Philip Morris (Pakistan) Limited
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HC-3, Block-4, Clifton Karachi-75600

www.philipmorrispakistan.com.pk

PHILIP MORRIS (PAKISTAN) LIMITED

2015 Annual Report

PHILIP MORRIS (PAKISTAN) LIMITED

Annual Report December 31, 2015

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Corporate Information

BOARD OF DIRECTORS

KAMRAN Y. MIRZA	(Chairman)
ALEJANDRO PASCHALIDES	(Chief Executive)
NICOLAS FLOROS	
DANIEL FAHRNY	
JOSEPH ZIOMEK	(Until January 31, 2016)
ANTON STANKOV	(From February 1, 2016)
CHARLES BENDOTTI	
MAJ. GEN. (R) ATHAR ABBAS	(Until December 6, 2015)
LT. GEN. (R) TARIQ KHAN	(From March 2, 2016)

COMPANY SECRETARY

MUJTABA HUSSAIN

AUDIT COMMITTEE

MAJ. GEN. (R) ATHAR ABBAS (Until December 6, 2015)	(Chairman)
LT. GEN. (R) Tariq Khan (From March 2, 2016)	(Chairman)
DANIEL FAHRNY	
NICOLAS FLOROS	

HUMAN RESOURCE & REMUNERATION COMMITTEE

CHARLES BENDOTTI	(Chairman)
ALEJANDRO PASCHALIDES	
DANIEL FAHRNY	
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. PLOT NO. 14-17, EXPORT PROCESSING ZONE, KARACHI
2. E/15, S.I.T.E., KOTRI DISTRICT: DADU (SINDH)
3. QUADIRABAD DISTRICT: SAHIWAL
4. VILLAGE: MANDRA TEHSIL: GUJJAR KHAN DISTRICT: RAWALPINDI
5. ISMAILA DISTRICT: SWABI

SHARE REGISTRAR

THK ASSOCIATES (PVT.) LTD.
SECOND FLOOR, STATE LIFE BUILDING - 3
DR. ZIAUDDIN AHMED ROAD, KARACHI - 75530

Website : www.philipmorrispakistan.com.pk
Email : pmpk.info@pmi.com

NOTICE IS HEREBY GIVEN that the 47th Annual General Meeting of **PHILIP MORRIS (PAKISTAN) LIMITED** will be held on Tuesday, April 19, 2016 at 3.00 p.m. at Avari Renaissance Towers Hotel, Fatima Jinnah Road, Karachi to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited financial statements for the year ended December 31, 2015 together with the Directors' and Auditor's Report thereon.

2. To appoint auditor and fix their remuneration.

The retiring auditor M/s. A. F. Ferguson & Co. Chartered Accountants has given their consent to act as auditor of the company for the year ending December 31, 2016.

By Order of the Board

MUJTABA HUSSAIN
Company Secretary

Karachi: March 29, 2016

NOTES:

1. The share transfer books of the Company will remain closed from April 10, 2016 to April 19, 2016 (both days inclusive). Transfer received in order at the Office of the Company's share Registrar, THK Associates (Pvt.) Ltd., 2nd Floor, State Life Building - 3, Dr. Ziauddin Ahmed Road, Karachi up to April 08, 2016 will be considered in time to be eligible to attend the meeting.

2. A member who has deposited his / her shares into Central Depository Company of Pakistan Limited, must bring his / her participant's ID number and account / sub-account number along with original Computerized National Identity Card ("CNIC") or original Passport at the time of attending the Meeting.

3. A member entitled to attend and vote at the Annual General Meeting may appoint another member as his / her proxy to attend, speak and vote instead of him / her. In case of corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signatures shall be submitted with the proxy form to the Company.

4. Forms of proxy to be valid must be received at the Share Registrar's office not later than 48 hours before the time of the meeting.

5. Member are requested to notify the Share Registrar of the Company promptly of any change in their addresses.

6. Members who have not yet submitted photocopy of their CNIC and information relating to Dividend Mandate to the Company's Registrar are requested to send the same at the earliest.

7. A form of proxy is enclosed herewith.

Statement of Compliance with the Code of Corporate Governance

Philip Morris (Pakistan) Limited Year ended December 31, 2015 (the "Company")

This statement is being presented to comply with the Code of Corporate Governance ("CCG") contained in the Listing Regulation No. 35 of the Karachi and Lahore Stock Exchanges (now Rule 5.19 of the Listing Rulebook of the Pakistan Stock Exchange) for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interest on its board of directors. At present the board includes:

Category	**Names**
Independent Directors	Kamran Y. Mirza Athar Abbas (upto December 6, 2015) Tariq Khan (with effect from March 2, 2016)
Executive Directors	Alejandro Paschalides Joseph Ziomek (upto January 31, 2016) Anton Stankov (with effect from February 1, 2016)
Non-Executive Directors	Daniel Fahrny Nicolas Floros Charles Bendotti

   The independent directors meet the criteria of independence under clause i(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. One casual vacancy occurring on December 06, 2015 on the board during the year was filled up by the directors within 90 days.

5. 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.

6. The board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive and non-executive directors, have been taken by the board.

8. The meetings of the board were presided over by the Chairman and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. During the year, the directors remained compliant with the provision with regard to their training program.

10. The Board of Directors in its meeting held on August 28, 2014 had approved the adoption and implementation of the mechanism for its annual evaluation for year 2014 which was subsequently revised by the Board in its

Statement of Compliance with the Code of Corporate Governance

meeting held on March 11, 2016. The Board intends to carry out the evaluation under the aforementioned revised mechanism during the year ending December 31, 2016.

11. The board has approved appointment of Head of Internal Audit, including his remuneration and terms and conditions of employment.

12. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

13. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the board.

14. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

15. The Company has complied with all the corporate and financial reporting requirements of the CCG.

16. The board has formed an Audit Committee. It comprises of three members, of whom two are non-executive directors and the chairman of the committee is an independent director. For name of the independent director acting as Chairman of Audit Committee please refer to Directors' Report.

17. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

18. The board has formed a Human Resource and Remuneration Committee. It comprises of three members, of whom two are non-executive directors, including the chairman of the committee.

19. The board has set up an effective internal audit function and personnel involved are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

20. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants ("IFAC") guidelines on code of ethics as adopted by the ICAP.

21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

22. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchanges.

23. Material / price sensitive information has been disseminated among all market participants at once through stock exchanges.

24. We confirm that all other material principles enshrined in the CCG have been complied with.

KAMRAN Y. MIRZA
Chairman

Karachi: March 11, 2016

Review Report to the Members on the Statement of Compliance with best practices of Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors (the Board) of Philip Morris (Pakistan) Limited (the Company) for the year ended December 31, 2015 to comply with the requirements of Listing Regulation No. 35 of the Karachi and Lahore Stock Exchanges (now Rule 5.19 of the Listing Rulebook of the Pakistan Stock Exchange) where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 Code.

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's 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 Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval, its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. 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 upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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 best practices contained in the Code as applicable to the Company for the year ended December 31, 2015.

Further, we highlight that the mechanism for annual evaluation of the Board as required by the Code was not enacted during the year ended December 31, 2015 - refer paragraph 10 of the Statement of Compliance.

A.F. Ferguson & Co.

A.F. FERGUSON & CO.
Chartered Accountants
Audit Engagement Partner: Tahir Sharif

Karachi: March 25, 2016

On behalf of the Board of Directors of Philip Morris (Pakistan) Limited, (the "Company") I am pleased to present the Directors' Report along with the Audited Financial Statements of the Company for the year ended December 31, 2015.

PERFORMANCE REVIEW

The analysis of key operating results for the year ended December 31, 2015 in comparison with the previous year is as follows:

	Year ended December 31, 2015		Year ended December 31, 2014	
	Rs million	**%**	**Rs million**	**%**
Gross Turnover	40,157	100.00	38,046	100.00
Gross Profit	4,855	12.09	3,911	10.28
Operating Loss	(894)	(2.23)	(909)	(2.39)
Loss before tax	(1,677)	(4.18)	(1,513)	(3.98)
Loss after tax	(1,315)	(3.27)	(1,482)	(3.90)

In 2015, the gross turnover increased by 5.55%. The gross profit increased by 24.14% mainly due to price increases during the year. Expenses for the current year were higher as compared to 2014, mainly due to higher redundancy costs incurred including that of closure of Mandra Factory as part of a strategic review to optimize process efficiencies and operational effectiveness and to best position the Company for strong and viable future growth. Had there been no redundancy costs incurred during the year, the Company's losses before tax for the year would have been lower by approximately PKR 847.7 million. Financing costs also increased in 2015 due to higher borrowing to meet working capital requirements and investment in property plant and equipment of PKR 1,994 million.

The non-tax paid cigarette brands are increasingly damaging the Company and the legitimate industry as a whole, as excise tax-driven price increases provide the non-tax paid products with an unfair competitive advantage due to increasing price differential between the tax-paid and tax-evaded products.

The Company's loss per share was PKR 21.35 in 2015 as compared to a loss per share of PKR 24.07 in 2014.

REGULATORY

On February 12, 2015 the Minister for the Federal Ministry for National Health Services Regulation and Coordination announced to increase the size of graphic health warnings on cigarette packs, both front and back from 40% to 85% by March 30, 2015.

An inter-ministerial committee was set up to deliberate on the new GHW introduced through an SRO and the Committee during its last meeting on July 24, 2015 agreed to reduce the size of the GHW from 85% to 50%, with an 11-month implementation period.

Ministry of Health is yet to revise the 85% GHW regulations to reflect the Committee's' recommendation and in the interim continues to provide monthly extension to the industry.

OPERATIONAL CAPACITY

The Company continued to review its operational capabilities and, as such, invested in property, plant and equipment of PKR 1,994 million in 2015. These investments are primarily made under the umbrella of a comprehensive project of modernizing manufacturing facilities and equipment to achieve overall improvements in productivity and product quality. The investments are planned to continue over the next year. These investments and expansion plans reflects the Company's commitment to the country and confidence for future growth in anticipation that the prevalence of non-tax paid products will be addressed by the relevant authorities on an urgent basis.

