



Philip Morris
(Pakistan) Limited

Transforming for a **sustainable future**

For the third quarter ended September 30, 2022 (Un-audited)





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Company Information

BOARD OF DIRECTORS

KAMRAN Y. MIRZA (Chairman)
ROMAN YAZBECK (Chief Executive)
MUHAMMAD ZEESHAN
PATTARAPORN AUTTAPHON
PETER CALON
MIRZA REHAN BAIG
JUNAID IQBAL

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

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://philipmorriskpakistan.com.pk>
Email : pmk.info@pmi

Director's Report

Pakistan's economy continues to go through an unprecedented economic downturn owing to the global crisis coupled with the political instability in the country and more recently, the massive flooding caused by the record-breaking rains that have further altered the country's macroeconomic outlook. The recent floods in Pakistan have not only caused a substantial negative impact on the overall economy due to the loss of crops, livestock, and infrastructure but the irreversible loss of human lives is also devastating. The supply shock is expected to put more pressure on headline inflation that in turn will further erode the consumer affordability and increase cost of doing business.

The Track & Trace System for tobacco has been implemented effective July 01, 2022. Cigarettes are no longer allowed to be removed from a production site, factory premises, or manufacturing plant without the affixation of tax stamps. Most recently, FBR has also signed a MoU with the Central Board of Revenue Azad Jammu & Kashmir (AJK) for the implementation of the Track and Trace System in AJK which is a welcome step. We support the adjustable advanced FED, announced during the mini-budget, on processed unmanufactured tobacco (manufacturers only adjustable advance tax) as it will also help curb the growth of the non-tax-paid cigarette sector. FBR has actively been creating awareness and taking reinforcement measures and we are hopeful that all these efforts will go a long way towards combatting non-tax paid cigarette trade (i.e., 38% of the total market per Oxford Economics) which is causing an estimated annual loss of PKR 80 billion (approx.) to the National Exchequer.

On August 23, 2022, the Government announced a mini fiscal budget in which excise duty for locally manufactured cigarettes was further increased by 10.8% and 10.2% for value and premium tiers respectively. Together with an increase announced during June 2022 (Finance Bill), the total increase in value and premium tiers now stood at 24.2% and 25.0% respectively. These multiple excise increases during the year happened after two years of no change in excise. To offset the impact of excise, the Company has taken price increases (almost after 2 years) across all brands. This increase in excise and the resultant price increase is likely to put pressure on consumer affordability and may impact the compliant tax-paying tobacco industry, the excise and sales tax revenue for the Government.

During the quarter ended September 30, 2022, the Company's Net Turnover stood at PKR 4,800 million, reflecting an increase of 34.7% vs. the same period last year (SPLY) driven by excise-driven price increases. The Company recorded a Profit after Tax of PKR 842 million for the quarter compared to a Profit after Tax of PKR 351 million vs. SPLY due to price increases as mentioned above. During the first quarter of the ongoing fiscal year (July-Sep'22), the Company's contribution to the National Exchequer in the form of excise duty, sales tax, and other Government levies, stood at PKR 7,133 million reflecting an increase of 18.6% vs. SPLY. For the nine months ended September 30, 2022, the Company recorded a Net Turnover of PKR 14,966 million, reflecting an increase of 17.0% vs. SPLY. The Net turnover includes a Domestic Net Turnover of PKR 13,923 million, with an increase of 10.5% vs. SPLY (reflecting excise driven price increases) coupled with Exports Turnover of PKR 1,043 million. The Exports turnover reflects an increase of over 100% vs. SPLY, due to the delayed exports at the end of 2021 on account of external supply chain constraints and were materialized in the first quarter of 2022. The Company recorded a Profit after Tax of PKR 2,376 million, with an increase of 14.7% vs. SPLY driven by pricing as mentioned above. During the nine months of the calendar year ended September 30, 2022, the Company's contribution to the National Exchequer in the form of excise duty, sales tax, and other Government levies, stood at PKR 21,387 million reflecting an increase of 4.6% vs. SPLY.

Economic & political uncertainty, and unparalleled inflation are already putting huge pressure on businesses. Further, an increase in the excise rates on cigarettes will make the operating environment more challenging for the compliant tax-paying industry. Despite all the 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 plans, and bringing continuous improvements in product quality, process, and operational efficiency. Growing our gross margin and controlling the cost base will be the key objectives for managing the Company's profitability in a continuously challenging environment.

On behalf of the Board of Directors.



