) (Rupees in thousand)	December 31, 2023 (Audited)
- Cost	-	1,600
- Less: Accumulated depreciation	-	-
- Less: Accumulated impairment	-	-
	<u>-</u>	<u>1,600</u>

12.1 During the period, the Company sold the property A-1 classified as held for sale as at December 31, 2023 in accordance with 'IFRS 5 - Non-current assets held for sale and discontinued operations' for consideration amounting Rs 255 million resulting in gain (classified as other income) aggregating Rs 253.4 million.

	September 30, 2024 (Un-audited) (Rupees in thousand)	December 31, 2023 (Audited)
13. TRADE AND OTHER PAYABLES		
Creditors	3,685,705	2,946,438
Bills payable	3,597,999	2,976,250
Royalty payable to related party	2,244,634	1,361,202
Accrued expenses	1,953,602	1,731,399
Tobacco development cess	13,875	41,625
Contractors' retention money	-	2,063
Advance from customers - unsecured	8,699,217	4,047,072
Workers' welfare fund	67,483	46,210
Workers' profits participation fund	38,293	7,819
Others	220,538	344,347
	<u>20,521,346</u>	<u>13,504,425</u>

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14. CONTINGENCIES AND COMMITMENTS

14.1 Guarantees

Indemnities given to banks for guarantees issued by them in the normal course of business aggregated Rs 48.861 million (December 31, 2023: Rs 48.861 million).

	September 30, 2024 (Un-audited)	December 31, 2023 (Audited)
	(Rupees in thousand)	
14.2 Commitments		
Capital expenditure contracted for but not incurred	57,443	101,567
Post dated cheques	44,685	147,407
Letters of credit	-	51,356
Operating lease commitments	6,395	30,174

4.3 Contingencies

14.3.1 There is no significant change in the status of the cases set out in notes 21.6.1, 21.6.2, 22.3 and 22.4 to the December 2023 financial statements.

14.3.2 During the period, the KPK Government introduced the KPK Provincial Excise Duty (Unmanufactured Tobacco) Act, 2024 effective July 01, 2024. Excise duty at the rate of PKR 50 per kg on unmanufactured tobacco for both domestic consumption and exports were imposed through this change. The company already pays Federal Excise Duty on unmanufactured tobacco. On July 11, 2024, the Company challenged the KPK Act as unconstitutional by filing petition before the Peshawar High Court. On July 29, 2024, the court granted a stay against adverse action by the KPK government, and the matter is pending adjudication.

Management believes that in the above-mentioned matters the possibility of the loss is unlikely, therefore, no provision has been recorded in the financial statements.

	Quarter ended		Nine months period ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
	(Un-audited)			
	(Rupees in thousand)			

15. TURNOVER - net

Gross turnover				
- Domestic	15,167,051	16,298,597	46,901,394	37,406,797
- Export	3,316,375	265,770	7,747,854	3,066,788
	18,483,426	16,564,367	54,649,248	40,473,585
Less: Trade discount	292,985	325,243	897,021	960,427
Sales tax	2,461,290	2,575,326	7,494,673	5,886,564
Federal excise duty	8,176,183	9,082,164	25,768,486	19,985,366
	10,930,458	11,982,733	34,160,180	26,832,357
	7,552,968	4,581,634	20,489,068	13,641,228