DIVIDEND

In view of the Company's operating loss for the year and investment plans, the directors have recommended no dividend /payout for the year 2015.

MATERIAL CHANGES AND COMMITMENTS

During the year the Board of Directors of the Company in its meeting on July 10, 2015 approved an equity injection in the form of non-voting, non-cumulative, irredeemable, convertible preference shares of up to PKR 11000 million without a rights offering to Philip Morris Investments BV and Philip Morris Brands SARL. Subsequently, the Company obtained approval from its shareholders in an Extra Ordinary General Meeting held on October 28, 2015. Currently, the issuance of Preference Shares is in process of approval from SECP.

As part of a strategic review to optimize process efficiencies and operational effectiveness and to best position the Company for strong and viable future growth, the Company reorganized its Green Leaf Buying & Threshing established in Mardan, KP province.

CONTRIBUTION TO THE NATIONAL EXCHEQUER

The Company continues to make substantial contribution to the Federal Government's revenues. In 2015, the Company contributed 25.9 billion to the national Exchequer in the form of Federal Excise Duties, Custom Duties, Sales Tax and Income Tax, which represents a 2.45% increase compared to 2014.

CORPORATE SOCIAL RESPONSIBILITY

In developing countries there is a greater need than ever for organizations, employees, communities and public officials to work together to address social issues as effectively and efficiently as possible.

The Company values the importance of working together with its employees and with all other stakeholders in the focus areas of education, women empowerment, economic opportunity, and community grants. Due to its collaboration with Philip Morris International Inc., significant milestones were reached in 2015:

- Agricultural Labor Practice (ALP) is a key component of our broader Good Agricultural Program (GAP). In 2015, Summer School Program (SSP) was conducted in 36 schools in three districts of KPK, impacting more than 1440 students out of which 47% were girls. The main purpose of the summer school is to prevent children from working in the tobacco farms during the harvesting period by providing them development opportunities in the area of academic and civic education through fun and games.

- Rehabilitation of 15 underperforming schools with infrastructure development, teacher training programs and other basic necessities. Benefiting 8,000 students, focusing Khyber Pakhtunkhwa province ("KPK"), Sahiwal and Kotri.
- Supporting 2,100 vulnerable and poor households in the tobacco growing districts through Economic Opportunity for Poor & Vulnerable.
- Benefitting more than 200 families of farming community by the Sustainable Initiative for Women Empowerment.
- Expanding economic security of more than 400 individuals through vocational training and placement opportunities in KPK.
- Reaching out to domestic violence burn victims by funding reconstructive surgeries for 45, psycho social support for 60, and vocational trainings 20 victims across Pakistan.
- Benefiting 100 women and indirectly 650 family members through the initiative of Reorganizing Women Capabilities for Generating Income in Sahiwal.

The Company in collaboration with Philip Morris International Inc., will continue focused and sustainable charitable programs to benefit local communities and increase employees' engagement in its various initiatives in the coming years.

ENVIRONMENT HEALTH SAFETY AND SECURITY

The Company is committed to manufacture and deliver high quality tobacco products through established and internationally recognized quality, environment, health and safety procedures. We are committed to meet the expectations of adult consumers and build consumer loyalty through continuous improvement and excellence in our products.

The Company aims to conduct business with utmost care for the environment and recognizes the health and safety of its employees as a value added commodity to its business. The policies and practices are in place to prevent occupational injuries, illnesses and foreseeable hazards. During 2015 the Company successfully completed the ISO 14001 (environment) and OHSAS 18001 (health & safety) audit surveillances.

INVESTMENT IN HUMAN RESOURCE

The Company believes and invests in the development of its employees. The Company conducts various training programs and courses, throughout the year, to ensure that employees are equipped with the requisite skill set to help the Company achieve its objectives and long term goals.

CODE OF CORPORATE GOVERNANCE

The Company's Directors are committed to adhere to the highest standards of corporate governance. As such, in 2015, the Company continued to take steps to comply with the requirements of the Code of Corporate Governance (the "Code") as required by the Securities & Exchange Commission of Pakistan ("SECP").
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 all 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 significant 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, 2015 and for the last six financial years are set out on pages 16 ; and
- Information about taxes and levies is given in the corresponding notes in the financial statements.

STATEMENT OF INTERNAL CONTROLS

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.

STATEMENT OF COMPLIANCE

The Company is responsible for publishing a statement of compliance. Statement of compliance forms part of this Annual Report.

INVESTMENTS 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 million	
Provident Fund	1,185	(Financial statements audited as of December 31, 2014)
Gratuity Fund	632	(Financial statements audited as of December 31, 2014)

HOLDING COMPANY

Incorporated in the Netherlands, Philip Morris Investments B.V. (Formerly Park 1989 B.V.) is the holding company having 77.65% of shares in the Company.

Philip Morris Brands SARL is the associate company having 20% of shares in the Company.

CHANGES IN BOARD OF DIRECTORS

During the year Maj. Gen. (R) Athar Abbas, an Independent Director tendered his resignation effective December 6, 2015, the resulting casual vacancy was subsequently filled by Lt. Gen. (R) Tariq Khan within 90 days.

Subsequent to the year end, Mr. Joseph Ziomek tendered his resignation from the post of Director of the company. To fill the casual vacancy created, Mr. Anton Stankov was appointed as Director within 90 days of the casual vacancy.

BOARD OF DIRECTORS MEETINGS

The Board of Directors is comprised of seven Directors, of which two are independent Directors, three are non-executive Directors and two are executive director(s).

During 2015, the Board of Directors (the "Board") held 5 meetings. The attendance of Directors in those meetings is documented and provided here under:

Name of Directors	No. of meetings attended
Kamran Y. Mirza	5
Alejandro Paschalides	5
Athar Abbas	5
Joseph Ziomek	5
Daniel Fahrny	2
Charles Bendotti	-
Nicolas Floros	-

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

CHANGES IN BOARD AUDIT COMMITTEE COMPOSITION

Subsequent to the resignation of Maj. Gen (R) Athar Abbas, Lt. Gen. (R) Tariq Khan was appointed as the Chairman of Audit Committee effective March 2, 2016.

BOARD AUDIT COMMITTEE

The Audit Committee performs according to the terms of reference determined by the Board of the Company and which conforms 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.

At present following are acting as members and secretary of the Audit Committee;

1. Lt. Gen. (R) Tariq Khan
2. Nicolas Floros
3. Daniel Fahrny
4. Mujtaba Hussain (Secretary)

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
Athar Abbas	4
Joseph Ziomek	4
Daniel Fahrny	4
Nicolas Floros	-

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

CHANGES IN HUMAN RESOURCE AND REMUNERATION COMMITTEE

During the year there has been no change in the Human Resource and Remuneration Committee.

HUMAN RESOURCE AND REMUNERATION COMMITTEE

There are three members in the HR&R Committee, of which two are non-executive Directors.

At present following Directors are acting as member of the HR&R Committee.

1. Charles Bendotti
2. Daniel Fahrny
3. Alejandro Paschalides
4. C. David Escarda (Secretary)

During 2015, no meeting has been held by the HR&R Committee.

PATTERN OF SHAREHOLDING

The pattern of shareholding of the Company as of December 31, 2015 is included further in this Annual Report as per the requirements of the Code.

AUDITORS

The current external auditors, A. F. Ferguson & Co., Chartered Accountants will retire at the conclusion of the ensuing Annual General Meeting and, being eligible offer themselves for re-appointment as external auditors for the year ending December 31, 2016. Members are requested to appoint them as auditors and validate their remuneration.

ACCOUNTING POLICIES

The Company has adopted or applied new accounting standards, amendments to approved standards and new interpretations as applicable during 2015. Details of those are provided in the Notes to the Financial Statements section 2.2.1.

FUTURE OUTLOOK

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's Directors and management continue to be focused on delivering such long term shareholder value through improvements in all aspects of the Company's operations. This includes, and is not limited to, innovative product offering, strengthening brand portfolio and enhanced product quality, optimization of manufacturing practices and facilities, development of human resources and continued emphasis on effectively managing the cost base.

In order to reduce financing costs, modernize manufacturing facilities and equipment and to achieve overall improvements in productivity and product quality, the company plans to issue up to 1,100 million irredeemable preference shares of PKR 10 each in two tranches. The first tranche is expected to be issued before June 30, 2016, resulting in a cash inflow of PKR 7,500 million. The balance is expected to be issued prior to December 31, 2017.

However, the future operations of the company will continue to be critically impacted by the rapidly increasing market share of the illicit industry and unless the authorities initiate action to check it in the immediate future, the company & industry will continue to suffer. Needless to say, the Government will also continue to be deprived of substantial tax revenue.

ACKNOWLEDGEMENTS

The Directors wish to take this opportunity to thank all the Company's employees for their efforts, dedication, commitment and support in 2015.