KAMRAN Y. MIRZA
Chairman Board



ROMAN YAZBECK
Chief Executive

Karachi, October 26, 2022

ڈائریکٹرز رپورٹ

برائے ششماہی ختم 30 ستمبر 2022ء

پاکستان کی معیشت عالمی بحران کے ساتھ ساتھ ملک میں سیاسی عدم استحکام اور حالیہ ریکارڈ سیلابوں کی وجہ سے غیر معمولی معاشی بد حالی سے گزر رہی ہے جس نے میکرو اکنامک نقطہ نظر کو مزید تبدیل کر دیا ہے۔ حالیہ سیلاب کی وجہ سے فصلوں، مویشیوں اور بنیادی ڈھانچے وغیرہ کا نقصان جی ڈی پی کی مجموعی پیداوار متاثر کرے گا۔ توقع ہے کہ رسد کی شدید ضرب سے خام افراتر پر مزید باؤ پڑے گا جس کے نتیجے میں صارفین کی استطاعت میں مزید کمی آئے گی اور کاروبار کرنے کی لاگت میں اضافہ ہوگا۔

یکم جولائی 2022ء سے، ٹریک اینڈ ٹریل سسٹم کا نفاذ ہو چکا ہے۔ ٹیکس اسٹیپ کے بغیر کسی پروڈکشن سائٹ، فیکٹری کے احاطے یا مینو فیکچرنگ پلانٹ سے سگریٹ کو پھانسی کی اجازت نہیں ہے۔ ابھی حال ہی میں، ایف بی آر نے آزاد چٹوں کشیر میں ٹریک اینڈ ٹریل سسٹم کے نفاذ کے لیے سینٹرل بورڈ آف ریونیو آزاد چٹوں و کشیر کے ساتھ ایک ایم او یو پر بھی دستخط کیے ہیں جو ایک خوش آئند قدم ہے۔ ہم منی بجٹ کے دوران اعلان کردہ پروسس شدہ غیر تیار شدہ تمباکو پر (مینوفیکچررز صرف ایڈجسٹبل پیشگی ٹیکس) ایڈجسٹبل پیشگی FED کی حمایت کرتے ہیں کیوں کہ اس سے ٹیکس ادا نہ کرنے والے سگریٹ سیکٹر کی ترقی کو روکنے میں بھی مدد ملے گی۔ ایف بی آر فعال طور پر آگاہی پیدا کر رہا ہے اور باعث تقویت اقدامات کر رہا ہے اور ہم پُر امید ہیں کہ یہ اقدام سگریٹ کی غیر قانونی تجارت (جو کہ آکسفر ڈاکناس کے مطابق کل مارکیٹ کا 38 فی صد ہے) سے نمٹنے کے لیے کافی کارآمد رہے گا اور جس سے قومی خزانے کو ایک تخمینے کے مطابق 80 ارب روپے (تقریباً) کا نقصان ہو رہا ہے۔

23 اگست کو منی بجٹ کا اعلان کیا گیا جس میں مقامی طور پر تیار کردہ سگریٹ پر ایکسائز ڈیوٹی میں ویلیو اور پریٹیم کے درجے کے لیے بالترتیب 10.8 فیصد اور 10.2 فیصد میں اضافہ کیا گیا۔ 22 جون 2022 (فنانس بل) کے دوران اعلان کردہ اضافے کے ساتھ، ویلیو اور پریٹیم کے درجے میں مجموعی اضافہ بالترتیب 24.2 فیصد اور 25.0 فیصد رہا۔ ایکسائز میں یہ متعدد اضافے (2) سال تک بغیر کسی تبدیلی کے ہوئے ہیں۔ ایکسائز کے اثرات کو دور کرنے کے لیے، کمپنی نے تمام برانڈز کی قیمتوں میں اضافہ (تقریباً دو (2) سال بعد) کیا ہے۔ ہمیں یقین ہے کہ ایکسائز میں اضافے کی وجہ سے قیمتوں میں ہونے والا اضافہ صارفین کی استطاعت پر باؤ ڈالے گا جو ٹیکس ادا کرنے والی صنعت اور حکومتی محصول کو متاثر کر سکتا ہے۔

