



Philip Morris
(Pakistan) Limited

Transforming for a **sustainable future**

Annual report 2021





When we plant trees, we
plant the seeds of peace
and seeds of hope.

Wangari Mathai

Philip Morris International - **The Global Perspective**

Philip Morris (Pakistan) Limited (PMPKL/ the Company) is an affiliate of Philip Morris International (PMI), a leading international tobacco Company. PMPKL is listed on the Pakistan Stock Exchange with its head office in Karachi. The principal activity of the Company is manufacturing and sale of cigarettes and tobacco products.

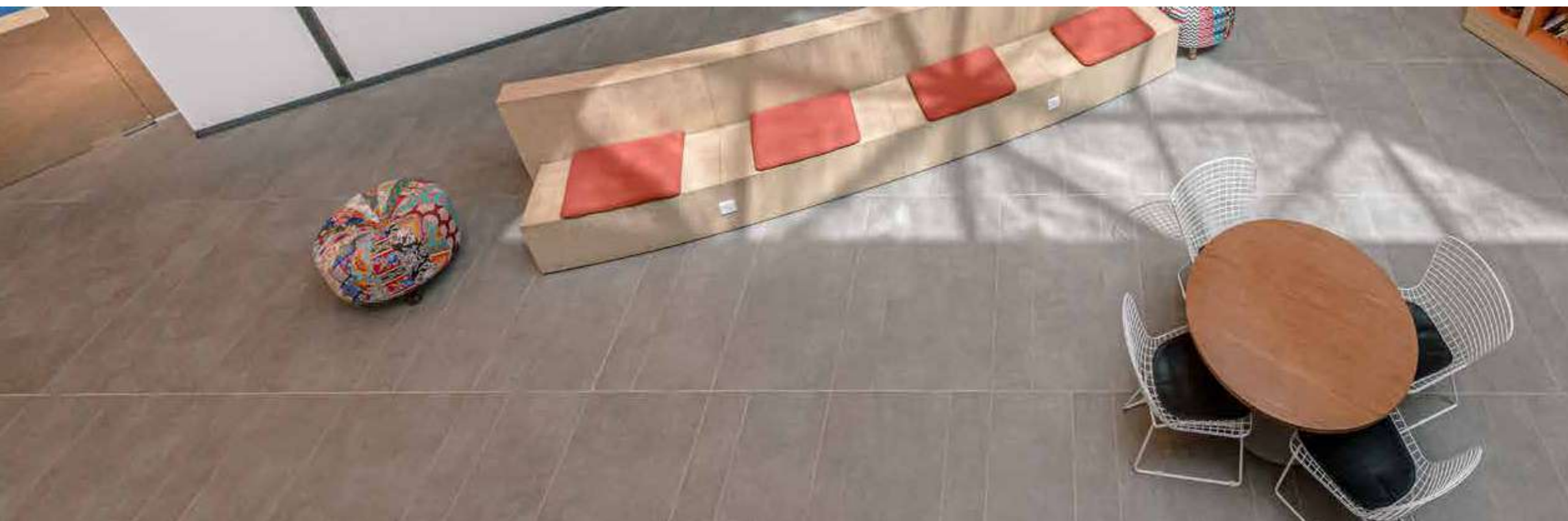
PMI is leading transformation in the tobacco industry to create a smoke-free future and ultimately replace cigarettes with smoke-free products to the benefit of adults who otherwise would continue to smoke. Sustainability is at the core of PMI's transformation, which is based on a deep sense of purpose to create value for the shareholders and other stakeholders. PMI's transformation strategy is based on four pillars which dictate what to produce, how to operate and how to manage social and environmental footprint.

PMI is committed to serve as an agent of change and an advocate of positive values. PMI understands that its business must become a provider of effective solutions. Innovation and inclusiveness are key to solving its challenges whether related to tobacco harm reduction, environmental sustainability, or equity. We are committed to accelerate our progress, by positioning ourselves at the forefront of consumer-centricity, technology, science, and innovation.

Keeping the PMI's sustainability agenda at the forefront, PMPKL has also been taking measures to support the communities around us in a sustainable way and at the same time we are also working to conserve and protect the environment for our future generations. As a responsible

Company we will continue to focus on developing an inclusive and sustainable future while also working towards broadening the social and environmental impact.

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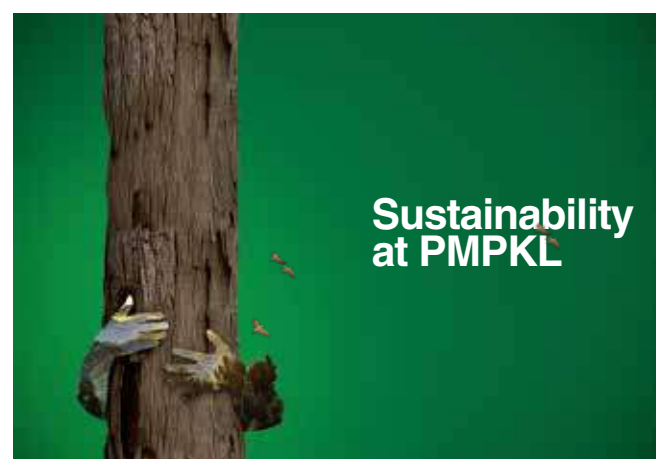
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Envisioning a sustainable future



Vision

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

Mission

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

Our Leadership Model



Consumer First

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

Forward Looking

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

Empowering People

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

Our Portfolio

Marlboro
Gold

Marlboro
REDS

Parliament

Red & White
Special

Red&White
King size filter

Diplomat

Morven
by Chesterfield

Morven
Classic

About Philip Morris (Pakistan) Limited

Philip Morris (Pakistan) Limited ("PMPKL"/ "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 has one green leaf threshing plant in Mardan and one cigarette manufacturing factory in Sahiwal. PMPKL is one of the leading tobacco Companies in Pakistan and holds a significant percentage of the tax-paid market share.

Aligned with our sustainability vision, the Company has taken initiatives for the wellbeing of its employees and has also made investments on infrastructural improvements with a view to conserve the environment for our future generations.

During the last five years, PMPKL has exported 24.9 million kgs of tobacco amounted to PKR 8.5 billion equivalent to 62.8 million USD. These exports have aided the creation of employment opportunities in the Country. During the last five years the Company's contribution to the National Exchequer amounts to PKR 108.4 billion which is equivalent to 57.4% of accumulated gross turnover of the Company during the last five years.

Despite of all the challenges we have remained steadfast to serve our consumers, stakeholders and society at large. Aligned with our vision, we will continue working towards a sustainable future for the greater good of the society and our planet in general. We are committed to creating long term value not only for our shareholders but for all of our stakeholders.



Sustainability at PMPKL

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

Together with our employees and other stakeholders we have managed to create a sustainable impact.

Community Development



At Philip Morris (Pakistan) Limited, we believe in looking out for all the stakeholders who choose to work with us. Under our wide-ranging community development initiatives, we not only managed to eliminate child labor from the farms of our contracted farmers but we also supported our contracted farmers with alternate sources of income while providing them with necessities to remain healthy and safe during the pandemic.



Diversification/ Alternate Crops - PMPKL has been endeavoring to support its contracted farmers by increasing their 'Living Income' through cultivation of alternative and non-traditional crops under its Crop Diversification Program. Farmers have been able to generate an additional income of PKR 24,000/- from these initiatives.



- Kitchen Gardening:** Under this project, PMPKL distributed 7 different types of vegetables among 100% of its contracted farmers. Cultivation of these vegetables in their own backyard helped save substantial amount which would have otherwise spent on purchasing these vegetables from markets.
- Mushroom Production:** During the off-season tobacco barns are vacant and not used for any valuable purpose. PMPKL has been promoting the use of these barns during this interval for growing mushrooms and has been providing various technical and material support from growing of mushrooms till their sale in market.

COVID-19 Support Project – During the 2nd wave of COVID-19, PMPKL initiated a project for keeping the families of our contracted farmers safe. Under this project a COVID-19 Safety kit containing masks, sanitizers and soaps were provided to 2,477 farmers.

Learning with Safety & Fun Program for Children Aged 6-14 Years – Eliminating child labor from our value chain is a key goal in our sustainability journey. During the summer vacation, children are most vulnerable of getting involved in farm related activities. In order to keep children away from farm related activities, PMPKL designed a special program keeping in view the COVID-19 related SOPs for children under the age of 6 to 14 years. Under this program 5,008 children of growers were engaged in 200 Centers set up across Swabi, Charsadda and Mardan with the goal of engaging children in recreational and educational activities.



Skills Training Program for Adolescent Children Aged 15-17 Years – PMPKL through its partners has been consistently organizing Skill Training Programs for adolescent children of our farmer community for past many years. In 2020 alone, 200 young girls were trained on tailoring and stitching. 700 children were engaged in 2021 with the aim of imparting lifelong skills amongst young girls and boys which can lead to their financial empowerment. Skills for girls include "Tailoring & Stitching" while "Electrical Work" training was arranged for boys.

Mechanization – To bring efficiency and sustainability in terms of cost, PMPKL is focusing on mechanizing multiple activities through provision of 'subsidized' machinery to its contracted farmers. PMPKL has provided 109 Re-Ridgers & 3 Transplanters which are gaining popularity amongst the farmer community. Another major initiative is the provision of "Green Leaf Stringing Machines" which are not only cost effective but also designed to keep children away from laborious task of stringing green leaves together before their curing process. PMPKL has provided 168 Stringing machines up till now and aims to cover 100% of its contracted farmer base with these machines. To achieve this goal, PMPKL has provided an additional 400 machines in 2022. PMPKL's team is providing technical support & is transferring knowledge to farmers in order to ensure smooth transition to these machines. On average, a farmer possessing these 3 machines is expected to save PKR 24,385 per hectare.

Health Camps for Covid Screening: In collaboration with Paiman Trust mobile health care units were deployed across Mardan, Charsadda and Swabi to provide medical checkups and Personal Protective Equipments (PPEs) to people from identified areas impacted by COVID-19.



20 free medical camps and health awareness sessions were conducted in Swabi, Mardan, Charsadda districts to provide check-ups and medications through which more than 1,700 people were served.

Environment Protection



Preserving our environment is one of the biggest challenges being faced by the world today. Through our environment protection initiatives, Philip Morris (Pakistan) Limited is taking substantial steps to reduce the impact of our operations on the environment in which we operate.



Boiler Fuel Conversion from Furnace Oil to LPG - PMPKL has been striving to reduce its carbon footprint by transforming its operations. Among others, one initiative that has been successfully implemented to reduce CO2 emission is the conversion of boiler fuel for Green Leaf Threshing Plant's operation from furnace oil to Liquefied Petroleum Gas (LPG). Installed with an investment of USD 61,000 this initiative is expected to reduce the CO2 emissions by a staggering 30% which translates into a reduction of 2,200 tons of carbon emissions in the next five years.



Mission Cleaner Pakistan

PMPKL had initiated a mission called #MissionCleanerPakistan to address the issue of litter by creating awareness around waste disposal and advocating lifestyle changes. Under the Mission, we have been raising awareness through clean up drives and have also been recycling the waste. Following our footmark, we did a beach cleanup drive in September 2021 at Sea View Beach Karachi in collaboration with Seed Ventures. During the beach cleanup drive we engaged with more than 200 volunteers and collected almost 653 kgs of trash which was then recycled in collaboration with recycling partners. Non-recyclable trash was used to create an art piece to create awareness on the growing problem of waste disposal.

While doing the cleanup drives, waste disposal bins were also placed across major cities in all four provinces. During these cleanup drives more than 3,900 kgs of trash was collected and more than 2,400 volunteers were engaged.

Venturi Furnace - To reduce the farmer cost on fuelwood consumption, PMPKL has introduced fuel efficient furnaces which reduce the overall fuelwood consumption by 10%. PMPKL ensured transition of over 76% of its contracted farmers base to this new furnace leading to saving of fuelwood cost by PKR 15,000 per year.

Sustainable Fuelwood - PMPKL has always been fully cognizant of its responsibility towards environment conservation. Since 2014/15, PMPKL has planted over 6.5 million saplings which spanned over 1,865 hectares across the districts of Attock, Swabi, Nowshera & Charsadda. As part of this tree plantation drive, PMPKL not only provided the saplings but also provided the maintenance cost needed for initial survival of these saplings. Currently we are testing and promoting

production of fast growing and high yielding tree species in Pakistan. In addition PMPKL initiated a program with the goal of ensuring that 100% of PMPKL's contracted farmers utilize wood from sustainable and fully traceable sources. 2020 proved to be a landmark year when PMPKL finally achieved its target as the entire 36.5 million kg wood used by its contracted farmers came from fully sustainable and traceable forests.



This effort has been validated by a globally renowned auditing firm, PricewaterhouseCoopers. In 2021 our contracted farmers needed around 42.5 million Kg wood which was arranged from sustainable and traceable sources. PMPKL remains committed to preserving the environment and is striving to contribute towards PMI's goal of carbon neutrality in entire value chain by 2040.

Green Energy Generation - In line with PMI's vision to achieve net zero carbon neutrality for direct operations by 2025, PMPKL has undertaken multiple projects in the past 2 years for improving energy efficiency and increasing reliance on renewable energy sources.



PMPKL has worked on multiple energy saving Initiatives at our site that have helped us in achieving 44% energy reduction compared with 2018 baseline. These initiatives include optimization of manufacturing footprint, equipment upgradations and reduction in energy consumption of all utilities system. In addition to reduction in energy consumption we also focused on leveraging renewable energy sources to fuel our CO2 emissions reduction efforts. PMPKL became the first affiliate of PMI to install solar panels for generation of green electricity in 2016 in its factories. In the last 2 years we have doubled our solar electricity generation.



Inclusion & Diversity at Community Level



We believe that inclusion and diversity are integral for the growth and progress of the society. Under our inclusion and diversity initiatives we aim to pave way towards financial empowerment for our future generations.



Empowering Women through Vocational Skills Training.

Focusing on the PMPKL's sustainability priorities, we have undertaken multiple initiatives to promote inclusion and diversity. We partnered with Kashf Foundation and provided professional training in food catering to 250 women. Under the initiative, these women were provided training in developing market linkages and joining digital platforms to sell their products in a sustainable fashion. The first phase was launched in Multan, Lahore, Islamabad and Rawalpindi in first half of 2021. Whereas, the second phase of the program was launched in Karachi in second half of 2021 where 60 women were trained on food catering. These women were also given training on financial management.



Social Technology Entrepreneurship Program.

To identify, help and mentor social startups and promote entrepreneurship in Pakistan, PMPKL collaborated with Seed Ventures and launched a social innovation challenge where we focused on social startups that are using technology to deliver social interventions to address socio economic issues. Under the challenge we engaged with 40 startups out of which three finalists received a grant of USD 10,000 and 3 months of continued mentorship.

Our People and Culture



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



Make Your Comeback

Promoting diversity, equity and inclusion into our workplace is at the heart of PMPKL's culture. According to an estimate only 22% of females enter the workforce in Pakistan, which is further hampered when women leave due to various factors, such as marriage, relocation, and children.



MakeYourComeback (MYC) was an initiative that has been launched by PMPKL. The initiative aimed to provide a platform to women who have taken a break and wished to transition back into their careers. Our goal through MYC was to create an opportunity for such women by involving them in inspiring and meaningful projects which match their experiences and aspirations while refining & building their skillset to enhance their future employability.

During the program, we amassed over 400 applications, out of which 10 women were hired for various projects. A testament of the program's success was the feedback we received from these women such as "the Company promotes flexibility, encourages and empowers women" & "I was really impressed by the stories and the initiatives PMPKL has taken for women".

Flexible Working Arrangements (Smart Work):

At PMPKL we understand that a flexible workplace can offer tremendous benefits to our employees such as reducing stress, improving productivity, and providing higher job satisfaction.

During 2021, PMPKL piloted flexible ways of working starting from head office. Under the initiative employees

have been provided the opportunity to either work remotely or on a hybrid basis i.e. a combination of working from home & the office along with flexible timings. PMPKL has also introduced the concept of power hours wherein our employees can attend to their personal commitments during working hours to help with their work life integration.

Taking Physical & Mental Health Seriously: Given PMI's commitment to the health & wellbeing of our employees, PMPKL introduced executive health checks for its employees for them to be able to proactively address any health concerns before they become an issue of concern. To avoid overwhelming hospitals during the pandemic and to provide greater flexibility to our employees and their dependents, PMPKL partnered with Sehat Kahani, a virtual solution where our employees as well as their families can seek assistance of doctors virtually free of cost.



At PMPKL we believe that mental health and wellbeing of our employees is equally important as their physical health. In recognition to the mental health awareness campaigns and speaker sessions, PMPKL also extended employees' mental health coverage that includes all procedures, therapies and medicines related to mental ailments. PMPKL employees can also utilize PMI's partnership with Life works, a global Company with expertise in employee wellbeing to provide our employees with an Employee Assistance Platform (EAP), wherein our employees can seek assistance of qualified mental health professionals 24/7 free of charge along with access to other audio and visual aids to improve their wellbeing.

Enhanced Gender-Neutral Parental Leaves:

Recognizing the need for a balance between parenthood and career and also following PMI's commitment to gender equality, diversity and inclusion, PMPKL has implemented enhanced gender neutral paid parental leaves for its employees, where our male & female employees are entitled to parental leaves based on their caregiver status. The leaves can be utilized in any pattern and at any time suitable for the employee during the year.

Market Safety



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



Pandemic Management

Market safety team formed a Pandemic Response Committee which played an instrumental role in managing the pandemic at PMPKL and ensured safety and wellbeing of our employees through various advisories and protocols.



Global Emergency Preparedness & Response (ERP) Pilot Project

PMPKL was one of the few affiliates of Philip Morris International which was selected for global ERP pilot roll out that was successfully completed in 2021. The same included emergency preparedness and response gap assessment, formulation of ERP procedures and legal register to ascertain compliance of market and fleet safety regulations.

Market Risk Profiling

100% risk profiling of all market locations including offices and warehouses was carried out by market safety team in 2021. The hazards were communicated to site owners/ incharges and being progressively closed. The same will ensure safety of our employees and supplement emergency preparedness and response.



We Care Project

We care project was rolled out which was aimed towards ensuring safety of 2-wheelers. Under this project safety

gadgets to all 2 wheelers (78) which includes safety gloves, safety box, safety rod, first aid kit, elbow & knee guards and reflective vest were provided.



Fleet Telematics Project

Fleet Telematics sensors were installed in all working tool and pool cars in Oct 2021. Fleet Telematics system went live on 19 Nov 2021. The sensors detect violations pertaining to over speeding, not wearing seat belt, applying harsh breaks, continuous driving and idling. Driving behavior is being monitored and improved through application of telematics which is playing an important role in reduction of fleet accidents.

Defensive Driving Training Sessions

In accordance with PMI's Fleet Safety Management System, PMPKL's Market Safety team conducted virtual defensive driving training sessions for all working tool. The training focused on imparting required knowledge, skills and abilities to improve the driving behaviors and facilitate fleet safety cultural transformation. The trainings were conducted for focused groups progressively in each geographical region. Under this initiative more than 317 people were trained during 2021.



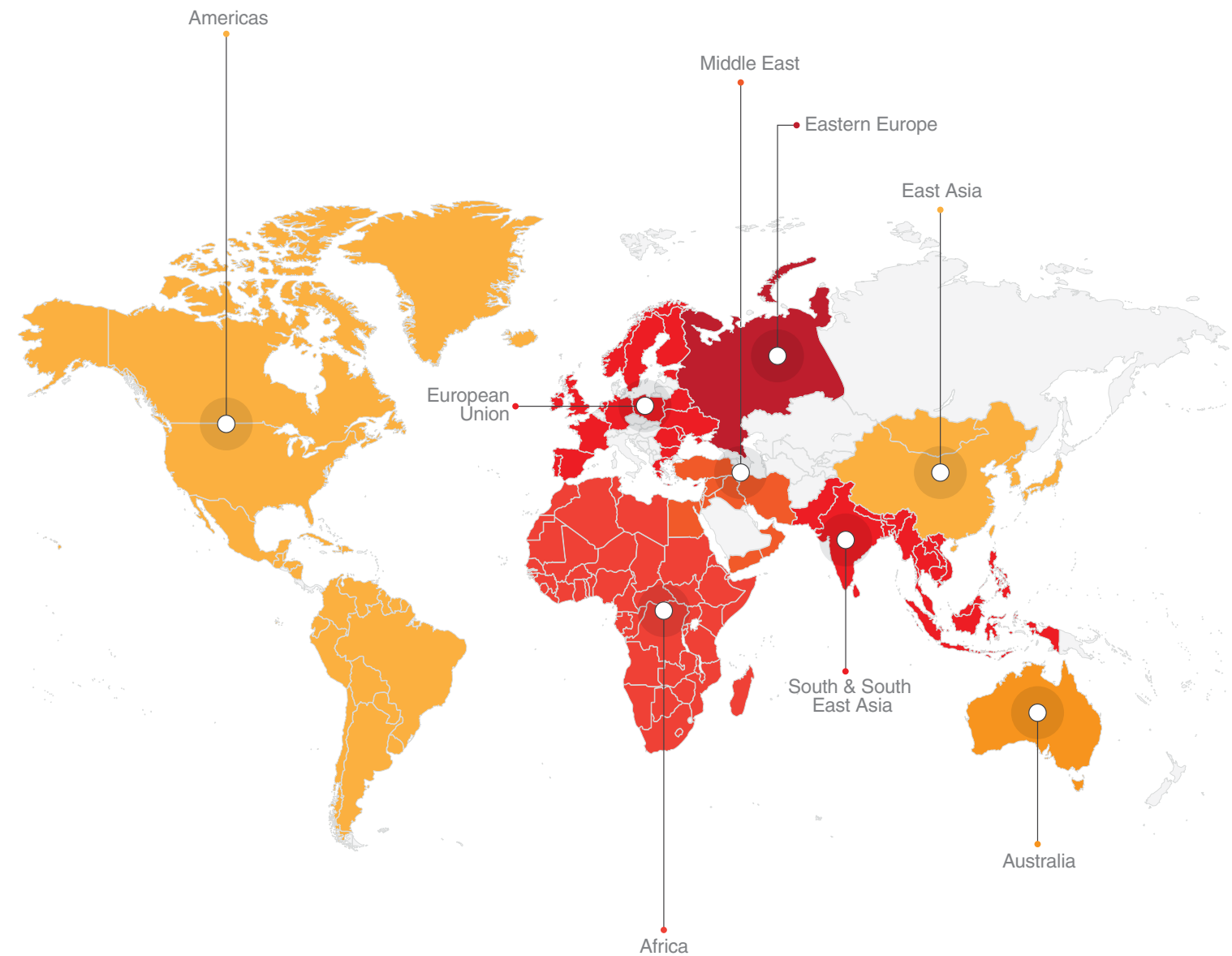
A cracked, grey hand is shown at the bottom left, holding a flock of green birds that fly upwards and to the right. The background is a solid orange color. The text "Leading transformation" is written in white, bold, sans-serif font across the middle of the image.