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

Karachi: March 11, 2016

Pattern of Holding of Shares

AS AT DECEMBER 31, 2015
INCORPORATION NUMBER - 0002832

NUMBER OF SHAREHOLDERS	SHAREHOLDING		TOTAL SHARES HELD
	From -	To	
909	1	100	20,275
345	101	500	89,221
119	501	1000	83,299
195	1001	5000	384,583
24	5001	10000	167,229
3	10001	15000	36,088
2	15001	20000	33,350
1	20001	25000	21,206
1	25001	30000	28,915
1	45001	50000	46,255
1	530001	535000	534,510
1	12315001	12320000	12,316,060
1	47500001	50000000	47,819,350

CATEGORIES OF SHAREHOLDERS	SHARES HELD	PERCENTAGE
Directors, Chief Executive Officer and their spouse and minor children	55	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	12,360	0.02%
Insurance Companies	21,206	0.03%
General Public (Local)	803,909	1.31%
Others	607,343	0.99%

KAMRAN Y. MIRZA
Chairman

Karachi: March 11, 2016

Details of Pattern of Shareholding as per Requirements of the Code of Corporate Governance

CATEGORIES OF SHAREHOLDERS	NO. OF SHARES HELD
ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES	
PHILIP MORRIS INVESTMENTS B.V.	47,819,350
PHILIP MORRIS BRANDS SARL	12,316,060
	60,135,410
DIRECTORS AND THEIR SPOUSE(S) AND MINOR CHILDREN	
MR. KAMRAN Y. MIRZA	50
MR. ALEJANDRO PASCHALIDES	1
MR. JOSEPH ZIOMEK	1
MR. CHARLES BENDOTTI	1
MR. DANIEL FAHRNY	1
MR. NICOLAS FLOROS	1
	55
PUBLIC SECTOR COMPANIES AND CORPORATION, BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE INSTITUTIONS, INSURANCE COMPANIES, TAKAFUL, MODARBAS AND PENSION FUNDS	
INVESTMENT CORPORATION OF PAKISTAN	58
HABIB BANK LIMITED	132
MCB BANK LIMITED	3,228
SUMMIT BANK LIMITED	9,000
PAKISTAN REINSURANCE COMPANY LIMITED	21,206
	33,624
SHAREHOLDERS HOLDING 5% OR MORE VOTING RIGHTS IN THE LISTED COMPANY	
PHILIP MORRIS INVESTMENTS B.V.	47,819,350
PHILIP MORRIS BRANDS SARL	12,316,060
	60,135,410

Financial Highlights for Last Six Years

	Year ended December 31					
	2015	2014	2013	2012 (Restated)	2011 (Restated)	2010 (Restated)
	(Rupees in thousand)					
Share Capital	615,803	615,803	615,803	615,803	615,803	615,803
Reserves & Surplus	2,033,524	3,373,047	4,877,776	5,337,282	5,947,375	6,549,018
Share Holders' Equity	**2,649,327**	**3,988,850**	**5,493,579**	**5,953,085**	**6,563,178**	**7,164,821**
Deferred liabilities	-	-	-	-	221,000	472,000
TOTAL CAPITAL EMPLOYED	**2,649,327**	**3,988,850**	**5,493,579**	**5,953,085**	**6,784,178**	**7,636,821**
Fixed assets - NET	8,048,391	7,416,512	6,902,926	5,389,680	3,945,989	3,847,679
Long-term investment	1	1	1	1	1	1
Long-term loans, deposits & prepayments	37,452	36,760	41,101	41,347	57,371	52,099
Deferred tax assets	937,354	527,615	379,978	6,887	-	-
Working capital	(6,373,871)	(3,992,038)	(1,830,427)	515,170	2,780,817	3,737,042
TOTAL ASSETS	**2,649,327**	**3,988,850**	**5,493,579**	**5,953,085**	**6,784,178**	**7,636,821**
Turnover	40,157,144	38,045,693	35,984,891	35,552,536	31,926,667	33,910,750
(Loss) / Profit before tax	(1,676,939)	(1,513,269)	(708,860)	(622,042)	(518,272)	881,623
(Loss) / Profit after tax & adjustment	(1,315,008)	(1,482,455)	(441,458)	(574,384)	(442,329)	577,506
Dividends declared (Cash)	-	-	-	-	-	153,951
	(Rupees)					
Break-up value of shares	43.02	64.77	89.21	96.67	106.58	116.35
Dividend (Per Share)	-	-	-	-	-	2.50
Net (Loss) / Earning per Share	(21.35)	(24.07)	(7.17)	(9.33)	(7.18)	9.38

Auditors' Report to the Members

We have audited the annexed balance sheet of Philip Morris (Pakistan) Limited as at December 31, 2015 and the related profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that-

(a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion-

  (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

  (ii) the expenditure incurred during the year was for the purpose of the company's business; and

  (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, 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, 2015 and of the loss, its changes in equity and cash flows for the year then ended; and

(d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

A.F. Ferguson & Co.

A.F. FERGUSON & CO.
Chartered Accountants
Audit Engagement Partner: Tahir Sharif

Karachi: March 25, 2016

Balance Sheet

AS AT DECEMBER 31, 2015

	Note	2015	2014
		(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
FIXED ASSETS			
Property, plant and equipment	3	**8,025,683**	7,393,065
Intangibles	4	**22,708**	23,447
		8,048,391	7,416,512
Investment in a subsidiary company	5	**1**	1
Long term deposits and prepayments	6	**37,452**	36,760
Deferred taxation	7	**937,354**	527,615
		9,023,198	7,980,888
CURRENT ASSETS			
Stores and spares - net	8	**491,672**	593,690
Stock in trade - net	9	**8,468,495**	7,960,101
Trade debts - net	10	**95,928**	225,182
Advances	11	**52,960**	49,280
Prepayments		**215,757**	315,792
Other receivables	12	**26,253**	647,998
Income tax - net		**798,593**	747,423
Staff retirement benefits	13	**60,155**	-
Cash and bank balances	14	**74,610**	36,763
		10,284,423	10,576,229
TOTAL ASSETS		**19,307,621**	18,557,117
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital	15	**1,000,000**	1,000,000
Issued, subscribed and paid-up capital	15	**615,803**	615,803
Reserves		**6,201,852**	6,226,367
Unappropriated loss		**(4,168,328)**	(2,853,320)
TOTAL EQUITY		**2,649,327**	3,988,850
CURRENT LIABILITIES			
Short term borrowings	17	**13,538,365**	11,090,651
Trade and other payables	18	**3,053,270**	2,438,044
Accrued mark-up on short term borrowings		**66,659**	65,760
Sales tax and excise duty payable		**-**	973,812
TOTAL LIABILITIES		**16,658,294**	14,568,267
TOTAL EQUITY AND LIABILITIES		**19,307,621**	18,557,117
CONTINGENCIES AND COMMITMENTS	19		

The annexed notes from 1 to 40 form an integral part of these financial statements.

Karachi: March 11, 2016

ALEJANDRO PASCHALIDES
Chief Executive

ANTON STANKOV
Director

Profit and Loss Account

FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	2015	2014
		(Rupees in thousand)	
Turnover - net	20	**14,416,905**	13,763,743
Cost of sales	21	**9,561,847**	9,852,699
Gross profit		**4,855,058**	3,911,044
Distribution and marketing expenses	22	**3,395,731**	3,536,256
Administrative expenses	23	**1,447,678**	1,235,294
Other expenses	24	**1,118,983**	220,125
Other income	25	**(213,516)**	(171,548)
		5,748,876	4,820,127
Operating loss		**(893,818)**	(909,083)
Finance cost and bank charges	26	**783,121**	604,186
Loss before taxation		**(1,676,939)**	(1,513,269)
Taxation	27	**(361,931)**	(30,814)
Loss after taxation		**(1,315,008)**	(1,482,455)
Other comprehensive loss for the year - net of tax			
Item that will not be reclassified to profit or loss			
Remeasurement relating to staff retirement gratuity		**17,847**	36,391
Impact of deferred tax		**(2,965)**	(11,322)
Total items that will not be reclassified to profit and loss		**14,882**	25,069
Total comprehensive loss for the year		**(1,329,890)**	(1,507,524)
		------------------- (Rupees) -----------------	
Loss per share - basic	28	**(21.35)**	(24.07)

The annexed notes from 1 to 40 form an integral part of these financial statements.

Karachi: March 11, 2016

ALEJANDRO PASCHALIDES
Chief Executive

ANTON STANKOV
Director

Statement of Changes in Equity

FOR THE YEAR ENDED DECEMBER 31, 2015

	Issued, subscribed and paid-up capital	General reserve	Reserve for share based payments	Re-measurement of staff retirement gratuity plan	Subtotal Reserves	Unappropriated (Loss)	Total
	-----	-----	-----	(Rupees in thousand)	-----	-----	-----
Balance as at January 1, 2014	615,803	6,347,000	13,230	(111,589)	6,248,641	(1,370,865)	5,493,579
Transactions with owners							
Share-based payment							
- expense	-	-	22,128	-	22,128	-	22,128
- recharge	-	-	(19,333)	-	(19,333)	-	(19,333)
(notes 2.4.17 and 16)	-	-	2,795	-	2,795	-	2,795
Total comprehensive loss							
Loss after taxation for the year ended December 31, 2014	-	-	-	-	-	(1,482,455)	(1,482,455)
Other comprehensive loss for the year	-	-	-	(25,069)	(25,069)	-	(25,069)
	-	-	-	(25,069)	(25,069)	(1,482,455)	(1,507,524)
Balance as at December 31, 2014	615,803	6,347,000	16,025	(136,658)	6,226,367	(2,853,320)	3,988,850
Transactions with owners							
Share-based payment							
- expense	-	-	9,820	-	9,820	-	9,820
- recharge	-	-	(19,453)	-	(19,453)	-	(19,453)
(notes 2.4.17 and 16)	-	-	(9,633)	-	(9,633)	-	(9,633)
Total comprehensive loss							
Loss after taxation for the year ended December 31, 2015	-	-	-	-	-	(1,315,008)	(1,315,008)
Other comprehensive loss for the year	-	-	-	(14,882)	(14,882)	-	(14,882)
	-	-	-	(14,882)	(14,882)	(1,315,008)	(1,329,890)
Balance as at December 31, 2015	615,803	6,347,000	6,392	(151,540)	6,201,852	(4,168,328)	2,649,327

The annexed notes from 1 to 40 form an integral part of these financial statements.