30 ستمبر 2022 کو ختم ہونے والی سہ ماہی کے دوران، کمپنی کا خالص ٹرن اوور 4,800 ملین روپے رہا جو ایکسائز پریٹیم قیمتوں میں اضافے کی وجہ سے گزشتہ سال کی اسی مدت (SPLY) کے مقابلے میں 34.7 فیصد کا اضافہ ظاہر کرتا ہے۔ کمپنی نے جیسا کہ اوپر بیان کیا گیا ہے، قیمت میں اضافے کی وجہ سے اس سہ ماہی کے لیے 842 ملین روپے کا بعد از ٹیکس منافع ریکارڈ کیا جو گزشتہ سال کی اسی مدت (SPLY) میں 351 ملین روپے تھا۔ 30 ستمبر 2022 کو ختم ہونے والے رواں مالی سال کی پہلی سہ ماہی کے دوران، ایکسائز

ڈیوٹی، سیلز ٹیکس اور دیگر سرکاری محصولات کی صورت میں قومی خزانے میں کمپنی کا حصہ 7,133 ملین روپے رہا جو 18.6 فیصد اضافے کی عکاسی کرتا ہے۔ 30 ستمبر 2022 کو ختم ہونے والے نو (9) مہینوں کے لیے، کمپنی نے 14,966 ملین روپے کا خالص ٹرن اوور ریکارڈ کیا جو گزشتہ سال کی اسی مدت (SPLY) کے مقابلے میں 17 فیصد اضافے کو ظاہر کرتا ہے۔ اس میں 13,923 ملین روپے کا مقامی خالص ٹرن اوور شامل ہے، گزشتہ سال کی اسی مدت (SPLY) (ایکسٹرنیٹ قیوتوں میں اضافے کی عکاسی کرتا ہے) کے مقابلے میں 10.5 فیصد اضافہ، اور برآمدات کے ٹرن اوور کے ساتھ 1,043 ملین روپے۔ گزشتہ سال کی اسی مدت (SPLY) کے مقابلے میں 100 فیصد سے زیادہ کا اضافہ، بیرونی سپلائی چین کی رکاوٹوں کی وجہ سے 2021 کے آخر میں تاخیر کا شکار برآمدات کی عکاسی کرتا ہے اور اسے 2022 کی پہلی سہ ماہی میں عملی جامہ پہنایا گیا۔ کمپنی نے جیسا کہ اوپر بیان کیا گیا ہے، قیمت میں اضافے کی وجہ سے 2,376 ملین روپے کا بعد از ٹیکس منافع ریکارڈ کیا جو گزشتہ سال کی اسی مدت (SPLY) کے مقابلے میں 14.7 فیصد زیادہ ہے۔ 30 ستمبر 2022 کو ختم ہونے والے کیلنڈر سال کے نو (9) مہینوں کے دوران، کمپنی کا قومی خزانے میں ایکسٹرنیٹ ڈیوٹی، سیلز ٹیکس اور دیگر سرکاری محصولات کی صورت میں حصہ 21,387 ملین روپے رہا جو گزشتہ سال کی اسی مدت (SPLY) کے مقابلے میں 4.6 فیصد کے اضافے کو ظاہر کرتا ہے۔

غیر یقینی معاشی اور سیاسی صورت حال، بدترین افراط زر پہلے ہی کاروباری اداروں پر ضرورت سے زیادہ دباؤ ڈال رہے ہیں۔ مزید یہ کہ سکرپٹ پرائیکسز کی شرح میں اضافہ ٹیکس ادا کرنے والی صنعت کے لیے آپریٹنگ ماحول کو مزید مشکل بنا دے گا۔ تمام مشکلات کے باوجود، کمپنی کی انتظامیہ عالمی وسائل کو بروئے کار لاتے ہوئے، اسٹریٹجک تجارتی سرگرمیوں میں اضافہ کرتے ہوئے اور مصنوعات کے معیار، عمل اور آپریشنل کارکردگی میں مسلسل بہتری لاتے ہوئے کمپنی کی مجموعی مالی کارکردگی کو بہتر بنانے کے لیے پُر عزم ہے۔ ہمارے مجموعی مارجن کو بڑھانا اور لاگت کی بنیاد کو کنٹرول کرنا کمپنی کے منافع کو مسلسل چیلنجنگ ماحول میں منظم کرنے کے کلیدی مقاصد ہوں گے۔

بورڈ آف ڈائریکٹرز کی جانب سے



رومن یازبیک

چیف ایگزیکٹو



کامران وائی۔ مرزا

چیرمین بورڈ

کراچی، 26 اکتوبر 2022



FINANCIAL STATEMENTS

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2022

Note

September 30,
2022
(Un-audited)

December 31,
2021
(Audited)

