



PHILIP MORRIS  
(PAKISTAN) LIMITED

## HALF YEARLY REPORT

For the half year ended June 30, 2020  
(Un-audited)



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(Un-audited)



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## COMPANY INFORMATION

### BOARD OF DIRECTORS

KAMRAN Y. MIRZA	(Chairman)
ROMAN YAZBECK	(Chief Executive)
MICHAEL SCHARER	
LIM KHANG WEI	
MUHAMMAD ZEESHAN	
PATTARAPORN AUTTAPHON	
LT. GEN. (R) TARIQ KHAN	

### COMPANY SECRETARY

MUSTAFA KAMAL ZUBERI	(until August 10, 2020)
FAIZA KAPADIA RAFFAY	(from August 11, 2020)

### AUDIT COMMITTEE

LT. GEN. (R) TARIQ KHAN	(Chairman)
LIM KHANG WEI	
PATTARAPORN AUTTAPHON	
MUSTAFA KAMAL ZUBERI	(until August 10, 2020) (Secretary)
FAIZA KAPADIA RAFFA	(from August 28, 2020) (Secretary)

### HUMAN RESOURCE & REMUNERATION COMMITTEE

KAMRAN Y. MIRZA	(Chairman)
ROMAN YAZBECK	
MICHAEL SCHARER	
SARAH HASSAN	(Secretary)

### AUDITORS

A. F. FERGUSON & CO.  
Chartered Accountants

### BANKERS

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

### REGISTERED OFFICE

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

### FACTORIES

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

### SHARE REGISTRAR

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

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

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



## DIRECTORS' REVIEW

During the period, the World Health Organization (WHO) declared COVID-19 (the Virus) a pandemic. When dealing with the pandemic our priority remained to ensure the safety of our employees and stakeholders. As a responsible organization, we established SOPs in line with provincial directives and has taken all relevant measures in order to ensure the safety of our consumers and employees. The series of safety measures taken included mandating work from home for office based employees, restricting factory access to essential workers only, implementing temperature screening, enhancing cleaning and sanitization protocols, compartmentalizing activities (i.e. separation of working groups, staggered break/mealtimes and shift changes, etc.), providing additional employee transport to respect social distancing, and providing personal protective equipment for use at all times.

Due to initial directives and subsequent lockdown notifications by the Government of Punjab, the Sahiwal factory experienced intermittent closure during the period for few days due to lockdown imposed by the Government. The Company prioritized business continuity during the lockdown and with the support of the management team, all efforts were made to minimize adverse impact on operations. As lockdown measures have been eased by the Government, the company's offices across the country have transitioned back to work with all relevant SOPs in place ranging from the smart work approach of having certain number of employees working from office, screening and testing facilities available to continue ensuring safety of our employees.

The Company launched a comprehensive project comprising of monetary and in-kind donations across Pakistan to support livelihoods of many individuals which are impacted due to country wide COVID-19 related restrictions. We partnered with Kashf Foundation to provide relief to the impacted groups along with distribution of food rations and hygiene kits. Moreover, the company's employees also voluntarily participated actively to deliver food rations to those most in need. The Company also donated over 35,000 Persona Protective Equipment to Paiman Alumni Trust who delivered them to various hospitals and also conducted awareness drives to educate marginalized groups on basic measures to avoid contraction of COVID-19. These initiatives are in line with Philip Morris International's global relief efforts against the pandemic since its outbreak, with relief efforts through various initiatives in more than 70 countries.

During the period, the legally compliant tax paying cigarette industry continues to face challenges from the illicit cigarette sector, currently estimated at 35.2% of the total tobacco market (Jun'20 - Retail Audit). This is mainly attributable to the multiple excise tax increases that stretched the price gap between illicit and legally compliant tax paying cigarette industry as well as growing incidence of downtrading due to the presence of domestically produced, illegally available, duty not paid cigarettes in the market selling at prices lower than the legally permissible limit of PKR 63/pack. Further, it is also observed that local tobacco manufacturers continue to violate tobacco advertisement restrictions as per guidelines issued by the Government.

Our Company has sold 5.2 billion sticks in HY'20 compared to 8.3 billion sticks in 2019, resulting in a decrease of 37% compared to the same period last year, reflecting the rise of illicit, whereas Company's net turnover decreased by 7% for six months ended June 30th, 2020 due to price increases in Jun'19 and Feb'20 (despite 37% volume decline). Our contribution to the National Exchequer, in the form of excise tax, sales tax and other government levies stood at PKR 12,493 million for the period. The contribution registered a decrease of 21% as compared to the same period last year primarily due to a declining volume base of the legally compliant industry which is under pressure from growing threat of illicit trade.



## DIRECTORS' REVIEW

Despite the mentioned challenges, the Company recorded Profit before tax of PKR 1,252 million for the three months period ended June 30th, and PKR 1,801 million for the six months period ended June 30th, 2020 compared to Profit before tax of PKR 1,202 million and Loss before tax of PKR 550 million for the same period of 2019. The three months increase in Operating profit before tax is mainly driven by increase in Gross Profit due to lower manufacturing cost and pricing coupled with decrease in distribution and marketing expenses. Further, the overall increase in six months Operating Profit before tax from last year is mainly due to significant decrease in Other Expenses by PKR 2,350 million mainly due to one off impairment and employee separation cost charged on account of closure of factory in Kotri coupled with decrease in distribution and marketing expenses. The Company is committed to continuously optimizing its cost base by ensuring effectiveness of its distribution and marketing expenses and allocating its resources for initiatives which we believe can earn the best returns. Further, we continue to find efficiencies in our manufacturing and administrative expenses.

The Company strongly believes that lack of a level playing field due to the prevalence of illicit cigarettes are a threat to the long term sustainability of the legally compliant tax paying cigarette industry volume base and are detrimental for the Government revenues. During the period, Federal Budget 2020/21 was announced and approved with no increase in excise rates on locally produced cigarettes, we believe this an important step but doesn't address the existing price gap between legally compliant tax paid industry and illicit. In our view, in the interest of all stakeholders, Government should be taking sustainable measures through strict enforcement against illicit sector. The Company supported the awareness drive during the period around the growing menace of illicit which has an annual negative impact of PKR 44 billion (estimated) on Government revenue.