Leading transformation

Awards and Achievements



Philip Morris International's Regional Footprint



Philip Morris (Pakistan) Limited - Key Facts



16 Regional Offices



4 Zones



1 Green leaf threshing Plant in Mardan



1 Cigarette manufacturing Factory in Sahiwal



675 Employees



Head Office in Karachi



Philip Morris (Pakistan) Limited - Footprint



Zones	Regions
Karachi	Karachi East
Multan	Karachi West
Lahore	Hyderabad
Islamabad	Multan
	Lahore
	Islamabad
	Sukkur
	Bahawalpur
	D.G. Khan
	Quetta
	Sahiwal
	Faisalabad
	Gujranwala
	Sargodha
	Jhelum
	Peshawar

Financial Highlights for Last Six Years

Year ended December 31, 2021

	2021	2020	2019	2018	2017	2016
(Rupees in thousand)						
Share Capital						
- Ordinary shares	615,803	615,803	615,803	615,803	615,803	615,803
- Preference shares	10,464,000	10,464,000	10,464,000	10,464,000	10,464,000	10,464,000
Transaction cost on issuance of Preference - net of tax	(33,911)	(33,911)	(33,911)	(33,911)	(33,911)	(33,911)
Reserves	2,325,580	27,607	(395,009)	1,564,754	1,855,384	2,544,144
Share Holders' Equity	13,371,472	11,073,499	10,650,883	12,610,646	12,901,276	13,590,036
Lease liabilities	134,142	325,422	416,752	-	-	-
TOTAL CAPITAL EMPLOYED	13,505,614	11,398,921	11,067,635	12,610,646	12,901,276	13,590,036
Fixed assets - NET	5,578,756	6,031,405	6,109,548	7,348,030	7,818,958	8,517,170
Investment in a subsidiary company	1	1	1	1	1	1
Long-term deposits	78,520	79,184	57,361	50,545	45,825	39,762
Deferred tax assets	651,482	1,069,520	1,399,704	659,761	678,585	761,323
Working capital	7,196,855	4,218,811	3,501,021	4,552,309	4,357,907	4,271,780
TOTAL ASSETS	13,505,614	11,398,921	11,067,635	12,610,646	12,901,276	13,590,036
Turnover	44,110,228	40,642,026	37,986,339	36,102,925	30,143,938	40,343,161
Profit / (Loss) before tax	3,343,306	2,554,392	(2,492,990)	616,908	476,315	769,888
Profit / (Loss) after tax & adjustment	2,306,663	1,764,848	(1,979,999)	543,151	191,008	575,157
Dividends declared (Cash)	-	(1,348,283)	-	(747,390)	(923,000)	-
(Rupees)						
(inclusive of Fixed Assets Revaluation)						
Break-up value of shares	217.14	179.82	172.96	204.78	209.50	220.69
Net Earning / (Loss) per Share	37.46	16.76	(32.15)	1.68	(1.89)	8.79

Corporate information

BOARD OF DIRECTORS

KAMRAN Y. MIRZA
ROMAN YAZBECK
MUHAMMAD ZEESHAN
PATTARAPORN AUTTAPHON
PETER CALON
MIRZA REHAN BAIG
GHULAM NABI KAZI

(Chairman)
(Chief Executive)

COMPANY SECRETARY

SANA ENAIT HASHMI

AUDIT COMMITTEE

GHULAM NABI KAZI
PETER CALON
PATTARAPORN AUTTAPHON
SANA ENAIT HASHMI

(Chairman)

(Secretary)

HUMAN RESOURCE & REMUNERATION COMMITTEE

KAMRAN Y. MIRZA
ROMAN YAZBECK
PETER CALON
SARAH HASSAN
MIRELA SPAGOVIC

(Until March 31, 2021)
(From June 1, 2021)

(Chairman)

(Secretary)

(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 : <http://philipmorriskarachi.com.pk>

Email : pmpk.info@pmi.com

Message from the CEO and the Chairman of the Board

On behalf of the Board of Directors, we are pleased to present you the Annual Report of Philip Morris (Pakistan) Limited ("the Company/PMPKL") for the year ended December 31, 2021.

2021 has been the year of resilience and agility. As we look back on the year, the milestones that we have achieved during 2021 helped us enter 2022 with a lot more zeal and a stronger commitment to deliver and achieve a more sustainable and inclusive future for all. The commitment and resolve demonstrated by all our team members in these trying times is beyond ordinary and commendable.

We acknowledge and appreciate the Government's efforts to curb the mushroom growth of non-tax paid illicit sector by not increasing the excise duty on cigarettes during the last two federal budgets. Though the widening price gap between tax paid cigarette brands and non-tax paid illicit brands remained the biggest challenge for the Company. Further, the on-going pandemic coupled with macro-economic challenges added more fronts to deal with in addition to the existing illicit trade during 2021. However, these regulatory measures taken by the Government coupled with the unwavering commitment of our team contributed to the positive financial results for the year. Other reforms and administrative processes have also been introduced by the Government to bring the non-tax paid tobacco sector into tax net. However, across-the-board implementation of these measures is crucial and we encourage the Government to continue taking these regulatory enforcement measures that in turn will not only uplift the economic outlook but would also help Government to achieve its public health objective.

People and Culture

We are gratified that the Company has made strides in pursuing its people objective by introducing employee

focused policies and inculcating a more transparent, equitable and inclusive culture. During the year we have taken several initiatives for the wellbeing of our employees including gender neutral parental leaves that extends up to six months for the primary care giver and two months for secondary caregiver. To facilitate employees to achieve their full potential by becoming more productive, SmartWork initiative was introduced in 2021 on pilot basis in the head office. The initiative is aimed to support employees by introducing flexible work environment where employees can also attend to their personal chores by availing power hours during the day. Considering the impact of the pandemic on the mental health, complete mental health coverage was introduced for all employees in 2021. The Company introduced work policies to support an equal workplace environment for which we received recognition across multiple platforms. We strongly believe that the drive and resolve of the people to take the Company forward makes the foundation even stronger and the employee focused culture that we have inculcated over the years makes us the employer of choice.

Sustainability at PMPKL

We are fully committed to continue integrating our Sustainability initiatives (Environment, Social & Governance) as part of business strategy as we believe focusing on these can significantly enhance our business performance. We strongly believe that the Company must give back more than it takes from society and the environment. Sustainability offers us an opportunity for growth through investments in scientific research to continue innovating for better products, with the aim of becoming net positive. In the process, we have expanded our social, human, and intellectual capital in ways that allow us to go a step further to serve our stakeholders and society in general.

PMPKL has been taking continuous measures to reduce our carbon footprint to conserve the environment. During 2021, we had successfully converted our leaf boiler plant from furnace oil to Liquefied Petroleum Gas (LPG) at our Green Leaf Threshing Plant in Mardan. This initiative is expected to reduce the CO2 emissions by a staggering 30% which translates into a reduction of 2,200 tons of carbon emissions in the next five years. During 2021, we initiated the campaign under #MissionCleanerPakistan to address the issue of litter by creating awareness around waste disposal and advocating lifestyle changes. We also played our part to drive behavioral change through clean up drives across the Country and also placed waste bins across various cities during these drives.

PMPKL also played its role by paving way for sustainable solutions for socio-economic issues while enabling the youth of the country by supporting startups

and entrepreneurs. We are determined to create social environmental and economic value for all our stakeholders and for the society at large. Taking the inclusion agenda forward, MakeYourComeback (MYC) was launched during 2021. The initiative provided a platform to women who had taken a break and wished to transition back into their careers. Under the program, 10 women were hired for various projects. The Program helped to harness their skills and make the transition easier for them.

On behalf of the Board of Directors we would like to express our sincere gratitude to the shareholders, Management and our diverse workforce who has been working relentlessly to cater to the adult customer's need and make PMPKL the brand of choice.



Roman Yazbeck
Chief Executive Officer



Kamran Y. Mirza
Chairman



Profiles of Board of Directors



Kamran Y. Mirza
Chairman Board

Mr. Kamran Y. Mirza is a qualified Chartered Accountant (November 1968) from United Kingdom and started his career in Pakistan as an auditor with A.F. Ferguson & Co. Mr. Mirza then made a career move in December 1970 and joined Abbott Laboratories (Pakistan) Limited, a multinational pharmaceutical cum health care company as Chief Financial Officer. He became one of the youngest Managing Director of his time in the year 1977 and remained in that position, i.e. Managing Director Abbott Pakistan, for 29 years.

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

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

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

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

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



Roman Yazbeck
Chief Executive Officer

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

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

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

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



Muhammad Zeeshan
Chief Financial Officer

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

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



Peter Calon
Non-Executive Director

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

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



Pattaraporn Auttaphon
Non-Executive Director

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

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



Mirza Rehan Baig
Independent Director

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

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

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

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

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

Senior Management



Dr. Ghulam Nabi Kazi
Independent Director

Dr. Ghulam Nabi Kazi is a senior public health and public policy specialist of Pakistan. Born in Karachi, Pakistan in 1956, Dr. Kazi graduated in Medicine and Surgery from the Dow Medical College, University of Karachi in January of 1982. After internships, he joined regular Government service and worked initially in dermatology but soon switched over to the senior management of Dr. Ruth K. M. Pfau Civil Hospital Karachi – one of the largest teaching hospitals in Pakistan, where he worked until 1994. Thereafter, he was inducted in the planning, monitoring and evaluation wing of the Department of Health, Government of Sindh. He also collaborated with UNICEF to develop the Women's Right to Life and Health Project to reduce maternal mortality in South Asia.

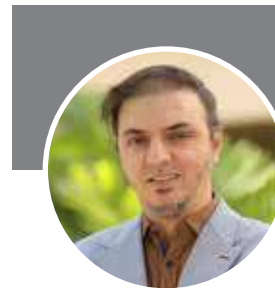
In August 2000, Dr. Kazi was inducted into the World Health Organization (WHO) as Adviser for Tuberculosis Control and a year later as Provincial Head of Office for Sindh, in which position he worked for over five years. During this period, he was the main author of the Health Policy for the province of Sindh developed in 2005.

In 2015 after a long association of 15 years, he sought an early retirement from the WHO and joined the University of Missouri-Kansas City (UMKC) to explore the complementarities of public health and public administration. He graduated with an Executive Master's in Public Administration in August 2017 with a focus on public policy and leadership, financial management and resource mobilization, and conducted research on public health issues in the larger Kansas City area, particularly on childhood obesity, soda taxation and other health governance issues. After his second masters, he was working as Adviser on Community Diabetes Projects with the UMKC School of Medicine and also served on the Board of Directors of the Medical Missions Foundation, Lenexa, Kansas and the UMKC Alumni Board, Kansas City, Missouri, USA until his return to Pakistan in 2018.

He is currently working as Chief Executive Officer, Consultant's Wing Dopasi and Senior Research Adviser of the Dopasi Organisation for Sustainable Development, working on social sector projects. He is also on the visiting faculty of the Health Services Academy, Islamabad and the School of Public Health, Dow University of Health Sciences, Karachi.



Roman Yazbeck
Chief Executive Officer



Muhammad Zeeshan
Chief Financial Officer



Muneeza Kazi
Assistant General Counsel
West Asia II/ (Head of Legal)



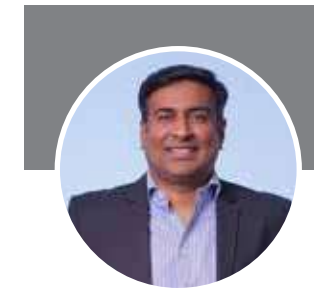
Muhammad Khurrum Qamar
Director External Affairs



Salman Amjad
Director Commercial



Mirela Spagovic
Director People &
Culture



Asif Usman Kahloon
Head of Sales



Zia Ullah
Head of Commercial
Strategy & Development



Muhammad Saadi Mansuri
Head of Marketing



Soban Farooq
Head of Strategy &
Program Delivery



Faisal Mushtaq
Director Manufacturing



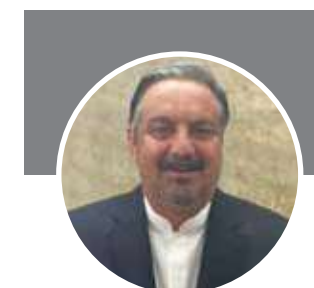
Andleeb (Uroos) Ahmed
Head of Communications



Salman Anwer Ali Khan
Head of Operations
Customer Service



Syed Muhammad Raza Abbas
Manager IT



Irshad Khan
Head of Leaf



Saad Khaleel
Head Ethics &
Compliance Pakistan, Afghanistan
& Chief Internal Officer

Building an innovative future



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

Philip Morris (Pakistan) Limited for the Year ended December 31, 2021

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

1. The total number of Directors as at December 31, 2021 were seven (7) as per the following,-
 - a. Male: Six (6)
 - b. Female: One (1)
2. The composition of the Board as at December 31, 2021 was as follows:

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

*Mr. Ghulam Nabi Kazi resigned from the board w.e.f January 13, 2022

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Company;
4. The Company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures;
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations;
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
8. The Board has a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and these Regulations;
9. The Board has arranged Director's Training Program for the following:
 1. Ghulam Nabi Kazi
 2. Mirza Rehan Baig

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;
12. The Board has formed the following committees. The composition of these Committees as at December 31, 2021 was as follows:

a) Audit Committee

Name	Designation
Ghulam Nabi Kazi	Chairman
Peter Calon	Member
Pattaraporn Auttaphon	Member

b) Human Resource and Remuneration Committee

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

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;
14. The frequency of meetings of the committee were as per following:

a) Audit Committee -	Four (4)
b) Human Resource and Remuneration Committee -	One (1)
15. The Board has set up an effective internal audit function
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the company
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32 and 33 and 36 of the regulations have been complied with.



Kamran Y. Mirza
Chairman

Date: March 8, 2022

Independent Auditor's Review Report

TO THE MEMBERS OF PHILIP MORRIS (PAKISTAN) LIMITED

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

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Philip Morris (Pakistan) Limited for the year ended December 31, 2021 in accordance with the requirements of regulation 36 of the Regulations.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended December 31, 2021.

A.F. Ferguson & Co
Chartered Accountants
Karachi

Date: **March 24, 2022**
UDIN: **CR202110160BRuEds00h**

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

For the Year ended December 31, 2021

It gives me great pleasure to present the Annual Report for the year ended December 31, 2021 to the Shareholders of Philip Morris (Pakistan) Limited ("the Company") and to comment on the overall performance and effectiveness of the Board of Directors ("the Board").

As required under the Listed Companies (Code of Corporate Governance) Regulations, 2019 an annual evaluation mechanism was put into place for evaluation of the Board, individual Directors and its Committees. This process has been carried out in consort with an independent third party – A.F. Ferguson & Co, Chartered Accountants. The purpose of this evaluation is to assess the Board's overall performance and effectiveness which is measured and benchmarked against expectations in the context of objectives set for the Company. Areas of improvement are duly considered, and action plans accordingly framed.

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

1. Vision, mission and values:

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

2. Engagement in strategic planning:

The Board has a clear understanding of the stakeholders (Shareholders, Customers, Employees, Vendors and the society at large) to whom the Company serves. The Board has a strategic vision of how the Organization should be evolving.

3. Diligence and Monitoring of Business Activities:

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

4. Diversity and Mix:

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

5. Governance and Control Environment:

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

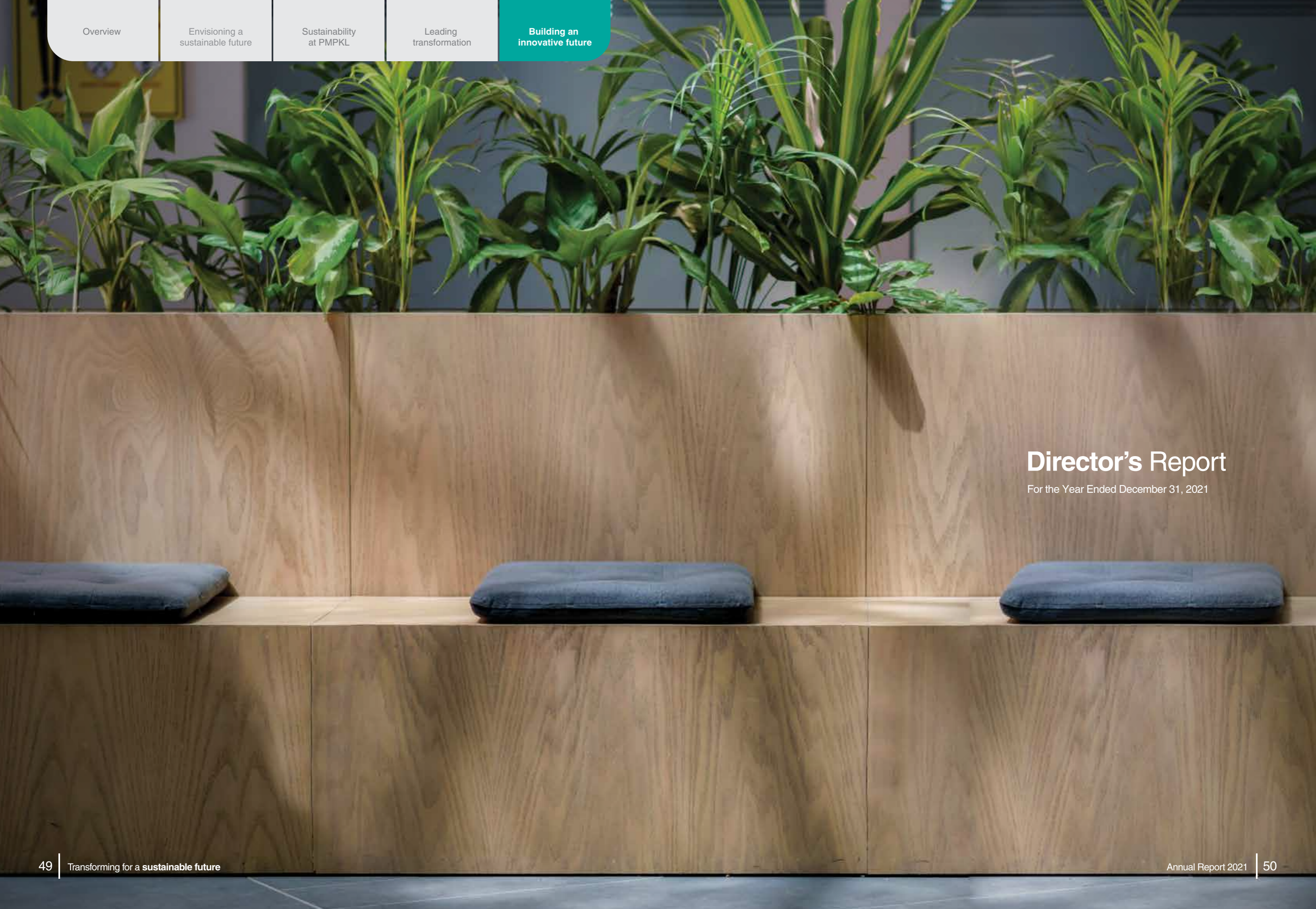
Acknowledgement:

I would like to express my appreciation for the continued support of all stakeholders & especially acknowledge the dedication demonstrated by the employees despite the challenges posed by the Covid-19 pandemic during 2021. I will take this opportunity to also sincerely thank the Board members for their valuable contributions which helped the Company in managing its affairs in a pragmatic manner.



Kamran Y. Mirza
Chairman

Karachi
Date: March 8, 2022



Director's Report

For the Year Ended December 31, 2021

Pakistan's economy is facing challenges on account of higher inflationary pressures, trade deficit, and currency devaluation. The State Bank of Pakistan has maintained the policy rate, however, these demand moderating measures may not improve the economic outlook in the short run. Further, the increasing geopolitical tensions are also expected to put pressure on international oil and commodity prices resulting further spike in inflation. These economic pressures, along with the ongoing pandemic coupled with political instability, will make the operating environment even more challenging for businesses.