Karachi: March 11, 2016

ALEJANDRO PASCHALIDES
Chief Executive

ANTON STANKOV
Director

Cash Flow Statement

FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	2015	2014
		(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	32	**107,346**	198,799
Staff retirement gratuity paid		**(91,759)**	(91,584)
Finance cost paid		**(393,232)**	(991,183)
Income taxes paid		**(96,013)**	(181,982)
Long term deposits and prepayments		**(692)**	4,341
Net cash used in operating activities		**(474,350)**	(1,061,609)
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		**(1,993,929)**	(1,706,924)
Acquisition of intangibles		**(10,941)**	(6,218)
Proceeds from disposal of items of property, plant and equipment		**426,714**	120,282
Profit received on savings accounts		**10,939**	462
Net cash used in investing activities		**(1,567,217)**	(1,592,398)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds of loans obtained from associated undertaking		**27,337,650**	18,522,800
Repayment of loans from associated undertaking		**(28,922,450)**	(15,418,300)
Net cash (paid for) / received from financing activities		**(1,584,800)**	3,104,500
Net (decrease) / increase in cash and cash equivalents during the year		**(3,626,367)**	450,493
Cash and cash equivalents at the beginning of the year		**(2,494,388)**	(2,944,881)
Cash and cash equivalents at the end of the year	33	**(6,120,755)**	(2,494,388)

The annexed notes from 1 to 40 form an integral part of these financial statements.

Karachi: March 11, 2016

ALEJANDRO PASCHALIDES
Chief Executive

ANTON STANKOV
Director

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 Companies Ordinance, 1984) and its shares are quoted on Karachi and Lahore Stock Exchanges (now merged as 'Pakistan Stock Exchange'). 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 subsidiary of Philip Morris International Inc., (the ultimate parent) through Philip Morris Investments B.V., (the parent company) and Philip Morris Brands S.à.r.l.

1.3 The consolidated financial statements of the group comprising the Company and its subsidiary, Laksonpremier Tobacco Company (Private) Limited, have not been prepared in view of exemption granted by the Securities & Exchange Commission of Pakistan (the SECP) vide its letter No. EMD/233/619/2002-1426 dated June 2, 2015 from the requirement of Section 237 of the Companies Ordinance, 1984 (the Ordinance). 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 and other matters of the subsidiary are stated in note 5.

2. SIGNIFICANT ACCOUNTING INFORMATION AND POLICIES

2.1 Basis of preparation and statement of compliance

2.1.1 These financial statements have been prepared under the historical cost convention unless otherwise specifically stated.

2.1.2 These financial statements have been prepared in accordance with the requirements of the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Ordinance, provisions of and directives issued under the Ordinance. In case requirements differ, the provisions or directives of the Ordinance shall prevail.

2.2 Initial application of new standards and amendments to approved accounting standards

2.2.1 Standards and amendments to approved accounting standards effective during the year ended December 31, 2015:

There were certain new standards and amendments to the approved accounting standards which became effective during the year ended December 31, 2015 but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

2.2.2 Amendments to approved accounting standards that are effective for the Company's accounting periods beginning on or after January 1, 2016:

There are certain amendments to the approved accounting standards that are mandatory for the Company's accounting periods beginning on or after January 1, 2016 but are considered not to be relevant or are not expected to have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

2.3 Critical accounting judgments and estimates

The preparation of financial statements in conformity with approved accounting 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, the 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 technical team of the Company. 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.

Income taxes

In making the estimates for income taxes payable by the Company, the 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 will impact the income tax provision in the period in which such final outcome is determined.

Deferred taxes

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.

Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 13 for 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 affect on the profit and loss account of the Company.

2.4 Summary of significant accounting policies

2.4.1 Property, plant and equipment

(i) Operating property, plant and equipment

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

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 upto 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 included in the profit and loss account.

(ii) Capital work-in-progress

All expenditures connected with specific assets incurred during installation and construction period are carried under this head. These are transferred to specific assets as and when these assets are available for use.

(iii) Major spare parts and stand-by equipments

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 relevant categories of operating property, plant and equipment when the same are consumed.

2.4.2 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.

Intangible assets 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 intangible are reviewed at each balance sheet 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. An impairment loss is recognised in the profit and loss account for the amount by which the asset's carrying amount exceeds its recoverable amount. Reversal of impairment losses are also recognised in the profit and loss account, however, it is restricted to the original cost of the asset.

2.4.3 Investments

(i) 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.

(ii) Other investments

The Company classifies its financial instruments in the following categories:

(a) Investments 'at fair value through profit or loss':

- Financial instruments 'held-for-trading'

  These include financial instruments (including derivative financial instruments) acquired principally for the purpose of generating profit from short-term fluctuations in prices or dealers' margins or are securities included in a portfolio in which a pattern of short-term profit making exists.

- Financial instruments designated 'at fair value through profit or loss upon initial recognition'

  These include investments that are designated as investments at fair value through profit or loss upon initial recognition.

(b) Held to maturity

These are securities acquired by the Company with the intention and ability to hold them up to maturity.

(c) Loans and receivables originated by the enterprise

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Company as at fair value through profit or loss or available for sale.

(d) Available for sale

These financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in case of a financial asset or financial liability not at 'fair value through profit or loss', transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at 'fair value through profit or loss' are expensed immediately.

Subsequent to initial recognition, instruments classified as 'financial assets at fair value through profit or loss' and 'available for sale' are measured at fair value. Gains or losses arising, from changes in the fair value of the 'financial assets at fair value through profit or loss' are recognised in the profit and loss for the year. Changes in the fair value of instruments classified as 'available for sale' are recognised in 'other comprehensive income' until derecognised or impaired, when the accumulated fair value adjustments recognised in unrealised surplus on revaluation of investments are included in the profit / loss for the year.

Financial assets classified as 'loans and receivables' and 'held to maturity' are carried at amortised cost using the effective yield method, less impairment losses, if any.

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

The Company follows trade date accounting for purchase and sale of investments.

2.4.4 Stores and spares

These are valued at 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. Provision is made for slow moving items where necessary to bring them down to approximate net realisable value and is recognised in the profit and loss account.

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.

2.4.5 Stock in trade

These are stated at the lower of cost and net realisable value.

Cost of raw material includes 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 tobacco leaf.

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

2.4.6 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 review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

2.4.7 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 goods and services.

2.4.8 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 balance sheet date and adjusted to reflect the current best estimate.

2.4.9 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.

2.4.10 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.

2.4.11 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 credit 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 balance sheet 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.

The carrying amount of deferred income tax assets is reviewed at each balance sheet 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 income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet 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 to 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 balance sheet date.

2.4.12 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, 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.

2.4.13 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 income.

2.4.14 Revenue recognition

- Sales are recognised either upon shipment or delivery of goods when title and risk of loss pass on to the customer.

- Income on investments and return on deposits are accounted for on an accrual basis.

Gross sales are disclosed net off sales allowances.

2.4.15 Staff retirement benefits

The Company operates:

(a) an approved contributory provident fund for all permanent employees for which contributions are charged to income for the year; and

(b) an approved funded gratuity scheme covering all permanent employees. Contribution is made to this scheme on the basis of actuarial recommendations. The actuarial valuation is carried out using the Project Unit Credit Method.

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

All actuarial gains and losses are recognised in 'Other comprehensive income' as they occur.

Where the plan assets exceed the defined benefit obligation, the asset recognised is limited to the lower of the surplus in the defined benefit plan and the asset ceiling determined using a discount rate based on government bonds.

2.4.16 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 carry out actuarial valuation for the said liability.

2.4.17 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 the equity is reduced to the extent of such recharge.

2.4.18 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 balance sheet date. 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 recognised in the profit and loss account.

2.4.19 Financial assets and liabilities

Financial assets and liabilities carried on the balance sheet include receivables, cash and bank balances and trade creditors. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Other financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are offset when the Company has a legally enforceable right to offset and it intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

2.4.20 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.

2.4.21 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.

	Note	2015	2014
		(Rupees in thousand)	
3. PROPERTY, PLANT AND EQUIPMENT			
Operating property, plant and equipment	3.1	**6,368,729**	5,383,968
Capital work-in-progress	3.2	**1,650,223**	1,990,821
Major capital spares and stand-by equipment		**6,731**	18,276
		8,025,683	7,393,065

