



PHILIP MORRIS
(PAKISTAN) LIMITED

QUARTERLY REPORT

For the 1st quarter ended March 31, 2017
(Un-audited)

QUARTERLY REPORT

For the 1st quarter ended March 31, 2017
(Un-audited)



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COMPANY INFORMATION

BOARD OF DIRECTORS

KAMRAN Y. MIRZA	(Chairman)
ALEXANDER REISCH	(Chief Executive)
HEE KYUNG YUN	
JOAO MANUEL	
ANTON STANKOV	
EE WON CHEN	
LT. GEN. (R) TARIQ KHAN	

COMPANY SECRETARY

FAIZA KAPADIA RAFFAY

AUDIT COMMITTEE

LT. GEN. (R) TARIQ KHAN	(Chairman)
HEE KYUNG YUN	
EE WON CHEN	

HUMAN RESOURCE & REMUNERATION COMMITTEE

JOAO MANUEL	(Chairman)
ALEXANDER REISCH	
HEE KYUNG YUN	
C. DAVID ESCARDA	(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. E/15, S.I.T.E., KOTRI, DISTRICT: DADU (SINDH)
2. G.T ROAD, QUADIRABAD, DISTRICT: SAHIWAL (PUNJAB)
3. LEAF DIVISION COMPLEX, 22ND KM, MARDAN SWABI ROAD, MARDAN (KPK)
4. PLOT NO. 14-17, EXPORT PROCESSING ZONE, WEST SITE TOWN, KARACHI (NON-OPERATIONAL)

SHARE REGISTRAR

THK ASSOCIATES (PVT.) LTD.
FIRST FLOOR, 40-C, BLOCK-6,
P.E.C.H.S, KARACHI - 75400

Website : www.philipmorriskpakistan.com.pk

Email : pmpk.info@pmi.com



DIRECTORS' REVIEW

The Directors of the Company would like to report on the Company's performance for the three months period ended March 31, 2017.

During the period, the Company's gross turnover decreased significantly by 62.4% compared to the same period during Q1, 2016 primarily attributable to the decline in sales volumes as a result of exponential increase of the non-tax paid cigarettes segment ("Illicit Trade") which continues to impact the underlying demand for our products and significant adjustment in trade inventory. At the same time, the Company has managed to reduce its Distribution, Marketing & Administration expenses by 27.4% as compared to same period last year. Other expenses decreased, mainly due to restructuring costs charged in 2016. The Company recorded a Loss before tax of PKR 481 million for the quarter, compared to a Profit before tax of PKR 1,048 million for the same period in 2016.

The excise tax driven price increases have widened the price differential between the tax-paid and the low price non-tax paid tobacco products, thus creating an unfair playing field for the tax-paying tobacco industry. The Company is actively supporting all Government policies and actions to address the issue of smuggled and non-tax paid cigarettes.

Despite recommendation of the inter-ministerial committee in July 2015 to reduce the Graphical Health Warning to 50%, the Ministry of Health has not yet revised the 85% GHW regulations ("SRO") to reflect the committee's recommendation. Instead, the Ministry Of Health continues to extend the implementation of the SRO on a monthly basis which creates uncertainty for the business.

During the period, the Company's contribution to the National Exchequer, in the form of excise tax, sales tax and other government levies, was PKR 2,877 million, as compared to PKR 7,642 million in the same period in 2016, a decrease of 62.4%.

The management team continues to be committed to improving the overall performance of the Company by utilizing global resources, pursuing initiatives such as new strategic marketing activities, continuous improvements in product quality, process and operational efficiency, and resource utilization and allocation. Growing our gross margin and controlling the cost base remain key objectives for improving the Company's profitability in a very challenging environment.

