



PHILIP MORRIS  
(PAKISTAN) LIMITED

## QUARTERLY REPORT

For the 1st quarter ended March 31, 2018  
(Un-audited)



# QUARTERLY REPORT

For the 1st quarter ended March 31, 2018  
(Un-audited)



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## COMPANY INFORMATION

### BOARD OF DIRECTORS

KAMRAN Y. MIRZA	(Chairman)
ALEXANDER REISCH	(Chief Executive)
HANNAH HEEKYUNG YUN	(until January 15, 2018)
SHARMEN KARTHIGASU	(from January 22, 2018)
JOAO MANUEL	
ANTON STANKOV	
EE WON CHEN	
LT. GEN. (R) TARIQ KHAN	

### COMPANY SECRETARY

MUSTAFA KAMAL ZUBERI

### AUDIT COMMITTEE

LT. GEN. (R) TARIQ KHAN	(Chairman)
HANNAH HEEKYUNG YUN	(until January 15, 2018)
SHARMEN KARTHIGASU	(from January 22, 2018)
EE WON CHEN	

### HUMAN RESOURCE & REMUNERATION COMMITTEE

KAMRAN Y. MIRZA	(Chairman) (from March 15, 2018)
ALEXANDER REISCH	
HANNAH HEEKYUNG YUN	(until January 15, 2018)
JOAO MANUEL	
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.philipmorriskarachi.com.pk](http://www.philipmorriskarachi.com.pk)

Email : [pmpk.info@pmi.com](mailto: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, 2018.

During the period, the Company's gross turnover increased by 77% compared to the same period of 2017, attributable to the partial recovery of sales volumes after the introduction of the third excise tax tier in the 2017/18 federal budget and normalization of trade inventory movements. At the same time, the Company invested in marketing activities to promote its brand portfolio to legal age consumers. The Company recorded an Operating Profit before tax of PKR 614 million for the three months period ended March 31, 2018, compared to an Operating Loss before tax of PKR 481 million for the same period of 2017.

The introduction of the third excise tax tier arrested the exponential growth of the non-tax paid cigarette segment ("Illicit trade"), providing a more level playing field by narrowing the price gap between duty paid and duty non-paid cigarettes. There is a gradual shift in volumes from the illicit cigarette segment towards tax paid products while the overall market for cigarette consumption remains relatively static.

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 4,437 million, as compared to PKR 2,877 million for the same period in 2017. The third excise tax tier have provided a wider and more sustainable base for the growth of government revenues which would have seen a significant decline had the third excise tax tier not been introduced. The Company believes that the continuation of all measures initiated by the Federal Government during 2017 to curb illicit trade is critical for the legitimate tobacco industry and collection of Government revenue in the form of taxes.

The Company is actively supporting all Government policies and actions to address the issue of smuggled and non-tax paid cigarettes including enhanced enforcement through the Inland Revenue Force of the Federal Board of Revenue ("FBR"). During 2017, the force have successfully seized large quantity of non-duty paid cigarettes and raw materials.

The management team continues to be committed to improving the overall performance of the Company by leveraging the new fiscal structure, 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 continuously challenging environment.

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

On behalf of the Board of Directors,

**KAMRAN Y. MIRZA**  
Chairman

**ALEXANDER REISCH**  
Chief Executive

Karachi: April 26, 2018



## ڈائریکٹرز رپورٹ

کمپنی کے ڈائریکٹرز 31 مارچ 2018 کو اختتام پذیر ہونے والے 3 ماہ کے عرصے میں کمپنی کی کارکردگی کی رپورٹ پیش کر رہے ہیں۔

