



Philip Morris
(Pakistan) Limited

Embrace the change

FOR THE 1st QUARTER ENDED
MARCH 31, 2023 (Un-audited)





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Company Information

BOARD OF DIRECTORS

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

(Chairman)
(Chief Executive)

COMPANY SECRETARY

SANA ENAIT HASHMI

AUDIT COMMITTEE

MIRZA REHAN BAIG
PETER CALON
PATTARAPORN AUTTAPHON
SANA ENAIT HASHMI

(Chairman)

(Secretary)

HUMAN RESOURCE & REMUNERATION COMMITTEE

KAMRAN Y. MIRZA
ROMAN YAZBECK
PETER CALON
MIRELA SPAGOVIC

(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.
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://philipmorriskarachi.com.pk>

Email : pmpk.info@pmi.com

Director's Report

Pakistan's economy has been witnessing the impact of the global economic crisis however the situation has further been exacerbated by the rising current account deficit, foreign exchange crunch, rupee devaluation, and political instability in the Country. The State Bank of Pakistan recently increased the Policy rate by 100 basis points to 21 percent. The inflation in March rose further to 35.4 percent and is expected to remain high in the near term. 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 Track & Trace System ("the System") for the tobacco industry was implemented effective July 01, 2022. The System was rolled out with a view to enhance tax revenue, reduce counterfeiting, and prevent the smuggling of illicit goods through the implementation of robust, nationwide electronic monitoring. However, to date, Philip Morris (Pakistan) Limited (the Company) and two other companies have fully implemented the System whereas, the remaining tobacco manufacturers are still operating without the implementation of the System. The System could only be effective with its across-the-board implementation and robust monitoring of the production volumes and tracking of the goods at the retail outlets. Without effective monitoring, the annual estimated loss of more than PKR 80 billion to the National Exchequer caused by the illicit non-tax paid sector is expected to further increase.

In addition to the targeted revenue of PKR 200 billion in taxes from the tobacco industry announced by the Government through the mini budget in Aug'22, another supplemental budget was announced in Feb'23 with a further increase in revenue from the tobacco industry over and above the Aug'22 target. With the supplemental FED increase in cigarettes by 150%, the cumulative increase in FED in the current fiscal year stands at more than 200%. 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. However, according to the latest market observation, illicit non-tax-paid cigarettes are being sold at an average price of PKR 100 per pack which is significantly below the legal minimum price as mentioned above. 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. This will likely result in a shortfall of the revenue targets set by the Government from the tobacco industry.

During the quarter ended Mar 31, 2023, the Company reported a Total Net Turnover of PKR 5,822 million reflecting an increase of 8.9% vs. the same period last year (SPLY) driven by tobacco exports of PKR 2,365 million, (US\$ 9.7 million), reflecting an increase of more than 100% due to delay in exports from last quarter of 2022. While the Company's domestic Net Turnover of PKR 3,456 million reflects a significant decrease of 23.1% vs. SPLY driven by the massive decline in volumes by 44% vs. Q1'22 due to an excise hike in Feb'23. The Company recorded a profit after tax of PKR 379 million for the quarter ended Mar 31, 2023, reflecting a huge decrease of 67.0% vs. SPLY driven by the impact of the decline in volumes as mentioned above.

During the quarter ended Mar 31, 2023, the Company's contribution to the National Exchequer in the form of excise duty, sales tax, and other Government levies, stood at PKR 5,990 million with a decrease of 16.4% vs. the prior period reflecting the impact of volume decline driven by Feb'23 excise driven price increase. The Company will remain vigilant about the changes in the market dynamics and will endeavor to manage the operations effectively in these challenging times.

On behalf of the Board of Directors.