3.1 Operating property, plant and equipment

	Freehold land	Leasehold land	Buildings on freehold land	Buildings on leasehold land	Leasehold improvements	Plant and machinery	Furniture and fixtures	Office equipment	Vehicles	Power and other installations	Computer equipment	Total
	(Rupees in thousand)											
As at December 31, 2013												
Cost	105,541	2,441	640,929	60,190	187,246	4,963,294	223,707	50,455	1,363,865	553,381	247,856	8,398,905
Accumulated depreciation	-	(763)	(333,921)	(27,567)	(60,943)	(2,547,752)	(119,011)	(42,891)	(491,820)	(261,868)	(173,866)	(4,060,402)
Accumulated Impairment	-	-	-	-	-	(39,914)	(462)	(700)	-	(10,126)	(498)	(51,700)
Net book value	105,541	1,678	307,008	32,623	126,303	2,375,628	104,234	6,864	872,045	281,387	73,492	4,286,803
Year ended December 31, 2014												
Transfers from CWIP see note 3.2.1	7,609	-	479,234	-	2,398	834,279	39,841	13,126	166,894	280,762	54,063	1,878,206
Disposals												
Cost	-	-	(670)	-	-	(14,906)	(2,864)	-	(118,930)	(435)	(7,095)	(144,900)
Accumulated depreciation	-	-	95	-	-	14,906	2,436	-	84,519	403	7,095	109,454
	-	-	(575)	-	-	-	(428)	-	(34,411)	(32)	-	(35,446)
Write offs - note 24												
Cost	-	-	(12,919)	-	(255)	(105,737)	(4,280)	(2,155)	(720)	(13,186)	(2,182)	(141,434)
Accumulated depreciation	-	-	5,554	-	81	93,281	4,216	2,130	228	12,415	819	118,724
	-	-	(7,365)	-	(174)	(12,456)	(64)	(25)	(492)	(771)	(1,363)	(22,710)
Impairment - note 3.1.3 & 24												
Cost	-	(2,284)	-	-	-	(297,570)	-	-	-	-	-	(299,854)
Accumulated depreciation	-	2,255	-	-	-	206,148	-	-	-	-	-	208,403
	-	(29)	-	-	-	(91,422)	-	-	-	-	-	(91,451)
Depreciation charge - note 3.1.1	-	(90)	(10,732)	(1,505)	(43,194)	(278,337)	(32,442)	(5,432)	(187,021)	(32,880)	(39,801)	(631,434)
Net book value as at December 31, 2014	113,150	1,559	767,570	31,118	85,333	2,827,692	111,141	14,533	817,015	528,466	86,391	5,383,968
Year ended December 31, 2015												
Transfers from CWIP see note 3.2.1	-	-	322,436	-	395	1,437,704	55,829	53,341	93,084	212,385	102,379	2,277,553
Disposals												
Cost	-	-	-	-	-	(438,789)	(2,849)	(17)	(500,453)	(4,600)	(402)	(947,110)
Accumulated depreciation	-	-	-	-	-	438,725	2,849	17	284,078	4,472	402	730,543
	-	-	-	-	-	(64)	-	-	(216,375)	(128)	-	(216,567)
Write offs - note 24												
Cost	-	-	-	-	-	-	-	-	(2,293)	-	(180)	(2,473)
Accumulated depreciation	-	-	-	-	-	-	-	-	2,293	-	16	2,309
	-	-	-	-	-	-	-	-	-	-	(164)	(164)
Impairment - note 3.1.3 & 24												
Cost	-	-	(11,456)	-	-	(857,212)	(2,439)	(17)	-	(47,681)	(103)	(918,908)
Accumulated depreciation	-	-	5,883	-	-	666,699	2,050	17	-	34,490	103	709,242
	-	-	(5,573)	-	-	(190,513)	(389)	-	-	(13,191)	-	(209,666)
Depreciation charge - note 3.1.1	-	(90)	(23,196)	(1,505)	(43,287)	(459,330)	(37,932)	(15,673)	(177,803)	(56,225)	(51,354)	(866,395)
Net book value as at December 31, 2015	113,150	1,469	1,061,237	29,613	42,441	3,615,489	128,649	52,201	515,921	671,307	137,252	6,368,729
At December 31, 2014												
Cost	113,150	2,441	1,106,574	60,190	189,389	5,676,930	256,404	61,426	1,411,109	820,522	292,642	9,990,777
Accumulated depreciation	-	(853)	(339,004)	(29,072)	(104,056)	(2,717,902)	(144,801)	(46,193)	(594,094)	(281,930)	(205,753)	(4,463,658)
Accumulated impairment	-	(29)	-	-	-	(131,336)	(462)	(700)	-	(10,126)	(498)	(143,151)
Net book value	113,150	1,559	767,570	31,118	85,333	2,827,692	111,141	14,533	817,015	528,466	86,391	5,383,968
At December 31, 2015												
Cost	113,150	2,441	1,429,010	60,190	189,784	6,675,845	309,384	114,750	1,001,447	1,028,307	394,439	11,318,747
Accumulated depreciation	-	(943)	(362,200)	(30,577)	(147,343)	(2,738,507)	(179,884)	(61,849)	(485,526)	(333,683)	(256,689)	(4,597,201)
Accumulated impairment	-	(29)	(5,573)	-	-	(321,849)	(851)	(700)	-	(23,317)	(498)	(352,817)
Net book value	113,150	1,469	1,061,237	29,613	42,441	3,615,489	128,649	52,201	515,921	671,307	137,252	6,368,729
Depreciation rate	-	4%	2.50%	2.50%	20% to 33.33%	6.67% to 20%	20%	20%	20%	6.67%	33.33%	

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

	Note	2015	2014
		(Rupees in thousand)	
Purchases, redrying and related expenses	21.1	**64,520**	59,764
Manufacturing expenses	21.2	**550,423**	328,191
Distribution and marketing expenses	22	**105,785**	123,600
Administrative expenses	23	**145,667**	119,879
		866,395	631,434

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 50,000 either individually or in aggregate are given in note 36.

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 918.908 million and Rs 209.666 million respectively have been impaired and thus have been reduced to Nil value in these financial statements as at December 31, 2015. Further, cost incurred on civil works amounting to Rs 16.418 million (2014: Rs 79.834 million) have been written off in these financial statements as no further economic benefit is expected to arise from the same.

3.2 Capital work-in-progress

	Note	2015	2014
		(Rupees in thousand)	
Civil works		**110,077**	73,460
Plant and machinery	3.2.2	**1,101,133**	1,191,597
Power and other installations		**286,657**	424,526
Furniture and fittings		**54,039**	77,241
Computer equipment pending installation		**61,321**	128,197
Advance to suppliers and contractors		**36,996**	95,800
		1,650,223	1,990,821

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

	2015	2014
Balance as at beginning of the year	**1,990,821**	2,583,090
Additions during the year		
- Civil works	**375,866**	104,638
- Freehold land	**-**	7,609
- Plant and machinery	**1,399,341**	1,093,397
- Power and other installations	**74,516**	203,547
- Furniture and fittings	**85,968**	70,932
- Computer equipment pending installations	**35,503**	121,928
- Advance to suppliers and contractors	**34,280**	93,435
	2,005,474	1,695,486
Balance carried forward	**3,996,295**	4,278,576

	Note	2015	2014
		(Rupees in thousand)	
Balance brought forward		**3,996,295**	4,278,576
Transfers to operating property, plant and equipment			
- Buildings on freehold land		**322,436**	479,234
- Freehold land		**-**	7,609
- Leasehold improvements		**395**	2,398
- Plant and machinery		**1,437,704**	834,279
- Furniture and fixtures		**55,829**	39,841
- Office equipment		**53,341**	13,126
- Vehicles		**93,084**	166,894
- Power and other installations		**212,385**	280,762
- Computer equipment		**102,379**	54,063
		2,277,553	1,878,206
Civil works written off	24	**16,418**	79,834
Disposal of plant and machinery from capital work in progress	3.2.3	**52,101**	329,715
Balance at the end of the year		**1,650,223**	1,990,821

3.2.2 This includes plant and machinery in transit aggregating Rs 21.159 million (2014: Rs 103.364 million).

3.2.3 This represents the disposal of plant and machinery to an associated company (note 30).

4. INTANGIBLES

	Note	2015	2014
		Computer software (Rupees in thousand)	
At January 1			
Cost		**42,298**	36,080
Accumulated amortisation		**18,851**	9,885
Net book value		**23,447**	26,195
Year ended December 31			
Additions		**10,941**	6,218
Amortisation for the year	4.1	**11,680**	8,966
Net book value as at December 31		**22,708**	23,447
At December 31			
Cost		**53,239**	42,298
Accumulated amortisation		**30,531**	18,851
Net book value		**22,708**	23,447

4.1 Amortisation for the year relates to manufacturing expenses (note 21.2), distribution and marketing expenses (note 22) and administrative expenses (note 23).

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 year ended December 31, 2015 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, 2015 amounted to Rs Nil, in accordance with the audited financial statements for the year then ended.

The auditors of the subsidiary company have expressed an unmodified audit opinion on the financial statements of the subsidiary company for the year ended December 31, 2015.

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. LONG TERM DEPOSITS AND PREPAYMENTS

	2015	2014
	(Rupees in thousand)	
Deposits	**37,094**	28,250
Prepayments	**358**	8,510
	37,452	36,760

7. DEFERRED TAXATION

	2015	2014
Deferred tax asset on deductible temporary differences:		
Accrual for employees compensated absences	**2,696**	6,255
Amortisation of intangible	**99**	164
Unutilised tax losses and credit	**1,457,432**	1,059,074
Provision for spares	**49,283**	501
Provision for obsolete stocks	**12,845**	18,093
Provision for doubtful debts	**813**	894
	1,523,168	1,084,981
Deferred tax liability on taxable temporary differences:		
Tax depreciation allowance	**(585,814)**	(557,366)
Deferred tax asset	**937,354**	527,615

7.1 The movement in temporary differences is as follows:

	Balance as at January 1, 2014	Recognised in profit and loss account	Recognised in other comprehensive income	Balance as at December 31, 2014	Recognised in profit and loss account	Recognised in other comprehensive income	Balance as at December 31, 2015
	-----------	-----------	-----------	Rupees in '000	-----------	-----------	-----------
Deferred tax debits:							
Accrual for employees compensated absences	1,350	4,905	-	6,255	(3,559)	-	2,696
Amortisation of intangible	115	49	-	164	(65)	-	99
Unutilised tax losses and credits	652,017	395,735	11,322	1,059,074	395,393	2,965	1,457,432
Minimum tax	207,440	(207,440)	-	-	-	-	-
Provision for stores and spares	-	501	-	501	48,782	-	49,283
Provision for obsolete stocks	17,798	295	-	18,093	(5,248)	-	12,845
Provision for doubtful debts	921	(27)	-	894	(81)	-	813
	879,641	194,018	11,322	1,084,981	435,222	2,965	1,523,168
Deferred tax credits:							
Tax depreciation allowance	(499,663)	(57,703)	-	(557,366)	(28,448)	-	(585,814)
	379,978	136,315	11,322	527,615	406,774	2,965	937,354

7.2 The applicable income tax rate for the current year was reduced from 33% to 32% through Finance Act, 2015 ('the Act'). Further, income tax rate for future years have also been enacted for the years ending on December 31, 2016 and 2017 and thereafter at 31% and 30% respectively, through the aforementioned Act.

7.3 The accumulated tax losses of the Company as at December 31, 2015 aggregated Rs 4,921.432 million (2014: Rs 3,320.807 million) in respect of which the Company has recognised deferred tax asset amounting to Rs 1,457.432 million (2014: Rs 1,059.074 million). The Company carries out periodic assessment to assess the benefit of these losses that the Company would be able to set off against the taxable profits in future years. The amount of this benefit has been determined based on the projected taxable profits of the Company for future years. The determination of projected taxable profits are most sensitive to certain key assumptions such as volume of cigarettes, gross margin percentage and inflation rates which have been considered in the preparation of these taxable profits. Any significant change in the key assumptions may have an effect on the realisability of the deferred tax asset.