اس عرصے کے مجموعی کاروباری حجم میں گزشتہ سال کے اسی عرصہ کے مقابلے میں 77 فیصد کا اضافہ دیکھنے میں آیا ہے۔ اس کی بڑی وجہ وفاقی بجٹ 2017/18 میں متعارف کروایا جانے والا تیسرے درجے کا ایکسائز ٹیکس ہے جس کی وجہ سے سبز حجم میں جزوی اضافہ دیکھنے میں آیا۔ اس کے علاوہ ٹریڈ انٹرنی معمول پر آنے سے بھی مجموعی طور پر مثبت اثر پڑا ہے۔ ساتھ ہی کمپنی نے اپنے برانڈ پورٹفولیو کو لیگل صارفین تک پہنچانے کیلئے مارکیٹنگ کی مددیں سرمایہ کاری کی ہے۔ کمپنی نے 31 مارچ 2018 کو اختتام پذیر ہونے والے 3 ماہ کے عرصے میں قبل از ٹیکس 614 ملین روپے کا آپریٹنگ منافع ریکارڈ کیا ہے جس کا موازنہ گزشتہ سال کے اسی عرصے سے کیا جائے تو معلوم ہوتا ہے کہ اُس دوران قبل از ٹیکس 481 ملین روپے کا آپریٹنگ نقصان ریکارڈ کیا گیا تھا۔

تیسرے درجے کا ایکسائز ٹیکس متعارف کرنے سے غیر ٹیکس ادا شدہ سگریٹوں کے تیزی سے بڑھتے ہوئے کاروباری حجم (غیر قانونی تجارت) پر قابو پانے میں مدد ملی۔ اس سے ٹیکس ادا شدہ اور غیر ٹیکس ادا شدہ سگریٹوں کے درمیان قیمتوں میں فرق کم ہوا اور کاروبار کیلئے سازگار ماحول میسر ہوا۔ بتدریج غیر قانونی سگریٹ کی صنعت کا تجارتی حجم قانونی سگریٹ بنانے والوں کی طرف منتقل ہو رہا ہے۔ جبکہ سگریٹ کے استعمال کا کل حجم اپنی جگہ قائم ہے۔

اس عرصے کے دوران کمپنی نے قومی خزانہ میں ایکسائز ٹیکس، سلیکٹس اور دیگر حکومتی محصولات کی مدد میں 4,437 ملین روپے جمع کرائے جو کہ 2017 کے اسی عرصے کے دوران 2,877 ملین روپے تھے۔ تیسرے درجے کے ایکسائز ٹیکس سے حکومتی محصولات میں اضافے کیلئے وسیع اور مزید پائیدار بنیاد میسر ہوئی۔ تیسرے درجے کے ایکسائز ٹیکس کے نہ ہونے کی صورت میں حکومتی محصولات میں واضح کمی دیکھنے میں آسکتی تھی۔ کمپنی سمجھتی ہے کہ وفاقی حکومت کی جانب سے 2017 میں سگریٹ کی غیر قانونی تجارت کی روک تھام کیلئے شروع کیے جانے والے اقدامات کا تسلسلہ صرف قانونی سگریٹ انڈسٹری بلکہ حکومتی محصولات کیلئے بھی نہایت اہمیت کا حامل ہے۔

کمپنی سمگل اور غیر ٹیکس ادا شدہ سگریٹوں کے مسئلے پر حکومت کی تمام پالیسیوں کی بھرپور حمایت جاری رکھے ہوئے ہے۔ کمپنی فیڈرل بورڈ آف ریونیو (ایف بی آر) کی ان لینڈ ریونیو فورس کی اضافی اور موثر کاروائیوں کی بھی بھرپور حمایت کرتی ہے۔ 2017 کے دوران اس فورس نے ملک بھر کے مختلف شہروں میں کامیاب کاروائیاں کرتے ہوئے غیر ٹیکس ادا شدہ سگریٹوں کی بڑی کھپ اور خام مال قبضہ میں لے لیا تھا۔

دستیاب عالمی وسائل کو بروئے کار لاتے ہوئے مینجمنٹ ٹیم کمپنی کی مجموعی کارکردگی کو مزید بہتر بنانے، مارکیٹنگ کی جدید حکمت عملی سمیت مزید مواقع کی تلاش، مصنوعات کی بہتر کوالٹی کے حصول، مستحکم طریقہ کار اور آپریشنل کارکردگی کے ساتھ وسائل کے بہتر استعمال اور موثر تقرری کیلئے پُر عزم ہے۔ کٹھن حالات کے باوجود اپنے مجموعی منافع کو بڑھانا اور اخراجات پر قابو پانا کمپنی کے منافع میں اضافہ کے بنیادی عوامل رہیں گے۔