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

On behalf of the Board of Directors,

KAMRAN Y. MIRZA
Chairman

Karachi: April 21, 2017



ڈائریکٹر رپورٹ

کپنی کے ڈائریکٹر 31 مارچ 2017 کو اختتام پذیر ہونے والی سرمایہ کھیلنے کپنی کی کارکردگی رپورٹ پیش کر رہے ہیں۔

اس عرصے کے دوران، کپنی کے مجموعی حجم میں سال 2016ء کی پہلی سرمایہ کے مقابلے میں 62.4% کی نمایاں کمی ہوئی ہے۔ بنیادی طور پر اسے بنائیکس ادا کردہ بگ ٹیکس ("غیر قانونی تجارت") کی فروخت میں نمایاں اضافے سے منسوب کیا جاتا ہے جبکہ دوسری وجہ پٹرول انوینٹری کی ایڈجسٹمنٹ ہے جو کہ ہماری مصنوعات کی طلب میں کمی کی ذمہ دار ہے۔ اسی عرصے میں کپنی نے ڈسٹری بیوٹن، مائیکینگ اور ایڈیٹریٹیشن کی مدد میں ہونے والے اخراجات میں گزشتہ سال کے اسی عرصے کے مقابلے میں 27.4% کمی کی ہے۔ دوسرے اخراجات میں کمی 2016ء میں ہونے والی ری اسٹرکچرنگ کی وجہ سے ہے۔ کپنی نے اس سرمایہ میں قبل از ٹیکس 481 ملین روپے کے نقصان کا سامنا کیا جو کہ پچھلے سال 2016ء کے اسی عرصے میں 1,048 ملین روپے تھا۔

ایکسٹرنلکس سے قیمتوں میں مزید اضافہ ہوا ہے جس سے ٹیکس ادا کردہ اور کم قیمت والے بنائیکس ادا کردہ تباہی مصنوعات میں قیمتوں کا فرق بہت زیادہ ہو جاتا ہے۔ چنانچہ ٹیکس ادا کرنے والی تباہی کو صنعت کھلنے ایک غیر منصفانہ ماحول پیدا ہو گیا ہے کپنی اسمگل شدہ اور بنائیکس ادا کردہ بگ ٹیکس ("غیر قانونی تجارت") کے تنازع سے نمٹنے کھلے حکومت کے تمام اقدامات اور پالیسیز کی بھرپور حمایت و اعانت کرتی ہے۔

جولائی 2015ء میں بین الوزارتی کمیٹی کی سفارشات کے باوجود، گرافکل انتباہ صحت کو 50% تک کم کرنے کی غرض سے، وزارت صحت نے اب تک 85% گرافکل انتباہ صحت ("SRO") میں ترمیم نہیں کی ہے جس سے کمیٹی کی سفارشات کی عکاسی ہو۔ اس کی بجائے وزارت صحت کے ماباندہ کی بنیاد پر SRO کے نفاذ کے تسلسل کو جاری رکھا گیا ہے جس سے کاروبار کھلے غیر یقینی صورتحال پیدا ہوتی ہے۔

اس عرصے کے دوران، کپنی نے حکومتی خزانہ کے محصولات میں وفاقی ایکسٹرنلکس، سٹیل ٹیکس اور باقی حکومتی محصولات کی مدد میں 2,877 ملین روپے جمع کروائے جو کہ 2016ء کے اسی عرصے کے دوران 7,642 ملین روپے تھے، اس میں 62.4% کمی کی آئی ہے۔

انتقامیہ تسلسل کے ساتھ کپنی کی سرگرمیوں اور امور کے تمام پہلوؤں میں بہتری کھلنے عالمی وسائل کے استعمال، جہت طراز مصنوعات کا پیش کیے جانے کی حکمت عملی، پروڈکٹ کے معیار میں مسلسل اضافہ کرتے رہنے، اثبات سازی کے طور طریقوں اور سہولیات کو جدید سے جدید بنانے، اور انسانی وسائل کو فروغ دینے کے ذریعے کو خاں ہے۔ ایک بہت ہی ٹھنڈی وقت میں، اپنے گراس مارجن کو بڑھانا اور اخراجات پر قابو پانا کپنی کی منفعت کو بڑھانے کھلے بنیادی اغراض میں۔

بورڈ آف ڈائریکٹر کی جانب سے، میں اپنے تمام ملازمین، جینیئر ہولڈرز، کاروباری رفقاء اور دیگر اداروں کو بھرپور خراج تحسین پیش کرتا ہوں کہ انھوں نے کپنی کی انتقامیہ پراسپیکٹ بھرپور اعتماد کا مظاہرہ کیا۔