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	Quarter ended		Nine months period ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
	(Un-audited)			
	(Rupees in thousand)			
16. COST OF SALES				
Raw and packing materials consumed				
Opening stock	6,217,913	6,385,451	11,004,979	7,518,621
Purchases, redrying and related expenses	18,788,415	7,659,039	21,809,322	11,169,304
	<u>25,006,328</u>	<u>14,044,490</u>	<u>32,814,301</u>	<u>18,687,925</u>
Closing stock	(20,579,537)	(12,105,902)	(20,579,537)	(12,105,902)
	<u>4,426,791</u>	<u>1,938,588</u>	<u>12,234,764</u>	<u>6,582,023</u>
Government levies	8,884	18,458	35,786	32,525
Manufacturing expenses	721,227	634,292	2,090,936	1,656,412
	<u>5,156,902</u>	<u>2,591,338</u>	<u>14,361,486</u>	<u>8,270,960</u>
Work-in-process				
Opening stock	135,304	362,606	208,652	366,817
Closing stock	(83,500)	(290,410)	(83,500)	(290,410)
Sale of waste	(2,246)	(2,958)	(7,229)	(10,530)
	<u>49,558</u>	<u>69,238</u>	<u>117,923</u>	<u>65,877</u>
Cost of goods manufactured	<u>5,206,460</u>	<u>2,660,576</u>	<u>14,479,409</u>	<u>8,336,837</u>
Finished goods				
Opening stock	1,568,351	1,083,690	1,270,331	851,861
Finished goods purchased	1,500,090	292,929	3,865,665	526,287
Closing stock	(1,508,920)	(1,409,607)	(1,508,920)	(1,409,607)
	<u>1,559,521</u>	<u>(32,988)</u>	<u>3,627,076</u>	<u>(31,459)</u>
	<u>6,765,981</u>	<u>2,627,588</u>	<u>18,106,485</u>	<u>8,305,378</u>

	Quarter ended		Nine months period ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
	(Un-audited)			
	(Rupees in thousand)			
17. OTHER EXPENSES				
Employee separation cost	12,158	13,151	19,814	28,016
Property, plant and equipment written off	2,958	1,722	20,146	1,722
Workers' welfare fund	(6,275)	1,802	17,740	36,654
Workers' profit participation fund	(18,328)	42,535	38,739	88,128
Exchange loss - net	-	-	-	863,442
Miscellaneous expenses	21,865	9,039	68,226	30,303
	<u>12,378</u>	<u>68,249</u>	<u>164,665</u>	<u>1,048,265</u>

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Note	Quarter ended		Nine months period ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
(Un-audited)				
(Rupees in thousand)				
18. OTHER INCOME				
Interest on savings accounts	105,565	213,748	898,230	791,125
Profit on disposal of items of non current assets held for sale	-	232,721	253,400	232,721
Profit on disposal of items of property, plant and equipment	2,210	16,072	8,361	21,319
Reimbursement of expenses	1,424,585	72,728	4,010,280	497,745
Liabilities no longer payable written back	68,290	5,717	105,592	55,685
Exchange gain - net	42,915	12,045	85,965	-
Others	10,239	2,236	29,589	5,810
	<u>1,653,804</u>	<u>555,267</u>	<u>5,391,417</u>	<u>1,604,405</u>
19. LEVY AND TAXATION				
Levy	2.4	221,123	7,504	389,371
Taxation		36,392	509,866	393,237
Levy and tax charged		<u>257,515</u>	<u>517,370</u>	<u>782,608</u>
19.1 TAXATION				
Current				
- for the period	123,303	221,491	605,405	735,246
- for the prior period	-	-	-	262,676
	<u>123,303</u>	<u>221,491</u>	<u>605,405</u>	<u>997,922</u>
Deferred	(86,911)	288,375	(212,168)	(56,495)
	<u>36,392</u>	<u>509,866</u>	<u>393,237</u>	<u>941,427</u>
20. EARNINGS PER SHARE - BASIC AND DILUTED				
20.1 Basic earnings per share				
(Loss) / profit for the period after taxation	(113,128)	287,237	421,172	658,738
	(Number of shares)			
Weighted average number of ordinary shares	<u>61,580,341</u>	<u>61,580,341</u>	<u>61,580,341</u>	<u>61,580,341</u>
	(Rupees)			
(Loss) / earnings per share – basic	<u>(1.84)</u>	<u>4.66</u>	<u>6.84</u>	<u>10.70</u>

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	Quarter ended		Nine months period ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
	(Un-audited)			
	(Rupees in thousand)			
20.2 Diluted earnings per share				
(Loss) / profit for the period after taxation	(113,128)	287,237	421,172	658,738
	(Number of shares)			
Weighted average number of potential ordinary shares	Note 20.3	92,366,475	83,671,938	92,366,475
	(Rupees)			
Earnings per share – diluted	Note 20.3	3.11	5.03	7.13

20.3 1,046,400,000 preference shares are not included in the calculation of diluted earnings / (loss) per share because these were antidilutive for the quarter ended September 30, 2024.