KAMRAN Y. MIRZA
Chairman Board



ROMAN YAZBECK
Chief Executive

Karachi, April 20th, 2023

ڈائریکٹرز رپورٹ

برائے سہ ماہی ختم 31 مارچ 2023ء

پاکستان کی معیشت عالمی اقتصادی بحران سے گزر رہی ہے تاہم، بڑھتے ہوئے کرنٹ اکاؤنٹ خسارے، زرمبادلہ اور روپے کی قدر میں کمی اور ملک میں سیاسی عدم استحکام نے صورت حال کو مزید گھمبیر بنا دیا ہے۔ حال ہی میں اسٹیٹ بینک آف پاکستان نے پالیسی ریٹ میں 100 بیسس پوائنٹس سے 21 فیصد اضافہ کیا ہے۔ مارچ میں افراط زر مزید بڑھ کر 35.4 فیصد تک پہنچ گیا اور توقع ہے کہ قریبی مدت میں یہ بلند رہے گا۔ طلب، رسد میں رکاوٹوں اور ٹیکسوں میں بے توجہی اضافے کے ساتھ اس طرح کے معاشی دباؤ نے سرمایہ کاروں کے اعتماد کو متزلزل کیا ہے اور کاروبار کے لیے آپریشننگ ماحول کو مزید مشکل بنا رہا ہے۔

تمباکو کی صنعت کے لیے یکم جولائی 2022ء سے، ٹریک اینڈ ٹریس سسٹم ("سسٹم") کا نفاذ کیا گیا تھا۔ یہ سسٹم ٹیکس ریویو میں اضافے، جملہ سازی کو کم کرنے اور ایک مضبوط، ملک گیر الیکٹرانک گمرانی کے نفاذ کے ذریعے غیر قانونی اشیاء کی اسمگلنگ کو روکنے کے مقصد سے شروع کیا گیا تھا۔ تاہم، آج تک فلپ مورس (پاکستان) لمیٹڈ (کمپنی) کے علاوہ دیگر دو (2) کمپنیوں نے سسٹم کا نفاذ کیا ہے جب کہ تمباکو بنانے والی باقی کمپنیاں بھی سسٹم کے نفاذ کے بغیر کام کر رہی ہیں۔ یہ سسٹم صرف بلا امتیاز عمل درآمد اور پیداوار کے حجم کی مضبوط گمرانی اور ٹریسنگ آؤٹ لیٹس پر سامان کی ٹریڈنگ کے ساتھ ہی مؤثر ہو سکتا ہے۔ ٹیکس ادا نہ کرنے والے غیر قانونی شعبے کی وجہ سے قومی خزانے کو ہونے والے 80 ارب روپے سے زائد کے سالانہ تخمینی نقصان کی موثر گمرانی کے بغیر مزید اضافہ متوقع ہے۔

اگست 2022ء کو حکومت کی جانب سے منشی بجٹ کے ذریعے اعلان کردہ تمباکو کی صنعت سے ٹیکسوں کی مد میں 200 ارب روپے کی ہدفی آمدنی کے علاوہ، فروری 2023ء میں ایک اور ضمنی بجٹ کا اعلان کیا گیا جس میں اگست 2022ء کے ہدف کے اوپر تمباکو کی صنعت سے ہونے والی آمدنی میں مزید اضافہ کیا گیا۔ سگریٹ میں ایف ای ڈی (FED) کے اندر 150 فیصد ضمنی اضافے کے ساتھ، رواں مالی سال میں ایف ای ڈی (FED) کے اندر مجموعی اضافہ 200 فیصد سے زیادہ ہے۔ ٹیکس قوانین کے تحت ایف ای ڈی (FED) اور سیلز ٹیکس کی لیوی اور کٹیکشن کے لیے تجویز کردہ کم از کم قیمت کو بھی 1.70 سے بڑھا کر 127.4 کر دیا گیا ہے۔ تاہم، مارکیٹ کے تازہ ترین مشاہدے کے مطابق، ٹیکس ادا نہ کرنے والی غیر قانونی سگریٹ 100 روپے کی اوسط قیمت پر فروخت کیے جا رہے ہیں جو اوپر بیان کی گئی قانونی کم از کم قیمت سے کافی کم ہے۔ ایکسائز میں اس غیر متوقع اور بدترین اضافے سے ٹیکس ادا نہ کرنے والے غیر قانونی مینوفیکچررز

کوئیکس ادا کرنے والی تمباکو کی صنعت کے خرچے پر اپنے کاروبار بڑھانے اور مزید اضافہ کرنے کا موقع فراہم کرنے کا امکان ہے۔ اس کے نتیجے میں تمباکو کی صنعت سے حکومت کی طرف سے مقرر کردہ آمدنی کے اہداف میں کمی واقع ہوگی۔