بورڈ آف ڈائریکٹر کی جانب سے

کامران یوسف مرزا

چیئر مین

بتاریخ: کراچی، 21 اپریل 2017ء



CONDENSED INTERIM BALANCE SHEET (Un-audited)

AS AT MARCH 31, 2017

	Note	March 31, 2017 (Un-audited)	December 31, 2016 (Audited)
(Rupees in thousand)			
ASSETS			
NON CURRENT ASSETS			
FIXED ASSETS			
Property, plant and equipment	4	8,287,823	8,487,261
Intangibles		<u>26,413</u>	<u>29,909</u>
		8,314,236	8,517,170
Investment in a subsidiary company	5	1	1
Long term deposits and prepayments		48,368	39,762
Deferred taxation	6	<u>943,481</u>	<u>761,323</u>
		9,306,086	9,318,256
CURRENT ASSETS			
Stores and spares - net		391,386	379,229
Stock in trade - net	7	7,128,842	7,273,187
Trade debts - net		21,251	1,523
Advances		22,622	33,278
Prepayments		81,804	92,828
Other receivables		226,727	210,304
Income tax - net		615,283	578,775
Staff retirement benefits		35,039	31,538
Cash and bank balances		<u>56,606</u>	<u>108,093</u>
		8,579,560	8,708,755
TOTAL ASSETS		<u>17,885,646</u>	<u>18,027,011</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital		<u>12,000,000</u>	<u>12,000,000</u>
Issued, subscribed and paid-up capital			
- Ordinary shares		615,803	615,803
- Preference shares		<u>10,464,000</u>	<u>10,464,000</u>
		11,079,803	11,079,803
Transaction cost on issuance of preference shares-net of tax		<u>(33,911)</u>	<u>(33,911)</u>
		11,045,892	11,045,892
Reserves		6,137,315	6,137,315
Unappropriated loss		<u>(3,893,605)</u>	<u>(3,593,171)</u>
TOTAL EQUITY		13,289,602	13,590,036
CURRENT LIABILITIES			
Short term borrowings		2,047,637	1,338,557
Trade and other payables		1,637,427	2,643,360
Accrued mark-up on short term borrowings		12,377	7,249
Sales tax and excise duty payable		<u>898,603</u>	<u>447,809</u>
TOTAL LIABILITIES		4,596,044	4,436,975
TOTAL EQUITY AND LIABILITIES		<u>17,885,646</u>	<u>18,027,011</u>
CONTINGENCIES AND COMMITMENTS	8		

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.


ALEXANDER REISCH
 Chief Executive


ANTON STANKOV
 Director

Karachi: April 21, 2017



CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (Un-audited)

FOR THE QUARTER ENDED MARCH 31, 2017

	Note	Quarter Ended	
		March 31, 2017 (Un-audited) (Rupees in thousand)	March 31, 2016 (Un-audited) (Rupees in thousand)
Turnover - net	9	1,735,462	4,665,842
Cost of sales	10	1,322,515	2,231,650
Gross profit		412,947	2,434,192
Distribution and marketing expenses	11	578,115	839,327
Administrative expenses		277,521	339,266
Other expenses		9,973	46,101
Other income		(4,238)	(76,732)
		861,371	1,147,962
Operating (loss) / profit		(448,424)	1,286,230
Finance cost and bank charges		32,570	238,711
(Loss) / Profit before taxation		(480,994)	1,047,519
Taxation	12	(180,560)	83,058
(Loss) / Profit after taxation		(300,434)	964,461
.....(Rupees).....			
(Loss) / Earnings per share - basic & diluted	13	(4.88)	15.66

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.