Overview

The tax-paid cigarette industry in Pakistan continues to be challenged by the wide presence of non-tax paid illicit cigarettes, which constitute approximately 37-40% of the total cigarette consumption in Pakistan. These non-tax paid illicit cigarettes not only cause an annual loss of an estimated PKR 77 billion in taxes to the National Exchequer but also negatively impact the Government's public health objectives. Non-tax paid illicit cigarettes continue to sell at an average price of PKR 38 per pack while the minimum price prescribed under the tax laws for levy and collection of federal excise duty and sales tax is PKR 63 per pack and the tax payable per pack (Excise + Sales Tax) is at least PKR 44 per pack (value tier) of cigarettes.

The wide price-gap between tax-paid and non-tax paid cigarette brands has been the primary driver for the growth of non-tax paid illicit cigarette trade in Pakistan (current price gap between tax-paid and non-tax paid brands is over 200%). Excise driven price increases have contributed to the growth of the non-tax paid illicit segment, which has been addressed by the FBR by not increasing excise duty on cigarettes during the last two federal budgets. This policy move by the FBR resulted in a positive outcome for the tax-paid cigarette industry and the growth in Government revenue. During the first six months ended December 31, 2021 of the ongoing fiscal year 2021/22, the Company's contribution to the National Exchequer (July'21-Dec'21) in the form of excise duty, sales tax and other government levies, stood at PKR 12,238 million (higher by 13.9% versus prior period), reflecting 60.6% of 6 month's gross turnover.

We acknowledge and appreciate the Government's resolve to bring these non-tax paid illicit players in the tax net by introducing reforms and administrative processes. Track and Trace System (recently launched by the FBR) can be an effective tool to counter non-tax paid illicit cigarette trade, however, unless there is an effective enforcement mechanism in place, this initiative may not prove to be successful. To this end, it is imperative that across-the-board implementation is ensured for affixing tax stamps on each packet sold in the market with effective enforcement measures through identification of non-tax paid cigarette brands.

Financial Performance

Despite all the challenges, during the year ended December 31, 2021 the Company's domestic net turnover stood at PKR 15,991 million reflecting an increase of 14.4% vs. the prior year supported by unaltered excise tax rates. The Company's exports turnover stood at PKR 1,467 million (US\$ 8.6 million). The export of approximately 3.3 million kilos of tobacco is part of the Company's commitment to support Pakistan's goal of increasing exports. During the same period, gross profit increased to PKR 7,483 million which is higher by 15.9% vs. the prior year, due to an increase of domestic turnover coupled with efficiencies and cost optimization in the manufacturing operations. Distribution and marketing expenses showed an increase of 14.5% vs. the prior year in line with the Company's resolve to allocate resources behind building brands and route to market activities that can earn the best returns. Further, we continue to find efficiencies in administrative expenses to ensure the increase remains under inflation. The Company recorded a profit after tax of PKR 2,307 million (equivalent to 5.2% of full-year gross turnover) for the year ended December 31, 2021, vs. prior year profit after tax of PKR 1,765 million. The key financial indicators of the Company for the year ended December 31, 2021, are as follows:

Key Metrics	Unit measure	31-Dec-21	%
Gross Turnover	Mio	44,110	8.5
Excise Tax	Mio	19,271	11.1
Sales Tax	Mio	6,412	12.2
Trade Discount	Mio	968	-1.0
Net Turnover	Mio	17,459	5.2
Gross Profit	Mio	7,483	15.9
Profit after tax	Mio	2,307	30.7
Earnings per Share	per share	37.46	>100

Contribution to the National Exchequer

During the year ended December 31, 2021, the Company's contribution to the National Exchequer, in the form of excise duty, sales tax and other government levies, stood at PKR 26,673 million (higher by 14.8% compared to the same period last year), equivalent to 60.5% of gross turnover.

Sustainability & Corporate Social Responsibility

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

Caring for the People We Work With

Amid trying times caused by the pandemic, the Company remained steadfast towards its responsibilities and provided medical camps and deployed health care units across Mardan, Charsadda and Swabi. More than 1700 people were provided medicines and health screening facilities.

The Company also supported an initiative to identify, mentor, and develop social startups and entrepreneurs who are using technology to deliver sustainable, tech-focused interventions for socio-economic issues facing the Country. Under this initiative, the top three start-ups were provided funding of USD 10,000 each. This initiative aimed to pave the way for tech-driven, sustainable solutions for socio-economic issues while enabling the entrepreneurs in Pakistan.

The Company also partnered with Kashf Foundation and provided professional training in food catering to more than 300 women. This program was launched in Multan, Lahore, Islamabad, Rawalpindi and Karachi. These women were also trained on financial management.

Protecting the Environment and Ensuring Health & Safety

Taking forward the anti-littering and sustainability agenda, the Company in collaboration with its partner SEED Ventures conducted various clean-up drives across Pakistan throughout 2021. Through these drives, more than 2,400 volunteers were engaged and more than 3,900 Kgs of trash have been collected. As part of the clean-up drive, waste bins were also placed across various cities.

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

In line with Philip Morris International's pledge to attain carbon neutrality in its direct operations by 2025 and entire value chain by 2040, the Company's leaf operations implemented a boiler fuel conversion project to reduce CO2 emissions. The initiative is expected to reduce the CO2 emissions by 30% mounting to a reduction of 2,200 tons of carbon emissions in the next five years.

In order to ensure safety of our employees, Fleet Telematics Sensors were installed in all working tool & pool cars in 2021. The sensors detect violations pertaining to driving behaviors and ensure compliance with driving laws. The program is playing an important role in reduction of fleet accidents.

Diverse & Inclusive Work Environment

During 2021, the Company launched a program for hybrid & remote ways of working (SmartWork) which allows employees to work either fully remote or adopt a hybrid model with flexible timings including power hours. We also introduced various initiatives aimed to improve the wellbeing of our employees such as introducing enhanced gender-neutral parental leaves, encouraging employees to take time off work under the "time for time off" campaign, awareness on significance of mental health & extending medical coverage for all mental related health issues that our employees may face.

"MakeYourComeback" program was launched by the Company as part of our sustainability vision. The platform was launched for those women who have taken a break and wished to transition back into their careers. Through this program, 10 women were on-boarded for various projects based on their prior experience and the needs of the Company. The project duration was 3 months in which these women went through an extensive onboarding program, trainings to help them transition to the workplace.

Awards & Recognition

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

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

Operational Efficiency

Aligned with our sustainability vision to achieve manufacturing excellence with a view to bring efficiencies, the Company invested around PKR 687 million mainly on account of strategic and maintenance projects. These investments reflect the Company's commitment towards providing world class products to its customers.

Dividend

In order to continuously enhance and make the business performance sustainable, the Company is allocating resources behind route to market, brand building and employee capability building for maximizing returns for the shareholders in the long run. As such the Company has not declared any dividend for the year 2021.

Code of Corporate Governance

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

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

- The financial statements prepared by the Management of the Company represent fairly its state of affairs, the results of its operations, cash flows and changes in its equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been applied consistently in preparation of the financial statements. Accounting estimates are based on reasonable and prudent judgment.
- Approved accounting standards, as applicable in Pakistan, have been followed in preparation of the financial statements.
- The Company's system of internal controls is sound in design and has been effectively implemented and is continuously reviewed.
- There are no doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- A summary of the key financial highlights for the year and of the assets and liabilities of the Company as of December 31, 2021 and for the last six financial years are set out on page 33, and;
- Information about taxes and levies is given in the corresponding notes in the financial statements.
- The Management of the Company is committed to good corporate governance and has taken all necessary steps to ensure compliance with the Code.

Statement of Internal Controls

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

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

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

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

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

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

Statement of Compliance

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

Investment in Retirement Funds

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

	PKR in Mio	
Provident Fund	702	Financial statements audited as of December 31, 2020)
Gratuity Fund	706	(Financial statements audited as of December 31, 2020)

Holding Company

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

Evaluation of the Board of Directors

The Board has approved a formal policy and a process has been put in place for conducting annual performance evaluation of the Board, individual directors and its committees. The purpose of the evaluation is to ensure that the Board's performance is measured with reference to overall corporate objectives, governance structure of the Company, statutory and regulatory compliance, effectiveness, collaboration and value addition. As per the results of evaluation of the Board's performance for 2021, the performance of the Board remained satisfactory.

Director's Remuneration Policy

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

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

The details of remuneration paid to the Directors is available under note 31 of the attached financial statements.

Changes in the Board of Directors

There was no change in the Board of Directors during 2021. However, Mr. Ghulam Nabi Kazi resigned from the Board effective January 13, 2022. The casual vacancy will be filled within the stipulated timelines as defined in the law.

Meeting of Board of Directors

The Board comprises of seven Directors, of which three are independent Directors, two are Non-Executive Directors and two are Executive Director(s). As of December 31, 2021, the Board consists of 6 Male Directors and 1 Female Director.

During 2021, the Board of Directors (the "Board") held 4 meetings. The attendance of Directors in those meetings is documented and provided here under:

Name of Directors	No. of meetings held in tenure	No. of meetings attended
Mr. Kamran Y. Mirza	4	3
Mr. Roman Yazbeck	4	4
Mr. Muhammad Zeeshan	4	4
Dr. Ghulam Nabi Kazi	4	3
Mirza Rehan Baig	4	4
Ms. Pattaraporn Auttaphon	4	2
Mr. Peter Calon	4	4

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

Board Audit Committee

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

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

As at year end 2021 the composition of the Audit Committee was as follows;

Dr. Ghulam Nabi Kazi	Chairman
Mr. Peter Calon	Member
Ms. Pattaraporn Auttaphon	Member

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

Name of Directors	No. of meetings attended
Dr. Ghulam Nabi Kazi	3
Ms. Pattaraporn Auttaphon	2
Mr. Peter Calon	4

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

Board Human Resource and Remuneration Committee (BHRRC)

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

As at the year-end 2021 the composition of the BHRRC was as follows.

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

During 2021, one meeting of the BHRRC Committee was held as required by the Code.

Training of Directors

Due to the logistic difficulties caused by COVID -19 the Company arranged training for Dr. Ghulam Nabi Kazi and Mirza Rehan Baig. More trainings will be arranged during 2022 for other Directors.

Pattern of Shareholding

The details of pattern of shareholding of the Company as of December 31, 2021 are included in this Annual Report as per the requirements of the Code.

Auditors

The existing external auditors, A. F. Ferguson & Co., Chartered Accountants will retire at the conclusion of the ensuing Annual General Meeting and, being eligible, offered themselves for re-appointment as external auditors for the year ending December 31, 2022. As per recommendation by the Audit Committee, the Auditors are re-appointed and their fee is validated.

Accounting Policies

The Company has adopted or applied new accounting standards, amendments to approved standards and new interpretations as applicable during 2021. Details of those are provided in the Notes to the Financial Statements section 2.4.1.

Future Outlook

Despite all the challenges, the Company has endeavored to minimize the adverse impact of the pandemic by taking timely decisions and initiatives. We have reinforced the foundations of the underlying business by optimizing operations, continuing efforts on the fiscal & regulatory fronts and enhancement of the Company's brand portfolio. The Company is a fully integrated affiliate of Philip Morris International Inc. and as such will continue to benefit from global resources and expertise to help further improve its effectiveness and long-term sustainability and profitability. The Company will continue to support Government policies and actions to address the menace of non-tax paid illicit cigarettes including enhanced enforcement through the Inland Revenue Force of the Federal Board of Revenue ("FBR").

The Management of the Company continues to be committed to improving the overall financial performance of the Company by utilizing global resources, pursuing strategic marketing activities, bringing continuous improvements in product quality, process and operational efficiency. Growing our gross margin and controlling the cost base were the key objectives for managing the Company's profitability in a continuously challenging environment.

Acknowledgements

The Directors wish to take this opportunity to thank all the Company's employees for their efforts, dedication, commitment and support in 2021.

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

On behalf of the Board of Directors.



KAMRAN Y. MIRZA
Chairman Board



ROMAN YAZBECK
Chief Executive

Karachi, March 8, 2022



Independent Auditor's Report

To the members of Philip Morris (Pakistan) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Philip Morris (Pakistan) Limited (the Company), which comprise the statement of financial position as at December 31, 2021, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2021 and of the profit and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matter

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

Following is the Key audit matter:

S. No. Key audit matter

How the matter was addressed in our audit

(i) Deferred tax asset on account of unutilised tax losses

(Refer notes 2.5 & 7 to the annexed financial statements)

The deferred tax asset as at December 31, 2021 included amounts of Rs 227.790 million and Rs 408.867 million on account of carried forward balance of Alternative Corporate Tax (ACT) and unutilised tax losses respectively.

Our audit procedures, amongst others, included the following:

- obtained understanding of the management's process of estimating future taxable profits;
- discussed with the management the significant assumptions used in preparing the tax profitability forecast;

The carried forward balance of ACT can be utilised for a period of ten tax years immediately succeeding the tax year for which the excess was first computed, while the unutilised tax losses (being attributable to tax depreciation) can be utilised for an indefinite period against future taxable profits.

The Company carries out periodic assessment to determine the recoverability of both these balances by estimating future taxable profits of the Company and the expected tax rate applicable to those profits. The determination of future taxable profits is most sensitive to certain key assumptions such as volume of cigarettes, gross margin percentage and inflation rates which have been considered in that determination.

As estimating future taxable profits requires significant management judgement, we considered this, a key audit matter.

- checked the appropriateness of tax rates applied in view of the local tax legislation;
- checked mathematical accuracy of the calculations; and
- reviewed the related disclosures made in the annexed financial statements in accordance with the requirements of the accounting and reporting standards as applicable in Pakistan.

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

- proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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

A. F. Ferguson & Co
Chartered Accountants
Karachi

Date: **March 24, 2022**
UDIN: **AR202110160GSc8XIZUI**

Financial Statements

Statement of Financial Position

As at December 31, 2021

Note	2021 (Rupees in thousand)	2020 (Rupees in thousand)
ASSETS		
NON CURRENT ASSETS		
Fixed assets		
- Property, plant and equipment	3	5,350,514
- Right-of-use assets	4	181,307
- Intangibles	5	46,935
		<u>5,578,756</u>
Investment in a subsidiary company	6	1
Long term deposits		78,520
Deferred taxation	7	651,482
		<u>6,308,759</u>
CURRENT ASSETS		
Stores and spares - net	8	65,821
Stock in trade - net	9	5,869,601
Trade debts - net	10	-
Advances	11	136,972
Prepayments		59,756
Other receivables	12	292,739
Income tax - net		589,322
Staff retirement benefits	13	111,463
Cash and bank balances	14	7,991,843
Non-current assets held for disposal	15	-
		<u>15,117,517</u>
		<u>12,023,850</u>
		<u>21,426,276</u>
		<u>19,203,960</u>
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
Authorised capital	16	12,000,000
Issued, subscribed and paid-up capital		
- Ordinary shares	16	615,803
- Preference shares	16	10,464,000
		<u>11,079,803</u>
Transaction cost on issuance of preference shares - net of tax		(33,911)
		<u>11,045,892</u>
Reserves		2,325,580
		<u>13,371,472</u>
		<u>11,073,499</u>
NON CURRENT LIABILITIES		
Lease liabilities	18	134,142
		<u>325,422</u>
CURRENT LIABILITIES		
Short term borrowings	19	-
Trade and other payables	20	6,310,239
Current maturity of lease liabilities	18	121,866
Unclaimed dividend		37,029
Unpaid dividend		-
Accrued mark-up on short term borrowings		67
Sales tax and excise duty payable		1,451,461
		<u>7,920,662</u>
		<u>7,805,039</u>
		<u>8,054,804</u>
		<u>8,130,461</u>
		<u>21,426,276</u>
		<u>19,203,960</u>
CONTINGENCIES AND COMMITMENTS		
21		

The annexed notes from 1 to 41 form an integral part of these financial statements.


Kamran Mirza
Chairman / Director


Roman Yazbeck
Chief Executive Officer


Muhammad Zeeshan
Chief Financial Officer


Kamran Mirza
Chairman / Director


Roman Yazbeck
Chief Executive Officer


Muhammad Zeeshan
Chief Financial Officer

Statement of Profit or Loss and other Comprehensive Income

For the Year Ended December 31, 2021

Note	2021 (Rupees in thousand)	2020 (Rupees in thousand)
Turnover - net	22	17,458,557
Cost of sales	23	9,975,405
Gross profit		<u>7,483,152</u>
Distribution and marketing expenses	24	2,979,029
Administrative expenses	25	1,404,349
Other expenses	26	765,591
Other income	27	(1,076,085)
		<u>4,072,884</u>
		<u>3,814,727</u>
Operating profit		<u>3,410,268</u>
		<u>2,642,428</u>
Finance cost and bank charges	28	66,962
Profit before taxation		<u>3,343,306</u>
		<u>2,554,392</u>
Taxation	29	1,036,643
Profit after taxation		<u>2,306,663</u>
		<u>1,764,848</u>
Other comprehensive loss for the year - net of tax		
<i>Item that will not be reclassified to profit or loss</i>		
Remeasurement loss relating to staff retirement benefits	13	(20,013)
- Impact of current tax		5,804
		<u>(14,209)</u>
		<u>(464)</u>
Total comprehensive income for the year		<u>2,292,454</u>
		<u>1,764,384</u>
Rupees		
Earnings per share - basic	30	37.46
Earnings per share - diluted	30	30.57

The annexed notes from 1 to 41 form an integral part of these financial statements.

Statement of Changes in Equity

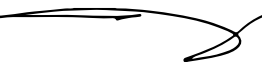
For the Year Ended December 31, 2021

	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		
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
<i>(Rupees in thousand)</i>											
Transactions with owners											
- Interim cash dividend for the year ended December 31, 2020 (note 16.8)	-	-	-	-	-	-	(1,348,283)	-	(1,348,283)	(1,348,283)	(1,348,283)
Share-based payment - expense	-	-	-	33,751	-	33,751	-	-	-	33,751	33,751
- recharge (notes 2.6.20 and 17)	-	-	-	(27,236)	-	(27,236)	-	-	-	(27,236)	(27,236)
	-	-	-	6,515	-	6,515	(1,348,283)	-	(1,348,283)	(1,341,768)	(1,341,768)
Total comprehensive income											
Profit after taxation for the year ended December 31, 2020	-	-	-	-	-	-	-	1,764,848	1,764,848	1,764,848	1,764,848
Other comprehensive loss for the year	-	-	-	-	(464)	(464)	-	-	-	(464)	(464)
	-	-	-	-	(464)	(464)	-	1,764,848	1,764,848	1,764,384	1,764,384
Balance as at December 31, 2020	615,803	10,464,000	(33,911)	17,663	(244,220)	(226,557)	3,328,327	(3,074,163)	254,164	27,607	11,073,499
Transaction with owners											
Share-based payment - expense	-	-	-	37,132	-	37,132	-	-	-	37,132	37,132
- recharge (notes 2.6.20 and 17)	-	-	-	(31,613)	-	(31,613)	-	-	-	(31,613)	(31,613)
	-	-	-	5,519	-	5,519	-	-	-	5,519	5,519
Total comprehensive income											
Profit after taxation for the year ended December 31, 2021	-	-	-	-	-	-	-	2,306,663	2,306,663	2,306,663	2,306,663
Other comprehensive loss for the year	-	-	-	-	(14,209)	(14,209)	-	-	-	(14,209)	(14,209)
	-	-	-	-	(14,209)	(14,209)	-	2,306,663	2,306,663	2,292,454	2,292,454
Balance as at December 31, 2021	615,803	10,464,000	(33,911)	23,182	(258,429)	(235,247)	3,328,327	(767,500)	2,560,827	2,325,580	13,371,472

The annexed notes from 1 to 41 form an integral part of these financial statements.


Kamran Mirza
Chairman / Director


Roman Yazbeck
Chief Executive Officer


Muhammad Zeeshan
Chief Financial Officer


Kamran Mirza
Chairman / Director


Roman Yazbeck
Chief Executive Officer


Muhammad Zeeshan
Chief Financial Officer

Statement of Cash Flows

For the Year Ended December 31, 2021

	Note	2021	2020
<i>(Rupees in thousand)</i>			
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	34	4,471,271	6,777,315
Staff retirement gratuity paid	13.1.4	(78,455)	(49,756)
Finance cost paid		(1,065)	(65,927)
Profit received on deposit accounts		419,053	216,727
Income taxes paid		(550,124)	(118,919)
Long term deposits		664	(21,823)
Net cash generated from operating activities		4,261,344	6,737,617
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		(686,669)	(568,179)
Acquisition of intangibles		(9,516)	(60,584)
Proceeds from disposal of items of non current assets held for sale		77,044	15,880
Proceeds from disposal of items of property, plant and equipment		189,290	116,421
Net cash used in investing activities		(429,851)	(496,462)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(1,073,541)	(271,648)
Lease payments		(149,443)	(69,981)
Net cash used in financing activities		(1,222,984)	(341,629)
Net increase in cash and cash equivalents during the year		2,608,509	5,899,526
Cash and cash equivalents at the beginning of the year		5,364,473	(535,053)
Cash and cash equivalents at the end of the year	35	7,972,982	5,364,473

The annexed notes from 1 to 41 form an integral part of these financial statements.

Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2021

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.