The management team is committed towards improving the overall performance of the Company by utilizing global resources, pursuing strategic commercial activities, continuous improvements in product quality, process and operational efficiency, as well as resource utilization and allocation. Further, growing our gross margin and controlling the cost remain our priorities for improving profitability in a challenging environment.

On behalf of the Board of Directors, we would like to express our gratitude and appreciation to all our employees, shareholders, business partners and other institutions for their continued trust and support.

On behalf of the Board of Directors,

**KAMRAN Y. MIRZA**  
Chairman

**ROMAN YAZBECK**  
Chief Executive

Karachi: August 28, 2020



## ڈائریکٹرز رپورٹ

مذکورہ بالا چیلنجوں کے باوجود، کمپنی نے مؤرخہ 30 جون، 2020ء کو ختم ہونے والی سہ ماہی کے دوران 1,252 ملین روپے کا قبل از ٹیکس منافع حاصل کیا جبکہ 30 جون کو ختم ہونے والی ششماہی کے دوران قبل از ٹیکس منافع 1,801 ملین روپے تھ جس کے مقابلے میں، سنہ 2019ء میں، اسی سہ ماہی کے دوران قبل از ٹیکس منافع 1,202 ملین روپے تھا جبکہ قبل از ٹیکس نقصان 650 ملین روپے تھا۔ ان تین ماہ کے دوران، قبل از ٹیکس آپریٹنگ منافع میں اضافے کی بنیادی وجہ مجموعی منافع میں 8 فیصد اضافہ تھا جو مینوفیکچرنگ کے اخراجات اور قیوتوں کے باعث تھا اور اسی کی ساتھ تقسیم اور مارکیٹنگ کے اخراجات میں کمی تھی۔ مزید یہ کہ، گزشتہ برس کے مقابلے میں، ان چھ ماہ کے دوران، قبل از ٹیکس آپریٹنگ منافع میں اضافے کی بنیادی وجہ دیگر اخراجات میں نمایاں کمی ہے جو 2,350 ملین روپے تھے اور ان اخراجات میں کمی کا بنیادی سبب کوٹری میں واقع فیکٹری کی بندش کے باعث ملازمین کی علیحدگی اور ایک مرتبہ ہونے والا نقصان کے خاتمے کے ساتھ ڈسٹری بیوشن میں لا کر، جن سے بہتر منافع حاصل کیا جا سکتا ہے، اپنے اخراجات میں زیادہ سے زیادہ بہتری کے لیے پرعزم ہے۔ مزید یہ کہ، ہم اپنے مینوفیکچرنگ اور انتظامی اخراجات سے بھی زیادہ سے زیادہ فائدہ حاصل کرنے کی کوششیں جاری رکھیں گے۔

اس عرصے کے دوران، فلیپ مورس (پاکستان) لمیٹڈ کی جانب سے ایکسٹرنل ٹیکس، سلیز ٹیکس اور دیگر سرکاری محصولات کی صورت میں، قومی خزانے میں حصہ 12,493 ملین روپے، باہر اس طرح، قومی خزانے کو ادا کیے گئے ٹیکسوں میں، گزشتہ برس کے مقابلے میں، 21 فیصد کمی واقع ہوئی جس کی وجہ قانون کی پاسداری کرنے والی صنعت کے حجم میں کمی تھی جسے سگریٹوں کی غیر قانونی تجارت کی جانب سے مسلسل بڑھتے ہوئے باڈ کا سامنا ہے۔

ہماری کمپنی کی پینڈے رائے ہے کہ غیر قانونی سگریٹوں کی دستیابی اور مساوی مواقع کی عدم موجودگی، قانون کی پاسداری کرنے والی اور ٹیکس ادا کرنے والی سگریٹ کی صنعت کے استحکام کے لیے طویل المیعاد خطرہ اور سرکاری محصولات کے تباہ کن ہیں۔ اس عرصے کے دوران وفاقی بجٹ 2020-21ء کا اعلان کیا گیا اور مقامی طور پر تیار کردہ سگریٹوں پر (پریمیم اور پیلو پیپر) پر لاگو ایکسائز کی شرحوں میں اضافہ کیے بغیر منظور کر لیا گیا۔ ہم سمجھتے ہیں کہ یہ ایک اہم قدم ہے لیکن سے قانونی طور پر اور ٹیکس ادا کرنے والی صنعت اور غیر قانونی صنعت کے درمیان قیمتوں کا فرق دور کرنے کے لیے کافی نہیں ہیں۔ ہم سمجھتے ہیں تمام فریقین کے مفاد میں حکومت کو چاہیے کہ وہ مزید بائیدار اقدامات کرے جس سے نہ صرف یہ کہ سرکاری محصولات میں اضافہ ہو بلکہ قانون کی پاسداری کرنے والی اور ٹیکس ادا کرنے والی صنعت کو بھی ایکسائز ٹیکس کی شرح میں یقینی اور معتدل اضافے کے ساتھ سگریٹوں کی غیر قانونی صنعت کے خلاف سخت اقدامات پر عمل کرے۔ فلیپ مورس (پاکستان) لمیٹڈ نے، اس عرصے کے دوران سگریٹوں کی بڑھتی ہوئی برائی کے خلاف آگاہی کی مہموں کی حمایت بھی کی جس سے سرکاری محصولات پر سالانہ 44 ارب روپے (تخمینہ) کا اضافی اثر پڑا ہے۔

عالمی وسائل سے استفادے، حکمت عملی پر مبنی مارکیٹنگ کی سرگرمیوں پر عمل درآمد، مصنوعات کے معیار میں مسلسل بہتری، عمل اور طریقہ کار میں بہتری اور وسائل کی فراہمی اور استعمال کے ذریعے انتظامیہ کمپنی کی مجموعی کارکردگی میں بہتری لانے کے لیے پرعزم ہے۔ دشوار ماحول میں ہمارا بڑھتا ہوا مجموعی منافع اور اخراجات پر کنٹرول کمپنی کے منافع کو بہتر بنانے کے اہداف میں شامل ہیں۔