(Rupees in thousand)

ASSETS

NON-CURRENT ASSETS

Fixed Assets

- Property, plant and equipment
- Right-of-use assets
- Intangibles

5

5,172,246	5,350,514
274,629	181,307
29,664	46,935
5,476,539	5,578,756

Investment in a subsidiary company

6

1	1
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Long term deposits

73,678	78,520
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Deferred taxation

230,879	651,482
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5,781,097	6,308,759
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CURRENT ASSETS

Stores and spares - net

68,088	65,821
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Stock in trade - net

7

8,271,820	5,869,601
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Trade debts - net

376	-
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Advances

8

158,753	136,972
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Prepayments

21,337	59,756
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Other receivables

9

804,249	292,739
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Income tax - net

-	589,322
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Staff retirement benefits

111,463	111,463
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Cash and bank balances

9,957,109	7,991,843
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Non-current assets held for disposal

10

-	-
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TOTAL CURRENT ASSETS

19,393,195	15,117,517
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TOTAL ASSETS

25,174,292	21,426,276
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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
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11,079,803	11,079,803
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Transaction cost on issuance of preference shares - net of tax

(33,911)	(33,911)
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11,045,892	11,045,892
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Reserves

4,666,027	2,325,580
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TOTAL EQUITY

15,711,919	13,371,472
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NON-CURRENT LIABILITIES

Lease liabilities

239,481	134,142
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CURRENT LIABILITIES

Trade and other payables

11

7,086,136	6,310,239
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Income tax - net

196,273	-
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Current maturity of lease liabilities

61,636	121,866
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Unclaimed dividend

36,907	37,029
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Accrued mark-up on short borrowings

-	67
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Sales tax and excise duty payable

1,841,940	1,451,461
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TOTAL CURRENT LIABILITIES

9,222,892	7,920,662
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TOTAL LIABILITIES

9,462,373	8,054,804
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TOTAL EQUITY AND LIABILITIES

25,174,292	21,426,276
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CONTINGENCIES AND COMMITMENTS

12

The annexed notes from 1 to 24 form an integral part of these condensed interim financial statements.



Kamran Mirza
Chairman / Director



Roman Yazbeck
Chief Executive Officer



Muhammad Zeeshan
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UN-AUDITED)

FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022

	Note	Quarter Ended		Nine months period ended	
		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
------(Rupees in thousand)-----					
Turnover - net	13	4,800,443	3,565,122	14,966,441	12,789,147
Cost of sales	14	2,570,582	1,935,899	8,087,820	6,698,938
Gross profit		2,229,861	1,629,223	6,878,621	6,090,209
Distribution and marketing expenses		744,783	610,852	2,113,083	2,042,780
Administrative expenses		381,825	368,875	1,017,931	1,103,015
Other expenses	15	296,588	142,033	755,243	380,151
Other income	16	(380,209)	(170,445)	(1,015,090)	(561,797)
		1,042,987	951,315	2,871,167	2,964,149
Operating profit		1,186,874	677,908	4,007,454	3,126,060
Finance cost and bank charges		14,792	14,868	49,751	49,416
Profit before taxation		1,172,082	663,040	3,957,703	3,076,644
Taxation charge	17	329,768	312,037	1,582,074	1,005,760
Profit after taxation		842,314	351,003	2,375,629	2,070,884
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		842,314	351,003	2,375,629	2,070,884
------(Rupees)-----					
Earnings per share					
- Basic	18	13.68	5.70	38.58	33.63
- Diluted	18	10.10	4.77	28.48	28.12

The annexed notes from 1 to 24 form an integral part of these condensed interim financial statements.