Karachi: April 21, 2017


ALEXANDER REISCH
 Chief Executive


ANTON STANKOV
 Director



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

FOR THE QUARTER ENDED MARCH 31, 2017

	Issued, subscribed and paid-up capital	Preference shares	Transaction cost on issuance of preference shares -net of tax	Advance against issuance of preference shares	General reserve	Reserve for share based payments	Re-measurement of staff retirement gratuity plan-net of tax	Subtotal Reserves	Unappropriated (Loss)	Total
	Ordinary shares									
----- (Rupees in thousand) -----										
Balance as at January 1, 2016	615,803	-	-	-	6,347,000	6,392	(151,540)	6,201,852	(4,168,328)	2,649,327
<i>Transactions with owners</i>										
Advance against issuance of preference shares	-	-	-	7,500,000	-	-	-	7,500,000	-	7,500,000
<i>Total comprehensive income</i>										
Profit after taxation for the three months period ended March 31, 2016	-	-	-	-	-	-	-	-	964,461	964,461
	-	-	-	-	-	-	-	-	964,461	964,461
Balance as at March 31, 2016	615,803	-	-	7,500,000	6,347,000	6,392	(151,540)	13,701,852	(3,203,867)	11,113,788
Balance as at January 1, 2017	615,803	10,464,000	(33,911)	-	6,347,000	6,498	(216,183)	6,137,315	(3,593,171)	13,590,036
<i>Total comprehensive loss</i>										
Loss after taxation for the three months period ended March 31, 2017	-	-	-	-	-	-	-	-	(300,434)	(300,434)
	-	-	-	-	-	-	-	-	(300,434)	(300,434)
Balance as at March 31, 2017	615,803	10,464,000	(33,911)	-	6,347,000	6,498	(216,183)	6,137,315	(3,893,605)	13,289,602

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.

ALEXANDER REISCH
Chief Executive

ANTON STANKOV
Director

Karachi: April 21, 2017



CONDENSED INTERIM CASH FLOW STATEMENT (Un-audited)

FOR THE QUARTER ENDED MARCH 31, 2017

		Quarter Ended	
		March 31, 2017	March 31, 2016
	Note	(Un-audited)	(Un-audited)
(Rupees in thousand)			
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	15	(639,993)	3,132,794
Finance cost paid		(27,442)	(222,223)
Income taxes paid		(38,104)	(5,657)
Long term deposits and prepayments		(8,606)	867
Net cash generated from / (used in) operating activities		(714,145)	2,905,781
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		(54,519)	(398,097)
Proceeds from disposal of items of property, plant and equipment		6,775	11,610
Net cash used in investing activities		(47,744)	(386,487)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advance received against issuance of preference shares		-	7,500,000
Proceeds of loan from associated undertaking		1,050,322	12,580,400
Repayment of loan from associated undertaking		-	(15,746,716)
Short term loans obtained		10,700,000	-
Repayment of short term loans		(10,200,000)	-
Net cash provided by financing activities		1,550,322	4,333,684
Net increase in cash and cash equivalent during the period		788,433	6,852,978
Cash and cash equivalents at the beginning of the period		(1,230,464)	(6,120,755)
Cash and cash equivalents at the end of the period	16	(442,031)	732,223

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.

ALEXANDER REISCH
Chief Executive

ANTON STANKOV
Director

Karachi: April 21, 2017



NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited)

FOR THE QUARTER ENDED MARCH 31, 2017

1. THE COMPANY AND ITS OPERATIONS

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 Companies Ordinance, 1984). The Company is listed on the Pakistan Stock Exchange. The principal activity of the Company is the manufacturing and sale of cigarettes and tobacco products. Its registered office is situated at 19th Floor, The Harbour Front, Dolmen City, HC - 3, Block 4, Clifton, Karachi, Pakistan.

- 1.1 In view of exemption granted by the Securities & Exchange Commission of Pakistan (the SECP) vide its letter No. EMD/233/619/2002-658 dated February 10, 2017 from the requirement of Section 237 of the Companies Ordinance, 1984 (the Ordinance), 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.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

- 2.1 These condensed interim financial statements of the Company for the three month period ended March 31, 2017 have been prepared in accordance with the requirements of the International Accounting Standard 34, 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 (the "Ordinance"). In cases where requirements differ, the provisions of or directives issued under the Ordinance have been followed. These interim financial statements should be read in conjunction with the financial statements for the year ended December 31, 2016 as they provide an update of previously reported information.
- 2.2 The comparative balance sheet presented in these condensed interim financial statements as at December 31, 2016 has been extracted from the audited financial statements of the Company for the year then ended (December 2016 financial statements). The comparative profit and loss account, statement of changes in equity and cash flow statement for the three month period ended March 31, 2016 have been extracted from the condensed interim financial statements of the Company for the three month period then ended.
- 2.3 The accounting policies adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the December 2016 financial statements.



NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited) Continued

3. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

- 3.1 The preparation of these condensed interim financial statements requires the use of certain accounting estimates. It also requires management to exercise its judgments in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.
- 3.2 During the preparation of these condensed interim financial statements, significant judgments made by management in applying the Company's accounting policies and key sources of estimation were the same as those applied in the Company's December 2016 financial statements.
- 3.3 The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended December 31, 2016.

	Note	March 31, 2017 (Un-audited) (Rupees in thousand)	December 31, 2016 (Audited)
4. PROPERTY, PLANT AND EQUIPMENT			
Operating property, plant and equipment	4.1 to 4.4	7,652,516	7,657,261
Capital work-in-progress (CWIP)	4.5	627,883	822,576
Major capital spares and stand-by equipment		7,424	7,424
		8,287,823	8,487,261
4.1 Operating property, plant and equipment			
Book value at the beginning of the period / year		7,657,261	6,368,729
Additions during the period / year	4.2	249,212	2,278,607
		7,906,473	8,647,336
Disposals during the period / year - net book value		(6,775)	(27,441)
Write offs during the period / year - net book value		(276)	(5,246)
Impairment during the period / year - net book value		-	(60,644)
Depreciation charge during the period / year		(246,906)	(896,744)
		(253,957)	(990,075)
Book value at the end of the period / year		7,652,516	7,657,261



NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited) Continued

	Quarter Ended	
	March 31, 2017 (Un-audited)	March 31, 2016 (Un-audited)
	(Rupees in thousand)	
4.2 Additions during the period		
Buildings on freehold land	46,891	60,649
Plant and machinery	143,667	58,880
Furniture and fixtures	3,368	6,804
Office equipments	-	7,768
Vehicles	-	8,769
Leasehold improvements	16,785	-
Power and other installations	22,190	24,038
Computer equipment	16,311	33,025
	<u>249,212</u>	<u>199,933</u>
4.3 Disposals during the period - net book value		
Building on free hold land	6,775	-
Vehicles	-	1,253
	<u>6,775</u>	<u>1,253</u>
4.4 Depreciation charge during the period	<u>246,906</u>	<u>237,824</u>
	March 31, 2017 (Un-audited)	December 31, 2016 (Audited)
	(Rupees in thousand)	
4.5 Capital work-in-progress		
Civil works	50,727	22,886
Plant and machinery	285,547	324,384
Power and other installations	128,885	295,340
Furniture and fixtures	91,185	96,727
Computer equipment pending installation	64,923	51,965
Advance to suppliers and contractors	6,616	31,274
	<u>627,883</u>	<u>822,576</u>

5. 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 such 103 shares, two shares are in the name of the nominees. The profit and loss account of the subsidiary company for the three months period ended March 31, 2017 amounted to Rs Nil resulting in an accumulated loss of Rs 1,030 as at that date. The net assets of the subsidiary company as at March 31, 2017 amounted to Rs Nil, in accordance with the unaudited condensed interim financial statements for the three months period then ended.



NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited) Continued

6. DEFERRED TAXATION

Note	March 31, 2017 (Un-audited)	December 31, 2016 (Audited)
	(Rupees in thousand)	
Deferred tax liability on taxable temporary differences:		
Tax depreciation allowance	(688,379)	(726,001)
Deferred tax asset on deductible temporary differences:		
Accrual for employees compensated absences	1,155	2,131
Unutilised tax loss and credit	1,583,199	1,448,262
Provision for obsolete spares	20,513	20,513
Provision for obsolete stocks	26,184	15,609
Provision for doubtful debts	809	809
	<u>1,631,860</u>	<u>1,487,324</u>
Deferred tax asset	<u>943,481</u>	<u>761,323</u>