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

Business Unit	Location / Address
a) Registered Office	19th Floor, The Harbour Front, Dolmen City, HC-3 Block-4 Clifton, Karachi, Sindh
b) Green Leaf Threshing Plant	Leaf Division Complex, 22 KM, Mardan Swabi Road, Mardan, KPK
c) Sahiwal Factory	G.T. Road, Qadirabad, District Sahiwal, Punjab

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

1.3 In view of the exemption granted by the Securities & Exchange Commission of Pakistan (the SECP) vide its letter No. EMD/233/619/2002-641 dated March 26, 2021 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of measurement

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

2.2 Functional and Presentation Currency

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

2.3 Statement of Compliance

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

Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2021

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

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

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

2.4.1 New standards, amendments and interpretation to accounting and reporting standards which became effective during the year ended December 31, 2021:

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

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

There is a new standard, an interpretation and certain amendments to the accounting and reporting standards that will be mandatory for the Company's annual accounting periods beginning on or after January 1, 2022. However, these will not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these financial statements.

2.5 Critical accounting judgments and estimates

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

Property, plant and equipment

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

Stock in trade

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

Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2021

Income taxes

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

Deferred taxes

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

Staff retirement benefits

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

Equity settled share-based payment plans

Estimates with respect to the number of employees who are expected to receive the ultimate parent's shares upon satisfaction of the vesting conditions.

Provisions

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

Contingencies

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

Leases

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

2.6 Summary of significant accounting policies

2.6.1 Property, plant and equipment

(i) Operating property, plant and equipment

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

Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2021

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

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

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

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

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

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

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

(ii) Capital work-in-progress

All expenditure, connected with specific assets, incurred during installation and construction period are carried under this head. Capital work-in-progress is transferred to specific assets as and when these assets become available for use.

(iii) Major spare parts and stand-by equipment

Major spare parts and stand-by equipment qualifying as property, plant and equipment and having cost exceeding the minimum threshold as determined by management are classified as property, plant and equipment. Transfers are made to the relevant categories of operating property, plant and equipment as and when these assets are consumed.

Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2021

2.6.2 Right-of-use assets

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

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

2.6.3 Intangible

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

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

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

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

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

2.6.4 Investment in a subsidiary company

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

2.6.5 Stores and spares

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

Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2021

2.6.6 Stock in trade

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

Cost of raw materials include procurement expenses except raw materials in bonded warehouse and in transit, which are stated at invoice values plus other charges incurred thereon.

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

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

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

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

2.6.7 Trade debts and other receivables

Trade debts and other receivables are recognised and carried at original invoice amount less an estimated allowance made for doubtful receivables based on 'Expected Credit Loss' model. Balances considered bad and irrecoverable are written off when identified.

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

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

2.6.9 Lease liability

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

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

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

Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2021

2.6.10 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for the goods and services.

2.6.11 Provisions

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

2.6.12 Contingent assets

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

2.6.13 Contingent liabilities

Contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or
- there is a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

2.6.14 Taxation

(i) Current

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

(ii) Deferred

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

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

Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2021

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

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

2.6.15 Cash and cash equivalents

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

2.6.16 Borrowing costs

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

2.6.17 Revenue recognition

- Revenue from sale of goods is recognised when the Company satisfies a performance obligation by transferring promised goods to the customer. Goods are transferred when the customer obtains their control (i.e. either upon shipment or delivery of goods to customers). Revenue is recognised at transaction price (which excludes estimates of variable consideration), which represents the fair value of the consideration received or receivable.
- Profit on bank balances is recognised on a time proportion basis on the principal amount outstanding and at the applicable rate.
- Gains / (losses) arising on disposal of investments are recognised on the date when the transaction takes place.

2.6.18 Staff retirement benefits

The Company operates:

- (a) an approved contributory provident fund for all permanent employees for which contributions are charged to profit or loss for the year; and
- (b) an approved funded gratuity scheme covering all permanent employees. Contributions are made to this scheme on the basis of actuarial valuation and recommendations. The actuarial valuation is performed using the Project Unit Credit Method.

Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2021

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

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

2.6.19 Compensated absences

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

2.6.20 Equity-settled share-based payment plans

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

2.6.21 Foreign currency transactions

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

2.6.22 Financial assets

The Company classifies its financial assets in the following categories:

(i) Amortised cost

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

(ii) Fair value through other comprehensive income

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

Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2021

(iii) Fair value through profit or loss

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

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

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

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

2.6.23 Financial Liabilities

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

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

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

2.6.24 Off-setting of financial assets and financial liabilities

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

2.6.25 Impairment of financial assets

a) Financial assets

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

Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2021

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

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

b) Non-Financial assets

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

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

2.6.26 Dividend and appropriation to reserves

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

2.6.27 Segment reporting

The Company operates predominantly in Pakistan and in one main industry – cigarette manufacture. The activities comprise the manufacture, distribution and sale of cigarettes and other tobacco products.

3. PROPERTY, PLANT AND EQUIPMENT

Operating property, plant and equipment
Capital work-in-progress (CWIP)
Major capital spares and stand-by equipment

Note	2021	2020
	(Rupees in thousand)	
3.1	4,685,850	5,003,286
3.2	664,664	618,273
	-	1,249
	<u>5,350,514</u>	<u>5,622,808</u>

Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2021

3.1 Operating property, plant and equipment

	Freehold land	Leasehold land	Buildings on freehold land	Buildings on leasehold land	Leasehold improvements	Plant and machinery fixtures	Furniture and	Office equipment	Vehicles	Power and other installations	Computer equipment	Total
Rupees in thousand												
As at December 31, 2019												
Cost	83,510	2,441	1,771,851	59,723	272,707	6,790,914	150,887	124,482	849,744	1,257,806	827,734	12,191,799
Accumulated depreciation	-	(1,285)	(410,331)	(34,776)	(266,242)	(3,548,251)	(125,183)	(119,845)	(536,170)	(564,470)	(651,893)	(6,258,446)
Accumulated impairment	-	(29)	(543,188)	-	-	(464,717)	(1,652)	(1,466)	-	(577,013)	(508)	(1,588,573)
Net book value	83,510	1,127	818,332	24,947	6,465	2,777,946	24,052	3,171	313,574	116,323	175,333	4,344,780
Year ended December 31, 2020												
Transfers from CWIP see note 3.2.1	-	-	106,328	7,161	26,900	516,018	4,915	12,204	130,796	391,314	40,290	1,235,926
Assets transferred from held for disposal - note 15												
Cost	-	-	-	-	-	993,714	-	-	-	-	-	993,714
Accumulated depreciation	-	-	-	-	-	(464,107)	-	-	-	-	-	(464,107)
Accumulated impairment	-	-	-	-	-	(91,229)	-	-	-	-	-	(91,229)
Disposals												
Cost	(1,543)	-	(21,230)	-	-	(23,533)	(2,004)	(3,764)	(95,272)	(40,395)	(48,210)	(235,951)
Accumulated depreciation	-	-	7,533	-	-	23,478	2,004	3,764	68,020	40,395	48,210	193,404
Write offs - note 26												
Cost	-	-	(93)	-	(196,461)	(374,119)	-	(90)	(2,354)	(17,582)	-	(590,699)
Accumulated depreciation	-	-	93	-	191,459	347,675	-	75	784	17,582	-	557,668
Assets transferred to held for disposal - note 15												
Cost	(29)	-	(1,581)	-	-	-	-	-	-	-	-	(1,610)
Accumulated depreciation	-	-	505	-	-	-	-	-	-	-	-	505
Impairment - other assets (notes 3.1.3 & 26)	(29)	-	(1,076)	-	-	-	-	-	-	-	-	(1,105)
Depreciation charge - note 3.1.1	-	-	(1,877)	-	-	(2,160)	-	-	-	(8,049)	-	(12,086)
Net book value as at December 31, 2020	81,938	1,127	882,757	32,108	10,324	3,105,212	15,268	8,008	330,648	428,485	107,411	5,003,286
Net book value as at January 1, 2021	81,938	1,127	882,757	32,108	10,324	3,105,212	15,268	8,008	330,648	428,485	107,411	5,003,286
Year ended December 31, 2021												
Transfers from CWIP see note 3.2.1	-	-	80,600	12,767	12,819	429,989	18,430	4,250	11,296	46,307	25,069	641,527
Disposals												
Cost	-	-	-	-	-	(200,588)	(8,745)	-	(120,041)	(4,873)	(339,743)	(673,990)
Accumulated depreciation	-	-	-	-	-	176,771	8,399	-	85,326	4,873	333,906	609,275
Write-offs - note 26												
Cost	-	-	(6,395)	-	-	(85,313)	(3,799)	-	(22,375)	(38,664)	(22,256)	(178,802)
Accumulated depreciation	-	-	6,395	-	-	85,313	3,799	-	21,184	38,664	22,169	177,524
Impairment - other assets (notes 3.1.3 & 26)	-	-	-	-	-	(11,159)	-	-	-	-	-	(11,159)
Depreciation charge - note 3.1.1	-	-	(29,222)	-	(18,503)	(597,462)	(11,508)	(6,416)	(74,565)	(87,515)	(56,620)	(881,811)
Net book value as at December 31, 2021	81,938	1,127	934,135	44,875	4,640	2,902,763	21,844	5,842	231,473	387,277	69,936	4,685,850
At December 31, 2020												
Cost	81,938	2,441	1,855,275	66,884	103,146	7,902,994	153,798	132,832	882,914	1,591,143	819,814	13,593,179
Accumulated depreciation	-	(1,285)	(427,453)	(34,776)	(92,822)	(4,239,676)	(136,878)	(123,358)	(552,266)	(577,596)	(711,895)	(6,898,005)
Accumulated impairment	-	(29)	(545,065)	-	-	(558,106)	(1,652)	(1,466)	-	(585,062)	(508)	(1,691,888)
Net book value	81,938	1,127	882,757	32,108	10,324	3,105,212	15,268	8,008	330,648	428,485	107,411	5,003,286
At December 31, 2021												
Cost	81,938	2,441	1,929,480	79,651	115,965	8,047,082	159,684	137,082	751,794	1,593,913	482,884	13,381,914
Accumulated depreciation	-	(1,285)	(450,280)	(34,776)	(111,325)	(4,575,054)	(136,188)	(129,774)	(520,321)	(621,574)	(412,440)	(6,993,017)
Accumulated impairment	-	(29)	(545,065)	-	-	(569,265)	(1,652)	(1,466)	-	(585,062)	(508)	(1,703,047)
Net book value	81,938	1,127	934,135	44,875	4,640	2,902,763	21,844	5,842	231,473	387,277	69,936	4,685,850
Depreciation rate	-	3.33%	2.50%	2.50%	20% to 33.33%	6.67% to 20%	20%	20%	20%	6.67%	20% to 33.33%	

Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2021

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

	Note	2021 (Rupees in thousand)	2020
Purchases, redrying and related expenses	23.1	61,560	63,281
Manufacturing expenses	23.2	680,989	659,972
Distribution and marketing expenses	24	67,831	126,233
Administrative expenses	25	71,431	77,543
		881,811	927,029

3.1.2 Details of items of property, plant and equipment disposed of during the year and having net book value of more than Rs 500,000 each are given in note 38.

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

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

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

3.2 Capital work-in-progress

	2021 (Rupees in thousand)	2020
Civil works	-	3,093
Plant and machinery	531,717	500,100
Power and other installations	9,253	28,452
Furniture and fixtures	39,812	58,242
Computer equipment pending installations	58,662	875
Advance to suppliers and contractors	25,220	27,511
	664,664	618,273

Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2021

3.2.1 The movement in capital work-in-progress is as follows:

	Note	2021 (Rupees in thousand)	2020
Balance as at beginning of the year		618,273	1,285,067
Additions during the year			
- Civil works		90,326	41,064
- Leasehold land		12,767	7,161
- Plant and machinery		461,606	362,949
- Power and other installations		27,108	103,623
- Computer equipment pending installations		82,856	37,403
- Advance to suppliers and contractors		13,255	17,262
		687,918	569,462
Transfers to operating property, plant and equipment			
- Buildings on freehold land		80,600	106,328
- Buildings on leasehold land		12,767	7,161
- Leasehold improvements		12,819	26,900
- Plant and machinery		429,989	516,018
- Furniture and fixtures		18,430	4,915
- Office equipment		4,250	12,204
- Vehicles		11,296	130,796
- Power and other installations		46,307	391,314
- Computer equipment		25,069	40,290
		641,527	1,235,926
Items written off during the year			
- Buildings on freehold land		-	330
		-	330
Balance at the end of the year		664,664	618,273

4. RIGHT-OF-USE ASSETS

Balance as at beginning of the year		642,436	679,686
Accumulated depreciation		(294,431)	(208,492)
Net book value		348,005	471,194
Year ended December 31			
Additions		7,956	27,030
Impact of termination of lease			
Cost		-	(64,280)
Accumulated depreciation		-	32,603
		-	(31,677)
Impact of modification of lease		(79,497)	-
Depreciation for the year	4.1	(95,157)	(118,542)
Net book value as at December 31		181,307	348,005

At December 31

Cost		650,392	642,436
Accumulated depreciation		(469,085)	(294,431)
Net book value		181,307	348,005

Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2021

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

	Note	2021	2020
(Rupees in thousand)			
Manufacturing expenses	23.2	4,483	2,793
Distribution and marketing expenses	24	13,168	11,737
Administrative expenses	25	77,506	104,012
		<u>95,157</u>	<u>118,542</u>

5. INTANGIBLES

Computer software

At January 1

Cost		121,911	61,327
Accumulated amortisation		(61,319)	(55,352)
Net book value		<u>60,592</u>	<u>5,975</u>

Year ended December 31

Additions		9,516	60,584
Amortisation for the year	5.1	(23,173)	(5,967)
Net book value as at December 31		<u>46,935</u>	<u>60,592</u>

At December 31

Cost		131,427	121,911
Accumulated amortisation		(84,492)	(61,319)
Net book value		<u>46,935</u>	<u>60,592</u>

5.1 The amortisation charge for the year has been allocated as follows:

	Note	2021	2020
(Rupees in thousand)			
Purchases, redrying and related expenses	23.1	127	633
Manufacturing expenses	23.2	-	370
Distribution and marketing expenses	24	20,702	3,581
Administrative expenses	25	2,344	1,383
		<u>23,173</u>	<u>5,967</u>

6. INVESTMENT IN A SUBSIDIARY COMPANY

This represents the cost of 103 fully paid ordinary shares of Rs 10 each in Laksonpremier Tobacco Company (Private) Limited. Out of the 103 shares, two shares are in the name of the nominees. The statement of profit or loss and other comprehensive income of the subsidiary company for the year ended December 31, 2021 amounted to Rs Nil resulting in an accumulated loss of Rs 1,030 as at that date. The net assets of the subsidiary company as at December 31, 2021 amounted to Rs Nil, in accordance with the audited financial statements for the year then ended. The subsidiary company has filed an application dated August 30, 2019 with the Securities and Exchange Commission of Pakistan (SECP) for obtaining the status of an inactive company under section 424 of the Companies Act, 2017, however, response in this regard from SECP is awaited.

Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2021

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.

7. DEFERRED TAXATION

	2021	2020
(Rupees in thousand)		
Deferred tax asset on deductible temporary differences:		
Unutilised tax losses	408,867	917,222
Alternative Corporate Tax	227,790	108,823
Provision for spares	16,553	19,976
Provision for obsolete stocks	6,123	20,181
Provision for litigation	4,688	4,688
Provision for doubtful debts	806	806
Other provisions	45,899	-
Workers' welfare fund	8,000	8,000
Right-of-use assets - net of lease liabilities	21,663	25,541
Accrual for employees compensated absences	7,916	9,149
	<u>748,305</u>	<u>1,114,386</u>
Deferred tax liability on taxable temporary differences:		
Tax depreciation allowance	(96,823)	(44,866)
Deferred tax asset	<u>651,482</u>	<u>1,069,520</u>

7.1 The movement in temporary differences is as follows:

	Balance as at January 1, 2020	Recognised in profit or loss	Balance as at December 31, 2020	Recognised in profit or loss	Balance as at December 31, 2021
----- Rupees in thousand -----					
Deferred tax debits:					
Accrual for employees compensated absences	7,014	2,135	9,149	(1,233)	7,916
Unutilised tax losses	1,234,881	(317,659)	917,222	(508,355)	408,867
Alternative Corporate Tax	-	108,823	108,823	118,967	227,790
Provision for spares	11,102	8,874	19,976	(3,423)	16,553
Provision for obsolete stocks	16,420	3,761	20,181	(14,058)	6,123
Provision for litigation	-	4,688	4,688	-	4,688
Provision for doubtful debts	806	-	806	-	806
Other provisions	-	-	-	45,899	45,899
Workers' welfare fund	8,000	-	8,000	-	8,000
Right-of-use assets - net of lease liabilities	11,459	14,082	25,541	(3,878)	21,663
	<u>1,289,682</u>	<u>(175,296)</u>	<u>1,114,386</u>	<u>(366,081)</u>	<u>748,305</u>
Deferred tax credits:					
Tax depreciation allowance	110,022	(154,888)	(44,866)	(51,957)	(96,823)
	<u>1,399,704</u>	<u>(330,184)</u>	<u>1,069,520</u>	<u>(418,038)</u>	<u>651,482</u>

Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2021

7.2 The deferred tax asset as at December 31, 2021 included amounts of Rs 227.790 million and Rs 408.867 million on account of carried forward balance of Alternative Corporate Tax (ACT) and unutilised tax losses respectively. The carried forward balance of ACT can be utilised for a period of ten tax years immediately succeeding the tax year for which the excess was first computed, while the unutilised tax losses (being attributable to tax depreciation) can be utilised for an indefinite period against future taxable profits. The Company carries out periodic assessment to determine the recoverability of both these balances by estimating future taxable profits of the Company and the expected tax rate applicable to those profits. The determination of future taxable profits is most sensitive to certain key assumptions such as volume of cigarettes, gross margin percentage and inflation rates which have been considered in that determination.

8. STORES AND SPARES - net

	Note	2021 (Rupees in thousand)	2020
Stores		309	385
Spares	8.2	85,918	162,836
		86,227	163,221
Less: Provision for slow moving spares	8.1	(20,406)	(68,881)
		65,821	94,340
8.1 Provision for slow moving spares			
Opening balance		68,881	38,282
Provision made during the year		1,519	30,599
Write off against provision		(49,994)	-
Closing balance		20,406	68,881

8.2 These include spares in transit amounting to Rs Nil million (2020: Rs 4.531 million).

9. STOCK IN TRADE - net

	Note	2021 (Rupees in thousand)	2020
Raw and packing materials	9.2	5,047,334	3,856,116
Work-in-process		260,725	174,886
Finished goods		619,328	904,945
		5,927,387	4,935,947
Less: Provision for obsolete stocks	9.1	(57,786)	(69,590)
		5,869,601	4,866,357
9.1 Provision for obsolete stocks			
Opening balance		69,590	56,620
Provision made during the year		21,284	43,376
Write off against provision		(33,088)	(30,406)
Closing balance		57,786	69,590

Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2021

9.2 These include raw and packing material in transit aggregating Rs 312.616 million (2020: Rs 177.508 million).

10. TRADE DEBTS - net

Note	2021 (Rupees in thousand)	2020
Considered good - unsecured	-	-
Considered doubtful	2,780	2,780
	2,780	2,780
Less: Provision for doubtful debts	(2,780)	(2,780)
	-	-

11. ADVANCES

Unsecured:			
Advances to:			
- Employees	11.1	9,442	6,996
- Suppliers and contractors		32,435	21,806
		41,877	28,802
Secured			
Advance to a supplier	11.2	111,261	111,261
Less: Provision against advance		(16,166)	(16,166)
		95,095	95,095
		136,972	123,897

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

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

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

Simultaneously, the Company filed a counter claim before the High Court of Sindh (the agreed territorial jurisdiction under the Agreement) on June 17, 2020 for full advance payment of Rs 106,254,398 and additional damages. The case is pending adjudication.

Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2021

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

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

12. OTHER RECEIVABLES

	Note	2021	2020
(Rupees in thousand)			
Receivable from an 'associated undertaking'	12.1	13,753	3,903
Cash margins held with banks		273,786	297,719
Others	21.6	5,200	416,283
		<u>292,739</u>	<u>717,905</u>

12.1 This amount represents outstanding balances from the following associated undertaking:

	2021	2020
(Rupees in thousand)		
Philip Morris Management Services S.A., Switzerland	13,753	3,903

12.2 The maximum aggregate balance of receivable due from related parties at the end of any month during the year was Rs 13.753 million (2020: Rs 323.630 million).

13. STAFF RETIREMENT BENEFITS

13.1 Defined benefit plan

As stated in note 2.6.18, the Company operates an approved funded gratuity scheme for all its permanent employees. An actuarial valuation of the scheme is performed every year with the latest actuarial valuation performed as at December 31, 2021.