ہم بورڈ آف ڈائریکٹرز کی جانب سے اپنے تمام ملازمین، متعلقہ فریقین، کاروباری شراکت داروں اور دیگر اداروں کو شکریہ ادا کرتے ہیں اور ان کے مسلسل اعتماد اور تعاون کو سراہتے ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے

رومن یابیک  
چیف ایگزیکٹو

کامران یوسف مرزا  
چیئر مین

بتاریخ: کراچی، 28 اگست، 2020ء





## ڈائریکٹر رپورٹ

زیر جائزہ عرصے کے دوران، عالمی ادارہ صحت (World Health Organisation; WHO) نے کووڈ-19 (وائرس) وبا کے عالمی سطح پر پھیلاؤ کا اعلان کیا۔ چنانچہ اس وبا سے نمٹنے کے دوران اپنے ملازمین اور متعلق فریقین کا تحفظ ہماری اولین ترجیح رہی۔ ایک ذمہ دار ادارے کے طور پر فلیپ مورس (پاکستان) لمیٹڈ (PMPKL) نے صوبائی حکومت کی جانب سے جاری کردہ احکامات کے تحت معیاری ضابطہ کار (Standard Operating Procedures; SOPs) تیار کیے اور اپنے تمام ملازمین اور صارفین کا تحفظ یقینی بنانے کی غرض سے تمام ممکن اقدامات کیے۔ اس سلسلے میں جو اقدامات کیے گئے ان میں، دفتر میں کام کرنے والے افراد کے لیے گھر سے کام کرنا (home-from-work) لازمی قرار دینے کے علاوہ، سوائے ایسے ملازمین کے، جن کی فیکٹری میں موجودگی لازمی ہو، دیگر تمام ملازمین کی آمد کو محدود کر دیا گیا۔ اس کے علاوہ دفتر یا فیکٹری آنے والے افراد کے لیے درجہ حرارت ناپنے، صفائی اور جراثیم سے پاک کرنے کے وکٹوں اور طریقہ کار میں اضافہ کیا گیا، خدمات کو مزید پبلی شیوں میں تقسیم کیا گیا (یعنی ورک گروپس کو الگ کرنا، کھانے/نماز کے لیے غیر متعینہ اوقات اور نشیوں کے اوقات کار میں تبدیلی وغیرہ)، ملازمین کے درمیان سماجی فاصلہ برقرار رکھنے کے لیے اضافی ٹرانسپورٹ کی فراہمی اور ہر وقت استعمال کرنے کے لیے پرسنل پروٹیکٹو ایپریس (PPEs) کی فراہمی شامل تھے۔

ابتدائی احکامات اور حکومت پنجاب کی جانب سے تالا بندی کے لیے جاری کردہ نوٹیفیکیشن کے باعث، سماجی وال فیکٹری کو، کچھ عرصے کے لیے، بار بار، بندش کا سامنا کرنا پڑا تاہم، اس تالا بندی کے دوران بھی، کمپنی نے کاروبار کے تسلسل کو ترجیح دی، اور آپریٹنگ کو خفی اثرات سے بچانے کے لیے، انتظامی ٹیم کی مدد سے، تمام مکملہ کوششیں کیں۔ اب، جیسا کہ حکومت کی جانب سے تالا بندی کے اقدامات میں نرمی کر دی گئی ہے، پورے ملک میں کمپنی کے دفاتر اپنے معمول کے مطابق کام کر رہے ہیں، تاہم، ملازمین کا تحفظ یقینی بنانے کی غرض سے تمام متعلق معیاری ضوابط کار (SOPs) پر بھی عمل درآمد ہو رہا ہے جن میں، بعض ملازمین کا گھر سے کام کرنا (home-from-work)، اسکریننگ اور ٹیسٹنگ کی سہولتیں شامل ہیں۔

کمپنی نے، کووڈ-19 کے باعث عائد کی گئی پابندیوں سے متاثر ہونے والے افراد کی گزر اوقات کے لیے پورے پاکستان میں مالی اور اشیاء کی صورت میں عطیات کا ایک جامع پروجیکٹ شروع کیا۔ ہم نے کشف فاؤنڈیشن (Kashf Foundation) کے ساتھ ایک شراکت قائم کی تاکہ متاثر ہونے والے گروہوں میں خوراک کی تقسیم کے ساتھ حفظانِ صحت کی کٹس (kits) بھی تقسیم کی جاسکیں۔ مزید برآں، انتہائی ضرورت مند افراد میں خوراک کی تقسیم کے لیے کمپنی کے ملازمین نے بھی بڑھ چڑھ کر کھد لیا۔ کمپنی نے 35,000 پرسنل پروٹیکٹو ایپریس (PPEs) (Personal Protective Equipment; PPEs) پیمانہ المانی ٹرسٹ (Paiman Alumni Trust) کو عطیہ کیا تاکہ یہ اشیاء مختلف اسپتالوں میں تقسیم کی جاسکیں اور کم مراعات یافتہ گروہوں میں کووڈ-19 سے بچاؤ کے بارے میں بنیادی اقدامات کے حوالے سے آگاہی بھی پیدا کی جاسکے۔ یہ اقدامات، فلیپ مورس انٹرنیشنل کی جانب سے عالمی سطح پر کی جانے والی کوششوں کے مطابق تھے جن کا آغاز وبا کے پھیلنے کے وقت سے ہی کر دیا گیا تھا۔ فلیپ مورس انٹرنیشنل کی جانب سے، اس سلسلے میں، 70 سے زائد مالک کو ایڈوائزری کمیٹی۔