Kamran Mirza
Chairman / Director


Roman Yazbeck
Chief Executive Officer


Muhammad Zeeshan
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022

	Issued, subscribed and paid-up capital		Transaction cost on issuance of preference shares - net of tax	Reserves					Subtotal Reserves	Total	
	Ordinary shares	Preference shares		Reserve for share based payments	Capital Reserves	Subtotal Capital Reserves	General reserve	Revenue Reserves			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
Share based payments											
- expense	-	-	-	13,421	-	13,421	-	-	-	13,421	13,421
- recharge	-	-	-	(31,613)	-	(31,613)	-	-	-	(31,613)	(31,613)
	-	-	-	(18,192)	-	(18,192)	-	-	-	(18,192)	(18,192)
<i>Total comprehensive income</i>											
Profit after taxation for the nine months period ended September 30, 2021	-	-	-	-	-	-	-	2,070,884	2,070,884	2,070,884	2,070,884
	-	-	-	-	-	-	-	2,070,884	2,070,884	2,070,884	2,070,884
Balance as at September 30, 2021	615,803	10,464,000	(33,911)	(529)	(244,220)	(244,749)	3,328,327	(1,003,279)	2,325,048	2,080,299	13,126,191
Balance as at January 1, 2022	615,803	10,464,000	(33,911)	23,182	(258,429)	(235,247)	3,328,327	(767,500)	2,560,827	2,325,580	13,371,472
Share based payments											
- expense	-	-	-	14,789	-	14,789	-	-	-	14,789	14,789
- recharge	-	-	-	(49,971)	-	(49,971)	-	-	-	(49,971)	(49,971)
	-	-	-	(35,182)	-	(35,182)	-	-	-	(35,182)	(35,182)
<i>Total comprehensive income</i>											
Profit after taxation for the nine months period ended September 30, 2022	-	-	-	-	-	-	-	2,375,629	2,375,629	2,375,629	2,375,629
	-	-	-	-	-	-	-	2,375,629	2,375,629	2,375,629	2,375,629
Balance as at September 30, 2022	615,803	10,464,000	(33,911)	(12,000)	(256,429)	(270,429)	3,328,327	1,608,129	4,636,456	4,666,027	15,711,919

The annexed notes from 1 to 24 form an integral part of these condensed interim financial statements.


Kamran Mirza
Chairman / Director


Roman Yazbeck
Chief Executive Officer


Muhammad Zeeshan
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022

	Note	Nine months period ended	
		September 30, 2022	September 30, 2021
(Rupees in thousand)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	20	2,129,961	2,476,616
Staff retirement gratuity paid		(57,451)	(54,114)
Finance cost paid		(49,818)	(49,421)
Profit received on savings accounts		796,168	293,608
Income taxes paid		(415,640)	(250,323)
Long term deposits		4,842	664
Net cash generated from operating activities		2,408,062	2,417,030
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(457,724)	(319,863)
Acquisition of intangibles		(1,152)	(5,089)
Proceeds from disposal of items of :			
Property plant and equipment		75,203	121,576
Non-current assets held for disposal		-	77,015
Net cash used in investing activities		(383,673)	(126,361)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(122)	(1,073,431)
Principal element of lease payments		(59,001)	(76,570)
Net cash paid for financing activities		(59,123)	(1,150,001)
Net increase in cash and cash equivalents during the period		1,965,266	1,140,668
Cash and cash equivalents at the beginning of the period		7,972,982	5,364,473
Cash and cash equivalents at the end of the period	21	9,938,248	6,505,141

The annexed notes from 1 to 24 form an integral part of these condensed interim financial statements.


Kamran Mirza
Chairman / Director


Roman Yazbeck
Chief Executive Officer


Muhammad Zeeshan
Chief Financial Officer

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022

1: THE COMPANY AND ITS OPERATIONS

- 1.1 Philip Morris (Pakistan) Limited (the Company) was incorporated in Pakistan on February 10, 1969 as a public limited company under the Companies Act, 1913 (now the Companies Act, 2017). The Company is listed on the Pakistan Stock Exchange. The principal activity of the Company is the manufacturing and sale of cigarettes and tobacco products. Its registered office is situated at 19th Floor, The Harbour Front, Dolmen City, HC - 3, Block 4, Clifton, Karachi, Pakistan. However, the address of the registered office has shifted effective October 17th, 2022 to Office 04 & 05, 5th Floor, Corporate office block, Dolmen City, Plot HC-3, Block 4, Clifton, Karachi, Pakistan.

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES

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

- (a) International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the 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, 2021 (December 2021 financial statements), except relating to the matter stated in note 2.3 below.