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

Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2021

13.1.1 Net asset

	Note	2021	2020
(Rupees in thousand)			
Fair value of plan assets	13.1.5	758,528	697,902
Present value of defined benefit obligation	13.1.6	(647,065)	(587,676)
		<u>111,463</u>	<u>110,226</u>

13.1.2 Amounts charged to profit or loss:

Current service cost		72,151	66,879
Net interest income		(14,946)	(18,125)
	13.1.3	<u>57,205</u>	<u>48,754</u>

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

Purchases, redrying and related expenses	23.1	3,762	4,637
Manufacturing expenses	23.2	14,065	9,908
Distribution and marketing expenses	24	19,938	16,776
Administrative expenses	25	19,440	17,433
		<u>57,205</u>	<u>48,754</u>

13.1.4 Movement in the asset recognised in the statement of financial position:

Balance as at the beginning of the year		110,226	109,878
Net charge for the year	13.1.3	(57,205)	(48,754)
Contributions		78,455	49,756
Net remeasurement loss for the year		(20,013)	(654)
Balance as at the end of the year		<u>111,463</u>	<u>110,226</u>

13.1.5 Movement in the fair value of plan assets:

Opening balance		697,902	646,201
Interest income		71,145	86,571
Contributions		78,455	49,756
Benefits paid		(51,369)	(54,865)
Remeasurement loss on plan assets		(37,605)	(29,761)
Closing balance		<u>758,528</u>	<u>697,902</u>

13.1.6 Movement in the present value of defined benefit obligation:

Opening balance		587,676	536,323
Current service cost		72,151	66,879
Interest cost		56,199	68,446
Benefits paid		(51,369)	(54,865)
Remeasurement gain on obligation		(17,592)	(29,107)
Closing balance		<u>647,065</u>	<u>587,676</u>

Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2021

13.1.7 Major categories / composition of plan assets are as follows:

	2021	2020
	(Rupees in thousand)	
Debt instruments	616,987	587,319
Equity	67,296	45,184
Balances with banks	74,245	65,399
	758,528	697,902

13.1.8 Principal actuarial assumptions used are as follows:

	2021	2020
	(Rupees in thousand)	
Expected rate of increase in salary level	10.65%	10.00%
Valuation discount rate	10.65%	10.00%

13.1.9 Actual gain on plan assets during the year ended December 31, 2021 was Rs 33.54 million (2020: Rs 56.810 million).

13.1.10 Expected contribution to defined benefit plan for the year ending December 31, 2022 is Rs 77.631 million (2021: Rs 78.455 million).

13.1.11 Weighted average duration of the defined benefit obligation is 14.9 years.

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

13.1.13 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on present value of defined benefit obligation		
	Change in assumptions (%)	Increase in assumption (Rupees in thousand)	Decrease in assumption
Valuation discount rate	1%	(560,158)	752,441
Expected rate of increase / decrease in salary level	1%	751,979	(558,960)

13.1.14 The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated.

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

Asset volatility

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

Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2021

Inflation risk

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

Life expectancy / withdrawal rate

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

13.2 Defined contribution plan

	Note	2021	2020
		(Rupees in thousand)	

The charge for the year has been allocated as follows:

Purchases, redrying and related expenses	23.1	9,366	8,731
Manufacturing expenses	23.2	22,321	20,278
Distribution and marketing expenses	24	29,730	27,460
Administrative expenses	25	31,533	30,842
		92,950	87,311

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

14. CASH AND BANK BALANCES

	Note	2021	2020
		(Rupees in thousand)	

With banks in current accounts			
- Foreign currency		435,743	394,921
- Local currency			
- Current accounts		113,616	52,745
- Deposit accounts	14.1 & 14.2	7,442,315	4,935,499
		7,555,931	4,988,244
		7,991,674	5,383,165
Cash in hand		169	169
		7,991,843	5,383,334

14.1 Deposit accounts carry markup at rates ranging between 5.50% and 9.4% (2020: 5.5% and 6.53%) per annum.

14.2 These include an amount of Rs 18.861 million (2020: Rs 18.861 million) held by a commercial bank as security against the guarantees and funded facilities obtained from the bank in the normal course of business.

Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2021

15. NON-CURRENT ASSETS HELD FOR DISPOSAL

	2021	2020
	(Rupees in thousand)	
Transferred from operating property, plant and equipment		
Cost	193,526	372,583
Less: Accumulated depreciation	(56,524)	(153,278)
Less: Accumulated impairment	(137,002)	(218,200)
	<u>-</u>	<u>1,105</u>

15.1 Details of assets transferred to 'non current assets held for sale' were as follows:

	Note	2021	2020
		(Rupees in thousand)	
Cost		-	1,610
Less: Accumulated depreciation		-	(505)
	15.5	<u>-</u>	<u>1,105</u>

15.2 Details of assets disposed of during the year are as follows:

Cost	179,057	620,088
Less: Accumulated depreciation	(96,754)	(230,591)
Less: Accumulated impairment	(81,198)	(389,497)
	<u>1,105</u>	<u>-</u>

15.3 Details of assets transferred to property, plant & equipment, after reversal of impairment were as follows:

	Note	2021	2020
		(Rupees in thousand)	
Cost		-	993,714
Less: Accumulated depreciation		-	(464,107)
Less: Accumulated impairment		-	(529,607)
		<u>-</u>	<u>-</u>
Reversal of impairment on assets transferred to property, plant & equipment	15.6 & 27	<u>-</u>	<u>438,378</u>

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

Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2021

15.5 During the year ended December 31, 2020, two lands along with their structural improvements met the criteria for assets classified as held for sale as laid down in IFRS 5 - 'Non-current assets held for sale and discontinued operations'. Therefore, these lands and improvements made upon them having a cost and net book value of Rs 1.610 million and Rs 1.105 million respectively were transferred from operating property, plant and equipment to the non-current assets held for disposal.

15.6 During the year ended December 31, 2020, the management intended to use some of the assets previously classified as held for sale in its Sahiwal factory. Consequently, such assets having a cost, accumulated depreciation and accumulated impairment of Rs 993.714 million, Rs 464.107 million and Rs 529.607 million respectively were transferred to operating property, plant and equipment after reversing the impairment of Rs 438.378 million in accordance with IFRS 5 - 'Non-current assets held for sale and discontinued operations'.

16. SHARE CAPITAL

16.1 Authorised capital

2021	2020		2021	2020
(Number of shares)			(Rupees in thousand)	
1,200,000,000	1,200,000,000	Ordinary shares of Rs 10 each	12,000,000	12,000,000

16.2 Issued, subscribed and paid-up share capital

16.2.1 Ordinary shares

2021	2020		2021	2020
(Number of shares)			(Rupees in thousand)	
5,541,429	5,541,429	Ordinary shares of Rs 10 each fully paid in cash	55,414	55,414
47,722,912	47,722,912	Ordinary shares of Rs 10 each issued as fully paid bonus shares	477,229	477,229
8,316,000	8,316,000	Ordinary shares of Rs 10 each issued for consideration other than cash	83,160	83,160
<u>61,580,341</u>	<u>61,580,341</u>		<u>615,803</u>	<u>615,803</u>

16.2.2 Preference shares

1,046,400,000	1,046,400,000	Preference shares of Rs 10 each fully paid in cash (notes 16.4 to 16.7)	10,464,000	10,464,000
			<u>11,079,803</u>	<u>11,079,803</u>

Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2021

16.3 As at December 31, 2021 the number of ordinary shares of Rs 10 each held by Philip Morris Investments B.V., (the parent company) and Philip Morris Brands S.a.r.l., both subsidiaries of Philip Morris International Inc., were 47,819,356 and 12,316,061 respectively. All ordinary shares rank equally with regard to the Company's residual assets after the preference shares are paid. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

16.4 On October 28, 2015 after the approval by shareholders at the Extraordinary General Meeting, the Company issued 1,046,400,000 Class A Preference Shares of Rs 10 each to the Parent Company and an associated undertaking. As at December 31, 2021, these preference shares were held by the parent company and Philip Morris Brands S.a.r.l., in the ratio of 79.52% and 20.48% respectively.

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

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

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

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

16.8 The Board of Directors of the Company, in its meeting held on December 4, 2020, declared an interim dividend on preference shares aggregating Rs 732.480 million and on ordinary shares at Rs 10 per share i.e. aggregating Rs 615.803 million.

17. SHARE-BASED PAYMENT PLAN

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

Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2021

17.1 Share prices and grant dates

Share price at grant date (February 8, 2018)	Rs 11,073 / share (US \$ 110.30 / share)
Share price at grant date (February 7, 2019)	Rs 10,917 / share (US \$ 79.05 / share)
Share price at grant date (February 6, 2020)	Rs 13,298 / share (US \$ 86.18 / share)
Share price at grant date (February 4, 2021)	Rs 13,405 / share (US \$ 83.63 / share)

Number of shares outstanding at the end of the year	11,859
-----------------------------------------------------	--------

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

Note	2021	2020
	(Number of shares)	
Outstanding as at the beginning of the year	10,769	7,639
Granted during the year	4,010	6,430
Vested / exercised during the year	(1,630)	(1,600)
Forfeited during the year	(1,290)	(1,700)
Outstanding as at the end of the year	11,859	10,769

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

Purchase, redrying and related expenses	23.1	8,027	3,695
Manufacturing expenses	23.2	23.2	461
Distribution and marketing expenses	24	2,549	2,276
Administrative expenses	25	26,197	27,319
		37,132	33,751

17.4 During the year shares granted on February 8, 2018 were fully vested.

17.5 An amount of Rs 31.613 million (US\$ 205,677) was recharged by Philip Morris International Inc. United States during the year, which was payable as at December 31, 2021 [2020: Rs 27.236 million (US\$ 173,368)].

18. LEASE LIABILITIES

	2021	2020
	(Rupees in thousand)	
Lease liabilities	256,008	436,079
Less : Current maturity of lease liabilities	(121,866)	(110,657)
	134,142	325,422
Maturity analysis		
Not later than 1 year	121,866	110,657
Later than 1 year and not later than 5 years	134,142	325,422
	256,008	436,079

Notes to and Forming Part of the Financial Statements

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

	Note	2021 (Rupees in thousand)	2020
As at January 1, 2021		436,079	510,707
Accretion of interest	28	40,913	59,200
Payments made		(149,443)	(129,181)
Additions during the year	4	7,956	27,030
Modification / termination of lease	4	(79,497)	(31,677)
As at December 31, 2021		256,008	436,079

18.2 The Company leases registered office and sale offices.

18.3 Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

19. SHORT TERM BORROWINGS

19.1 The Company has arranged for running finance to the extent of Rs 4,025 million (2020: Rs 5,525 million) from commercial banks. These facilities are available for various periods expiring between May 31, 2022 and June 30, 2022. The facilities are secured by way of hypothecation of stock in trade of the Company and are carrying markup rates ranging from 7.70% to 10.27% (2020: 7.56% to 14.43%) per annum.

The facilities for opening of letters of credits and letters of guarantees included in the aforementioned facilities of Rs 4,025 million as at December 31, 2021 aggregated Rs 1,950 million and Rs 268.90 million respectively of which the cumulative unutilised amount as at December 31, 2021 was Rs 2,087.99 million. There is no balance of running finance outstanding as at December 31, 2021.

20. TRADE AND OTHER PAYABLES

	Note	2021 (Rupees in thousand)	2020
Creditors	20.1 & 20.2	2,245,336	2,310,468
Bills payable		967,614	742,495
Royalty payable to a related party	20.1 & 20.2	270,378	127,056
Accrued expenses		1,152,944	1,126,984
Tobacco development cess	20.6	53,685	45,375
Contractors' retention money		7,489	7,489
Advance from customers - unsecured	20.1, 20.3 & 20.7	1,129,175	218,940
Workers' welfare fund	20.4	61,713	82,539
Workers' profits participation fund	20.5	-	16,365
Others		421,905	220,727
		6,310,239	4,898,438

20.1 The amount due to group undertakings included in creditors, advances from customer - unsecured and royalty payable aggregated Rs 1,328.218 million (2020: Rs 736.346 million).

Notes to and Forming Part of the Financial Statements

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20.2 These include outstanding balances to the following associated undertakings:

	2021 (Rupees in thousand)	2020
Philip Morris Products S.A. Manufacturing, Switzerland	1	1
Philip Morris CR A.S., Czech Republic	-	208,416
Philip Morris International Management S.A. (Tolling), Switzerland	1,459	2,854
Philip Morris Products S.A., Switzerland	11,565	5,940
PMFTC Inc., Philippines	1,929	1,684
Philip Morris International Inc., United States	49,605	20,758
Philip Morris Global Brands Inc., United States	265,318	121,055
Philip Morris Korea Inc., Korea	3,195	-
PT Philip Morris, Indonesia	1,065	1,123
Philip Morris Philippines Manufacturing Inc., Philippines	156,703	96,971
PMI Service Center Europe spolka z ograniczona odpowiedzialnoscia, Poland	3,746	498
Massalin particulares S.R.L., Argentina	1,357	1,325
Profigen Do Brasil LTDA, Brazil	9,826	3,413
PT Philip Morris Sampoerna International Service Center, Indonesia	-	265,736
PT Hanjaya Mandala Sampoerna Tbk., Indonesia	6,407	3,021
	512,176	732,795

20.3 These include the advances from the following related parties:

	2021	2020
Philip Morris Operations A.D., Serbia	977	-
Philip Morris International Management S.A. (Tolling), Switzerland	606,376	1,436
PMFTC Inc., Philippines	-	196
Philip Morris Korea Inc., Korea	-	1,890
PT Hanjaya Mandala Sampoerna TBK., Indonesia	208,689	29
	816,042	3,551

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

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

Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2021

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

Note	2021	2020
	(Rupees in thousand)	
Balance as at the beginning of the year	16,365	-
Accrual for the year	177,696	137,384
Less: Payments made during the year	(194,915)	(121,019)
Balance at the end of the year	(854)	16,365

20.6 The movement of tobacco development cess is as follows:

Balance as at the beginning of the year	45,375	34,875
Provision for the year	95,002	64,357
Less: Payments made during the year	(86,692)	(53,857)
Balance at the end of the year	53,685	45,375

20.6.1 Effective July 1, 1999, the Tobacco Development Cess was levied on the purchases of tobacco leaf. The Company has filed a constitutional petition in the Supreme Court of Pakistan against the levy which is currently pending for adjudication. Meanwhile, the Company is paying the said levy under protest. Pending outcome of the matter, the Company has made the above provision in its books of account.

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

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

20.7 These represent advances received by the Company from associated undertakings and distributors for goods to be delivered. The advances outstanding as at December 31, 2020 amounting to Rs 218.940 million have been fully recognized as revenue during the current year.

21. CONTINGENCIES AND COMMITMENTS

21.1 Guarantees

Indemnities given to banks for guarantees issued by them in the normal course of business aggregated Rs 69.565 million (2020: Rs 69.565 million).

21.2 Commitments

	2021	2020
	(Rupees in thousand)	
Capital expenditure contracted for but not incurred	28,077	32,883
Post dated cheques	61,895	55,128
Letters of credit	57,340	18,132

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For the Year Ended December 31, 2021

21.3 Income tax related contingencies

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

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

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

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

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

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

(v) While reviewing the income tax return of the Company for the tax year 2018, the DCIR through an order dated March 30, 2021 disallowed certain deductions aggregating Rs 1,218.407 million, resulting in a tax demand of Rs 26.342 million. The Company filed an appeal before the CIR - Appeals on April 12, 2021 on items amounting to Rs 1,240.635 million. On June 22, 2021 the Company received an order from CIR - Appeals through which disallowances amounting to Rs 1,043.246 million were deleted and disallowances amounting to Rs 197.389 million were remanded back to DCIR for reconsideration. The DCIR has filed appeal with Appellate Tribunal against the order passed by CIR - Appeals, the decision of which is pending.

Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2021

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

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

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

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

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

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

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

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

The Company received an order from the Tribunal on September 30, 2021, whereby the demand of Rs 1,765.008 million for alleged evasion of FED and sales tax was set aside in the Company's favour. However, the Tribunal directed FBR to re-initiate the proceedings afresh after assessing the facts of the case to reach a fair and lawful conclusion.

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

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

Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2021

22. TURNOVER - net

Note	2021	2020
	(Rupees in thousand)	
Gross turnover	42,642,939	38,029,363
- Domestic	1,467,289	2,612,663
- Export	44,110,228	40,642,026
Less: Trade discount	968,237	977,982
Sales tax	6,412,099	5,715,100
Excise duty	19,271,335	17,352,908
	26,651,671	24,045,990
	17,458,557	16,596,036

23. COST OF SALES

Raw and packing material consumed		
Opening stock	3,856,116	5,082,504
Purchases, redrying and related expenses	8,612,178	6,564,564
	12,468,294	11,647,068
Closing stock	(5,047,334)	(3,856,116)
	7,420,960	7,790,952
Government levies	39,308	24,065
Manufacturing expenses	2,324,201	2,296,497
	9,784,469	10,111,514
Work in process		
Opening stock	174,886	177,687
Closing stock	(260,725)	(174,886)
Sale of waste	(8,842)	(8,294)
	(94,681)	(5,493)
Cost of goods manufactured	9,689,788	10,106,021
Finished goods		
Opening stock	904,945	937,805
Closing stock	(619,328)	(904,945)
	285,617	32,860
	9,975,405	10,138,881

Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2021

23.1 Purchases, redrying and related expenses

Note	2021 (Rupees in thousand)	2020
Raw and packing material	7,745,844	5,865,555
Salaries, wages and other benefits	341,111	278,849
Stores and spares consumed	21,783	28,600
Fuel and power	127,690	68,532
Rent, rates and taxes	4,784	1,989
Freight and stacking	128,585	94,050
Postage, telephone and stationery	14,438	13,891
Depreciation on property, plant and equipment	61,560	63,281
Amortisation on intangibles	127	633
Repairs and maintenance	51,898	53,463
Travelling and vehicle expenses	17,447	14,449
Professional charges	10,250	2,919
Fumigation and pesticide expenses	30,243	28,949
Security charges	56,239	48,526
Other expenses	179	878
	866,334	699,009
	8,612,178	6,564,564

23.2 Manufacturing expenses

Salaries, wages and other benefits	13 & 17	689,896	657,929
Stores and spares consumed		499,133	480,030
Fuel and power		177,517	148,310
Rent, rates and taxes		400	990
Cartage		55,988	94,651
Postage, telephone and stationery		9,011	16,465
Depreciation on property, plant and equipment	3.1.1	680,989	659,972
Depreciation on right-of-use assets	4.1	4,483	2,793
Amortisation on intangibles	5.1	-	370
Travelling and vehicle expenses		47,475	57,956
Security charges		55,759	46,291
Other expenses		103,550	130,740
		2,324,201	2,296,497

24. DISTRIBUTION AND MARKETING EXPENSES

Salaries, allowances and other benefits	13 & 17	1,101,787	1,001,805
Selling expenses		1,151,593	889,595
Freight expense		170,230	159,923
Rent, rates and taxes		22,487	22,071
Postage, telephone and stationery		19,426	21,243
Depreciation on property, plant and equipment	3.1.1	67,831	126,233
Depreciation on right-of-use assets	4.1	13,168	11,737
Amortisation on intangibles	5.1	20,702	3,581
Travelling and vehicle expenses		126,222	78,141
Royalty	24.1	120,257	102,023
Repair and maintenance		18,395	29,199
Security charges		16,135	14,066
Other expenses		130,796	141,701
		2,979,029	2,601,318

Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2021

24.1 The royalty charged during the year aggregating to Rs 120.257 million is payable to associated undertaking Philip Morris Global Brands Inc., United States, the registered office of which is located at 120 Park Ave., 6th Floor, 10017, New York, USA.

25. ADMINISTRATIVE EXPENSES

Note	2021 (Rupees in thousand)	2020	
Salaries, allowances and other benefits	13 & 17	796,161	757,627
Rent, rates and taxes		10,109	8,986
Postage, telephone and stationery		33,708	23,452
Travelling and vehicle expenses		88,071	66,505
Repairs and maintenance		50,207	53,560
Legal and professional charges		103,807	341,172
Utilities		10,168	11,626
Fee and subscription		27,039	29,079
Insurance		34,813	40,544
Auditors' remuneration	25.1	13,494	7,305
Depreciation on property, plant and equipment	3.1.1	71,431	77,543
Depreciation on right-of-use assets	4.1	77,506	104,012
Donation	25.2 & 25.3	28,485	72,197
Amortisation on intangibles	5.1	2,344	1,383
Security charges		19,854	16,094
Other expenses		37,152	10,353
		1,404,349	1,621,438

25.1 Auditor's remuneration

Audit fee	2,884	2,695
Review of half yearly financial statements	1,161	1,161
Taxation and other services	9,121	3,120
	13,166	6,976
Out of pocket expenses	328	329
	13,494	7,305

25.2 Details of donations in excess of Rs 1 million made during the year, are given below:

	2021 (Rupees in thousand)	2020
Kashf Foundation	6,249	17,049
Paiman Alumni Trust	3,528	8,840
Network of Organizations Working with Persons with Disabilities	14,021	4,961
The Prime Minister's COVID-19 Pandemic Relief Fund	-	20,040
Shewa Educated Social Worker Association	-	1,425
Green Star Social Marketing	-	5,721
Entrepreneurship and Youth Development	4,687	13,160
	28,485	71,196

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

Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2021

26. OTHER EXPENSES

Note	2021	2020
	(Rupees in thousand)	
Exchange loss - net	163,269	75,561
Employee separation costs	181,526	51,834
Impairment charge on items of property, plant and equipment	11,159	12,086
Property, plant and equipment written off	1,278	33,031
Capital work-in-progress written off	-	330
Workers' welfare fund	32,919	54,953
Workers' profit participation fund	177,696	137,384
Miscellaneous expenses	197,744	70,456
	765,591	435,635

26.1 This includes net unrealised exchange loss amounting to Rs 43.265 million (2020: Rs 53.917 million) arising on 'trade and other payables'.

27. OTHER INCOME

Note	2021	2020
	(Rupees in thousand)	
Profit on deposit accounts	419,053	216,727
Profit on disposal of items of non current assets held for sale	75,939	15,880
Profit on disposal of items of property, plant and equipment	124,575	73,874
Reversal of impairment on assets transferred to property, plant & equipment	-	438,378
Others	456,518	98,805
	1,076,085	843,664

27.1 These mainly include income arising on liabilities written back which are no longer considered payable and sale of scrap. Income for the year ended December 31, 2021 included reversal of liabilities aggregating Rs 285.654 million payable to Philip Morris Sampoerna (associated undertaking) related to prior years.