اس عرصے کے دوران، قانون کی پاسداری کرنے اور ٹیکس ادا کرنے والی سگریٹ کی صنعت کو غیر قانونی طور پر سگریٹ تیار کرنے والے شعبے کی جانب سے مشکلات کا سامنا جاری رہا جو، اس وقت، جون 2020ء میں کیے گئے ریشل آؤٹ کے مطابق، تباہی کو کی کل صنعت کا 35.2 فیصد ہے۔ اس کی بنیادی وجہ ایسا زنگینس میں متعدد بار اضافہ جس کی وجہ سے غیر قانونی اور ٹیکس ادا نہ کرنے والی سگریٹ کی صنعت اور قانون کی پاسداری کرنے اور ٹیکس ادا کرنے والی سگریٹ کی صنعت میں قیمتوں کا فرق بہت بڑھ گیا ہے۔ دوسری وجہ مارکیٹ میں، مقامی طور پر تیار کردہ اور غیر قانونی طور سگریٹوں کی دستیابی ہے جو ڈیوٹی ادا نہ کرنے کے سبب قانونی طور پر تیار کردہ سگریٹوں کے لیے مقرر کردہ 63 فیصد کی قیمت سے کم قیمت پر فروخت ہوتی ہیں۔ مزید برآں، یہ بھی دیکھا گیا ہے کہ مقامی طور پر سگریٹ تیار کرنے والے ادارے حکومت کی جانب سے جاری کردہ راہنما ہدایات میں، سگریٹوں کے اشتہارات پر عائد پابندیوں کی خلاف ورزی بھی کرتے ہیں۔

ہماری کمپنی نے، سنہ 2020ء پہلی ششماہی کے دوران 15.2 ارب سگریٹیں فروخت کیں جب کہ سنہ 2019ء کے اسی عرصے کے دوران، 8.3 ارب سگریٹیں فروخت ہوئیں تھیں۔ اس طرح گزشتہ برس، کے اسی عرصے کے دوران ہونے والی فروخت کے مقابلے میں، اس سال فروخت میں 37 فیصد کی کمی واقع ہوئی ہے۔ اس سے غیر قانونی سگریٹوں کی تجارت میں اضافہ ظاہر ہوتا ہے۔ مؤرخہ 30 جون، 2020ء کو ختم ہونے والے چھ ماہ کے دوران کمپنی کے خالص کاروبار میں بھی 7 فیصد کی کمی واقع ہوئی جس کی وجہ جون 2019ء اور، بعد ازاں، فروری 2020ء میں قیمتوں میں اضافہ ہے (اگرچہ فروخت کے حجم میں 37 فیصد کمی واقع ہوئی)۔



# AUDITORS' REPORT

## INDEPENDENT AUDITOR'S REVIEW REPORT

**To the members of Philip Morris (Pakistan) Limited**

**Report on review of Interim Financial Statements**

### Introduction

We have reviewed the accompanying condensed interim statement of financial position of Philip Morris (Pakistan) Limited as at June 30, 2020 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows and notes to the financial statements for the six months period then ended (here-in-after referred to as the "condensed interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

The figures of the condensed interim statement of profit or loss and other comprehensive income for the quarters ended June 30, 2020 and 2019 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended June 30, 2020.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the review resulting in this independent auditor's report is Khurshid Hasan.



# CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2020

	Note	June 30, 2020 (Un-audited)	December 31, 2019 (Audited)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed Assets			
- Property, plant and equipment	5	5,494,535	5,632,379
- Right-of-use assets		390,261	471,194
- Intangibles		3,691	5,975
		<u>5,888,487</u>	<u>6,109,548</u>
Investment in a subsidiary company	6	1	1
Long term deposits		57,321	57,361
Deferred taxation		1,145,957	1,399,704
		<u>7,091,766</u>	<u>7,566,614</u>
<b>CURRENT ASSETS</b>			
Stores and spares - net		140,609	158,875
Stock in trade - net	7	3,782,851	6,141,376
Trade debts - net		110,193	-
Advances	8	133,274	22,078
Prepayments		67,950	63,799
Other receivables		851,842	972,668
Income tax - net		719,046	992,250
Staff retirement benefits		109,379	109,878
Cash and bank balances		3,763,527	330,283
Non-current assets held for disposal	9	-	-
<b>TOTAL CURRENT ASSETS</b>		<u>9,678,671</u>	<u>8,791,207</u>
<b>TOTAL ASSETS</b>		<u><u>16,770,437</u></u>	<u><u>16,357,821</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital		<u>12,000,000</u>	<u>12,000,000</u>
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		844,117	(395,009)
<b>TOTAL EQUITY</b>		<u>11,890,009</u>	<u>10,650,883</u>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		362,453	416,752
<b>CURRENT LIABILITIES</b>			
Short-term borrowings		-	846,475
Trade and other payables	10	3,428,092	4,296,586
Current maturity of lease liabilities		97,424	93,955
Unclaimed dividend		33,846	33,935
Accrued mark-up on short borrowings		196	1,275
Sales tax and excise duty payable		958,417	17,960
<b>TOTAL CURRENT LIABILITIES</b>		<u>4,517,975</u>	<u>5,290,186</u>
<b>TOTAL LIABILITIES</b>		<u>4,880,428</u>	<u>5,706,938</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>16,770,437</u></u>	<u><u>16,357,821</u></u>
<b>CONTINGENCIES AND COMMITMENTS</b>			

The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.

Karachi: August 28, 2020

**KAMRAN Y. MIRZA**  
Chairman

**ROMAN YAZBECK**  
Chief Executive

**MUHAMMAD ZEESHAN**  
Chief Financial Officer



# CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Un-audited)

## FOR THE QUARTER AND SIX MONTHS PERIOD ENDED JUNE 30, 2020

	Note	Quarter ended		Six months period ended	
		June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
----- (Rupees in thousand)-----					
Turnover - net	12	<b>4,607,984</b>	5,423,553	<b>8,806,270</b>	9,519,537
Cost of sales	13	<b>2,449,879</b>	3,437,774	<b>5,177,656</b>	5,778,394
Gross profit		<b>2,158,105</b>	1,985,779	<b>3,628,614</b>	3,741,143
Distribution and marketing expenses		<b>431,779</b>	605,658	<b>953,487</b>	1,236,783
Administrative expenses		<b>420,048</b>	367,699	<b>772,346</b>	683,209
Other expenses	14	<b>124,074</b>	(63,403)	<b>249,203</b>	2,598,673
Other income		<b>(107,343)</b>	(142,663)	<b>(196,933)</b>	(260,263)
		<b>868,558</b>	767,291	<b>1,778,103</b>	4,258,402
Operating profit / (loss)		<b>1,289,547</b>	1,218,488	<b>1,850,511</b>	(517,259)
Finance cost and bank charges		<b>37,378</b>	16,791	<b>49,482</b>	32,582
Profit / (loss) before taxation		<b>1,252,169</b>	1,201,697	<b>1,801,029</b>	(549,841)
Taxation charge	15	<b>361,052</b>	527,477	<b>548,513</b>	41,752
Profit / (loss) after taxation		<b>891,117</b>	674,220	<b>1,252,516</b>	(591,593)
Other comprehensive income		-	-	-	-
Total comprehensive income / (loss) for the year		<b>891,117</b>	674,220	<b>1,252,516</b>	(591,593)
----- (Rupees) -----					
Earnings / (loss) per share					
- Basic	16	<b>14.47</b>	10.95	<b>20.34</b>	(9.61)
- Diluted	16	<b>13.26</b>	Anti-dilutive	<b>18.64</b>	Anti-dilutive

The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.