31 مارچ 2023 کو ختم ہونے والی سہ ماہی کے دوران، کمپنی کا خالص ٹرن اوور 5,822 ملین روپے رہا جبکہ 2,365 ملین روپے (9.7 بلین امریکی ڈالر) کی تمباکو کی برآمدات کی وجہ سے گزشتہ سال کی اسی مدت (SPLY) کے مقابلے میں 8.9 فیصد کا اضافہ ظاہر کرتا ہے۔ 2022 کی آخری سہ ماہی میں برآمدات میں تاخیر کی وجہ سے 100 فیصد سے زیادہ کے اضافے کی عکاسی کرتا ہے۔ جب کہ کمپنی کا ملکی خالص ٹرن اوور 3,456 ملین روپے گزشتہ سال کی اسی مدت (SPLY) کے مقابلے میں 23.1 فیصد کی نمایاں کمی کو ظاہر کرتا ہے جس کی وجہ سے فروری 2023 میں ایکسائز میں اضافے کے سبب 2022 کی پہلی سہ ماہی کے مقابلے میں حجم کے اندر 44 فیصد کی زبردستی واقع ہوئی۔ 31 مارچ 2023 کو ختم ہونے والی سہ ماہی کے لیے کمپنی کا منافع بعد از ٹیکس 379 ملین روپے رہا جو گزشتہ سال کی اسی مدت (SPLY) کے مقابلے میں 67 فیصد کی نمایاں کمی کو ظاہر کرتا ہے جو حجم میں کمی کے اثرات کی وجہ سے ہے جیسا کہ اوپر بیان کیا گیا ہے۔ 31 مارچ 2023 کو ختم ہونے والی سہ ماہی کے دوران، ایکسائز ڈیوٹی، ہیلز ٹیکس اور دیگر سرکاری محصولات کی صورت میں قومی خزانے میں کمپنی کا حصہ 16.4 کمی کے ساتھ 5,990 ملین روپے رہا جو گزشتہ سال کی اسی مدت (SPLY) کے مقابلے میں فروری 2023 کے ایکسائز کی وجہ سے قیمتوں میں اضافے کے نتیجے میں حجم میں کمی کے اثرات کو ظاہر کرتا ہے۔ کمپنی مارکیٹ میں ہونے والی تبدیلیوں کے بارے میں چوکنا رہے گی اور اس انتہائی مشکل وقت میں آپریشنز کو موثر طریقے سے منظم کرنے کی کوشش کرے گی۔

بورڈ آف ڈائریکٹرز کی جانب سے



رومن یابیک

چیف ایگزیکٹو



کامران وائی۔ مرزا

چیرمین بورڈ

کراچی، 20 اپریل 2023



FINANCIAL STATEMENTS

Condensed Interim Statement of Financial Position

As at March 31, 2023

		March 31, 2023	December 31, 2022
		(Rupees in thousand)	
ASSETS	Note		
NON CURRENT ASSETS			
FIXED ASSETS			
- Property, plant and equipment	5	5,358,551	5,443,070
- Right-of-use assets		244,521	279,178
- Intangibles		18,579	24,113
		<u>5,621,651</u>	<u>5,746,361</u>
Investment in a subsidiary company	6	1	1
Long term deposits		91,991	91,952
Deferred taxation		238,864	19,073
		<u>5,952,507</u>	<u>5,857,387</u>
CURRENT ASSETS			
Stores and spares - net		68,123	57,503
Stock in trade - net	7	7,117,650	8,689,766
Trade debts - net		8,896	-
Advances	8	134,146	134,011
Prepayments		56,557	72,541
Other receivables		1,512,572	1,755,838
Income tax - net		410,898	646,714
Staff retirement benefits		144,173	144,173
Short term investment		3,006,662	2,015,377
Cash and bank balances		6,980,372	7,302,365
Non-current assets held for disposal	9	-	-
TOTAL CURRENT ASSETS		<u>19,440,049</u>	<u>20,818,288</u>
TOTAL ASSETS		<u>25,392,556</u>	<u>26,675,675</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		4,568,174	4,188,832
TOTAL EQUITY		<u>15,614,066</u>	<u>15,234,724</u>
NON CURRENT LIABILITIES			
Lease liabilities		225,046	251,145
CURRENT LIABILITIES			
Trade and other payables	10	8,047,154	8,800,476
Current maturity of lease liabilities		61,801	61,276
Unclaimed dividend		37,194	37,780
Unpaid dividend		901,706	901,706
Sales tax and excise duty payable		505,589	1,388,568
TOTAL CURRENT LIABILITIES		<u>9,553,444</u>	<u>11,189,806</u>
TOTAL LIABILITIES		<u>9,778,490</u>	<u>11,440,951</u>
TOTAL EQUITY AND LIABILITIES		<u>25,392,556</u>	<u>26,675,675</u>
CONTINGENCIES AND COMMITMENTS	11		