28. FINANCE COST AND BANK CHARGES

Note	2021	2020
	(Rupees in thousand)	
Mark-up on short term borrowings	883	5,701
Interest on lease liabilities	40,913	59,200
	41,796	64,901
Bank commission and other charges	25,166	23,135
	66,962	88,036

29. TAXATION

Note	2021	2020
Current - for the year	597,623	459,710
Current - for prior years	20,982	(350)
	618,605	459,360
Deferred	418,038	330,184
	1,036,643	789,544

Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2021

29.1 Relationship between tax expense and accounting profit

Note	2021	2020
	(Rupees in thousand)	
Accounting profit before tax	3,343,306	2,554,392
Effective tax rate	29%	29%
Tax on accounting profit	969,559	740,774
Tax effect of:		
income assessed under Final Tax Regime	23,735	27,701
others	22,558	21,419
	1,015,852	789,894
Adjustments in respect of current tax of prior years	20,791	(350)
Tax expense for the year charged in profit or loss	1,036,643	789,544

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

Note	2021	2020
	(Rupees in thousand)	
Current tax charge / (reversal) recognised in:		
Profit or loss	597,623	459,710
Other comprehensive income	(5,804)	(190)
	591,819	459,520

30. EARNINGS PER SHARE - BASIC AND DILUTED

30.1 Basic and diluted earnings per share

Note	2021	2020
Profit for the year after taxation	2,306,663	1,764,848
Less: dividend on non-cumulative preference shares	-	(732,480)
Profit attributable to ordinary shareholders	2,306,663	1,032,368

(No. of shares)

Note	2021	2020
Weighted average number of ordinary shares - basic	61,580,341	61,580,341
Weighted average number of ordinary shares - diluted	75,460,837	Note 30.4

(Rupees)

Note	2021	2020
Earnings per share - basic	37.46	16.76
Earnings per share - diluted	30.57	-

(No. of shares)

30.2 Weighted average number of ordinary shares - basic

Note	2021	2020
Effect of convertible preference share	61,580,341	61,580,341
Weighted average number of ordinary shares - diluted	13,880,496	Note 30.4
	75,460,837	Note 30.4

Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2021

30.3 1,046,400,000 preference shares are included in the calculation of diluted earnings per share for the year ended December 31, 2021. These preference shares could potentially dilute basic earnings per share in the future.

30.4 1,046,400,000 preference shares are not included in the calculation of diluted earnings per share because these are antidilutive for the year ended December 31, 2020.

31. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Chief Executive		Directors		Executives		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	Rupees in thousand							
Remuneration	-	-	8,552	7,896	646,418	507,487	654,970	515,383
House rent	-	-	3,849	3,553	290,888	228,369	294,737	231,922
Directors' fee	-	-	5,324	3,859	-	-	5,324	3,859
Bonus	-	-	4,873	6,033	168,001	170,355	172,874	176,388
Retirement benefits	-	-	1,675	1,261	119,070	80,821	120,745	82,082
Utilities	-	80	855	790	64,898	50,748	65,753	51,618
Others	13,200	18,510	642	1,135	200,092	162,987	213,934	182,632
	<u>13,200</u>	<u>18,590</u>	<u>25,770</u>	<u>24,527</u>	<u>1,489,367</u>	<u>1,200,767</u>	<u>1,528,337</u>	<u>1,243,884</u>
Number of persons	<u>1</u>	<u>2</u>	<u>7</u>	<u>7</u>	<u>296</u>	<u>202</u>	<u>304</u>	<u>211</u>

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

31.2 The Company considers its chief executive and executive director as members of key management personnel.

31.3 The benefits available to certain executives recognised by the Company in the expenses during the year on account of share-based payment plan aggregate Rs 37.132 million (2020: Rs 33.751 million).

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

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

32. RELATED PARTIES DISCLOSURES

Related parties comprise of Philip Morris Investments B.V. (the parent company) and Philip Morris Brands S.a.r.l., related group undertakings, subsidiary company Laksonpremier Tobacco Company (Private) Limited, staff retirement funds and key management personnel. Transactions with related parties, other than remuneration and benefits to key management personnel under the terms of their employment as disclosed in note 31, are as follows:

Notes to and Forming Part of the Financial Statements

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Nature of transactions		2021	2020
		(Rupees in thousand)	
Associated undertakings	Sale of goods	565,293	2,622,120
	Sale of plant and machinery	278,978	3,105
	Purchase of goods	465,790	332,635
	Purchase of plant and machinery	10,762	270,207
	Appropriation of dividend	-	1,333,834
	Services procured	3,222	181,944
	Royalty charges	120,257	102,023
	Share-based payment recharge	31,613	27,236
	Liability written back	285,654	-
	Remuneration of executives	Note 31.4	Note 31.4
Subsidiary Company	Expenses borne by the Company	106	106
Staff retirement plans	Expense in relation to gratuity fund	57,205	48,754
	Loss in other comprehensive income	20,013	654
	Expense in relation to provident fund	92,950	87,311

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

The related party status of outstanding balances as at December 31, 2021 is included in notes 12.1, 13.1, 20.2 and 20.3. These are to be settled in the ordinary course of business.

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

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

Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2021

36. FINANCIAL RISK MANAGEMENT

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

(i) Market risk

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

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

(a) Interest rate risk

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

- Fair value risk - Fair value risk to the Company arises from instruments which are based on fixed interest rates. As at December 31, 2021, the Company did not have any fixed rate instrument.
- Future cash flow risk - Presently, future cash flow risk to the Company arises from deposit accounts with banks which are based on floating interest rates (i.e. KIBOR based). As at December 31, 2021, had there been increase / decrease of 50 basis points in KIBOR with all other variables held constant, profit after taxation for the year then ended would have been higher / lower by Rs 26.420 million mainly as a result of profit on deposit accounts.

(b) Currency risk

Currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The Company primarily has foreign currency exposures in US Dollars, Euro and UK Pound in the form of other receivables (note 12), bank balances (note 14), trade and other payables (note 20).

As at December 31, 2021, had the Company's functional currency strengthened / weakened by 5% against US Dollar, Euro and UK Pound, with all other variables held constant, profit after taxation for the year then ended would have been higher / lower by Rs 65.545 million (2020: Rs 16.711 million) mainly as a result of foreign exchange gains / losses.

(c) Other price risk

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

Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2021

(ii) Credit risk and its concentration

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted. The Company enters into financial contracts in accordance with the internal risk management policies which mainly include incurring of sales on an advance payment basis and holding of balances with reputable banks of the country. Out of the total financial assets as set out in note 36.3, those that are subject to credit risk aggregated Rs 8,362.933 million as at December 31, 2021 (2020: Rs 6,180.254 million). The analysis below summarises the credit quality of the Company's financial assets as at December 31, 2021:

- Long term deposits are held with parties which have long association with the Company and have a good credit history.
- Amounts aggregating Rs 13.753 million (2020: Rs 3.903 million) are receivable from a group company whereby credit exposure and the corresponding risk associated with recoverability is considered minimal.
- The banks with which balances are held carry at least a credit rating of 'A-2' which represents good certainty of timely payment.

Concentration of credit risk exists when changes in economic and industry factors similarly affect the group of counter parties whose aggregated credit exposure is significant in relation to the Company's total credit exposure. The Company's financial assets are broadly diversified and transactions are entered into with diverse credit worthy parties thereby mitigating any significant concentration risk. Therefore, the Company believes that it is not exposed to major concentration of credit risk.

(iii) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. The Company's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its financial liabilities when due. Accordingly, the Company maintains sufficient cash and also makes availability of funding through credit facilities.

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

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

Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2021

Contractual cash flows	2020	
	Less than 1 year	Between 1 to 5 Years
	(Rupees in thousand)	
Trade and other payables	4,535,219	-
Accrued mark-up on short term borrowings	249	-
Unclaimed & unpaid dividend	1,110,570	-
Lease liabilities	436,079	325,422
	<u>6,082,117</u>	<u>325,422</u>

36.2 Fair values of financial assets and liabilities

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

As at December 31, 2021, the carrying values of all financial assets and liabilities approximate to their fair values due to the fact that most of the financial assets and liabilities are of short term nature.

36.3 Financial instruments by category

FINANCIAL ASSETS	2021	2020
	(Rupees in thousand)	
At amortised cost		
Long term deposits	78,520	79,184
Other receivables	292,739	717,905
Cash and bank balances	7,991,843	5,383,334
	<u>8,363,102</u>	<u>6,180,423</u>
FINANCIAL LIABILITIES		
At amortised cost		
Trade and other payables	5,065,666	4,535,219
Accrued mark-up on short term borrowings	67	249
Unclaimed and unpaid dividends	37,029	1,110,570
Lease liabilities	298,757	436,079
	<u>5,401,519</u>	<u>6,082,117</u>

37. CAPITAL RISK MANAGEMENT

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

38. DETAILS OF PROPERTY, PLANT AND EQUIPMENT DISPOSED OFF

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

Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2021

Category	Original cost	Accumulated depreciation	Book value	Disposal proceeds	Gain / (loss)	Mode of disposal	Particulars of buyers	Relationship of buyers with company or director if any
Building on freehold land	1,323	(429)	894	53,899	53,005	Negotiated	M.Younus/ M.Ismail Trading	Third party sale
Machinery and Equipment	65,237	(43,491)	21,746	33,241	11,495	Company Policy	Philip Morris Operations A.D. Serbia	Group company
	4,440	(2,405)	2,035	1,555	(480)	Company Policy	Philip Morris Tutunski Kombinat Prilep LLC	Group company
Vehicles	4,463	(3,570)	893	2,750	1,857	Auction	Abid Javed	Employee of the company
	9,195	(3,188)	6,007	11,350	5,343	----do----	----	Employee of the company
	4,463	(3,570)	893	2,850	1,957	----do----	----	Employee of the company
	4,180	(3,344)	836	1,925	1,089	----do----	Muhammad Ali	Employee of the company
	2,054	(822)	1,232	1,643	411	Company Policy	Faisal Mushtaq	Employee of the company
	2,054	(959)	1,095	1,643	548	----do----	Hadi Hassan Ali	Employee of the company
	1,516	(586)	930	1,213	283	----do----	Hammad Shahid	Employee of the company
	9,239	(3,696)	5,543	7,391	1,848	----do----	Sarah Hassan	Employee of the company
	2,663	(1,420)	1,243	1,731	488	----do----	Soban Farooq	Employee of the company
	4,970	(3,976)	994	1,333	339	Negotiated	Business Solutions Engineering	Third party sale
	3,500	(2,800)	700	939	239	----do----	Business Solutions Engineering	Third party sale
	3,852	(3,082)	770	1,033	263	----do----	Business Solutions Engineering	Third party sale
	<u>123,149</u>	<u>(77,338)</u>	<u>45,811</u>	<u>124,496</u>	<u>78,685</u>			

39. NUMBER OF EMPLOYEES

The average number of employees during the year and employees as at December 31, 2021 and 2020 respectively are as follows:

	2021	2020
No. of employees		
Number of employees as at December 31	<u>675</u>	<u>721</u>
Average number of employees during the year	<u>689</u>	<u>725</u>

40. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on March 8, 2022 by the Board of Directors of the Company.

41. GENERAL

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

41.2 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

Pattern of Shareholding

As At December 31, 2021

# Of Shareholders	Shareholdings' Slab	Total Shares Held
937	1to	21,909
336	101to	85,361
112	501to	79,391
170	1001to	329,298
19	5001to	129,367
3	10001to	32,907
2	15001to	31,506
1	20001to	20,883
1	25001to	28,915
1	45001to	46,255
1	635001to	639,139
2	12315001to	24,632,116
1	35500001to	35,503,294
1586		61,580,341

Pattern of Shareholding

As At December 31, 2021

Categories of Shareholders (Ordinary Shareholders)	Shares Held	Percentage
Directors, Chief Executive Officer and their spouse(s) and minor children		
MS.PATTARAPORN AUTTAPHON	1	0.00
MR.MUHAMMAD ZEESHAN	2	0.00
MR. ROMAN YAZBECK	1	0.00
MIRZA REHAN BAIG	1	0.00
MR. PETER STEFAN M. CALON	1	0.00
MR. GHULAM NABI KAZI	1	0.00
KAMRAN YOUSUF MIRZA	50	0.00
Associated Companies, undertakings and related parties	60,135,410	97.65
NIT and ICP	58	0.00
Banks Development Financial Institutions, Non-Banking Financial Institutions	3,360	0.01
Insurance Companies	10,580	0.02
General Public		
a. Local	731,346	1.19
b. Foreign	61	0.00
Foreign Companies	639,139	1.04
Others	60,330	0.10
Total	61,580,341	100.00

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

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

As At December 31, 2021

categories of shareholders (Ordinary shareholders)

S.No.	Name of shareholder	Number of shares
-------	---------------------	------------------

Associated companies, undertakings and related parties

1	M/S PHILIP MORRIS BRANDS SARL	12,316,060
2	PHILIP MORRIS INVESTMENTS B.V.	12,316,056
3	PHILIP MORRIS INVESTMENTS B.V.	35,503,294
		60,135,410

Directors, Chief Executive Officer and their spouse(s) and minor children

1	MS.PATTARAPORN AUTTAPHON	1
2	MR.MUHAMMAD ZEESHAN	2
3	MR. ROMAN YAZBECK	1
4	MIRZA REHAN BAIG	1
5	MR. PETER STEFAN M. CALON	1
6	MR. GHULAM NABI KAZI	1
7	KAMRAN YOUSUF MIRZA	50
		57

NIT and ICP

1	M/S INVESTMENT CORPN OF PAK	58
		58

Banks Development Financial Institutions, Non-Banking Financial Institutions

1	M/S HABIB BANK LIMITED	132
2	MCB BANK LIMITED - TREASURY	3,228
		3,360

Insurance Companies

1	PAKISTAN REINSURANCE COMPANY LIMITED	10,580
		10,580

Pattern of Shareholding - Preference shareholders

As At December 31, 2021

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

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

CATEGORIES OF PREFERENCE SHAREHOLDERS

ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES

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

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

INCORPORATION NUMBER - 0002832

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

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 53rd Annual General Meeting (“AGM”) of **PHILIP MORRIS (PAKISTAN) LIMITED** (“the Company”) will be held on **Monday, April 18, 2022 at 11:00 a.m.** online via video-link and also with limited physical attendance arrangements at the Pakistan Stock Exchange Auditorium 3rd Floor, Pakistan Stock Exchange Building, Stock Exchange Road, Karachi.

To ensure the health and safety of our shareholders and of our employees in wake of continuing Covid-19 pandemic, limited physical attendance arrangements will be made for the shareholders. Members are encouraged to attend the meeting online via video link.

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

ORDINARY BUSINESS

- To receive, consider and adopt the audited financial statements for the year ended December 31, 2021 together with the Directors’ and Auditor’s Report thereon.
- To appoint the External Auditors and fix their remuneration for the year ending December 31, 2022.

The retiring Auditor M/s. A. F. Ferguson & Co. Chartered Accountants has given consent to act as Auditor of the Company for the year ending December 31, 2022.

By Order of the Board

SANA ENAIT HASHMI
Company Secretary

Karachi : Friday, March 25, 2022

NOTES:

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

To ensure the health and safety of our shareholders and of our employees in wake of continuing Covid-19 pandemic, physical attendance will be limited to 50% of the venue capacity. Members are therefore encouraged to attend the AGM proceedings online via video link.

The shareholders interested to attend the AGM in person or online via video link are requested to register themselves by providing the following information via email at 2021.AGM@pmi.com at least 48 hours before the AGM.

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

Members interested to attend the AGM in person must also provide a soft copy of vaccination certificate on the above-mentioned email address before the AGM. The link to attend the meeting will be provided to the shareholders on their email addresses before the meeting.

The Company reserves the right to refuse entry to any shareholder who has not pre-registered for physical attendance or is not carrying their vaccination card with them. These measures are necessary to ensure the safety and health of all present.

The shareholders can also provide their comments / suggestions along with attendance for the proposed agenda items of the AGM on WhatsApp Number 0333-2551694 and email 2021.AGM@pmi.com one hour before the meeting.

2. Electronic transmission of Annual Report 2021.

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

3. Closure of Shares Transfer Books.

The share transfer books of the Company will remain closed from April 12, 2022 to April 18, 2022 (both days inclusive). Transfer received in order at the Office of the Company’s share Registrar, CDC Share Registrar Services Limited, CDC House, 99-B, Block B, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi – 74400 up to April 11, 2022 will be considered in time to be eligible to attend the meeting.

4. Participation in the AGM.

The Members whose names appearing in the Register of Members as of April 11, 2022, are entitled to attend and vote at the AGM. A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend, speak and vote for him/her. A proxy must be a Member of the Company.

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

An instrument of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must, to be valid, be deposited through email on 2021.AGM@pmi.com not less than 48 hours before the time of AGM.

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

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

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

A. For Attending the AGM:

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

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

B. For Appointing Proxies:

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

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

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

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

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

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

The Financial Statements of the Company for the year ended December 31, 2021 have been placed on the website of the Company <http://philipmorriskakistan.com.pk>

7. Unclaimed Dividend.

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

8. Conversion of Physical Shares into CDC Account.

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

Subsidiary Company's Accounts:

Laksonpremier Tobacco Company
(Private) Limited

Independent Auditor's Report

To the members of Laksonpremier Tobacco Company (Private) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Laksonpremier Tobacco Company (Private) Limited (the Company), which comprise the statement of financial position as at December 31, 2021, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2021 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

- proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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

A. F. Ferguson & Co
Chartered Accountants
Karachi

Date: **March 24, 2022**

Statement of Financial Position

As at December 31, 2021

Note	2021 (Rupees in thousand)	2020
ASSETS	-	-
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
Authorised share capital 5,000,000 Ordinary Shares of Rs 10 each	3 50,000,000	50,000,000
Issued, subscribed and paid-up capital	3 1,030	1,030
Accumulated loss	(1,030)	(1,030)
LIABILITIES	-	-
TOTAL EQUITY AND LIABILITIES	-	-

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


Muhammad Zeeshan
Chief Financial Officer


Sana Hashmi
Director

Statement of Profit or Loss and other Comprehensive Income

For the Year Ended December 31, 2021

	2021 (Rupees in thousand)	2020
Turnover	-	-
Expenses	-	-
Profit before taxation	-	-
Taxation	-	-
Profit after taxation	-	-
Other comprehensive income	-	-
Total comprehensive income	-	-

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


Muhammad Zeeshan
Chief Financial Officer


Sana Hashmi
Director

Statement of Changes in Equity

For the Year Ended December 31, 2021

	Issued, subscribed and paid-up capital	Accumulated loss	Total
	------(Rupees)-----		
Balance as at January 1, 2020	1,030	(1,030)	-
Total comprehensive income for the year ended December 31, 2020	-	-	-
Balance as at December 31, 2020	1,030	(1,030)	-
Total comprehensive income for the year ended December 31, 2021	-	-	-
Balance as at December 31, 2021	<u>1,030</u>	<u>(1,030)</u>	<u>-</u>

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



Muhammad Zeeshan
Chief Financial Officer



Sana Hashmi
Director

Statement of Cash Flows

For the Year Ended December 31, 2021

	2021	2020
	(Rupees in thousand)	
Cash flow from operating activities	-	-
Cash flow from investing activities	-	-
Cash flow from financing activities	-	-
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	-	-
Cash and cash equivalents at the end of the year	<u>-</u>	<u>-</u>

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



Muhammad Zeeshan
Chief Financial Officer



Sana Hashmi
Director

Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2021

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Laksonpremier Tobacco Company (Private) Limited (the Company) was incorporated in Pakistan on March 14, 1955 as a private limited company under the Companies Act, 1913 (now the Companies Act, 2017). The principal activity of the Company is the manufacturing and sale of cigarettes and tobacco. Its registered office is situated at 19th Floor, The Harbour Front, Dolmen City, HC - 3, Block 4, Clifton, Karachi, Pakistan.
- 1.2** The Company is a wholly owned subsidiary of Philip Morris (Pakistan) Limited (the Holding Company). Philip Morris International Inc. is the ultimate parent company. Further, the Company's Chief Executive Officer is also a director in the Holding Company.
- 1.3** The purpose of the Company is to provide support to the Holding Company for complying with the tobacco production requirements. At present the Holding Company has sufficient manufacturing facilities to meet the tobacco production requirements, therefore, the Company is not in operation and no significant transactions and events have occurred during the year.
- 1.4** The expenditure of the Company for the year which were restricted to the corporate filing and audit fees have been borne by the Holding Company.
- 1.5** The Holding Company has confirmed to the Company through its letter dated February 14, 2021, that the Holding Company intends to continue to provide financial support to the Company to enable it to continue as a 'going concern' in the foreseeable future. Accordingly, these financial statements have been prepared on a going concern basis.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

- 2.1** These financial statements have been prepared under the historical cost convention.
- 2.2** These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:
- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
 - Provisions of and directives issued under the Companies Act, 2017.

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

3. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2021 (Number of shares)		2020 (Rupees in thousand)	
5,000,000	5,000,000	50,000,000	50,000,000
103	103	1,030	1,030

Authorised share capital
Ordinary shares of Rs 10 each

Issued, subscribed and paid-up share capital
Ordinary shares of Rs 10 each fully paid in cash

Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2021

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

4. TRANSACTIONS WITH RELATED PARTIES

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

Note	2021 (Rupees in thousand)	2020 (Rupees in thousand)
Expenses borne by the Holding Company		
- Filing fees for corporate forms	6,205	5,675
- Audit fee	100,000	100,000

5. DATE OF AUTHORISATION

These financial statements were authorised for issue on February 24, 2022 by the board of directors of the Company.