بورڈ آف ڈائریکٹرز کی جانب سے ہم اپنے تمام ملازمین، شیئرز، ہولڈرز، کاروباری شراکت داروں اور دیگر اداروں کا ان کے مسلسل اعتماد اور حمایت پر تہ دل سے مشکور ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے

ایلیکٹریٹرز رینج  
سی ای او

کامران یوسف مرزا  
چیئرمین

بتاریخ: کراچی، 26 اپریل 2018



## CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (Un-audited)

**AS AT MARCH 31, 2018**

	Note	March 31, 2018 (Un-audited)	December 31, 2017 (Audited)
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
<b>FIXED ASSETS</b>			
(Rupees in thousand)			
Property, plant and equipment	4	7,573,132	7,798,935
Intangibles		<u>22,294</u>	<u>20,023</u>
		7,595,426	7,818,958
Investment in a subsidiary company	5	1	1
Long term deposits and prepayments		45,825	45,825
Deferred taxation	6	<u>515,861</u>	<u>678,585</u>
		8,157,113	8,543,369
<b>CURRENT ASSETS</b>			
Stores and spares - net		283,084	238,690
Stock in trade - net	7	6,024,995	6,204,581
Trade debts - net		19,644	36,458
Advances		26,572	35,160
Prepayments		100,087	63,715
Other receivables		28,380	312,729
Income tax - net		630,097	614,001
Staff retirement benefits		97,048	97,048
Cash and bank balances		<u>1,571,063</u>	<u>256,100</u>
		8,780,970	7,858,482
<b>TOTAL ASSETS</b>		<u>16,938,083</u>	<u>16,401,851</u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital		<u>12,000,000</u>	<u>12,000,000</u>
Issued, subscribed and paid-up capital			
- Ordinary shares		615,803	615,803
- Preference shares		10,464,000	10,464,000
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		4,790,842	5,230,330
Unappropriated loss		<u>(2,969,849)</u>	<u>(3,374,946)</u>
<b>TOTAL EQUITY</b>		<u>12,866,885</u>	<u>12,901,276</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		3,287,533	3,155,873
Accrued mark-up on short term running finance		238	33
Sales tax and excise duty payable		<u>783,427</u>	<u>344,669</u>
<b>TOTAL LIABILITIES</b>		4,071,198	3,500,575
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>16,938,083</u>	<u>16,401,851</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			

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

Karachi: April 26, 2018

  
KAMRAN Y. MIRZA  
Chairman

  
ALEXANDER REISCH  
Chief Executive

  
ANTON STANKOV  
Chief Financial Officer





## CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (Un-audited)

### FOR THE QUARTER ENDED MARCH 31, 2018

	Note	Quarter Ended	
		March 31, 2018 (Un-audited) (Rupees in thousand)	March 31, 2017 (Un-audited) (Rupees in thousand)
Turnover - net	9	3,785,412	1,735,462
Cost of sales	10	1,893,835	1,322,515
Gross profit		1,891,577	412,947
Distribution and marketing expenses		915,562	578,115
Administrative expenses		318,476	277,521
Other expenses	11	101,583	9,973
Other income		(63,245)	(4,238)
		1,272,376	861,371
Operating profit / (loss)		619,201	(448,424)
Finance cost and bank charges		5,164	32,570
Profit / (Loss) before taxation		614,037	(480,994)
Taxation	12	208,940	(180,560)
Profit / (Loss) after taxation		405,097	(300,434)
----- (Rupees) -----			
Earnings / (Loss) per share			
- Basic	13.1	6.58	(4.88)
- Diluted	13.2	6.21	(4.88)