8. STORES AND SPARES - net

	Note	2015	2014
		(Rupees in thousand)	
Stores		**7,802**	11,777
Spares	8.3	**652,359**	583,470
		660,161	595,247
Less: Provision for slow moving spares	8.1	**(168,489)**	(1,557)
		491,672	593,690

8.1 Provision for slow moving spares

	Note	2015	2014
Opening balance		**1,557**	-
Provision made during the year	8.2	**272,975**	30,204
Write off against provision		**(106,043)**	(28,647)
Closing balance		**168,489**	1,557

8.2 During the year, the Company has recognised provision against certain items of spares from which further economic benefits are no longer expected to arise or are on the basis of a time based criteria have been identified as slow moving spares.

8.3 This includes spares in transit amounting to Rs Nil million (2014: Rs 2.459 million).

9. STOCK IN TRADE - net

	Note	2015	2014
		(Rupees in thousand)	
Raw and packing materials	9.2	**7,934,418**	7,287,025
Work-in-process		**74,011**	82,817
Finished goods	9.3	**503,983**	646,492
		8,512,412	8,016,334
Less: Provision for obsolete stocks	9.1	**(43,917)**	(56,233)
		8,468,495	7,960,101

9.1 Provision for obsolete stocks

	2015	2014
Opening balance	**56,233**	53,730
Provision made during the year	**50,145**	131,391
Write off against provision	**(62,461)**	(128,888)
Closing balance	**43,917**	56,233

9.2 These include raw and packing material in transit aggregating Rs 111.636 million (2014: Rs 25.252 million).

9.3 Finished goods include items costing Rs 25.354 million (2014: Rs 108.28 million) which are stated at their net realisable value aggregating Rs 20.700 million (2014: Rs 104.197 million). The amount charged to the profit and loss account in respect of stocks written down to their net realisable value is Rs 4.654 million (2014: Rs 4.083 million).

10. TRADE DEBTS - net

	Note	2015	2014
		(Rupees in thousand)	
Considered good - unsecured	10.1	**95,928**	225,182
Considered doubtful		**2,780**	2,780
		98,708	227,962
Less: Provision for doubtful debts	10.2	**(2,780)**	(2,780)
		95,928	225,182

10.1 The amount due from Philip Morris (Malaysia) Sdn. Bhd., an associated undertaking, included in trade debts aggregated Rs 0.788 million (2014: Rs Nil).

		Note	2015	2014
			(Rupees in thousand)	
10.2	Provision for doubtful debts			
	Balance at beginning of the year		**(2,780)**	(2,780)
	Provision for the year		**-**	-
	Balance at end of the year		**(2,780)**	(2,780)

11. ADVANCES

	Note	2015	2014
Considered good - unsecured			
Advances to:			
- Employees and executives	11.1 & 11.2	**18,395**	24,766
- Suppliers and contractors		**34,565**	24,514
		52,960	49,280

11.1 The maximum aggregate balance of advances due from executives at the end of any month during the year was Rs 13.145 million (2014: Rs 13.603 million). Further, amounts due from executives as at December 31, 2015 aggregated Rs 12.517 million (2014: Rs 10.369 million).

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

12. OTHER RECEIVABLES

	Note	2015	2014
		(Rupees in thousand)	
Receivable from 'associated undertakings'	12.1	**10,138**	593,078
Others	12.2	**16,115**	54,920
		26,253	647,998

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

	2015	2014
	(Rupees in thousand)	
Philip Morris Services S.A.	**2,869**	263,042
Papastratos Cigarette Manufacturing	**-**	323,331
Philip Morris South Africa Pty Limited	**1,710**	-
PMFTC Inc.	**206**	1,403
Philip Morris Services India S.A.	**3,128**	2,710
Z-Philip Morris (Thailand) Limited	**-**	335
Philip Morris Services India S.à.r.l.	**696**	-
PT Hanjaya Mandala Sampoerna TBK	**1,529**	2,257
	10,138	593,078

12.2 This amount includes derivatives financial instruments (assets) - held for trading (Note 18.3)

13. STAFF RETIREMENT BENEFITS

13.1 Defined benefit plan

As stated in note 2.4.15, the Company operates an approved funded gratuity scheme for all its permanent employees. Actuarial valuation of the scheme is carried out every year and the latest actuarial valuation was carried out as at December 31, 2015.

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

	Note	2015	2014
		(Rupees in thousand)	
13.1.1 Net (asset) / liability			
Present value of defined benefit obligation	13.1.5	**536,352**	615,624
Fair value of plan assets	13.1.6	**(596,507)**	(615,624)
Asset recognised in the balance sheet		**(60,155)**	-
13.1.2 Amounts charged to profit and loss account:			
Current service cost		**67,611**	61,215
Net interest cost		**(6,287)**	(6,022)
Plan curtailments / settlements	24.1	**(47,567)**	-
	13.1.3	**13,757**	55,193
13.1.3 The charge for the year has been allocated as follows:			
Purchases, redrying and related expenses	21.1	**2,196**	8,058
Manufacturing expenses	21.2	**4,735**	19,983
Distribution and marketing expenses	22	**4,151**	15,548
Administrative expenses	23	**2,675**	11,604
		13,757	55,193

13.1.4 Movement in the net (asset) / liability recognised in the balance sheet:

	Note	2015	2014
		(Rupees in thousand)	
Balance as at the beginning of the year		**-**	-
Net charge for the year	13.1.3	**13,757**	55,193
Contributions		**(91,759)**	(91,584)
Net remeasurements for the year		**17,847**	36,391
Balance as at the end of the year		**(60,155)**	-

13.1.5 Movement in the present value of defined benefit obligation:

	2015	2014
	(Rupees in thousand)	
Opening balance	**615,624**	516,907
Current service cost	**67,611**	61,215
Interest cost	**72,823**	65,061
Benefits paid	**(168,138)**	(51,521)
Plan curtailments / settlements	**(47,567)**	-
Remeasurements on obligation	**(4,001)**	23,962
Closing balance	**536,352**	615,624

13.1.6 Movement in the fair value of plan assets:

Opening balance	**615,624**	516,907
Interest income	**79,110**	71,083
Contributions	**91,759**	91,584
Benefits paid	**(168,138)**	(51,521)
Remeasurements on plan assets	**(21,848)**	(12,429)
Closing balance	**596,507**	615,624

13.1.7 Principal actuarial assumptions used are as follows:

Expected rate of increase in salary level	**8.95%**	12.70%
Valuation discount rate	**9.95%**	13.70%

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

	2015	2014
	(Rupees in thousand)	
Debt instruments	**489,873**	489,563
Equity	**48,022**	54,751
Balances with banks	**58,612**	71,310
	596,507	615,624

13.1.9 Actual gain on plan assets during the year ended December 31, 2015 was Rs 57.262 million (2014: Rs 58.654 million).

13.1.10 Expected contribution to defined benefit plan for the year ending December 31, 2016 is Rs 48.629 million (2015: Rs 74.860 million).

13.1.11 Weighted average duration of the defined benefit obligation is 13 years.

13.1.12 Mortality rates assumed were based on SLIC 2001- 2005 mortality tables.

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

	Change in assumptions	Impact on present value of defined benefit obligation	
		Increase in assumption	Decrease in assumption
	(%)	(Rupees in thousand)	
Valuation discount rate	1%	(471,978)	613,594
Expected rate of increase / decrease in salary level	1%	614,054	(470,503)

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.

13.2 Defined contribution plan

	Note	2015	2014
		(Rupees in thousand)	
The charge for the year has been allocated as follows:			
Purchases, redrying and related expenses	21.1	**12,626**	12,464
Manufacturing expenses	21.2	**26,358**	25,929
Distribution and marketing expenses	22	**20,732**	37,584
Administrative expenses	23	**18,172**	17,874
		77,888	93,851

14. CASH AND BANK BALANCES

	Note	2015	2014
With banks in current / deposit accounts			
- Foreign currency		**1,335**	16,362
- Local currency			
- Current Accounts		**17,776**	20,021
- Deposit Accounts	14.1 &14.2	**55,074**	-
Sub-total		**72,850**	20,021
		74,185	36,383
Cash in hand		**425**	380
		74,610	36,763

14.1 These carry markup at fixed rate of 4%.

14.2 This includes amount held by a commercial bank as security against the guarantees (note 19.1) and funded facilities obtained from the bank in the normal course of business.

15. SHARE CAPITAL

15.1 Authorised capital

2015	2014		2015	2014
(Number of shares)			(Rupees in thousand)	
100,000,000	100,000,000	Ordinary shares of Rs 10 each	**1,000,000**	1,000,000

15.2 Issued, subscribed and paid-up capital

2015	2014		2015	2014
(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
61,580,341	61,580,341		**615,803**	615,803

15.3 As at December 31, 2015, 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 (2014: 47,819,356 and 12,316,061 respectively).

16. SHARE-BASED PAYMENT PLAN

Details of share-based payments under 'Time-vested Share Plan' (note 2.4.17) in relation to the Company are as follows:

16.1 Grant dates	February 11, 2012, February 7, 2013, February 6, 2014 & February 5, 2015
Share price at grant date (February 11, 2012)	Rs 7,418 / share (US $ 80.06 / share)
Share price at grant date (February 7, 2013)	Rs 8,771 / share (US $ 89.82 / share)
Share price at grant date (February 6, 2014)	Rs 8,225 / share (US $ 78.11 / share)
Share price at grant date (February 5, 2015)	Rs 8,340 / share (US $ 82.57 / share)
Number of shares outstanding at the end of the year	6,329

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

	Note	2015	2014
		(Rupees in thousand)	
Outstanding as at the beginning of the year		**8,369**	8,739
Granted during the year		**2,260**	3,750
Vested / exercised during the year	16.4	**(2,737)**	(2,670)
Forfeited during the year		**(1,563)**	(1,450)
Outstanding as at the end of the year		**6,329**	8,369

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

	Note	2015	2014
Purchase, redrying and related expenses	21.1	**(1,885)**	3,141
Manufacturing expenses	21.2	**(98)**	1,972
Distribution and marketing expenses	22	**2,421**	2,638
Administrative expenses	23	**9,382**	14,377
		9,820	22,128

16.4 During the year ended December 31, 2015 shares granted on February 11, 2012 were fully vested alongwith early vesting for certain employees from the respective grant dates. An amount of Rs 19.453 million (US$ 191,286) was recharged by Philip Morris International Inc. New York during the year, which was payable as at the year end.