Muhammad Zeeshan
Chief Financial Officer


Sana Hashmi
Director

- (iv) اجلاس میں شرکت کے وقت پر کسی اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ/اسارت قومی شناختی کارڈ (CNIC/SNIC) یا اصل پاسپورٹ فراہم کرے گا/گی۔
- (v) کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/پاور آف اٹارنی مع نامزد فرد کے دستخط کا نمونہ بذریعہ ای میل (جیسا کہ نوٹس میں بیان کیا گیا ہے) پر کسی فارم کے ساتھ کمپنی میں جمع کرانا ہوگا (اگر پہلے فراہم نہ کئے گئے ہوں)۔

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

31 دسمبر 2021 کو ختم ہونے والے سال کے لیے کمپنی کے مالی گوشواروں کو کمپنی کی ویب سائٹ <http://philipmorrispakistan.com.pk> پر رکھا گیا ہے۔

7. غیر دعوٰی شدہ منافع منقسمہ

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

8. سی ڈی سی اکاؤنٹ میں فزیکل شیئرز کا تبادلہ

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

2. سالانہ رپورٹ 2021 کی الیکٹرونک ترسیل

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

3. شیئرز کی منتقلی کی کتب کی بندش

کمپنی کی شیئرز منتقلی کتب 12 اپریل 2022 سے 18 اپریل 2022 (بشمول دونوں ایام) بند رہیں گی۔ کمپنی کے شیئرز رجسٹر کے دفتر، سی ڈی سی شیئرز رجسٹر اور سولہ لینڈ، سی ڈی سی ہاؤس، B-99، بلاک-B، ایس ایم سی ایچ ایس، مین شاہراہ فیصل، کراچی-74400 پر 11 اپریل 2022 تک موصول ہونے والی منتقلیاں اجلاس میں شرکت کیلئے بروقت بھیجی جائیں گی۔

4. سالانہ اجلاس عام میں شرکت

وہ ممبران جن کے نام 11 اپریل 2022 تک ممبران کے رجسٹر میں موجود ہیں، وہ سالانہ اجلاس عام میں شریک ہونے اور رائے دہی کے حق دار ہیں۔ اس اجلاس عام میں شرکت اور رائے دہی کا حق دار ممبر، کسی دوسرے ممبر کو بطور اپنی پر کسی تقرر کرنے کا حق دار ہوگا جو اس کے بجائے اجلاس میں شرکت کرنے، بولنے اور رائے دہی کا حق دار ہوگا۔ پر کسی کو لازمی طور پر کمپنی کا ممبر ہونا چاہیے۔

ممبران کو بھیجے گئے نوٹس کے ساتھ اجلاس کے لیے قابل اطلاق، پر کسی کی ایک دستاویز فراہم کی جا رہی ہے۔ پر کسی کی دستاویز کی مزید کاپیاں عام دفتری اوقات میں کمپنی کے رجسٹرڈ دفتر سے حاصل کی جاسکتی ہیں۔ پر کسی فارم نمونی کی ویب سائٹ <http://philipmorrispakistan.com.pk> سے بھی ڈاؤن لوڈ کیا جاسکتا ہے۔

پر کسی کی ایک دستاویز اور مختار نامہ یا دیگر اتھارٹی (اگر کوئی ہے) جس کے تحت اس پر دستخط کیے گئے ہیں، یا اس طرح کی پاور یا اتھارٹی کی نوٹری سے تصدیق شدہ ایک درست نقل، بذریعہ ای میل 2021.AGM@pmi.com پر سالانہ اجلاس عام کے وقت سے کم از کم 48 گھنٹے پہلے جمع کرانا ضروری ہے۔

ممبران سے گزارش ہے کہ وہ اپنے کمپیوٹرائزڈ قومی شناختی کارڈ/اسارت قومی شناختی کارڈ (CNIC/SNIC) کی ایک نقل جمع کر لیں، اگر پہلے سے فراہم نہیں کی گئی ہیں اور اگر ان کے رجسٹرڈ پتے میں کوئی تبدیلیاں ہیں تو فوری طور پر ہمارے شیئرز رجسٹر اراؤنڈ کو رہا لاپتے پر مطلع کریں۔

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

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

A. سالانہ اجلاس عام میں شرکت کرنے کے لیے

- (i) افرادی صورت میں، اکاؤنٹ ہولڈرز یا ذیلی اکاؤنٹ ہولڈر اور/یا شخص، جن کی سیکورٹیز گروپ اکاؤنٹ میں ہیں اور ریگولیشنز کے مطابق جن کی رجسٹریشن کی تفصیلات اپ لوڈ ہو چکی ہیں، وہ اجلاس سے کم از کم 48 گھنٹے پہلے بذریعہ ای میل (جیسا کہ نوٹس میں بیان کیا گیا ہے) اپنے کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) یا اسارت قومی شناختی کارڈ (SNIC) یا پاسپورٹ کی نقل دکھا کر اپنی شناخت کی تصدیق کریں گے/گی۔
- (ii) کارپوریٹ ادارے کی صورت میں، بورڈ آف ڈائریکٹرز کی قرارداد/پاور آف اٹارنی مع نامزد فرد کے دستخط کا نمونہ بذریعہ ای میل (جیسا کہ نوٹس میں بیان کیا گیا ہے) اجلاس سے کم از کم 48 گھنٹے پہلے شیئرز کیا جائے گا (اگر پہلے فراہم نہ کئے گئے ہوں)

B. پراسیز کی تقرری کے لیے:

- (i) افرادی صورت میں، اکاؤنٹ ہولڈرز یا ذیلی اکاؤنٹ ہولڈر اور/یا شخص، جن کی سیکورٹیز گروپ اکاؤنٹ میں ہیں اور ریگولیشنز کے مطابق جن کی رجسٹریشن کی تفصیلات اپ لوڈ ہو چکی ہیں، مندرجہ بالا ضرورت کے مطابق پر کسی فارم جمع کریں گے۔
- (ii) پر کسی فارم پر دو (2) افراد گواہ ہوں گے جن کے نام، پتے اور کمپیوٹرائزڈ قومی شناختی کارڈ/اسارت قومی شناختی کارڈ (CNIC/SNIC) نمبر فارم پر درج ہوں گے۔
- (iii) فائدہ اٹھانے والے مالکان کے کمپیوٹرائزڈ قومی شناختی کارڈ/اسارت قومی شناختی کارڈ (CNIC/SNIC) یا پاسپورٹ کی نقول اور پر کسی کو بذریعہ ای میل (جیسا کہ نوٹس میں بیان کیا گیا ہے) پر کسی فارم کے ساتھ پیش کیا جائے گا۔

اطلاع برائے سالانہ اجلاس عام

بذریعہ بذراطلاع کیا جاتا ہے کہ فلب مورس (پاکستان) لمیٹڈ ("کمپنی") کا 53 واں سالانہ اجلاس عام بروز پیر، مورخہ 18 اپریل 2022ء کو صبح 11:00 بجے بذریعہ آن لائن ویڈیو لنک اور پاکستان اسٹاک ایکسچینج آڈیو ٹیمر، تھریڈفلور، پاکستان اسٹاک ایکسچینج بلڈنگ، اسٹاک ایکسچینج روڈ، کراچی میں بھی جسمانی حاضری کے محدود انتظامات کے ساتھ منعقد ہوگا۔

جاری COVID-19 وبائی مرض کو مد نظر رکھتے ہوئے اپنے شیئر ہولڈرز اور ملازمین کی صحت اور حفاظت کو یقینی بنانے کے لیے، شیئر ہولڈرز کے لیے جسمانی حاضری کے محدود انتظامات کیے جائیں گے۔ ویڈیو لنک کے ذریعے اجلاس میں آن لائن شرکت کرنے کے لیے ممبران کی حوصلہ افزائی کی جاتی ہے۔

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

عمومی امور:

1. ڈائریکٹرز اور ڈیپوٹرز رپورٹ کے ساتھ 31 دسمبر 2021 کو ختم ہونے والے سال کے آڈٹ شدہ مالی گوشواروں کو وصول کرنا، ان پر غور اور ان کی منظوری۔
2. بیرونی آڈیٹرز کی تقرری اور 31 دسمبر 2022ء کو مکمل ہونے والے سال کے لیے ان کے معاوضے کا تعین کرنا۔

سبک دوش ہونے والے آڈیٹرز میسرز۔ اے۔ ایف۔ فرگوسن اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس نے 31 دسمبر 2022 کو ختم ہونے والے سال کے لیے کمپنی کے آڈیٹ کے طور پر کام کرنے کی رضامندی دی ہے

بورڈ کے حکم سے

ثناء عنایت ہاشمی
کمپنی سیکریٹری

کراچی: جمعہ، 25 مارچ 2022

نوٹس:

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

جاری COVID-19 وبائی مرض کو مد نظر رکھتے ہوئے اپنے شیئر ہولڈرز اور ملازمین کی صحت اور حفاظت کو یقینی بنانے کے لیے، جسمانی حاضری کو جگہ کی گنجائش کے 50 فیصد تک محدود رکھا جائے گا۔ لہذا ممبران کی حوصلہ افزائی کی جاتی ہے کہ وہ سالانہ اجلاس عام کی کارروائی میں ویڈیو لنک کے ذریعے آن لائن شرکت کریں۔

سالانہ اجلاس عام کی کارروائی میں ذاتی طور پر یا ویڈیو لنک کے ذریعے آن لائن شرکت کرنے کے خواہش مند شیئر ہولڈرز سے گزارش ہے کہ وہ سالانہ اجلاس عام سے کم از کم 48 گھنٹے پہلے 2021.AGM@pmi.com پر بذریعہ ای میل درج ذیل معلومات فراہم کر کے خود کو رجسٹرڈ کرائیں۔

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

سالانہ اجلاس عام میں ذاتی طور پر شرکت کرنے کے خواہش مند ممبران کو سالانہ اجلاس عام سے پہلے اوپر دیے گئے ای میل ایڈریس پر ویکسینیشن سرٹیفکیٹ کی سونٹ کا پٹی فراہم کرنا ہوگی۔ سالانہ اجلاس عام میں شرکت کرنے کے لیے ممبران کو ان کے ای میل ایڈریس پر اجلاس سے پہلے لنک فراہم کر دیا جائے گا۔

کمپنی کسی بھی ایسے شیئر ہولڈر کے داخلے کے انکار کا حق محفوظ رکھتی ہے جس نے جسمانی حاضری کے لیے پہلے سے رجسٹریشن نہیں کرائی یا وہ اپنا ویکسینیشن کارڈ ساتھ نہیں لایا۔ تمام حاضرین کی حفاظت اور صحت کو یقینی بنانے کے لیے یہ اقدامات ضروری ہیں۔

شیئر ہولڈرز سالانہ اجلاس عام کے مجوزہ ایجنڈا آئٹمز کے لیے سالانہ اجلاس عام سے ایک (1) گھنٹہ قبل وائس ایپ نمبر 0333-2551694 اور ای میل 2021.AGM@pmi.com پر بھی اپنی حاضری کے ساتھ اپنے تبصرے / تجاویز فراہم کر سکتے ہیں۔

آڈیٹرز

موجودہ بیرونی آڈیٹر، اے ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس آئندہ سالانہ اجلاس عام کے اختتام پر ریٹائر ہو جائیں گے اور اہل ہوتے ہوئے، 31 دسمبر 2022 کو آنے والے سال کے لیے بطور بیرونی آڈیٹرز خود کو دوبارہ تقرری کے لیے پیش کریں گے۔ آڈٹ کمپنی کی سفارش کے مطابق، آڈیٹرز کو دوبارہ تعینات کیا جاتا ہے اور ان کی فیس کی توثیق کی جاتی ہے۔

اکاؤنٹنگ پالیسیاں

کمپنی نے 2021 کے دوران ایکاؤنٹنگ کے نئے معیارات، منظور شدہ معیارات میں ترامیم اور قابل اطلاق نئی تشریحات کو اپنایا ہے یا لاگو کیا ہے۔ ان کی تفصیلات مالی گوشواروں کے سیکشن 2.4.1 کے نوٹس میں فراہم کی گئی ہیں۔

مستقبل کے امکانات

تمام چینجز کے باوجود، کمپنی نے بروقت فیصلے اور اقدامات کر کے وبائی مرض کے منفی اثرات کو کم کرنے کی کوشش کی ہے۔ ہم نے آپریشنز کو بہتر بنا کر، مالی اور ریگولیٹری مچاؤوں پر کوششیں جاری رکھتے ہوئے اور کمپنی برانڈ پورٹ فولیو میں اضافہ کر کے بنیادوں کو مضبوط کیا ہے۔ کمپنی فلب مورس انٹرنیشنل مکمل طور پر مربوط الحاق ہے اور یہ اسی طرح عالمی وسائل اور مہارت سے استفادہ کرتا رہے گا تاکہ اس کی اڈیٹری اور طویل مدتی پائیداری اور منافع کو مزید بہتر بنانے میں مدد ملے۔ کمپنی فیڈرل بورڈ آف ریویو ("FBR") کی ان لینڈ ریویو پروفورس کے ذریعے بہتر نفاذ سمیت ٹیکس اڈانڈ کرنے والے غیر قانونی سگریٹ کے خطرے سے نمٹنے کے لیے حکومتی پالیسیوں اور اقدامات کی حمایت جاری رکھے گی۔

کمپنی کی انتظامیہ عالمی وسائل کو بروئے کار لاتے ہوئے، اسٹریٹجک مارکیٹنگ سرگرمیوں میں اضافہ کر کے، مصنوعات کے معیار، عمل اور آپریشنل کارکردگی میں مسلسل بہتری لاکر کمپنی کی مجموعی مالی کارکردگی کو بہتر بنانے کے لیے پُر عزم ہے۔ مسلسل چیلنجز ماحول میں اپنے مجموعی مارجن میں اضافہ کرنا اور لاگت کی بنیاد کو کنٹرول کرنا کمپنی کے منافع کو منظم کرنے کے کلیدی مقاصد تھے۔


اعترافات

2021 میں کمپنی کے ملازمین کی کوششوں، لگن، عزم اور تعاون کے لیے ڈائریکٹرز ان کا شکریہ ادا کرنا چاہتے ہیں۔

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

بورڈ آف ڈائریکٹرز کی جانب سے


روشن یاز بیک
چیف ایگزیکٹو


کامران وائی۔ مرزا
چیرمین بورڈ
کراچی، 8 مارچ، 2022

ڈائریکٹرز کے معاوضے کی پالیسی

بورڈ نے ڈائریکٹرز کے معاوضے کی پالیسی وضع کی ہوئی ہے، جس میں بورڈ اور اس کی کمیٹیوں کے اجلاسوں میں شرکت کرنے کے لیے انفرادی ڈائریکٹرز کے معاوضے کے پیکج کے تعین کے حوالے سے مقاصد اور ایک شفاف طریقہ کار کو تفصیل سے بیان کیا گیا ہے۔ دیگر کے مابین، ڈائریکٹرز کے معاوضے کی پالیسی کی نمایاں خصوصیات مندرجہ ذیل ہیں:

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

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

بورڈ آف ڈائریکٹرز میں تبدیلیاں

2021 کے دوران بورڈ آف ڈائریکٹرز میں کوئی تبدیلی واقع نہیں ہوئی۔ تاہم، ڈاکٹر غلام نبی قاضی نے 13 جنوری 2022 کو بورڈ سے استعفیٰ دے دیا۔ عارضی اسامی کو قانون میں بیان کردہ مقررہ وقت کے اندر پُر کیا جائے گا۔

بورڈ آف ڈائریکٹرز کا اجلاس

بورڈ سات (7) ڈائریکٹرز پر مشتمل ہے۔ جن میں تین (3) آزاد ڈائریکٹرز، دو (2) نان ایگزیکٹو ڈائریکٹرز اور دو (2) ایگزیکٹو ڈائریکٹرز ہیں۔ 31 دسمبر 2021 تک بورڈ چھ (6) مرد ڈائریکٹرز اور ایک (1) خاتون ڈائریکٹر پر مشتمل ہے۔

2021 کے دوران، بورڈ آف ڈائریکٹرز ("بورڈ") نے چار (4) اجلاس منعقد کیے۔ ان اجلاسوں میں ڈائریکٹرز کی حاضری کو دستاویزی شکل دی ہے اور اسے یہاں ذیل میں فراہم کیا گیا ہے:

ڈائریکٹر کا نام	مدت میں منعقد ہونے والے اجلاسوں کی تعداد	اجلاسوں میں حاضری کی تعداد
جناب کامران وائی۔ مرزا	4	3
جناب رومن یاز بیک	4	4
جناب محمد بشان	4	4
ڈاکٹر غلام نبی قاضی	4	3
جناب مرزا رحمن بیگ	4	4
محترمہ پتراپورن اتافون	4	2
جناب پیٹر کیلین	4	4

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

بورڈ آڈٹ کمیٹی

آڈٹ کمیٹی کمیٹی کے بورڈ کی طرف سے مقرر کردہ شرائط کے مطابق کارکردگی کا مظاہرہ کرتی ہے اور جو ایس ای سی پی (SECP) کے جاری کردہ قوانین و ضوابط کے تقاضوں کی تصدیق کرتی ہے۔

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

سال 2021 کے آخر میں آڈٹ کمیٹی کی تشکیل حسب ذیل تھی:

ڈاکٹر غلام نبی قاضی	چیئر مین
جناب پیٹر کیلین	رکن
محترمہ پتراپورن اتافون	رکن

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

ڈائریکٹر کا نام	اجلاسوں میں حاضری کی تعداد
ڈاکٹر غلام نبی قاضی	3
محترمہ پتراپورن اتافون	2
جناب پیٹر کیلین	4

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

بورڈ انسانی وسائل اور معاوضہ کمیٹی (BHRRC)

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

سال 2021 کے آخر میں (BHRRC) کی تشکیل حسب ذیل تھی:

جناب کامران وائی۔ مرزا	چیئر مین
جناب رومن یاز بیک	رکن
جناب پیٹر کیلین	رکن

2021 کے دوران، ضابطے کی ضرورت کے مطابق (BHRRC) کا ایک (1) اجلاس منعقد ہوا۔

ڈائریکٹرز کی تربیت

COVID-19 کے باعث ہونے والی لوجسٹک مشکلات کی وجہ سے کمیٹی نے ڈاکٹر غلام نبی قاضی اور مرزا رحمان بیگ کے لیے تربیت کا انتظام کیا۔ دیگر ڈائریکٹرز کے لیے 2022 کے دوران مزید تربیت کا اہتمام کیا جائے گا۔

شیئر ہولڈنگ کا نمونہ

قانون و ضابطے کے مطابق 31 دسمبر 2021 تک کمیٹی کے شیئر ہولڈنگ کے نمونے کی تفصیلات اس سالانہ رپورٹ میں شامل ہیں۔

اندرونی کنٹرولز کا بیان

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

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

مقامی اور عالمی اثرات کے حامل موجودہ اور ابھرتے ہوئے خطرات سے نمٹنے کی غرض سے انٹرنل آڈٹ ڈیپارٹمنٹ، سالانہ بنیادوں پر رسک اسٹیمٹ اینڈ آڈٹ پلانز (Risk Assessment & Audit Plans) تیار کرتا ہے اور اہم آپریشنل، کمپلائنس اور فنانشل رپورٹنگ کی نشاندہی کے لیے ان کا باقاعدگی سے جائزہ لیتا ہے، بشورے دیتا ہے اور ان سے نمٹنے کے لیے اہم کنٹرولز جو یز کرتا ہے۔ ان کنٹرولز کی دستاویز سازی کی جاتی ہے، ذمیداریاں تفویض کی جاتی ہیں اور ان منصوبوں کے اور آپریشنز کی اثر پذیریری کی نگرانی کی جاتی ہے۔ ایسے کنٹرولز جو مؤثر ثابت نہ ہوں، انھیں بہتر بنایا جاتا ہے۔

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

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

- کمپنی کی مالی اور آپریشن معلومات کا اعتبار اور سالمیت
- مطلوبہ نتائج حاصل کرنے کے لیے کمپنی کے آپریشن میں اثر پذیریری
- کمپنی کے اثاثوں کی حفاظت؛ اور
- متعلقہ قوانین و ضوابط کے ساتھ کمپنی کے اقدامات کی تعمیل

تعمیل کا بیان

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

ریٹائرمنٹ فنڈز میں سرمایہ کاری

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

پاکستانی روپے بلین میں		
702	(31 دسمبر 2020 تک آڈٹ شدہ مالی گوشوارے)	پروویڈنٹ فنڈ
706	(31 دسمبر 2020 تک آڈٹ شدہ مالی گوشوارے)	گریجویٹ فنڈ

ہولڈنگ کمپنی

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

بورڈ آف ڈائریکٹرز کی تفصیل

بورڈ نے ایک باضابطہ پالیسی کی منظوری دے دی ہے اور بورڈ، انفرادی ڈائریکٹرز اور اس کی کمیٹیوں کی سالانہ کارکردگی کا جائزہ لینے کے لیے ایک عمل وضع کیا ہوا ہے۔ تشخص کا مقصد اس بات کو یقینی بنانا ہے کہ بورڈ کی کارکردگی کو مجموعی کارپوریٹ مقاصد، کمپنی کے گورننس ڈھانچے، قانون اور ضابطے کی تعمیل، اثر پذیریری، اشتراک اور قدر میں اضافے کے حوالے سے ناپا جائے۔ بورڈ کی 2021 کی کارکردگی کے جائزے کے نتائج کے مطابق بورڈ کی کارکردگی تسلی بخش رہی۔