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

- 2.4 New standards, amendments and interpretation to published accounting and reporting standards which became effective during the period ended September 30, 2022:

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

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

There is a new standard and certain amendments to the accounting and reporting standards as applicable in Pakistan which will be effective for the Company for its accounting periods beginning on or after January 1, 2023. However this will not have any significant impact on the financial reporting of the Company and, therefore, has not been disclosed in these condensed interim financial statements.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022

	Note	September 30, 2022 (Un-audited) (Rupees in thousand)	December 31, 2021 (Audited)
5.1	Operating property, plant and equipment		
	Book value at the beginning of the period / year	4,685,850	5,003,286
	Transfers from CWIP during the period / year	5.2 750,544	641,527
		5,436,394	5,644,813
	Disposals during the period / year - net book value	5.3 (15,529)	(64,715)
	Write offs during the period / year - net book value	(20,435)	(1,278)
	Depreciation charge during the period / year	5.4 (600,028)	(881,811)
	Impairment during the period / year - other assets	-	(11,159)
		(635,992)	(958,963)
	Book value at the end of the period / year	4,800,402	4,685,850
September 30, 2022			
September 30, 2021			
(Un-audited)			
(Rupees in thousand)			
5.2	Transfers from CWIP during the period:		
	Buildings on freehold land	72,128	41,350
	Plant and machinery	556,628	345,900
	Furniture and fixtures	4,216	6,892
	Office equipment	6,641	2,228
	Vehicles	37,170	-
	Power and other installations	14,144	31,099
	Computer equipment	59,617	7,426
		750,544	434,895
5.3	Disposals during the period - net book value		
	Freehold land	-	30
	Buildings on freehold land	-	1,060
	Plant and machinery	-	21,746
	Vehicles	15,529	30,297
		15,529	53,133
5.4	Depreciation charge during the period on: - property, plant and equipment	600,028	663,663

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022

	September 30, 2022 (Un-audited)	December 31, 2021 (Audited)
	(Rupees in thousand)	
5.5 Capital work-in-progress		
Civil works	53,276	-
Plant and machinery	288,052	531,717
Power and other installations	28,701	9,253
Furniture and fixtures	1,770	39,812
Computer equipment pending installations	45	58,662
Advance to suppliers and contractors	-	25,220
	371,844	664,664

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, 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 September 30, 2022 amounted to Rs Nil, in accordance with the un-audited condensed interim financial statements for the nine months period then ended.

The auditor of the subsidiary company has expressed an unmodified audit opinion on the financial statements of the subsidiary company for the year ended December 31, 2021.

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

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

	Note	September 30, 2022 (Un-audited)	December 31, 2021 (Audited)
		(Rupees in thousand)	
7. STOCK IN TRADE - net			
Raw and packing materials	7.1	7,329,639	5,047,334
Work-in-process		276,959	260,725
Finished goods		714,238	619,328
		8,320,836	5,927,387
Less: Provision for obsolete stocks	7.2	(49,016)	(57,786)
		8,271,820	5,869,601

7.1 Include raw and packing materials in transit aggregating Rs 357.711 million (December 31, 2021: Rs 312.616 million).

7.2 During the current period, the Company has written off provision against raw and packing materials aggregating Rs 8.769 million (December 31, 2021: Rs 33.038 million).

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022

	Note	September 30, 2022 (Un-audited) (Rupees in thousand)	December 31, 2021 (Audited)
8. ADVANCES			
Unsecured			
Advances to:			
- Employees	8.1	34,639	9,442
- Suppliers and contractors		29,019	32,435
		<u>63,658</u>	<u>41,877</u>
Secured			
Advance to a supplier	8.2	111,261	111,261
Less: provision against advance		(16,166)	(16,166)
		<u>95,095</u>	<u>95,095</u>
		<u><u>158,753</u></u>	<u><u>136,972</u></u>
8.1	Advances to employees are given to meet business expenses and are settled as and when the expenses are incurred.		
8.2	There is no significant change in the status of the case as set out in note 11.2 to the December 31, 2021 financial statements.		
9.	These includes cash margins held with banks amounting to Rs 776.539 million (December 31, 2021: Rs 273.785 million).		
		September 30, 2022 (Un-audited) (Rupees in thousand)	December 31, 2021 (Audited)
10. NON-CURRENT ASSETS HELD FOR DISPOSAL			
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)
		<u>-</u>	<u>-</u>
11. TRADE AND OTHER PAYABLES			
Creditors		3,197,893	2,245,336
Bills payable		1,708,494	967,614
Royalty payable to related party		487,146	270,378
Accrued expenses		1,034,272	1,152,944
Tobacco development cess		13,875	53,685
Contractors' retention money		4,123	7,489
Advance from customers - unsecured		94,875	1,129,175
Workers' welfare fund		69,384	61,713
Workers' profits participation fund		210,544	-
Others		265,530	421,905
		<u><u>7,086,136</u></u>	<u><u>6,310,239</u></u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022

12. CONTINGENCIES AND COMMITMENTS

12.1 Guarantees

Indemnities given to banks for guarantees issued by them in the normal course of business aggregated Rs 69.565 million (December 31, 2021: Rs 69.565 million).