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

Karachi: April 26, 2018

**KAMRAN Y. MIRZA**  
Chairman

**ALEXANDER REISCH**  
Chief Executive

**ANTON STANKOV**  
Chief Financial Officer



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

### FOR THE QUARTER ENDED MARCH 31, 2018

	Issued, subscribed and paid-up capital		Transaction cost on issuance of preference shares -net of tax	General reserve	Reserve for share based payments	Remeasurement of staff retirement gratuity plan-net of tax	Subtotal Reserves	Unappropriated (Loss)	Total
	Ordinary shares	Preference shares							
(Rupees in thousand)									
<b>Balance as at January 1, 2017</b>	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)
<b>Balance as at March 31, 2017</b>	615,803	10,464,000	(33,911)	6,347,000	6,498	(216,183)	6,137,315	(3,893,605)	13,289,602
<b>Balance as at January 1, 2018</b>	615,803	10,464,000	(33,911)	5,424,000	4,954	(198,624)	5,230,330	(3,374,946)	12,901,276
<i>Transactions with owners</i>									
- Final preference cash dividend @ PKR 0.420 per share for the year ended December 31, 2017 (note 17)	-	-	-	(439,488)	-	-	(439,488)	-	(439,488)
<i>Total comprehensive income</i>									
Profit after taxation for the three months period ended March 31, 2018	-	-	-	-	-	-	-	405,097	405,097
	-	-	-	-	-	-	-	405,097	405,097
<b>Balance as at March 31, 2018</b>	615,803	10,464,000	(33,911)	4,984,512	4,954	(198,624)	4,790,842	(2,969,849)	12,866,885

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

Karachi: April 26, 2018

**KAMRAN Y. MIRZA**  
Chairman

**ALEXANDER REISCH**  
Chief Executive

**ANTON STANKOV**  
Chief Financial Officer



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

FOR THE QUARTER ENDED MARCH 31, 2018

		Quarter Ended	
		March 31, 2018	March 31, 2017
Note		(Un-audited)	(Un-audited)
		(Rupees in thousand)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	15	1,423,488	(639,993)
Finance cost paid		(4,960)	(27,442)
Income taxes paid		(62,311)	(38,104)
Profit received on savings accounts		11,481	-
Long term deposits and prepayments		-	(8,606)
Amount deposited with a commercial bank as security		-	(18,861)
Net cash generated from / (used in) operating activities		1,367,698	(733,006)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(117,708)	(54,519)
Acquisition of intangible		(4,626)	-
Proceeds from disposal of items of property, plant and equipment		69,599	6,775
Net cash used in investing activities		(52,735)	(47,744)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds of loan from associated undertaking		-	1,050,322
Short term loans obtained		-	10,700,000
Repayment of short term loans		-	(10,200,000)
Net cash generated from financing activities		-	1,550,322
Net increase in cash and cash equivalents during the period		1,314,963	769,572
Cash and cash equivalents at the beginning of the period		237,239	(1,230,464)
Cash and cash equivalents at the end of the period	16	1,552,202	(460,892)

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

Karachi: April 26, 2018

**KAMRAN Y. MIRZA**  
Chairman

**ALEXANDER REISCH**  
Chief Executive

**ANTON STANKOV**  
Chief Financial Officer



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

### FOR THE QUARTER ENDED MARCH 31, 2018

#### 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 the Companies Act, 2017). The Company is listed on the Pakistan Stock Exchange. The principal activity of the Company is the manufacturing and sale of cigarettes and tobacco products. Its registered office is situated at 19th Floor, The Harbour Front, Dolmen City, HC - 3, Block 4, Clifton, Karachi, Pakistan.

- 1.1 In view of exemption granted by the Securities & Exchange Commission of Pakistan (the SECP) vide its letter No. EMD/233/619/2002/549 dated March 12, 2018 from the requirement of section 228(7) of the repealed 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 have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

(a) International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

(b) Provisions of and directives issued under the Companies Act, 2017. Where the provisions of, and directives issued under, the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed. These interim financial statements should be read in conjunction with the financial statements for the year ended December 31, 2017 as they provide an update of previously reported information.

- 2.2 The comparative statement of financial position presented in these condensed interim financial statements as at December 31, 2017 has been extracted from the audited financial statements of the Company for the year then ended (December 2017 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, 2017 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 2017 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 in conformity with approved accounting standards 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 2017 financial statements.
- 3.3 The Company's financial risk management objectives and policies are consistent with those disclosed in the December 2017 financial statements.