**KAMRAN Y. MIRZA**  
Chairman

**ROMAN YAZBECK**  
Chief Executive

**MUHAMMAD ZEESHAN**  
Chief Financial Officer

Karachi: August 28, 2020



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

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

	Issued, subscribed and paid-up capital		Transaction cost on issuance of preference shares -net of tax	Reserves					Total		
	Ordinary shares	Preference shares		Capital Reserves		Revenue Reserves			Subtotal - Reserves		
				Reserve for share based payments	Remeasurement of staff retirement gratuity plan -net of tax	Subtotal Capital Reserves	General reserve	Unappropriated loss		Subtotal Revenue Reserves	
<hr/> <div>(Rupees in thousand)</div> <hr/>											
Balance as at January 1, 2019	615,803	10,464,000	(33,911)	5,271	(258,115)	(252,844)	4,676,610	(2,859,012)	1,817,598	1,564,754	12,610,646
Share based payments											
- expense	-	-	-	12,221	-	12,221	-	-	-	12,221	12,221
- recharge	-	-	-	(20,022)	-	(20,022)	-	-	-	(20,022)	(20,022)
	-	-	-	(7,801)	-	(7,801)	-	-	-	(7,801)	(7,801)
Total comprehensive loss											
Loss after taxation for the six months period ended June 30, 2019	-	-	-	-	-	-	-	(591,593)	(591,593)	(591,593)	(591,593)
	-	-	-	-	-	-	-	(591,593)	(591,593)	(591,593)	(591,593)
Balance as at June 30, 2019	615,803	10,464,000	(33,911)	(2,530)	(258,115)	(260,645)	4,676,610	(3,450,605)	1,226,005	965,360	12,011,252
Balance as at January 1, 2020	615,803	10,464,000	(33,911)	11,148	(243,756)	(232,608)	4,676,610	(4,839,011)	(162,401)	(395,009)	10,650,883
Share based payments											
- expense	-	-	-	13,846	-	13,846	-	-	-	13,846	13,846
- recharge	-	-	-	(27,236)	-	(27,236)	-	-	-	(27,236)	(27,236)
	-	-	-	(13,390)	-	(13,390)	-	-	-	(13,390)	(13,390)
Total comprehensive income											
Profit after taxation for the six months period ended June 30, 2020	-	-	-	-	-	-	-	1,252,516	1,252,516	1,252,516	1,252,516
	-	-	-	-	-	-	-	1,252,516	1,252,516	1,252,516	1,252,516
Balance as at June 30, 2020	615,803	10,464,000	(33,911)	(2,242)	(243,756)	(245,998)	4,676,610	(3,586,495)	1,090,115	844,117	11,890,009

The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.

**KAMRAN Y. MIRZA**  
Chairman

**ROMAN YAZBECK**  
Chief Executive

**MUHAMMAD ZEESHAN**  
Chief Financial Officer

Karachi: August 28, 2020



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

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

	Note	Six months period ended	
		June 30, 2020	June 30, 2019
(Rupees in thousand)			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	18	4,623,046	1,377,950
Staff retirement gratuity paid		(33,440)	(33,640)
Finance cost paid		(31,672)	(32,572)
Profit received on savings accounts		15,550	178,941
Income taxes paid		(21,562)	(132,791)
Long term deposits		40	(6,566)
Net cash generated from operating activities		4,551,962	1,351,322
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(269,225)	(460,378)
Acquisition of intangibles		-	(500)
Proceeds from disposal of items of property, plant and equipment		66,790	65,653
Net cash used in investing activities		(202,435)	(395,225)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(89)	(596)
Principal element of lease payments		(69,719)	(80,525)
Net cash paid for financing activities		(69,808)	(81,121)
Net increase in cash and cash equivalents during the period		4,279,719	874,976
Cash and cash equivalents at the beginning of the period		(535,053)	2,946,368
Cash and cash equivalents at the end of the period	19	3,744,666	3,821,344

The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.

**KAMRAN Y. MIRZA**  
Chairman

**ROMAN YAZBECK**  
Chief Executive

**MUHAMMAD ZEESHAN**  
Chief Financial Officer

Karachi: August 28, 2020



## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

### FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

#### 1. THE COMPANY AND ITS OPERATIONS

- 1.1 Philip Morris (Pakistan) Limited (the Company) was incorporated in Pakistan on February 10, 1969 as a public limited company under the Companies Act, 1913 (now the Companies Act, 2017). The Company is listed on the Pakistan Stock Exchange. The principal activity of the Company is the manufacturing and sale of cigarettes and tobacco products. Its registered office is situated at 19th Floor, The Harbour Front, Dolmen City, HC - 3, Block 4, Clifton, Karachi, Pakistan.
- 1.2 In view of the exemption granted by the Securities & Exchange Commission of Pakistan (the SECP) vide its letter No. EMD/233/619/2002/634 dated April 9, 2020 from the requirement of section 228(7) of the Companies Act, 2017 (the Act), the consolidated financial statements of the group comprising the Company and its subsidiary, Laksonpremier Tobacco Company (Private) Limited, have not been prepared. The exemption is, however, subject to the condition that any material and relevant details of the aforesaid subsidiary shall be prominently disclosed by the Company.

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

- 1.3 During the period, the World Health Organization (WHO) declared COVID-19 (the Virus) a pandemic. While this has impacted the global economy, the factory of the Company was intermittently closed for a period of around 28 days due to lockdown imposed by the Government in an attempt to contain the spread of the Virus and intimation was duly made to Pakistan Stock Exchange. However, the Company's operations, financial position and results have not been materially impacted.