7. STOCK IN TRADE - net

Raw and packing materials	7.1 and 7.2	6,436,089	6,992,580
Work-in-process		277,762	124,732
Finished goods	7.2	504,968	209,516
		<u>7,218,819</u>	<u>7,326,828</u>
Less: Provision for obsolete stocks		<u>(89,977)</u>	<u>(53,641)</u>
		<u>7,128,842</u>	<u>7,273,187</u>

7.1 These includes raw & packing material in transit aggregating Rs. NIL (December 31, 2016: Rs. 160.723 million)

7.2 During the period, the Company has written off inventory aggregating Rs. Nil (December 31, 2016: Rs. 48.820 million)

8. CONTINGENCIES AND COMMITMENTS

8.1 Guarantees

Indemnities given to a bank for guarantees issued by it in the normal course of business aggregated Rs 106.870 million (December 31, 2016: Rs 69.565 million).

8.2 Commitments

	March 31, 2017 (Un-audited)	December 31, 2016 (Audited)
	(Rupees in thousand)	
Capital expenditure contracted for but not incurred	<u>277,573</u>	<u>181,680</u>



NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited) Continued

8.3 Contingencies

8.4 There is no significant change in the status of the cases set out in note 19.2.1 to 19.2.6 to the December 2016 financial statements.

9. TURNOVER - net

	Quarter Ended	
	March 31, 2017 (Un-audited)	March 31, 2016 (Un-audited)
	(Rupees in thousand)	
Gross turnover	4,681,654	12,465,773
Less: Trade discount	196,826	202,065
Sales tax	655,320	1,854,824
Excise duty	2,094,046	5,743,042
	2,946,192	7,799,931
	<u>1,735,462</u>	<u>4,665,842</u>

10. COST OF SALES

Raw and packing material consumed

Opening stock	6,992,580	7,934,418
Purchases, redrying and related expenses	685,664	977,931
	<u>7,678,244</u>	<u>8,912,349</u>
Closing stock	(6,436,089)	(6,419,771)
	<u>1,242,155</u>	<u>2,492,578</u>

Government levies	3,673	11,320
Manufacturing expenses	525,504	523,402
	<u>1,771,332</u>	<u>3,027,300</u>

Work-in-process

Opening stock	124,732	74,011
Closing stock	(277,762)	(130,542)
Sale of waste	(335)	(15,459)
	<u>(153,365)</u>	<u>(71,990)</u>
Cost of goods manufactured	<u>1,617,967</u>	<u>2,955,310</u>

Finished goods

Opening stock	209,516	503,983
Finished goods purchased	-	9,687
Closing stock	(504,968)	(1,237,330)
	<u>(295,452)</u>	<u>(723,660)</u>
	<u>1,322,515</u>	<u>2,231,650</u>



NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited) Continued

	Quarter Ended	
	March 31, 2017 (Un-audited) (Rupees in thousand)	March 31, 2016 (Un-audited)
11. OTHER EXPENSES		
Employee separation costs	-	40,258
Loss on disposal of Buildings on freehold land	2,769	-
Exchange loss - net	2,184	-
Miscellaneous expenses	5,020	5,843
	<u>9,973</u>	<u>46,101</u>
12. TAXATION		
Current	1,596	55,349
Deferred	(182,156)	27,709
	<u>(180,560)</u>	<u>83,058</u>
13. (LOSS) / EARNINGS PER SHARE – BASIC AND DILUTED		
13.1 Basic (loss) / earnings per share		
(Loss) / Profit for the period after taxation	<u>(300,434)</u>	<u>964,461</u>
	(No. of shares)	
Weighted average number of ordinary shares	<u>61,580,341</u>	<u>61,580,341</u>
	(Rupees)	
(Loss) / Earning per share - basic and diluted	<u>(4.88)</u>	<u>15.66</u>
13.2 The 1,046,400,000 preference shares issued in 2016 are not included in the calculation of diluted earnings per share because they are antidilutive for three month period ended March 31, 2017. These preference shares could potentially dilute basic earnings per share in the future.		