17. SHORT TERM BORROWINGS

	Note	2015	2014
		(Rupees in thousand)	
Secured			
Running finance under mark-up arrangements	17.1 & 33	**6,195,365**	2,531,151
Unsecured			
Loans from an associated undertaking	17.2	**7,343,000**	8,559,500
		13,538,365	11,090,651

17.1 The Company has arranged for running finance and other short term loan facilities to the extent of Rs 6,925 million (2014: Rs 7,125 million) from commercial banks. These facilities are available for various periods expiring between May 21, 2016 to June 30, 2016 (2014: January 31, 2015 to November 29, 2015). The facilities are secured by way of hypothecation of stocks in trade aggregating Rs 6,925 million of the Company and are carrying markup rates ranging from 6.91% to 10.4% (2014: 10.24% to 10.94%) per annum.

The facilities for opening of letters of credits included in the aforementioned facilities of Rs 6,925 million as at December 31, 2015 aggregated Rs 1,750 million of which amount unutilized was Rs 1,413.864 million as at December 31, 2015.

17.2 The Company has obtained seven short term loans from its associated company, Philip Morris Finance S.A., aggregating US $ 70 million. The repayment dates of these loans were January 26, January 27, January 28, February 1, February 2, February 3, and February 4, 2016 respectively and the loans have been rolled over subsequent to the year end for further period of 58 days on average. These loans carry mark-up rates ranging from 1.225% to 1.437%.

18. TRADE AND OTHER PAYABLES

	Note	2015	2014
		(Rupees in thousand)	
Creditors	18.1	**1,058,901**	862,373
Bills payable		**779,542**	474,003
Royalty payable to a related party	18.1	**167,299**	125,185
Accrued expenses		**805,978**	749,625
Tobacco development cess	18.2	**27,976**	43,681
Contractors' retention money		**38,662**	37,039
Advance from customers		**41,991**	7,108
Unpaid and unclaimed dividends		**28,177**	28,412
Others	18.3	**104,744**	110,618
		3,053,270	2,438,044

18.1 The amount due to associated undertakings included in creditors and royalty payable aggregated Rs 288.232 million (2014: Rs 408.602 million).

18.2 The movement of tobacco development cess is as follows:

	2015	2014
	(Rupees in thousand)	
Balance as at the beginning of the year	**43,681**	24,125
Provision for the year	**55,731**	86,346
	99,412	110,471
Less: Payments made during the year	**(71,436)**	(66,790)
Balance at the end of the year	**27,976**	43,681

With effect from July 1, 1999, Tobacco Development Cess had been 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.

18.3 Derivative financial instruments - held for trading

	Note	2015	2014
		(Rupees in thousand)	
Current Assets			
Foreign currency swap derivatives - held for trading	18.4	**10,921**	49,552
Current Liabilities			
Foreign currency swap derivatives - held for trading	18.4	**12,489**	49,812

18.4 For better presentation and in accordance with the applicable financial reporting framework corresponding figures aggregating Rs 49.552 million, relating to foreign currency swap derivatives - held for trading (assets) has been disclosed at the gross amount and reclassified from 'Trade and Other Payables' to 'Other Receivables' (see note 12.2):

19. CONTINGENCIES AND COMMITMENTS

19.1 Guarantees

Indemnities given to bank for guarantees issued by it in the normal course of business aggregated Rs 133.193 million (2014: Rs 98.193 million).

	2015	2014
	(Rupees in thousand)	
19.2 Commitments		
Capital expenditure contracted for but not incurred	**581,294**	423,374
Letters of credit	**251,287**	103,667

19.3 Contingent liabilities

19.3.1 The Additional Collector of Customs, Sales Tax and Central Excise (Adjudication), Rawalpindi has issued two show cause notices to the Company dated October 5, 2002 and March 1, 2003 on account of short payment of Central Excise Duty and Sales Tax aggregating to Rs 7.466 million and Rs 4.021 million respectively. The Company has not agreed to the claims made in the aforementioned show cause notices. However, subsequently Order-in-Original No. 08/2003, dated March 28, 2003 and Order-in-Original No. 22/2003, dated June 14, 2003 respectively were issued, whereby the charges levied in the aforementioned show cause notices were confirmed and demands were raised against the Company along with additional duty under Central Excise Act, 1944 and additional tax under Sales Tax Act, 1990, which are to be determined by the competent authority. Further, a penalty at the rate of 3% of the short payment of Sales Tax has also been imposed under the Sales Tax Act, 1990. The Company had filed appeals before the Federal Excise & Taxation Appellate Tribunal, Islamabad; which were rejected through an order dated July 14, 2007. The Company proceeded to file tax references Nos. 95/2008 and 96/2008 before Lahore High Court, Rawalpindi Bench. The references are pending adjudication, however, the management is confident that the references will be decided in the Company's favour and accordingly no provision has been made in these financial statements.

19.3.2 While reviewing the income tax return of the Company for the tax year 2009 (accounting year ended December 31, 2008) the Deputy Commissioner Inland Revenue (DCIR) had under section 122(1) of the Income Tax Ordinance 2001 (the Tax Ordinance) served the Company with an order dated May 30, 2012 amending its assessment for that tax year and had disallowed certain deductions aggregating Rs 256.444 million, and assessed incremental tax of Rs 100.525 million. However, during the year ended December 31, 2013 a rectification order dated September 23, 2013 was received amounting to Rs 43.023 million thereby reducing the tax demand to Rs 57.502 million. For such Rs 57.502 million, the Company has filed an appeal before the Commissioner Inland Revenue (CIR) – Appeals II which is pending adjudication.

During the year ended December 31, 2014 an amount of Rs 27.401 million out of the said rectification order had been adjusted by the tax authorities against the Company's liabilities pertaining to the Federal Excise Duty (FED) and further a cheque dated January 26, 2015 amounting to Rs 11.439 million has been received. For the remaining portion of the rectification order i.e. Rs 4.183 million, the management is of the view that the same shall also be allowed as adjustment towards the Company's tax liability (either pertaining to income tax, FED or sales tax) or will be received in due course. Further, for the pending appeal against the tax demand of Rs 57.502 million, the management is continuing with its earlier view that the decision of the appeal shall be in the Company's favour.

19.3.3 While reviewing the income tax return of the Company for the tax year 2011 (accounting year ended December 31, 2010) the DCIR has under section 122(1) of the Tax Ordinance served the Company with an order dated May 28, 2013 amending its assessment for that tax year and has disallowed certain deductions aggregating Rs 235.705 million, and assessed incremental tax of Rs 100.927 million. The Company has filed an appeal before CIR – Appeals against the aforementioned order which is pending adjudication. The management is of the view that the aforementioned disallowed deductions include items having an aggregate tax impact of Rs 35.162 million which represent apparent errors and has filed a rectification application under section 221 of the Tax Ordinance on February 21, 2014 to DCIR. Further, in respect of the remaining disallowed deductions the management is confident that the ultimate decision of the appeal shall be in its favour.

19.3.4 While reviewing the income tax return of the Company for the tax year 2013 (accounting year ended December 31, 2012) the Additional Commissioner Inland Revenue had under section 122(5A) of the Tax Ordinance served the Company with an order dated April 28, 2014 amending its assessment for that tax year and had disallowed certain deductions aggregating Rs 455.747 million, and assessed incremental tax of Rs 77.829 million. The Company has filed an appeal before the CIR – Appeals against the aforementioned order.

The CIR passed an order dated September 29, 2015 through which disallowance of deductions amounting to Rs 210.620 million was deleted whereas disallowances of Rs 95.685 million was set aside for further consideration. The management has filed an appeal before the next level i.e. Appellate Tribunal for the remaining matters.

The management is confident that the ultimate decision of the appeal filed shall be in its favour, therefore, a provision has not been recognised against the aforementioned disallowed deductions in these financial statements.

19.3.5 During the year ended December 31, 2014, the DCIR under section 14(1) of Federal Excise Act, 2005 and section 11(2) of the Sales Tax Act, 1990 had issued an Order-in-Original dated September 29, 2014 and raised a demand on account of short paid FED and Sales Tax amounting to Rs 2,320.757 million and Rs 964.591 million respectively. Besides, the penalties amounting to Rs. 116.038 million and Rs. 48.229 million ('Demand') respectively on account short payment of FED and Sales Tax respectively as prescribed under section 19(1) and 33(5) of the Federal Excise Act, 2005 and Sales Tax Act,1990 respectively for violation of aforementioned Acts. The Company filed an appeal through the administrative appellate process before the CIR Appeals who upheld the Demand through order dated December 15, 2014.

Subsequently, the Company filed an appeal before the Appellate Tribunal Inland Revenue ('Tribunal') against the order of CIR Appeals on January 13, 2015. The Tribunal heard arguments on February 18, 2015 and required the Company to provide additional information related to the monthly consumption ratio and average cigarette production for the last 3 to 4 years to assess Company's production trend. On October 18, 2015, the Tribunal re-heard the arguments and required the Company to submit its written reply on the basis of which it will announce its order. The Company has subsequently submitted its written reply and is awaiting for the Tribunal's order.

Further, the Company simultaneously filed a suit before the High Court of Sindh on October 22, 2014 and on January 15, 2015, the High Court granted the Company an injunction to restrain the LTU from enforcing the Demand until the final decision on the matter by the High Court. On August 20, 2015, the LTU filed an application before the High Court requesting that the injunction be lifted. On hearing dated November 23, 2015, the matter was adjourned.The Company will submit its written reply to LTU's application on the next date of hearing fixed for April 21, 2016.