September 30,	December 31,
2022	2021
(Un-audited)	(Audited)
(Rupees in thousand)	

12.2 Commitments

Capital expenditure contracted for but not incurred	82,260	28,077
Post dated cheques	121,006	61,895
Letters of credit	-	57,340

12.3 Contingencies

12.3.1 There is no significant change in the status of the cases set out in notes 21.3 to 21.6 to the December 2021 financial statements.

12.3.2 While reviewing the withholding taxes of the Company for the tax year 2016, the Deputy Commissioner Inland Revenue (DCIR) issued an Order dated May 24, 2022 alleging short deduction of withholding tax and raised a demand of Rs. 87.118 million including penalty and default surcharge. On June 8, 2022, the Company filed an appeal before the Commissioner Inland Revenue - Appeals (CIR(A)) who issued an order dated August 29, 2022 through which the demand including penalty and default surcharge was deleted.

Quarter ended		Nine months period ended	
September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
----- (Un-audited) -----			
----- (Rupees in thousand) -----			

13. TURNOVER - net

Gross turnover	12,021,373	9,631,308	36,723,569	33,556,933
Less: Trade discount	316,993	233,693	858,179	694,938
Sales tax	1,805,805	1,451,149	5,378,545	5,013,111
Excise duty	5,098,132	4,381,344	15,520,404	15,059,737
	7,220,930	6,066,186	21,757,128	20,767,786
	4,800,443	3,565,122	14,966,441	12,789,147

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022

	Quarter ended		Nine months period ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	----- (Un-audited) -----			
	----- (Rupees in thousand) -----			
14. COST OF SALES				
Raw and packing materials consumed				
Opening stock	4,148,316	3,056,739	5,047,334	3,856,116
Purchases, redrying and related expenses	5,064,665	4,500,885	8,737,647	6,772,675
	9,212,981	7,557,624	13,784,981	10,628,791
Closing stock	(7,329,639)	(5,711,993)	(7,329,639)	(5,711,993)
	1,883,342	1,845,631	6,455,342	4,916,798
Government levies	5,000	6,809	24,588	18,463
Manufacturing expenses	529,164	576,804	1,726,446	1,658,684
	2,417,506	2,429,244	8,206,376	6,593,945
Work-in-process				
Opening stock	370,209	131,406	260,725	174,886
Closing stock	(276,959)	(161,819)	(276,959)	(161,819)
Sale of waste	(5,331)	(3,099)	(7,412)	(8,790)
	87,919	(33,512)	(23,646)	4,277
Cost of goods manufactured	2,505,425	2,395,732	8,182,730	6,598,222
Finished goods				
Opening stock	779,395	344,396	619,328	904,945
Closing stock	(714,238)	(804,229)	(714,238)	(804,229)
	65,157	(459,833)	(94,910)	100,716
	2,570,582	1,935,899	8,087,820	6,698,938

	Quarter ended		Nine months period ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	----- (Un-audited) -----			
	----- (Rupees in thousand) -----			

15. OTHER EXPENSES				
Employee separation cost	13,186	539	30,214	62,552
Property, plant and equipment written off	-	-	20,435	579
Workers' welfare fund	18,544	(23,935)	44,123	27,971
Workers' profit participation fund	62,050	33,453	210,544	163,217
Exchange loss - net	192,022	105,787	416,929	78,543
Miscellaneous expenses	10,786	26,189	32,998	47,289
	296,588	142,033	755,243	380,151

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022

	Quarter ended		Nine months period ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	----- (Un-audited) -----			
	----- (Rupees in thousand) -----			
16. OTHER INCOME				
Profit on savings accounts	318,466	96,007	796,168	293,608
Profit on disposal of items of property, plant and equipment	13,710	13,978	59,674	144,353
Others	48,033	60,460	159,248	123,836
	380,209	170,445	1,015,090	561,797
17. TAXATION				
Current				
- for the period	246,701	121,797	816,988	522,837
- for the prior period	4,235	20,982	344,484	20,982
	250,936	142,779	1,161,472	543,819
Deferred	78,832	169,258	420,602	461,941
	329,768	312,037	1,582,074	1,005,760

17.1 In accordance with the Finance Act, 2022 super tax at the rate of 10% for tax year 2022 (financial year: December 31, 2021) and 4% for tax year 2023 and onwards has been imposed on the Company in addition to the corporate tax rate of 29%. Accordingly the Company has recorded deferred tax at 33%.