### 4. PROPERTY, PLANT AND EQUIPMENT

	Note	March 31, 2018 (Un-audited)	December 31, 2017 (Audited)
(Rupees in thousand)			
Operating property, plant and equipment	4.1	6,964,072	7,260,775
Capital work-in-progress (CWIP)	4.5	608,000	538,160
Major capital spares and stand-by equipment		1,060	-
		<u>7,573,132</u>	<u>7,798,935</u>

#### 4.1 Operating property, plant and equipment

Book value at the beginning of the period / year		7,260,775	7,657,261
Additions / transfers from CWIP during the period / year	4.2	46,808	937,179
		<u>7,307,583</u>	<u>8,594,440</u>
Disposals during the period / year - net book value	4.3	(34,434)	(43,994)
Write offs during the period / year - net book value		(108)	(105,876)
Impairment during the period / year - net book value		(19,386)	(83,765)
Depreciation charge during the period / year	4.4	(289,583)	(1,100,030)
		<u>(343,511)</u>	<u>(1,333,665)</u>
Book value at the end of the period / year		<u>6,964,072</u>	<u>7,260,775</u>



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

Continued

	Quarter Ended	
	March 31, 2018 (Un-audited)	March 31, 2017 (Un-audited)
	(Rupees in thousand)	
4.2 Additions / transfers from CWIP during the period		
Buildings on freehold land	665	46,891
Plant and machinery	9,606	143,667
Furniture and fixtures	4,242	3,368
Vehicles	12,648	-
Leasehold improvements	-	16,785
Power and other installations	12,956	22,190
Computer equipment	6,691	16,311
	<u>46,808</u>	<u>249,212</u>
4.3 Disposals during the period - net book value		
Freehold land	14,054	-
Building on freehold land	10,958	6,775
Vehicles	9,422	-
	<u>34,434</u>	<u>6,775</u>
4.4 Depreciation charge during the period	<u>289,583</u>	<u>246,906</u>
4.5 Capital work-in-progress		
	March 31, 2018 (Un-audited)	December 31, 2017 (Audited)
	(Rupees in thousand)	
Civil works	8,966	14,190
Plant and machinery	265,023	163,683
Power and other installations	153,665	202,285
Furniture and fixtures	48,277	73,385
Computer equipment pending installations	1,447	7,137
Advance to suppliers and contractors	130,622	77,480
	<u>608,000</u>	<u>538,160</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, 2018 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, 2018 amounted to Rs Nil, in accordance with the unaudited condensed interim financial statements for the three months period ended March 31, 2018.



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

The auditors of the subsidiary company have expressed an unmodified audit opinion on the financial statements of the subsidiary company for the year ended December 31, 2017. 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.

### 6. DEFERRED TAXATION

Note	March 31, 2018 (Un-audited) (Rupees in thousand)	December 31, 2017 (Audited)
Deferred tax asset on deductible temporary differences:		
Accrual for employees compensated absences	1,306	2,472
Unutilised tax loss and credit	1,119,587	1,336,497
Provision for spares	23,085	25,149
Provision for obsolete stocks	11,207	11,400
Provision for doubtful debts	834	834
Worker's welfare fund	9,437	8,276
	<b>1,165,456</b>	<b>1,384,628</b>
Deferred tax liability on taxable temporary differences:		
Tax depreciation allowance	(649,595)	(706,043)
Deferred tax asset	<b>515,861</b>	<b>678,585</b>

### 7. STOCK IN TRADE - net

Raw and packing materials	7.1 and 7.2	<b>5,107,948</b>	5,747,841
Work-in-process		<b>110,432</b>	107,962
Finished goods	7.2	<b>843,368</b>	386,779
		<b>6,061,748</b>	<b>6,242,582</b>
Provision for obsolete stocks		<b>(36,753)</b>	(38,001)
		<b>6,024,995</b>	<b>6,204,581</b>

7.1 Includes raw & packing material in transit aggregating Rs 166.637 million (December 31, 2017: Rs 181.608 million)

7.2 During the current period, the Company has written off a provision against raw & packing material aggregating Rs nil (December 31, 2017: Rs 33.073 million) and finished goods aggregating Rs 1.077 million (December 31, 2017: Rs 0.823 million).

### 8. CONTINGENCIES AND COMMITMENTS

#### 8.1 Guarantees

Indemnities given to banks for guarantees issued by them in the normal course of business totalling Rs 69.565 million (2017: Rs 69.565 million).