14. RELATED PARTIES DISCLOSURES

- 14.1 All related parties (RP) transactions are at arms length, these RPs comprise of Philip Morris Investments B.V., and Philip Morris Brands Sarl, related group undertakings, subsidiary company i.e. Laksonpremier Tobacco Company (Private) Limited, staff retirement benefits plan and members of the key management personnel.



NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited) Continued

Transactions with related parties are as follows:

Relationship	Nature of transaction	Quarter ended	
		March 31, 2017 (Un-audited) (Rupees in thousand)	March 31, 2016 (Un-audited)
Group companies	Sale of goods and service	440,797	222,324
	Purchase of goods and service	25,470	99,534
	Loans received / roll forward	1,048,500	12,580,400
	Loans repaid / adjusted	-	15,725,400
	Mark-up on loan	811	23,983
	Royalty charges	17,059	17,184
	Advance against issuance of preference share	-	7,500,000
Staff retirement benefit plans	Contribution to gratuity fund	18,373	18,325
	Contribution to provident fund	17,756	17,251
Key management personnel	Remuneration and benefits - note 14.1.1 to 14.1.4	1,602	2,818

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

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

14.1.2 The chief executive and executive directors are provided with free use of the company maintained cars.

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

14.1.4 The two independent directors were paid remuneration of Rs. 0.813 million during the quarter (March 31, 2016: Rs. 0.800 million)



NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited) Continued

	March 31, 2017 (Un-audited) (Rupees in thousand)	December 31, 2016 (Audited)
14.2 The amount due from related parties comprises:		
Group undertakings	<u>221,031</u>	<u>203,407</u>
14.3 The amount due to related parties comprises:		
Trade and other payable		
Group undertakings	98,045	297,908
Staff retirement plans	<u>14,870</u>	<u>176,272</u>
	<u>112,915</u>	<u>474,180</u>
Short term borrowings		
Loans from an associated undertaking	<u>1,049,000</u>	-
	<u>1,161,915</u>	<u>474,180</u>
15. CASH GENERATED FROM OPERATIONS		
	Quarter ended	
	March 31, 2017 (Un-audited)	March 31, 2016 (Un-audited)
	(Rupees in thousand)	
Note		
Profit / (loss) before taxation	(480,994)	1,047,519
Adjustments for non cash changes and other items:		
Depreciation	246,906	237,824
Amortisation	3,496	2,841
Provision for obsolete stocks	36,336	-
Unrealised exchange loss / (gain) on loan from an associated undertaking	(1,324)	15,316
Loss/(Profit) on disposal of property, plant and equipment	-	(10,357)
Property, plant and equipment written off	276	-
Finance cost	32,570	238,711
Income arising on staff retirement benefits	(3,501)	(6,168)
Working capital changes	15.1 <u>(473,758)</u>	<u>1,607,108</u>
	<u>(639,993)</u>	<u>3,132,794</u>
15.1 Working capital changes		
Decrease / (increase) in current assets		
Stores and spares	(12,157)	2,775
Stock in trade	108,009	724,769
Trade debts	(19,728)	(59,091)
Advances	10,656	9,740
Prepayments	11,024	84,444
Other receivables	<u>(16,423)</u>	<u>10,415</u>
	<u>81,381</u>	<u>773,052</u>



NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited) Continued

	Quarter ended	
	March 31, 2017 (Un-audited)	March 31, 2016 (Un-audited)
	(Rupees in thousand)	
Increase / (decrease) in current liabilities		
Trade and other payables	(1,005,933)	(674,119)
Sales tax and excise payable	450,794	1,508,175
	(555,139)	834,056
	(473,758)	1,607,108
	March 31, 2017 (Un-audited)	December 31, 2016 (Audited)
	(Rupees in thousand)	
16. CASH AND CASH EQUIVALENT		
Cash and bank balances	56,606	732,223
Running finance under mark-up arrangements	(498,637)	-
	(442,031)	732,223

17. DATE OF AUTHORISATION FOR ISSUE

17.1 These condensed interim financial statements were authorised for issuance on April 21, 2017 by the Board of Directors of the Company.

18. GENERAL

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

Karachi: April 21, 2017


ALEXANDER REISCH
Chief Executive


ANTON STANKOV
Director



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