#### 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 as 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, 2019 (December 2019 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 June 30, 2020:



## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS Continued

There were certain amendments and interpretations to accounting and reporting standards which became mandatory 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:

The following new standard and amendments with respect to the accounting and reporting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard and amendment:

<b>Standard or amendments</b>	<b>Effective date (annual periods beginning on or after)</b>
- Amendments to IAS 1, 'Presentation of Financial Statements'	January 1, 2022
- Amendments to IFRS 16, 'Leases'	June 1, 2020
- IFRS 17, 'Insurance Contracts'	January 1, 2023
- Amendments to IAS 16, 'Property, Plant & Equipment'	January 1, 2022
- Amendments to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets'	January 1, 2022

The above standard and amendments are not expected to have any material impact on the Company's financial reporting.

### 3. BASIS OF PREPARATION

3.1 These condensed interim financial statements include the condensed interim statement of financial position as at June 30, 2020, 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 six months period then ended which have been subjected to a review and 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 June 30, 2020 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, 2019 has been extracted from the December 2019 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 six months period ended June 30, 2019 have been extracted from the condensed interim financial statements of the Company for the six months period then ended, which were subjected to review but were not audited.





## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS Continued

- 3.3 These interim financial statements should be read in conjunction with the December 2019 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 2019 financial statements.
- 4.3 The Company's financial risk management objectives and policies are consistent with those disclosed in the December 2019 financial statements.

### 5. PROPERTY, PLANT AND EQUIPMENT

	Note	June 30, 2020 (Un-audited) (Rupees in thousand)	December 31, 2019 (Audited)
Operating property, plant and equipment	5.1 to 5.4	<b>4,525,112</b>	4,344,780
Capital work-in-progress (CWIP)	5.5	<b>965,809</b>	1,285,067
Major capital spares and stand-by equipment		<b>3,614</b>	2,532
		<b><u>5,494,535</u></b>	<b><u>5,632,379</u></b>
5.1 Operating property, plant and equipment			
Book value at the beginning of the period / year		<b>4,344,780</b>	6,222,136
Transfers from CWIP during the period / year	5.2	<b>587,401</b>	1,375,794
		<b><u>4,932,181</u></b>	<b><u>7,597,930</u></b>
Disposals during the period / year			
- net book value	5.3	<b>(27,747)</b>	(64,370)
Write offs during the period / year			
- net book value		<b>(5,017)</b>	(2,547)
Depreciation charge during the period / year	5.4	<b>(374,305)</b>	(921,547)
Impairment during the period / year			
- other assets	14	-	(1,127,382)
Impairment on assets transferred to held for disposal	9	-	(1,137,304)
		<b><u>(407,069)</u></b>	<b><u>(3,253,150)</u></b>
Book value at the end of the period / year		<b><u>4,525,112</u></b>	<b><u>4,344,780</u></b>



## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS Continued

		<b>Six months period ended</b>	
		<b>June 30, 2020 (Un-audited)</b>	<b>June 30, 2019 (Un-audited)</b>
		<b>(Rupees in thousand)</b>	
5.2	Transfers from CWIP during the period:		
	Buildings on freehold land	<b>66,305</b>	18,839
	Plant and machinery	<b>213,411</b>	328,742
	Furniture and fixtures	<b>156</b>	-
	Office equipment	<b>9,366</b>	4,830
	Vehicles	<b>124,243</b>	112,953
	Power and other installations	<b>170,394</b>	12,161
	Computer equipment	<b>3,526</b>	16,803
		<b>587,401</b>	494,328
5.3	Disposals during the period - net book value		
	Freehold land	<b>1,504</b>	46
	Buildings on freehold land	<b>2,963</b>	-
	Vehicles	<b>23,280</b>	21,206
		<b>27,747</b>	21,252
5.4	Depreciation charge during the period on: - property, plant and equipment	<b>374,305</b>	502,808
5.5	Capital work-in-progress		
	Civil works	<b>37,776</b>	95,587
	Plant and machinery	<b>649,019</b>	653,169
	Power and other installations	<b>198,508</b>	316,143
	Furniture and fixtures	<b>-</b>	63,157
	Computer equipment pending installations	<b>40,804</b>	3,762
	Advance to suppliers and contractors	<b>39,702</b>	153,249
		<b>965,809</b>	1,285,067



## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS Continued

### 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 six months period ended June 30, 2020 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 June 30, 2020 amounted to Rs Nil, in accordance with the un-audited condensed interim financial statements for the six months period then ended.

The auditors of the Subsidiary Company have expressed an unmodified audit opinion on the financial statements of the Subsidiary Company for the year ended December 31, 2019.

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.

Investment in the Subsidiary Company has been made in accordance with the requirements of the Companies Act, 2017.

### 7. STOCK IN TRADE - net

	Note	June 30, 2020 (Un-audited) (Rupees in thousand)	December 31, 2019 (Audited) (Rupees in thousand)
Raw and packing materials	7.1 to 7.2	3,305,629	5,082,504
Work-in-process		150,769	177,687
Finished goods		405,948	937,805
		<u>3,862,346</u>	<u>6,197,996</u>
Less: Provision for obsolete stocks	7.2	(79,495)	(56,620)
		<u>3,782,851</u>	<u>6,141,376</u>

7.1 Include raw and packing materials in transit aggregating Rs 97.729 million (December 31, 2019: Rs 188.895 million).

7.2 During the current period, the Company has written off provision against raw and packing materials aggregating Rs 14.410 million (December 31, 2019: Rs 0.998 million).



## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS Continued

### 8. ADVANCES

	Note	June 30, 2020 (Un-audited) (Rupees in thousand)	December 31, 2019 (Audited)
Unsecured			
Advances to:			
- Employees		7,421	8,034
- Suppliers and contractors		14,592	14,044
		<u>22,013</u>	<u>22,078</u>
Secured			
Advance to a supplier	8.1	111,261	-
		<u>133,274</u>	<u>22,078</u>

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

The management believes that the probability of loss is remote on the grounds that the Agreement was lawfully terminated and the Company did not breach any contractual provisions before its termination. The insurance company has also initiated the investigation process to substantiate the Company's claim for the Secured Amount.