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

8.2 Commitments	<b>March 31, 2018 (Un-audited) (Rupees in thousand)</b>	<b>December 31, 2017 (Audited)</b>
Capital expenditure contracted for but not incurred	<u>100,086</u>	<u>547</u>
8.3 Contingencies		
8.4 There is no significant change in the status of the cases set out in note 19.3 to 19.7 to the December 2017 financial statements.		
<b>9. TURNOVER - net</b>	<b>Quarter Ended</b>	
	<b>March 31, 2018 (Un-audited) (Rupees in thousand)</b>	<b>March 31, 2017 (Un-audited)</b>
Gross turnover	8,282,166	4,681,654
Less: Trade discount	<u>234,724</u>	196,826
Sales tax	1,271,750	655,320
Excise duty	<u>2,990,280</u>	2,094,046
	<u>4,496,754</u>	2,946,192
	<u>3,785,412</u>	1,735,462
<b>10. COST OF SALES</b>		
<b>Raw and packing materials consumed</b>		
Opening stock	5,747,841	6,992,580
Purchases, redrying and related expenses	<u>1,177,411</u>	685,664
	6,925,252	7,678,244
Closing stock	<u>(5,107,948)</u>	(6,436,089)
	1,817,304	1,242,155
Government levies	10,652	3,673
Manufacturing expenses	<u>526,393</u>	525,504
	2,354,349	1,771,332
<b>Work-in-process</b>		
Opening stock	107,962	124,732
Closing stock	<u>(110,432)</u>	(277,762)
Sale of waste	<u>(1,455)</u>	(335)
	<u>(3,925)</u>	(153,365)
Cost of goods manufactured	2,350,424	1,617,967
<b>Finished goods</b>		
Opening stock	386,779	209,516
Closing stock	<u>(843,368)</u>	(504,968)
	<u>(456,589)</u>	(295,452)
	<u>1,893,835</u>	1,322,515





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

	<b>Quarter Ended</b>	
	<b>March 31, 2018 (Un-audited)</b>	<b>March 31, 2017 (Un-audited)</b>
	<b>(Rupees in thousand)</b>	
<b>11. OTHER EXPENSES</b>		
Exchange loss - net	52,319	2,184
Impairment charge on items of property, plant and equipment	19,386	-
Capital work-in-progress written off	4,821	-
Workers' welfare fund	3,869	-
Workers' profit participation fund	9,672	-
Loss on disposal of Buildings on freehold land	1,633	2,769
Miscellaneous expenses	9,883	5,020
	<u>101,583</u>	<u>9,973</u>
<b>12. TAXATION</b>		
Current	46,215	1,596
Deferred	162,725	(182,156)
	<u>208,940</u>	<u>(180,560)</u>
<b>13. EARNINGS / (LOSS) PER SHARE – BASIC AND DILUTED</b>		
<b>13.1 Basic earnings / (Loss) per share</b>		
Profit / (Loss) for the period after taxation	<u>405,097</u>	<u>(300,434)</u>
	<b>(No. of shares)</b>	
Weighted average number of ordinary shares	<u>61,580,341</u>	<u>61,580,341</u>
	<b>(Rupees)</b>	
Basic earnings / (Loss) per share	<u>6.58</u>	<u>(4.88)</u>
<b>13.2 Diluted earnings / (loss) per share</b>		
	<u>405,097</u>	<u>(300,434)</u>
	<b>(No. of shares)</b>	
Weighted average number of ordinary shares	61,580,341	61,580,341
Adjustment for convertible preference shares	3,613,219	-
	<u>65,193,560</u>	<u>61,580,341</u>
	<b>(Rupees)</b>	
Diluted earnings / (Loss) per share	<u>6.21</u>	<u>(4.88)</u>



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

### 14. RELATED PARTIES DISCLOSURES

- 14.1 Related parties comprise of Philip Morris Investments B.V., (the parent company) and Philip Morris Brands S.a.r.l, related group undertakings, subsidiary company - Laksonpremier Tobacco Company (Private) Limited, staff retirement funds and key management personnel.