	Quarter ended		Nine months period ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	----- (Un-audited) -----			
	----- (Rupees in thousand) -----			
18. EARNINGS PER SHARE				
18.1 Basic earnings per share				
Profit for the period after taxation	842,314	351,003	2,375,629	2,070,884
	----- (Number of shares) -----			
Weighted average number of ordinary shares	61,580,341	61,580,341	61,580,341	61,580,341
	----- (Rupees) -----			
Earnings per share – basic	13.68	5.70	38.58	33.63
18.2 Diluted earnings per share				
Profit for the period after taxation	842,314	351,003	2,375,629	2,070,884
	----- (Number of shares) -----			
Weighted average number of potential ordinary shares	83,418,709	73,643,240	83,418,709	73,643,240
	----- (Rupees) -----			
Earnings per share – diluted	10.10	4.77	28.48	28.12

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022

19. RELATED PARTIES TRANSACTIONS

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

Relationship	Nature of transaction	Nine months period ended	
		September 30, 2022	September 30, 2021
		(Un-audited)	
		(Rupees in thousand)	
Associated undertakings	Sale of goods and services	1,530,975	120,988
	Purchase of goods and services	421,326	426,313
	Royalty charges	112,942	92,406
	Share based payment expense	14,789	13,421
	Share based payment recharge	49,971	31,613
Staff retirement benefit plans	Contribution to gratuity fund	57,451	54,114
	Contribution to provident fund	75,593	89,542
Key management personnel	Remuneration and benefits - notes 19.1.1 to 19.1.3	29,341	26,863

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

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022

	Note	Nine months period ended	
		September 30, 2022	September 30, 2021
		(Un-audited)	
		(Rupees in thousand)	
20. CASH GENERATED FROM OPERATIONS			
Profit before taxation		3,957,703	3,076,644
Adjustments for non cash changes and other items:			
Depreciation on operating property, plant and equipment		600,028	663,663
Depreciation on right-of-use assets		69,044	71,079
Retirement of lease liabilities net of right-of-use assets		(58,256)	-
Amortisation		18,424	17,307
Profit on disposal of items of :			
- property, plant and equipment - net		(59,674)	(68,443)
- Non-current Assets held for Disposal - net		-	(75,910)
Property, plant and equipment written off		20,435	579
Staff retirement gratuity expense		57,451	54,114
payment plan		14,789	13,421
Liabilities written back		(69,869)	(55,235)
Stock in trade written down to net realisable value		8,769	14,228
(Reversal) / Provision for obsolete stocks		-	(4,364)
Profit on savings accounts		(796,168)	(293,608)
Unrealised exchange loss - net		416,929	78,543
Finance cost		49,751	49,416
Working capital changes	20.1	(2,099,395)	(1,064,818)
		2,129,961	2,476,616
20.1 Working capital changes			
(Increase) / decrease in current assets			
Stores and spares - net		(2,267)	24,641
Stock in trade - net		(2,410,988)	(1,768,789)
Trade debts - net		(376)	(14,963)
Advances		(21,781)	(92)
Prepayments		38,419	15,871
Other receivables		(511,510)	198,234
		(2,908,503)	(1,545,098)
Increase / (decrease) in current liabilities			
Trade and other payables		418,629	456,731
Sales tax and excise payable		390,479	23,549
		809,108	480,280
		(2,099,395)	(1,064,818)

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022

Nine months period ended	
September 30,	September 30,
2022	2021
(Un-audited)	
(Rupees in thousand)	

21. CASH AND CASH EQUIVALENTS

Cash and bank balances	9,957,109	6,524,002
Less: Amount held as security	(18,861)	(18,861)
	<u>9,938,248</u>	<u>6,505,141</u>

23. SUBSEQUENT EVENT

The Board of Directors in its meeting held on October 26, 2022 declared an interim dividend of Rs 1.0 per ordinary share amounting to Rs 61.580 million and Rs 0.9 per preference share amounting to Rs 941.760 million for the year ending December 31, 2022.

22. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on October 26, 2022 by the Board of Directors of the Company.

24. GENERAL

- 24.1 Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.
- 24.2 Wherever considered necessary, corresponding figures have been reclassified for the purpose of comparison and improved presentation.



Kamran Mirza
Chairman / Director



Roman Yazbeck
Chief Executive Officer



Muhammad Zeeshan
Chief Financial Officer

<http://philipmorrispakistan.com.pk>