The annexed notes from 1 to 20 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 Ended March 31, 2023

		Quarter Ended	
		March 31, 2023	March 31, 2022
		(Un-audited)	
Note		(Rupees in thousand)	
Turnover - net	12	5,821,875	5,345,217
Cost of sales	13	3,505,364	3,030,132
Gross profit		<u>2,316,511</u>	<u>2,315,085</u>
Distribution and marketing expenses		873,037	537,474
Administrative expenses		377,068	283,818
Other expenses		900,179	111,469
Other income		(446,601)	(236,449)
		<u>1,703,683</u>	<u>696,312</u>
Operating profit		<u>612,828</u>	<u>1,618,773</u>
Finance cost and bank charges		14,145	15,627
Profit before taxation		<u>598,683</u>	<u>1,603,146</u>
Taxation	14	219,341	453,314
Profit after taxation		<u>379,342</u>	<u>1,149,832</u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u><u>379,342</u></u>	<u><u>1,149,832</u></u>
----- (Rupees) -----			
Earnings per share			
- Basic	15.1	<u>6.16</u>	<u>18.67</u>
- Diluted	15.2	<u>4.59</u>	<u>15.03</u>

The annexed notes from 1 to 20 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 (Un-Audited)

For The Quarter Ended March 31, 2023

	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
				Remeasurement of staff retirement gratuity plan - net of tax			Accumulated loss / unappropriated profit				
(Rupees in thousand)											
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
Total comprehensive income											
Profit after taxation for the three months period ended March 31, 2022	-	-	-	-	-	-	-	1,149,832	1,149,832	1,149,832	1,149,832
Balance as at March 31, 2022	615,803	10,464,000	(33,911)	23,182	(258,429)	(235,247)	3,328,327	382,332	3,710,659	3,475,412	14,521,304
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
Total comprehensive income											
Profit after taxation for the three months period ended March 31, 2023	-	-	-	-	-	-	-	379,342	379,342	379,342	379,342
Balance as at March 31, 2023	615,803	10,464,000	(33,911)	57,717	(236,118)	(178,401)	3,328,327	1,418,248	4,746,575	4,568,174	15,614,066

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.


Kamran Mirza
Chairman / Director


Roman Yazbeck
Chief Executive Officer


Muhammad Zeeshan
Chief Financial Office

Condensed Interim Statement Of Cash Flows (Un-Audited)

For The Quarter Ended March 31, 2023

	Note	Quarter Ended	
		March 31, 2023 (Un-audited)	March 31, 2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	17	718,395	1,717,711
Finance cost paid		(5,668)	(15,694)
Income taxes paid		(260,917)	(64,210)
Profit received on savings accounts		368,796	190,357
Long term deposits and prepayments		(39)	-
Net cash generated from operating activities		<u>820,567</u>	<u>1,828,164</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(133,433)	(141,724)
Proceeds from disposal of items of property, plant and equipment		6,552	39,257
Net cash used in investing activities		<u>(126,881)</u>	<u>(102,467)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(586)	(63)
Lease payments		(23,808)	(23,914)
Net cash used in financing activities		<u>(24,394)</u>	<u>(23,977)</u>
Net increase in cash and cash equivalents during the period		<u>669,292</u>	<u>1,701,720</u>
Cash and cash equivalents at the beginning of the period		9,298,881	7,972,982
Cash and cash equivalents at the end of the period	18	<u>9,968,173</u>	<u>9,674,702</u>

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.