Transactions with related parties are as follows:

Relationship	Nature of transaction	Quarter ended	
		March 31, 2018	March 31, 2017
		(Un-audited)	(Un-audited)
		(Rupees in thousand)	
Associated undertakings	Sale of goods and services	17,562	440,797
	Purchase of goods and services	60,384	25,470
	Loans received	-	1,048,500
	Mark-up on short term borrowings	-	811
	Royalty charges	23,210	17,059
Staff retirement plans	Contribution to gratuity fund	14,150	18,373
	Contribution to provident fund	17,962	17,756
Key management personnel	Remuneration and benefits - note 14.1.1 to 14.1.4	1,623	1,602

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, executive directors and certain executives 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 directors' fee of Rs. 0.888 million during the quarter (March 31, 2017: Rs. 0.813 million)



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

14.2 Balance outstanding with related parties are as follows:

	March 31, 2018 (Un-audited) (Rupees in thousand)	December 31, 2017 (Audited)
<b>Current assets</b>		
Associated undertakings - Other receivables	19,497	302,576
Staff retirement plans	97,048	97,048
	<u>116,545</u>	<u>399,624</u>
<b>Current liabilities</b>		
Group undertakings	165,050	140,424
Staff retirement plans	16,599	-
	<u>181,649</u>	<u>140,424</u>

### 15. CASH GENERATED FROM OPERATIONS

		Quarter ended	
	Note	March 31, 2018 (Un-audited) (Rupees in thousand)	March 31, 2017 (Un-audited)
Profit / (loss) before taxation		614,037	(480,994)
Adjustments for non cash changes and other items:			
Depreciation		289,583	246,906
Amortisation		2,355	3,496
Provision for obsolete stocks		(1,248)	36,336
Profit on short term deposits		(11,481)	-
Unrealised exchange loss / (gain) on loan from an associated undertaking		-	(1,324)
Loss/(Profit) on disposal of property, plant and equipment		(35,165)	-
Property, plant and equipment written off		108	276
Impairment charge on items of Property, Plant & Equipment		19,386	-
Finance cost		5,164	32,570
Income arising on staff retirement benefits		-	(3,501)
Working capital changes	15.1	<u>540,749</u>	<u>(473,758)</u>
		<u>1,423,488</u>	<u>(639,993)</u>



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

### 15.1 Working capital changes

	Quarter ended	
	March 31, 2018 (Un-audited) (Rupees in thousand)	March 31, 2017 (Un-audited)
Decrease / (increase) in current assets		
Stores and spares	(44,394)	(12,157)
Stock in trade	180,834	108,009
Trade debts	16,814	(19,728)
Advances	8,588	10,656
Prepayments	(36,372)	11,024
Other receivables	284,349	(16,423)
	<u>409,819</u>	<u>81,381</u>
Increase / (decrease) in current liabilities		
Trade and other payables	(307,828)	(1,005,933)
Sales tax and excise duty payable	438,758	450,794
	<u>130,930</u>	<u>(555,139)</u>
	<u>540,749</u>	<u>(473,758)</u>

### 16. CASH AND CASH EQUIVALENTS

	March 31, 2018 (Un-audited) (Rupees in thousand)	March 31, 2017 (Un-audited)
Cash and bank balances	1,571,063	56,606
Less: Amount held as security	(18,861)	(18,861)
Running finance under mark-up arrangements	-	(498,637)
	<u>1,552,202</u>	<u>(460,892)</u>

### 17. FINAL CASH DIVIDEND ON PREFERENCE SHARES

The amount of Rs 439.488 million of final cash dividend on preference shares has been approved in the Board of Directors meeting held on March 15, 2018 and accounted for in these interim financial statements.

### 18. SUBSEQUENT EVENT

Subsequent to quarter ended March 31, 2018, the shareholders of the Company in their meeting held on April 26, 2018 approved the payment of final cash dividend of PKR 5 per Ordinary Share amounting to PKR 307.902 million.



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

### 19. DATE OF AUTHORISATION FOR ISSUE

19.1 These condensed interim financial statements were authorised for issue on April 26, 2018 by the Board of Directors of the Company.

### 20. GENERAL

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

Karachi: April 26, 2018

**KAMRAN Y. MIRZA**  
Chairman

**ALEXANDER REISCH**  
Chief Executive

**ANTON STANKOV**  
Chief Financial Officer



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