ہم نے مختلف اقدامات بھی متعارف کرائے جن کا مقصد اپنے ملازمین کی فلاح و بہبود کو بہتر بنانا ہے ان میں بچے کی پیدائش پر غیر جانب دار صنف سے چھٹیاں، ’’وقفے کا وقت‘‘، مہم کے تحت ملازمین کو کام سے وقت نکالنے کی ترغیب دینا، دماغی صحت کی اہمیت کے بارے میں آگاہی اور دماغی صحت سے متعلق ایسے تمام مسائل جن کا ہمارے ملازمین کو سامنا ہو سکتا ہے ان کے لیے میڈیکل کوریج بڑھانا شامل ہے۔

MakeYourComeback پروگرام کمپنی نے پائیداری کے وژن کے حصے کے طور پر شروع کیا تھا۔ یہ پلیٹ فارم ان خواتین کے لیے شروع کیا گیا ہے جنہوں نے اپنے کریئر سے وقفہ لیا ہو اور وہ دوبارہ اپنے کریئر میں واپس آنا چاہتی ہوں۔ اس پروگرام کے ذریعے 10 خواتین کو ان کے سابقہ تجربے اور کمپنی کی ضروریات کی بنیاد پر مختلف منصوبوں کے لیے شامل کیا گیا۔ پراجیکٹ کی مدت 3 ماہ تھی جس میں ان خواتین نے ایک وسیع آن بورڈنگ اور تربیتی پروگرام میں حصہ لیا تاکہ وہ دوبارہ اپنا کریئر شروع کر سکیں۔

اعزازات اور اعترافات

کمپنی نے گلوبل ڈائریکٹوریٹ اینڈ انکلوژن ایکویٹی ٹیچ مارک (GDIEB) ایوارڈز میں حصہ لیا، جو HR Metrics (ایک آزاد تنظیم) کے ذریعے منعقد کیا گیا تھا۔ اس پلیٹ فارم پر گزشتہ سال کے دوران کمپنی کے ملازم مرکوز اقدامات کا اعتراف کیا گیا۔ ہم نے (1) ملازمین کی ترقی اور برقراری، (2) کام کے اختصا اور درجہ بندی، مشاہرے اور کام کی تطبیق (3) چلک اور فوائڈ کے زمرے میں ایوارڈ حاصل کیے۔

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

آپریشنل فعالیت

ہمارے پائیداری کے وژن کے تحت آپریشنل فعالیت بڑھانے کے لیے مینوفیکچرنگ کا اعلیٰ معیار حاصل کرنے کی غرض سے کمپنی نے بنیادی طور پر اسٹریٹجک اور مینوفیکچرنگ کے منصوبوں کے لیے تقریباً 687 ملین روپے کی سرمایہ کاری کی۔ یہ سرمایہ کاری اپنے صارفین کو عالمی معیار کی مصنوعات فراہم کرنے کے لیے کمپنی کے عزم کی عکاسی کرتی ہے۔

منافع منقسمہ

کاروباری کارکردگی کو مسلسل بڑھانے اور پائیدار بنانے کے لیے اور طویل مدت میں حصص یافتگان کے لیے زیادہ سے زیادہ منافع حاصل کرنے کے لیے کمپنی زیادہ سے زیادہ وسائل مارکیٹنگ، برانڈ سازی اور ملازمین کی صلاحیت میں اضافے کے لیے مختص کر رہی ہے۔ اس لیے کمپنی نے سال 2021ء کے لیے کسی منافع منقسمہ کا اعلان نہیں کیا ہے۔

کارپوریٹ گورننس کا ضابطہ

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

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

- کمپنی کی انتظامیہ کی جانب سے تیار کردہ مالی گوشوارے، اس کے معاملات، آپریشنز کے نتائج، نقدی کے بہاؤ اور اس کے حصص میں تبدیلی کی درست عکاسی کرتے ہیں۔
- کمپنی کے حسابات کی کتب درست انداز میں رکھی گئی ہیں۔
- مالیاتی گوشواروں کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کا اطلاق کیا گیا ہے۔ حسابی تخمینے دانیشنر نہ اور محتاط فیصلوں کی بنیاد پر ہیں۔
- مالیاتی گوشواروں کی تیاری میں پاکستان میں لاگو اکاؤنٹنگ کے منظور شدہ معیارات پر عمل کیا گیا ہے۔
- کمپنی کے اندرونی کنٹرولز کا نظام ڈیزائن کے اعتبار سے مضبوط ہے، جس پر مؤثر انداز میں عمل کیا گیا ہے اور مزید بہتر بنانے کے لیے اس کا مسلسل جائزہ بھی لیا جاتا ہے۔
- ایک جاری کاروبار کی حیثیت سے تسلسل برقرار رکھنے کے لیے کمپنی کی اہلیت شکوک و شبہات سے بالاتر ہے۔
- جیسا کہ ضوابط کی فہرست میں تفصیل موجود ہے، ادارہ جاتی نگرانی کے بہترین طریقوں سے کوئی قابل ذکر انحراف نہیں ہوا ہے۔
- 31 دسمبر 2021ء کو ختم ہونے والے مالی سال کی اہم مالیاتی جھلکیوں، اثاثوں اور واجبات کا خلاصہ اور گزشتہ چھ برسوں کے مالیاتی نتائج کا خلاصہ صفحہ نمبر 33 پر موجود ہے اور:
- ٹیکسوں اور محصولات کے بارے میں معلومات مالیاتی گوشواروں کے متعلق نوٹس میں دی گئی ہے اور۔
- کمپنی کی انتظامیہ اچھی کارپوریٹ گورننس کے لیے پرعزم ہے اور اس نے کوڈ کی تعمیل کے لیے تمام ضروری اقدامات کیے ہیں۔

Overview	Envisioning a sustainable future	Sustainability at PMPKL	Leading transformation	Building an innovative future
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قومی خزانے میں حصہ

31 دسمبر 2021ء کو ختم ہونے والے سال کے دوران، ایکسائز ڈیوٹی، سلز ٹیکس اور دیگر سرکاری محصولات کی صورت میں قومی خزانے میں کمپنی کا حصہ 26,673 ملین روپے رہا (گزشتہ سال کی اسی مدت کے مقابلے میں 14.8 فیصد زیادہ) جو مجموعی کاروباری حجم کے 60.5 فیصد کے برابر ہے۔

پائیداری اور ادارہ جاتی سماجی ذمہ داری

ماحولیاتی، معاشی اور سماجی پائیداری کے اہداف ہماری کمپنی کے ہر کام کارمیزی جزو اور ہماری کاروباری حکمت عملی کا ایک لازمی حصہ ہے۔ اپنی مصنوعات کی تیاری سے لے کر ان کی تقسیم اور مارکیٹنگ تک، ہم ماحول کے تحفظ، اپنے لوگوں اور کمیونٹیوں کی ترقی کے لیے (جہاں ہم کام کرتے ہیں) پائیدار اقدامات کر رہے ہیں۔

ہم سے وابستہ افراد کی فلاح و بہبود

کورونہ کی وبا کے باعث مشکل وقت کے دوران بھی کمپنی اپنی ذمے داریوں پر ثابت قدم رہی اور اس نے مردان، چارسدہ اور صوابی میں میڈیکل کیمپوں کا انعقاد اور ہیلتھ کیئر یونٹوں کو تعمیرات کیا۔ 1700 سے زائد افراد کو ادویات اور ہیلتھ اسکریٹنگ کی سہولیات فراہم کی گئیں۔

کمپنی نے ایسے سماجی اسٹارٹ اپس اور کاروباری افراد کی شناخت، رہنمائی اور ترقی کے پروگرام میں بھی معاونت کی ہے جو جدید ٹیکنالوجی کو استعمال کرتے ہوئے ملک کو درپیش سماجی و اقتصادی مسائل کے لیے پائیدار اختراعات فراہم کرتے ہوں۔ اس پروگرام کے تحت تین سرفہرست اسٹارٹ اپس کو فی کس 10,000 امریکی ڈالر کی فنڈنگ فراہم کی گئی۔ اس اقدام کا مقصد پاکستان میں کاروباری افراد کو فعال کرتے ہوئے سماجی و اقتصادی مسائل کے لیے ٹیکنالوجی پر مبنی، پائیدار صل کی راہ ہموار کرنا ہے۔

کمپنی نے کشف فاؤنڈیشن کے ساتھ بھی شراکت کی اور 300 سے زائد خواتین کو فوڈ کیٹرنگ میں پیشہ ورانہ تربیت فراہم کی۔ یہ پروگرام ملتان، لاہور، اسلام آباد، راولپنڈی اور کراچی میں شروع کیا گیا۔ ان خواتین کو مالیاتی انتظام کی تربیت بھی دی گئی۔

ماحول، صحت اور تحفظ کے اقدامات

پائیداری کے ایجنڈے کو آگے بڑھاتے ہوئے اور کوڑے کرکٹ کی روک تھام کے لیے کمپنی نے اپنے پائشر SEED ڈیپنر کے ساتھ مل کر پورے پاکستان میں 2021ء میں صفائی کی مختلف مہمیں چلائی ہیں۔ صفائی مہم کے ایک حصے کے طور پر مختلف شہروں میں کچرے کے ڈبے بھی رکھے گئے۔ اس مہم میں تقریباً چوبیس سو (2400) سے زیادہ رضا کاروں نے حصہ لیا اور تقریباً تین ہزار نو سو کلوگرام سے زیادہ کچرا جمع کیا گیا۔

کمپنی نہ صرف آپریشنل کارکردگی کو بہتر بنانے بلکہ ہمارے کاربن فوٹ پرنٹ کو کم کرنے کے مقصد سے پوری کمپنی میں اپنے آپریشنز میں بنیادی ڈھانچے میں بہتری لانے میں پیش رفت کر رہی ہے۔ ہم اپنے ملازمین کی صحت اور تحفظ کو اپنی بنیادی ذمے داریوں میں سے ایک سمجھتے ہیں۔ پیشہ ورانہ امور کے دوران چوٹ لگنے، بیماریوں اور ممکنہ خطرات کو روکنے کے لیے پالیسیاں اور طریقہ کار موجود ہیں۔ تمام مینوفیکچرنگ سائٹس اور تھریٹنگ سائٹ نے ISO 14001 (ماحول) کے نئے معیار کے ساتھ مربوط ایجنٹ سسٹم (IMS) پر بیورویریٹاس (Bureau Veritas) سے "بہترین" PMI درجہ بندی (6/6) حاصل کی۔ پائیدار مستقبل کے عزم کے مطابق، کمپنی نے الائنس فار وائٹسٹیورڈ شپ (AWS) پروگرام کے سرٹیفیکیشن پر عمل درآمد بھی شروع کر دیا ہے۔

فلپ مورس انٹرنیشنل کے 2025 تک اپنے براہ راست آپریشنز اور 2040 تک پوری ویلیو چین میں کاربن اخراج ختم کرنے کے عزم کے تحت کمپنی کے لیف آپریشنز نے CO2 کے اخراج کو کم کرنے کے لیے بوائز فیول کنورژن پروجیکٹ کا نفاذ کیا گیا۔ اس اقدام سے CO2 کے اخراج میں 30 فیصد کمی کی متوقع ہے یعنی اگلے پانچ سال میں کاربن کے اخراج میں 2,200 ٹن کمی کی واقع ہوگی۔

اپنے ملازمین کی حفاظت کو یقینی بنانے کے لیے، 2021 میں تمام ورکنگ ٹول اینڈ پول کاروں (178 کاروں) میں فلیٹ ٹیلی میٹکس سینسر نصب کیے گئے تھے۔ یہ سینسر ڈرائیونگ کے طرز عمل سے متعلق خلاف ورزیوں کا پتا لگاتے ہیں اور ڈرائیونگ قوانین کی پابندی کو یقینی بناتے ہیں۔ یہ پروگرام گاڑیوں کے حادثات کو کم کرنے میں اہم کردار ادا کر رہا ہے۔

کام کا متنوع اور شمولی ماحول

2021ء کے دوران کمپنی نے کام کرنے کے باہر ڈاؤر ریویوٹ طریقوں کے لیے ایک پروگرام (اسمارٹ ورک) شروع کیا جو ملازمین کو مکمل طور پر گھر سے کام کرنے یا گھر اور دفتر میں کام کرنے کے لیے چیکڈ اوقات پر مبنی باہر ڈاؤر ماڈل اپنانے کی سہولت فراہم کرتا ہے۔

پاکستان کی معیشت کو ہنگامی کے بلند دباؤ، تجارتی خسارے اور کرنسی کی قدر میں کمی کی وجہ سے مشکلوں کا سامنا ہے۔ اسٹیٹ بینک آف پاکستان نے شرح سود برقرار رکھی ہے، تاہم طلب کو معتدل رکھنے والے یہ اقدامات قلیل مدت میں معاشی منظر نامے کو بہتر نہیں کر سکتے ہیں۔ اس کے علاوہ مختلف ممالک کے درمیان بڑھتی ہوئی کشیدگی سے تیل اور اجناس کی عالمی قیمتوں پر دباؤ آنے کا بھی خدشہ ہے، جس کے نتیجے میں افراط زر میں مزید اضافہ ہوگا۔ COVID-19 کی جاری وبا کے ساتھ یہ معاشی دباؤ اور سیاسی عدم استحکام کاروبار کے لیے آپریٹنگ ماحول کو مزید مشکل بنا دے گا۔

چاٹزہ

پاکستان میں ٹیکس ادا کرنے والی سگریٹ کی صنعت کو ٹیکس ادا نہ کرنے والے غیر قانونی سگریٹ صنعت کی بڑے پیمانے پر موجودگی کی وجہ سے متواتر چیلنج کا سامنا ہے، جو پاکستان میں سگریٹ کی کل کھپت کا تقریباً 37-40 فیصد ہے۔ بنا ٹیکس ادا شدہ غیر قانونی سگریٹوں سے نہ صرف قومی خزانے کو ٹیکس کی مد میں 77 ارب روپے کا سالانہ نقصان ہوتا ہے بلکہ حکومت کے صحت عامہ کے مقاصد پر بھی منفی اثر پڑتا ہے۔ بنا ٹیکس ادا شدہ غیر قانونی سگریٹ کے پیکٹ اوسطاً 38 روپے فی پیکٹ پر فروخت ہو رہے ہیں۔ جبکہ فیڈرل ایکسائز ڈیوٹی اور سلز ٹیکس کی وصولی کے لیے ٹیکس قوانین کے تحت کم از کم قیمت 63 روپے فی پیکٹ مقرر ہے اور ویلیو ایڈڈ کے مطابق ہر پیکٹ پر قابل ادائیگی ٹیکس (ایکسائز + سلز ٹیکس) کم از کم 44 روپے ہے۔

ٹیکس ادا شدہ اور بنا ٹیکس ادا شدہ سگریٹ برانڈز کے درمیان قیمت کا وسیع فرق پاکستان میں بنا ٹیکس ادا شدہ سگریٹ کی غیر قانونی تجارت کے فروغ کا بنیادی محرک رہا ہے (ٹیکس ادا شدہ اور غیر ٹیکس ادا کرنے والے برانڈز کے درمیان موجود قیمت کا فرق 200 فیصد سے زیادہ ہے)۔ ایکسائز ڈیوٹی کی وجہ سے قیمت میں اضافے نے ٹیکس ادا نہ کرنے والے شعبے کی فروخت میں اضافہ کیا ہے۔ جس کو ایف بی آر نے گزشتہ دو وفاقی بجٹوں کے دوران سگریٹ پر ایکسائز ڈیوٹی میں اضافہ نہ کر کے تدارک کی کوشش کی ہے۔ ایف بی آر کے اس پالیسی اقدام کے نتیجے میں ٹیکس ادا کرنے والی سگریٹ انڈسٹری کے لیے مثبت نتائج برآمد ہوئے اور حکومتی محصولات میں اضافہ ہوا۔ رواں مالی سال 2021-22 کی 31 دسمبر 2021 کو ختم ہونے والی پبلک سہ ماہی کے دوران کمپنی نے ایکسائز ڈیوٹی، سلز ٹیکس اور دیگر سرکاری محصولات کی شکل میں قومی خزانے میں 12,238 ملین روپے جمع کرانے (پچھلے مالی سال کے اسی دورانیے کے مقابلے میں 13.9 فیصد زیادہ)۔ یہ ٹیکس ادا ٹیگیاں چھ ماہ کی مجموعی کاروبار کا 60.6 فیصد بنتی ہیں۔

ہم حکومت کے اس عزم کو تسلیم کرتے ہیں اور اس کو سراہتے ہیں، جس کے تحت اصلاحات اور انتظامی عمل کے ذریعے ان ٹیکس ادا نہ کرنے والے غیر قانونی کھلاڑیوں کو ٹیکس نیٹ میں لانے کی کوشش کی جا رہی ہے۔ حال ہی میں ایف بی آر کی جانب سے متعارف کرایا گیا ٹریک اینڈ ٹریس سسٹم بنا ٹیکس ادا شدہ سگریٹ کی غیر قانونی تجارت کا مقابلہ کرنے کے لیے ایک مؤثر ذریعہ ہو سکتا ہے، تاہم جب تک اس کے مؤثر نفاذ کا کوئی طریقہ کار موجود نہ ہو، یہ اقدام کامیاب ثابت نہیں ہو سکتا۔ اس مقصد کے لیے یہ ضروری ہے کہ مارکیٹ میں فروخت ہونے والے بنا ٹیکس ادا شدہ سگریٹ برانڈز کی شناخت کر کے ہر پیکٹ پر ٹیکس اسٹیپ لگانے کے اقدامات کا مؤثر نفاذ کیا جائے۔

مالیاتی کارکردگی

تمام چیلنجوں کے باوجود، 31 دسمبر 2021ء کو ختم ہونے والے سال کے دوران کمپنی کے ملکی خالص محاصل 15,991 ملین روپے رہے جو گزشتہ سال کے مقابلے میں 14.4 فیصد اضافے کی عکاسی کرتا ہے۔ ایکسائز ٹیکس کی شرح میں عدم تغیر اس اضافے میں مددگار رہا۔ کمپنی کی برآمدات 1,467 ملین روپے (8.6 ملین امریکی ڈالر) رہیں۔ تقریباً 3.3 ملین کلو ٹن سب کوکی برآمدات کمپنی کے اس عزم کو ظاہر کرتی ہیں جس کا مقصد پاکستان کی برآمدات میں اضافے کا ہدف حاصل کرنے میں حصہ ڈالنا ہے۔ اس عرصے کے دوران کمپنی کے مجموعی منافع میں 7,483 ملین روپے کا اضافہ ہوا جو پچھلے سال کے مقابلے میں 15.9 فیصد زیادہ ہے، اس کی وجہ مینوفیکچرنگ آپریشنز میں استعداد بڑھانا، لاگت میں کمی لانا اور مقامی فروخت میں اضافہ ہے۔ ڈسٹری بیوٹن اور مارکیٹنگ کے اخراجات میں 14.5 فیصد اضافہ ہوا ہے جو کمپنی کے برانڈ سازی کے لیے وسائل مختص کرنے اور منافع میں اضافے کے لیے مارکیٹنگ کی سرگرمیوں کے انعقاد کی وجہ سے ہوا۔ مزید برآں، ہم انتظامی اخراجات کو مؤثر بنانے کے لیے مسلسل کوشاں رہتے ہیں تاکہ یہ یقینی بنایا جاسکے کہ یہ اضافہ افراط زر سے ہم آہنگ رہے۔ 31 دسمبر 2021ء کو ختم ہونے والے سال کے لیے کمپنی کا منافع بعد از ٹیکس 2,307 ملین روپے رہا (پورے سال کی مجموعی فروخت کے 5.2 فیصد برابر) جب کہ گزشتہ سال بعد از ٹیکس منافع 1,765 ملین روپے رہا تھا۔ 31 دسمبر 2021ء کو ختم ہونے والے سال کے لیے کمپنی کے اہم مالی اشاریے درج ذیل ہیں:

اہم میٹرکس	پچائش کا پونٹ	31 دسمبر 2020ء	%
کاروباری حجم	ملین روپے	44,110	8.5
ایکسائز ٹیکس	ملین روپے	19,271	11.1
سلز ٹیکس	ملین روپے	6,412	12.2
ٹریڈ ڈسکاؤنٹ	ملین روپے	968	-1.0
خالص حجم	ملین روپے	17,459	5.2
مجموعی منافع	ملین روپے	7,483	15.9
منافع بعد از ٹیکس	ملین روپے	2,307	30.7
فی شیئر آمدنی	روپے	37.46	>100

ڈائریکٹرز رپورٹ

برائے سال منہتم 31 دسمبر 2021ء

Form of Proxy

I / We _____
of _____
a member of Philip Morris (Pakistan) Limited
hereby appoint _____
of _____
or failing him _____
of _____
who is / are also members of Philip Morris (Pakistan) Limited to act as my / our proxy and to vote for me / us and on my / our behalf at the Annual General Meeting of the shareholders of the Company to be held on April 18, 2022 and at any adjournment thereof.

Signed this _____ day of _____ 2022

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

Witness 1

Signature _____
Name _____
CNIC No. _____
Address _____

Witness 2

Signature _____
Name _____
CNIC No. _____
Address _____

Notes:

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

<http://philipmorrispakistan.com.pk>