Kamran Mirza
Chairman / Director


Roman Yazbeck
Chief Executive Officer


Muhammad Zeeshan
Chief Financial Office

Notes To And Forming Part Of The Condensed Interim Financial Statements (Un-Audited)

For The Quarter Ended March 31, 2023

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. Its registered office is situated at 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, 2022 (December 2022 financial statements), except relating to the matter stated in note 2.3 below.

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

2.4 New standards, amendments and an interpretation to published accounting and reporting standards which became effective during the period ended March 31, 2023:

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

3. BASIS OF PREPARATION

3.1 These condensed interim financial statements include the condensed interim statement of financial position as at March 31, 2023, the condensed interim statement of profit or loss and other comprehensive income, the condensed interim statement of changes in equity, the condensed interim statement of cash flows and notes thereto for the three months period then ended which were not audited.

3.2 The comparative statement of financial position presented in these condensed interim financial statements as at December 31, 2022 has been extracted from the December 2022 financial statements. The comparative statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the three months period ended March 31, 2022 have been extracted from the condensed interim financial statements of the Company for the three months period then ended, which were not audited.

3.3 These interim financial statements should be read in conjunction with the December 2022 financial statements as these provide an update of previously reported information.

Notes To And Forming Part Of The Condensed Interim Financial Statements (Un-Audited)

For The Quarter Ended March 31, 2023

4. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

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

5. PROPERTY, PLANT AND EQUIPMENT

		March 31, 2023	December 31, 2022
		(Un-audited)	(Audited)
	Note	(Rupees in thousand)	
Operating property, plant and equipment	5.1	4,985,905	4,936,829
Capital work-in-progress (CWIP)	5.5	372,646	506,241
		5,358,551	5,443,070
5.1 Operating property, plant and equipment			
Book value at the beginning of the period / year		4,936,829	4,685,850
Additions / transfers from CWIP during the period / year	5.2	267,217	1,103,943
		5,204,046	5,789,793
Disposals during the period / year - net book value	5.3	(2,948)	(21,016)
Write offs during the period / year - net book value		-	(21,287)
Depreciation charge during the period / year	5.4	(215,193)	(810,661)
		(218,141)	(852,964)
Book value at the end of the period / year		4,985,905	4,936,829
		Quarter Ended	
		March 31, 2023	March 31, 2022
		(Un-audited)	
		(Rupees in thousand)	
5.2 Additions / transfers from CWIP during the period			
Buildings on freehold land		3,839	10,065
Plant and machinery		61,408	266,576
Furniture and fixtures		582	26
Office equipments		654	5,916
Vehicles		131,699	24,770
Power and other installations		7,862	9,899
Computer Equipment		61,173	54,740
		267,217	371,992
5.3 Disposals during the period - net book value			
Vehicles		2,948	2,047

Notes To And Forming Part Of The Condensed Interim Financial Statements (Un-Audited)

For The Quarter Ended March 31, 2023

		Quarter Ended	
		March 31, 2023	March 31, 2022
		(Un-audited)	
		(Rupees in thousand)	
5.4	Depreciation charge during the period on property, plant and equipment	215,193	212,928
		March 31, 2023	December 31, 2022
		(Un-audited) (Audited)	
		(Rupees in thousand)	
5.5	Capital work-in-progress		
	Civil works	54,025	58,566
	Plant and machinery	248,282	248,886
	Power and other installations	3,585	10,414
	Furniture and fixtures	-	35,242
	Computer equipment pending installations	46,720	-
	Advance to suppliers and contractors	20,034	153,133
		372,646	506,241

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 three months period ended March 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 March 31, 2022 amounted to Rs Nil, in accordance with the un-audited condensed interim financial statements for the three months period then ended. The subsidiary company has filed an application dated August 30, 2019 with the Securities and Exchange Commission of Pakistan (SECP) for obtaining the status of an inactive company under section 424 of the Companies Act, 2017, however, response in this regard from SECP is awaited.