### 9. NON-CURRENT ASSETS HELD FOR DISPOSAL

	June 30, 2020 (Un-audited) (Rupees in thousand)	December 31, 2019 (Audited)
Transferred from operating property, plant and equipment		
Cost	1,383,615	1,984,775
Less: Accumulated depreciation	(613,466)	(847,471)
Less: Accumulated impairment	<u>(770,149)</u>	<u>(1,137,304)</u>
	<u>-</u>	<u>-</u>



## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS Continued

- 9.1 Items of plant and machinery relating to Kotri factory have been transferred from operating property, plant and equipment. As these items can not be disposed of except as scrap material in accordance with the Company's policy, accordingly these are being carried at Nil value.

### 10. TRADE AND OTHER PAYABLES

	June 30, 2019 (Un-audited) (Rupees in thousand)	December 31, 2018 (Audited)
Creditors	1,658,335	1,570,580
Bills payable	730,002	1,115,782
Royalty payable to related party	82,480	25,033
Accrued expenses	558,401	836,492
Tobacco development cess	13,875	34,875
Contractors' retention money	8,040	7,513
Advance from customers - unsecured	35,558	354,073
Workers' profits participation fund	98,181	-
Workers' welfare fund	66,856	27,586
Others	176,364	324,652
	<u>3,428,092</u>	<u>4,296,586</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 146.166 million (December 31, 2019: Rs 69.565 million).

#### 11.2 Commitments

	June 30, 2019 (Un-audited) (Rupees in thousand)	December 31, 2018 (Audited)
Capital expenditure contracted for but not incurred	102,867	202,333
Post dated cheques	48,407	31,143
Letters of credit	25,184	16,411

#### 11.3 Contingencies

- 11.3.1 There is no significant change in the status of the cases set out in notes 21.3 to 21.5 and 21.7 to the December 2019 financial statements.



## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS Continued

11.3.2 While reviewing the income tax return of the Company for the tax year 2014, the DCIR through an order dated June 28, 2016 had disallowed certain deductions aggregating Rs 131.086 million having an incremental tax impact of Rs 39.326 million. The CIR- Appeals passed an order dated September 20, 2019 against appeal filed by the Company through which disallowances of deduction amounting to Rs 80.394 million were deleted, disallowances of Rs 47.338 million were remanded back to DCIR and disallowances amounting to Rs 3.354 million were maintained. The management decided not to file an appeal against the order issued by CIR – Appeals. LTU has filed appeal with Appellate Tribunal against the order passed by CIR - Appeals, the decision of which is pending.

For remanded back proceedings, the Additional Commissioner Inland Revenue (ACIR) who demanded further information from the Company through show cause notices dated October 25, 2017 and May 29, 2020. The Company provided all required information and ACIR issued order dated June 29, 2020 whereby no adverse inference was drawn on any matter.

11.3.3 For the case mentioned in note 21.6 to the December 2019 financial statements, the hearing that was fixed for April 2, 2020 was adjourned and the next date of hearing is yet to be fixed.

### 12. TURNOVER - net

	Quarter ended		Six months period ended	
	June 30, 2020 (Un-audited)	June 30, 2019 (Un-audited)	June 30, 2020 (Un-audited)	June 30, 2019 (Un-audited)
	(Rupees in thousand)			
Gross turnover	11,673,647	13,944,557	21,852,944	24,954,750
Less: Trade discount	269,285	267,237	539,366	531,429
Sales tax	1,688,687	2,069,000	3,071,402	3,732,268
Excise duty	5,107,691	6,184,767	9,435,906	11,171,516
	7,065,663	8,521,004	13,046,674	15,435,213
	<u>4,607,984</u>	<u>5,423,553</u>	<u>8,806,270</u>	<u>9,519,537</u>



## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS Continued

### 13. COST OF SALES

	Quarter ended		Six months period ended	
	June 30, 2020 (Un-audited)	June 30, 2019 (Un-audited)	June 30, 2020 (Un-audited)	June 30, 2019 (Un-audited)
	(Rupees in thousand)			
<b>Raw and packing materials consumed</b>				
Opening stock	3,718,123	3,739,654	5,082,504	4,610,723
Purchases, redrying and related expenses	986,636	942,290	1,859,612	2,316,810
	<u>4,704,759</u>	<u>4,681,944</u>	<u>6,942,116</u>	<u>6,927,533</u>
Closing stock	(3,305,629)	(2,984,703)	(3,305,629)	(2,984,703)
	<u>1,399,130</u>	<u>1,697,241</u>	<u>3,636,487</u>	<u>3,942,830</u>
Government levies	5,378	10,822	11,437	22,834
Manufacturing expenses	527,709	518,032	972,320	1,183,718
	<u>1,932,217</u>	<u>2,226,095</u>	<u>4,620,244</u>	<u>5,149,382</u>
<b>Work-in-process</b>				
Opening stock	155,663	125,519	177,687	143,281
Closing stock	(150,769)	(191,745)	(150,769)	(191,745)
Sale of waste	-	(467)	(1,363)	(1,178)
	<u>4,894</u>	<u>(66,693)</u>	<u>25,555</u>	<u>(49,642)</u>
Cost of goods manufactured	<u>1,937,111</u>	<u>2,159,402</u>	<u>4,645,799</u>	<u>5,099,740</u>
<b>Finished goods</b>				
Opening stock	918,716	1,647,533	937,805	1,047,815
Closing stock	(405,948)	(369,161)	(405,948)	(369,161)
	<u>512,768</u>	<u>1,278,372</u>	<u>531,857</u>	<u>678,654</u>
	<u><u>2,449,879</u></u>	<u><u>3,437,774</u></u>	<u><u>5,177,656</u></u>	<u><u>5,778,394</u></u>



## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS Continued

### 14. OTHER EXPENSES

	Quarter ended		Six months period ended	
	June 30, 2020 (Un-audited)	June 30, 2019 (Un-audited)	June 30, 2020 (Un-audited)	June 30, 2019 (Un-audited)
	(Rupees in thousand)			
Employee separation cost	-	3,491	-	367,254
Impairment (reversal) / charge on items of property, plant and equipment	-	(171,529)	-	1,057,977
Impairment charge on assets transferred to held for disposal	-	89,044	-	1,137,304
Property, plant and equipment written off	-	-	5,017	152
Capital work-in-progress written off	-	5,856	-	5,856
Workers' welfare fund	27,280	16,981	39,273	16,981
Workers' profit participation fund	68,200	-	98,181	-
Exchange loss - net	21,072	(14,956)	80,239	-
Miscellaneous expenses	7,522	7,710	26,493	13,149
	<u>124,074</u>	<u>(63,403)</u>	<u>249,203</u>	<u>2,598,673</u>

### 15. TAXATION

#### Current

- for the period	237,360	116,868	294,765	141,329
- for the prior period	-	32,475	-	32,475
	<u>237,360</u>	<u>149,343</u>	<u>294,765</u>	<u>173,804</u>

#### Deferred

	Quarter ended		Six months period ended	
	June 30, 2020 (Un-audited)	June 30, 2019 (Un-audited)	June 30, 2020 (Un-audited)	June 30, 2019 (Un-audited)
	(Rupees in thousand)			
	123,692	378,134	253,748	(132,052)
	<u>361,052</u>	<u>527,477</u>	<u>548,513</u>	<u>41,752</u>





## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS Continued

### 16. EARNINGS / (LOSS) PER SHARE – BASIC

	Quarter ended		Six months period ended	
	June 30, 2020 (Un-audited)	June 30, 2019 (Un-audited)	June 30, 2020 (Un-audited)	June 30, 2019 (Un-audited)
	(Rupees in thousand)			
16.1 Basic earnings / (loss) per share				
Profit / (loss) for the period after taxation	891,117	674,220	1,252,516	(591,593)
	(Number of shares)			
Weighted average number of ordinary shares	61,580,341	61,580,341	61,580,341	61,580,341
	(Rupees)			
Earnings / (loss) per share – basic	14.47	10.95	20.34	(9.61)
16.2 Diluted earnings per share				
Profit / (loss) for the period after taxation	891,117	674,220	1,252,516	(591,593)
	(Number of shares)			
Weighted average number of potential ordinary shares	67,182,767	61,580,341	67,182,767	61,580,341
	(Rupees)			
Earnings per share – diluted	13.26	Anti-dilutive	18.64	Anti-dilutive

### 17. RELATED PARTIES TRANSACTIONS

- 17.1 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 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 Continued

Relationship	Nature of transaction	Six months period ended	
		June 30, 2020 (Un-audited) (Rupees in thousand)	June 30, 2019 (Un-audited)
Associated undertakings	Sale of goods and services	<b>1,312,430</b>	258,640
	Purchase of goods and services	<b>503,206</b>	525,532
	Royalty charges	<b>52,597</b>	53,920
	Share based payment expense	<b>13,846</b>	12,221
	Share based payment recharge	<b>27,236</b>	20,022
Staff retirement benefit plans	Contribution to gratuity fund	<b>33,440</b>	33,640
	Contribution to provident fund	<b>42,429</b>	36,400
Key management personnel	Remuneration and benefits - notes 17.1.1 to 17.1.3	<b>22,412</b>	24,805

17.1.1 The Company considers its chief executive and directors as key management personnel.

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

17.1.3 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 Continued

### 18. CASH GENERATED FROM OPERATIONS

	Note	Six months period ended	
		June 30, 2020 (Un-audited) (Rupees in thousand)	June 30, 2019 (Un-audited)
Profit / (loss) before taxation		1,801,029	(549,841)
Adjustments for:			
- Depreciation on operating property, plant and equipment		374,305	502,808
- Depreciation on right-of-use assets		80,933	106,818
- Amortisation		2,284	5,145
Staff retirement gratuity expense		33,939	25,856
Provision for slow moving spares		16,908	21,577
Expenses arising from equity-settled share-based payment plan		13,846	12,221
Liabilities written back		(47,301)	(17,797)
Stock in trade written down to net realisable value		14,410	-
Provision for obsolete stocks		35,342	-
Impairment charge on items of			
property, plant and equipment		-	1,057,977
Impairment charge on non-current assets held for disposal		-	1,137,304
Profit on savings accounts		(15,550)	(178,941)
Unrealised exchange (gain) / loss		80,239	-
Profit on disposal of items of			
property, plant and equipment - net		(39,043)	(44,401)
Property, plant and equipment written off		5,017	152
Capital work-in-progress written off		-	5,856
Finance cost		49,482	32,582
Working capital changes	18.1	2,217,206	(739,366)
		<u>4,623,046</u>	<u>1,377,950</u>



## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS Continued

### 18.1 Working capital changes

	<b>Six months period ended</b>	
	<b>June 30, 2020 (Un-audited)</b>	<b>June 30, 2019 (Un-audited)</b>
	<b>(Rupees in thousand)</b>	
(Increase) / decrease in current assets		
Stores and spares - net	1,358	(14,458)
Stock in trade - net	2,308,773	2,256,210
Trade debts - net	(110,193)	-
Advances	(111,196)	(362)
Prepayments	(4,151)	(339,214)
Other receivables	120,826	(11,105)
	<u>2,205,417</u>	<u>1,891,071</u>
Increase / (decrease) in current liabilities		
Trade and other payables	(928,668)	(2,034,903)
Sales tax and excise payable	940,457	(595,534)
	<u>11,789</u>	<u>(2,630,437)</u>
	<u>2,217,206</u>	<u>(739,366)</u>

### 19. CASH AND CASH EQUIVALENTS

	<b>June 30, 2020 (Un-audited)</b>	<b>June 30, 2019 (Un-audited)</b>
	<b>(Rupees in thousand)</b>	
Cash and bank balances	3,763,527	3,840,205
Less: Amount held as security	(18,861)	(18,861)
	<u>3,744,666</u>	<u>3,821,344</u>

### 20. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on August 28, 2020 by the Board of Directors of the Company.

### 21. GENERAL

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

21.2 Wherever considered necessary, corresponding figures have been reclassified for the purpose of comparison and improved presentation.

Karachi: August 28, 2020

**KAMRAN Y. MIRZA**  
Chairman

**ROMAN YAZBECK**  
Chief Executive

**MUHAMMAD ZEESHAN**  
Chief Financial Officer



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