21. RELATED PARTIES TRANSACTIONS

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

Relationship	Nature of transaction	Nine months period ended	
		September 30, 2024	September 30, 2023
		(Un-audited)	
		(Rupees in thousand)	
Associated undertakings	Sale of goods and services	7,820,982	3,068,793
	Purchase of goods and services	5,271,299	1,650,027
	Purchase of equipment	1,060,974	465
	Royalty charges	936,350	95,193
	Share based payment expense	80,752	80,752
	Share based payment recharge	84,015	63,095
	Reimbursement of expenses	4,010,280	497,745
Staff retirement benefit plans	Contribution to gratuity fund	59,736	29,661
	Contribution to provident fund	98,644	85,276
Key management personnel	Remuneration and benefits - notes 21.1.1 to 21.1.3	39,253	37,760

21.1.1 The Company considers its chief executive and board of directors as members of key management personnel.

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

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

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Note	Nine months period ended	
	September 30, 2024	September 30, 2023
	(Un-audited)	(Restated)
	(Rupees in thousand)	
22. CASH GENERATED FROM OPERATIONS		
Profit before taxation	814,409	1,600,165
Adjustments for non cash changes and other items:		
Levy	389,371	35,856
Depreciation on operating property, plant and equipment	795,937	672,377
Depreciation on right-of-use assets	92,337	75,869
Amortisation of intangibles	3,487	16,605
Profit on disposal of items of :		
- property, plant and equipment - net	(8,361)	(21,319)
- Non-current Assets held for Disposal - net	(253,400)	(232,721)
Property, plant and equipment written off	20,146	1,722
Staff retirement gratuity expense	59,735	42,277
Expenses arising from equity-settled share-based payment plan	80,752	50,317
Liabilities written back	(105,592)	(55,685)
Provision / (Reversal) for obsolete stocks	407,853	(4,919)
Provision for obsolete stocks	-	29,346
Interest on savings accounts	(898,230)	(791,125)
Net unrealised exchange loss / (gain)	(148,258)	863,442
Finance cost	156,108	56,849
Working capital changes	(4,826,926)	(3,783,304)
	(3,420,632)	(1,444,248)
22.1 Working capital changes		
(Increase) / decrease in current assets		
Stores and spares - net	(55,055)	(131,245)
Stock in trade - net	(10,192,196)	(5,130,590)
Trade debts - net	(376,773)	-
Advances	121,060	(37,947)
Prepayments	38,576	46,148
Other receivables	(423,440)	999,282
Sales tax and excise duty adjustable	(138,801)	-
	(11,026,629)	(4,254,352)
Increase / (decrease) in current liabilities		
Trade and other payables	7,186,758	(555,759)
Sales tax and excise payable	(987,055)	1,026,807
	6,199,703	471,048
	(4,826,926)	(3,783,304)

PHILIP MORRIS (PAKISTAN) LIMITED
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM
FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2024

	Nine months period ended	
	September 30, 2024	September 30, 2023
	(Un-audited)	
	(Rupees in thousand)	
23. CASH AND CASH EQUIVALENTS		
Cash and bank balances	3,601,683	7,906,738
Short term investments	50,000	-
Less: Amount held as security	(18,861)	(18,861)
	<u>3,632,822</u>	<u>7,887,877</u>

24. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on October 28, 2024 by the Board of Directors of the Company.

25. GENERAL

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



Sarfaraz Ahmed Rehman
Chairman / Director



Alireza Takesh
Chief Executive Officer



Muhammad Zeeshan
Chief Financial Officer

<http://philipmorriskakistan.com.pk>