The 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.	STOCK IN TRADE - net		March 31, 2023	December 31, 2022
			(Un-audited) (Audited)	
		Note	(Rupees in thousand)	
	Raw and packing materials	7.1	5,162,342	7,518,621
	Work-in-process		300,525	366,817
	Finished goods		1,736,301	851,861
			7,199,168	8,737,299
	Provision for obsolete stocks	7.2	(81,518)	(47,533)
			7,117,650	8,689,766

7.1 Includes raw & packing material in transit aggregating Rs 212.504 million (December 31, 2022: Rs 348.533 million)

7.2 During the current period, the Company has written off provision against raw and packing materials aggregating Rs 4.264 million (December 31, 2022: Rs 43.166 million).

Notes To And Forming Part Of The Condensed Interim Financial Statements (Un-Audited)

For The Quarter Ended March 31, 2023

8. ADVANCES	March 31, 2023 (Un-audited)	December 31, 2022 (Audited)
Note	(Rupees in thousand)	
Unsecured		
Advances to:		
- Employees	8.1	24,469
- Suppliers and contractors		14,582
		<u>39,051</u>
Secured		
Advance to a supplier	8.2	111,261
Less: Provision against advance		<u>(16,166)</u>
		<u>95,095</u>
		<u>134,146</u>
		<u>38,916</u>
		<u>134,011</u>
8.1	Advances to employees are given to meet business expenses and are settled as and when the expenses are incurred.	
8.2	There is no signification change in the status of the case as set out in note 11.2 to the December 2022 financial statements.	
9. NON-CURRENT ASSETS HELD FOR DISPOSAL	March 31, 2023 (Un-audited)	December 31, 2022 (Audited)
	(Rupees in thousand)	
Transferred from 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>
10. TRADE AND OTHER PAYABLES		
Creditors	2,983,118	2,915,705
Bills payable	2,489,194	2,097,541
Royalty payable to a related party	667,574	509,168
Accrued expenses	1,140,211	1,404,092
Tobacco development cess	67,275	67,275
Contractors' retention money	4,123	4,129
Advance from customers		
/ contract liabilities - unsecured	292,013	1,350,939
Workers' welfare fund	108,341	82,466
Workers' profit participation fund	32,964	-
Others	262,341	369,161
	<u>8,047,154</u>	<u>8,800,476</u>
11. CONTINGENCIES AND COMMITMENTS		
11.1 Guarantees		
	Indemnities given to banks for guarantees issued by them in the normal course of business aggregated Rs 48.861 million (December 31, 2022: Rs 69.565 million).	

Notes To And Forming Part Of The Condensed Interim Financial Statements (Un-Audited)

For The Quarter Ended March 31, 2023

11.2 Commitments	March 31, 2023 (Un-audited)	December 31, 2022 (Audited)
	(Rupees in thousand)	
Capital expenditure contracted for but not incurred	90,975	100,293
Post dated cheques	90,357	111,365
Operating lease commitments	19,625	30,174
11.3 Contingencies		
There is no significant change in the status of the cases set out in notes 22.3 to 22.6 to the December 2022 financial statements.		
12. TURNOVER - net	Quarter ended March 31, 2023 (Un-audited)	March 31, 2022
	(Rupees in thousand)	
Gross turnover		
- Domestic	9,834,572	11,946,354
- Export	2,365,336	848,289
	12,199,908	12,794,643
Less: Trade discount	320,080	262,984
Sales tax	1,509,847	1,798,481
Excise duty	4,548,106	5,387,961
	6,378,033	7,449,426
	5,821,875	5,345,217
13. COST OF SALES		
Raw and packing materials consumed		
Opening stock	7,518,621	5,047,334
Purchases, redrying and related expenses	1,384,097	1,251,057
	8,902,718	6,298,391
Closing stock	(5,162,342)	(3,717,025)
	3,740,376	2,581,366
Government levies	7,934	10,291
Manufacturing expenses	547,618	608,467
	4,295,928	3,200,124
Work-in-process		
Opening stock	366,817	260,725
Closing stock	(300,525)	(212,921)
Sale of waste	(5,519)	(1,798)
	60,773	46,006
Cost of goods manufactured	4,356,701	3,246,130
Finished goods		
Opening stock	851,861	619,328
Finished goods purchased	33,103	-
Closing stock	(1,736,301)	(835,326)
	(851,337)	(215,998)
	3,505,364	3,030,132

Notes To And Forming Part Of The Condensed Interim Financial Statements (Un-Audited)

For The Quarter Ended March 31, 2023

14. TAXATION

Quarter ended
March 31, **March 31,**
2023 **2022**
(Un-audited)

(Rupees in thousand)

Current	439,320	262,212
Deferred	(219,979)	191,102
	219,341	453,314

15. EARNINGS PER SHARE – BASIC AND DILUTED

15.1 Basic earnings per share

Profit for the period after taxation	379,342	1,149,832
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(No. of shares)

Weighted average number of ordinary shares	61,580,341	61,580,341
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(Rupees)

Basic earnings per share	6.16	18.67
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(Rupees in thousand)

15.2 Diluted earnings per share

Profit for the period after taxation	379,342	1,149,832
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(No. of shares)

Weighted average number of ordinary shares	61,580,341	61,580,341
Adjustment for convertible preference shares	21,116,352	14,904,922
	82,696,693	76,485,263

(Rupees)

Diluted earnings per share	4.59	15.03
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16. RELATED PARTIES DISCLOSURES

- 16.1 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:

Notes To And Forming Part Of The Condensed Interim Financial Statements (Un-Audited)

For The Quarter Ended March 31, 2023

Relationship	Nature of transaction	Quarter ended	
		March 31, 2023	March 31, 2022
		(Un-audited)	
		(Rupees in thousand)	
Associated undertakings	Sale of goods and services	2,366,906	1,515,581
	Purchase of goods and services	140,014	79,104
	Royalty charges	32,595	32,784
Staff retirement plans	Contribution to gratuity fund	19,583	19,150
	Contribution to provident fund	25,837	23,991
Key management personnel	Remuneration and benefits - note 16.1.1 to 16.1.3	11,105	10,485

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

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

17. CASH GENERATED FROM OPERATIONS

Note	Quarter ended	
	March 31, 2023	March 31, 2022
	(Un-audited)	
	(Rupees in thousand)	
	598,683	1,603,146
Profit before taxation		
Adjustments for non cash changes and other items:		
Depreciation	239,606	231,960
Amortisation of intangibles	5,534	6,111
Provision for slow moving stores and spares	23,797	-
Provision for obsolete stocks	81,518	-
Profit on short term deposits	(368,796)	(190,357)
Profit on disposal of property, plant and equipment	(3,604)	(37,210)
Property, plant and equipment written off	-	657
Finance cost	14,145	15,627
Working capital changes	127,512	87,777
	718,395	1,717,711
17.1 Working capital changes		
Decrease / (increase) in current assets		
Stores and spares	(34,417)	1,600
Stock in trade	1,490,598	1,157,602
Trade debts	(8,896)	(8,075)
Advances	(135)	(3,109)
Prepayments	15,984	15,059
Other receivables	243,266	21,550
	1,706,400	1,184,627
Increase / (decrease) in current liabilities		
Trade and other payables	(695,909)	(1,721,111)
Sales tax and excise duty payable	(882,979)	624,261
	(1,578,888)	(1,096,850)
	127,512	87,777

Notes To And Forming Part Of The Condensed Interim Financial Statements (Un-Audited)

For The Quarter Ended March 31, 2023

18. CASH AND CASH EQUIVALENTS

Quarter ended
March 31, **March 31,**
2023 **2022**
(Un-audited)
(Rupees in thousand)

Cash and bank balances	6,980,372	9,693,563
Less: Amount held as security	(18,861)	(18,861)
Short term borrowings	3,006,662	-
	9,968,173	9,674,702
	9,968,173	9,674,702

19. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on April 20, 2023 by the Board of Directors of the Company.

20. GENERAL

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



Kamran Mirza
Chairman / Director



Roman Yazbeck
Chief Executive Officer



Muhammad Zeeshan
Chief Financial Officer



<http://philipmorrispakistan.com.pk>