The management based on the merits of the case is confident that the ultimate decision shall be in the Company's favour and therefore, a provision has not been recognised in these financial statements.

20. TURNOVER - net

	Note	2015	2014
		(Rupees in thousand)	
Gross turnover		**40,157,144**	38,045,693
Less: Trade discount		**243,756**	-
Sales tax		**6,128,595**	5,834,250
Excise duty		**19,367,888**	18,447,700
		25,740,239	24,281,950
		14,416,905	13,763,743

21. COST OF SALES

	Note	2015	2014
Raw material consumed			
Opening stock		**7,287,025**	6,314,446
Purchases, redrying and related expenses	21.1	**7,379,671**	7,898,507
		14,666,696	14,212,953
Closing stock	9	**(7,934,418)**	(7,287,025)
		6,732,278	6,925,928
Government levies		**86,810**	116,485
Manufacturing expenses	21.2	**2,341,109**	2,055,059
		9,160,197	9,097,472
Work in process			
Opening stock		**82,817**	49,849
Closing stock	9	**(74,011)**	(82,817)
Sale of waste		**(18,321)**	(18,304)
		(92,332)	(101,121)
		(9,515)	(51,272)
Cost of goods manufactured		**9,150,682**	9,046,200
Finished goods			
Opening stock		**646,492**	1,120,668
Finished goods purchased		**268,656**	332,323
Closing stock	9	**(503,983)**	(646,492)
		411,165	806,499
		9,561,847	9,852,699

	Note	2015	2014
		(Rupees in thousand)	
21.1 Purchases, redrying and related expenses			
Raw and packing material		**6,405,948**	6,840,476
Salaries, wages and other benefits	13, 16 & 24.1	**380,695**	388,096
Stores and spares consumed		**63,398**	69,298
Fuel and power		**57,631**	126,434
Rent, rates and taxes		**63,462**	57,971
Freight and stacking		**115,311**	158,686
Postage, telephone and stationery		**8,885**	10,561
Depreciation	3.1.1	**64,520**	59,764
Repair and maintenance		**35,126**	18,489
Travelling and vehicle expenses		**34,745**	52,034
Professional charges		**5,992**	176
Fumigation and pesticide expenses		**23,554**	15,213
Security charges		**67,345**	75,041
Other expenses		**53,059**	26,268
		973,723	1,058,031
		7,379,671	7,898,507

21.2 Manufacturing expenses

	Note	2015	2014
		(Rupees in thousand)	
Salaries, wages and other benefits	13, 16 & 24.1	**742,691**	712,181
Stores and spares consumed		**456,705**	385,029
Fuel and power		**239,600**	307,894
Rent, rates and taxes		**2,467**	2,427
Cartage		**55,467**	99,557
Postage, telephone and stationery		**8,484**	10,464
Depreciation	3.1.1	**550,423**	328,191
Amortisation	4.1	**1,262**	-
Travelling and vehicle expenses		**77,889**	78,200
Security charges		**97,661**	61,251
Other expenses		**108,460**	69,865
		2,341,109	2,055,059

		Note	2015	2014
			(Rupees in thousand)	
22.	**DISTRIBUTION AND MARKETING EXPENSES**			
	Salaries, allowances and other benefits	13, 16 & 24.1	**661,855**	1,083,536
	Selling expenses		**2,094,437**	1,633,091
	Freight expense		**191,861**	182,737
	Rent, rates and taxes		**58,741**	36,834
	Postage, telephone and stationery		**17,035**	23,577
	Depreciation	3.1.1	**105,785**	123,600
	Amortisation	4.1	**1,136**	488
	Travelling and vehicle expenses		**132,363**	310,249
	Royalty		**42,115**	42,154
	Repair and maintenance		**32,251**	15,566
	Security charges		**28,042**	25,856
	Other expenses		**30,110**	58,568
			3,395,731	3,536,256
23.	**ADMINISTRATIVE EXPENSES**			
	Salaries, allowances and other benefits	13, 16 & 24.1	**669,864**	593,466
	Rent, rates and taxes		**155,566**	133,229
	Postage, telephone and stationery		**31,435**	17,708
	Travelling and vehicle expenses		**112,383**	94,170
	Repairs and maintenance		**80,767**	52,223
	Legal and professional charges		**53,562**	50,181
	Utilities		**26,120**	20,408
	Fee and subscription		**9,386**	4,836
	Insurance		**54,549**	59,178
	Auditors' remuneration	23.1	**16,487**	15,500
	Depreciation	3.1.1	**145,667**	119,879
	Donation	23.2	**750**	521
	Amortisation	4.1	**9,282**	8,478
	Security charges		**73,896**	63,626
	Other expenses		**7,964**	1,891
			1,447,678	1,235,294
23.1	Auditors' remuneration			
	Audit fee		**2,700**	2,250
	Review of half yearly financial statements		**825**	750
	Taxation and other services		**12,390**	11,400
			15,915	14,400
	Out of pocket expenses		**572**	1,100
			16,487	15,500

	Note	2015	2014
		(Rupees in thousand)	

23.2 No director or his spouse has interest in the donees.

24. OTHER EXPENSES

	Note	2015	2014
Employee separation costs	13.1.2 & 24.1	**847,689**	-
Impairment charge on items of property, plant and equipment	3.1.3	**209,666**	91,451
Civil works written off	3.2.1	**16,418**	79,834
Property, plant and equipment written off		**164**	22,710
Loss on disposal of plant and machinery from capital work in progress	3.2.3	**18,277**	6,384
Miscellaneous expenses		**26,769**	19,746
		1,118,983	220,125

24.1 During the current year, as part of a strategic review to optimise process efficiencies and operational effectiveness and to best position the Company for strong and viable future growth, the management of the Company reorganised its various functions / operations including closure of factory situated at Mandra. This overall reorganisation has resulted in redundancies of permanent employees across different functions.

25. OTHER INCOME

	Note	2015	2014
Income from financial assets:			
● Exchange gain - net	25.1	**5,677**	65,491
● Profit on savings accounts		**10,939**	462
● Others		**20,577**	20,759
		37,193	86,712
Income from assets other than financial assets:			
● Profit on disposal of items of property, plant and equipment		**176,323**	84,836
		213,516	171,548

25.1 This includes unrealised exchange loss amounting to Rs 11.753 million (2014: gain of Rs 49.477 million) arising from 'trade and other payables'.

26. FINANCE COST AND BANK CHARGES

	Note	2015	2014
Mark-up on short term borrowings	26.1	**284,431**	292,871
Exchange loss / (gain) on foreign currency loans	26.2	**368,300**	(364,000)
Loss on foreign currency swap derivatives	26.3	**111,008**	661,284
Bank commission and other charges		**19,382**	14,031
		783,121	604,186

26.1 The mark-up on short term borrowings includes mark-up aggregating Rs 109.407 million on the loans from an associated undertaking (2014: Rs 86.406 million).

26.2 This represents realised and unrealised exchange loss amounting to Rs 362 million and Rs 6.3 million respectively on foreign currency short term borrowings from an associated undertaking.

26.3 This represents losses on foreign currency swap derivatives on foreign currency short term borrowings from an associated undertaking.

27. TAXATION

	Note	2015	2014
		(Rupees in thousand)	
Current - for the year		**57,351**	131,433
Current - for prior year		**(12,508)**	(25,932)
		44,843	105,501
Deferred		**(406,774)**	(136,315)
		(361,931)	(30,814)

27.1 Relationship between tax expense and accounting loss

	Note	2015	2014
Accounting loss before tax		**(1,676,939)**	(1,513,269)
Effective tax rate	27.2	**31.200%**	32.175%
Tax on accounting loss		**(523,205)**	(486,894)
Tax effect of:			
● expenses that are not allowed in determining taxable income		**16,793**	45,118
● income chargeable at lower rate / exempt income		**(2,964)**	(11,583)
● change in tax rate		**56,768**	4,379
● income assessed under Final Tax Regime		**114,628**	148,856
● tax credit u/s 65B of the Income Tax Ordinance, 2001		**(143,770)**	(83,428)
● minimum tax		**139,445**	349,072
● others		**(7,118)**	29,598
		(349,423)	(4,882)
Adjustments in respect of current tax of prior periods		**(12,508)**	(25,932)
Tax expense for the year		**(361,931)**	(30,814)

27.2 The applicable income tax rate was reduced from 33% to 32% during the year ended on account of the changes made to Income Tax Ordinance, 2001 via Finance Act, 2015. Further, a credit of 2.5% has been applied on the aforementioned rates for the purpose of calculation of effective tax rates.

28. LOSS PER SHARE - BASIC

	Note	2015	2014
		(Rupees in thousand)	
Loss for the year after taxation		**(1,315,008)**	(1,482,455)
		(No. of shares)	
Number of ordinary shares	15.2	**61,580,341**	61,580,341
		Rupees	
Loss per share		**(21.35)**	(24.07)

There were no convertible dilutive potential ordinary shares outstanding on December 31, 2015 or 2014.

29. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Chief Executive		Executives Directors		Executives		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	(Rupees in thousand)							
Remuneration	**-**	-	**-**	15,813	**513,700**	501,202	**513,700**	517,015
House rent	**-**	-	**4,068**	7,116	**231,165**	225,541	**235,233**	232,657
Bonus	**-**	-	**-**	5,347	**117,721**	114,647	**117,721**	119,994
Retirement benefits	**-**	-	**-**	2,208	**98,014**	93,684	**98,014**	95,892
Utilities	**689**	-	**1,144**	1,581	**51,370**	50,120	**53,203**	51,701
Others	**3,588**	11,623	**7,940**	648	**85,676**	69,692	**97,204**	81,963
	4,277	11,623	**13,152**	32,713	**1,097,646**	1,054,886	**1,115,075**	1,099,222
Number of persons	**1**	2	**1**	3	**434**	468	**436**	473

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

Directors' fee aggregating Rs 3.115 million in respect of independent directors / non-executive directors of the Company have been charged during the year.

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

Further, 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 9.820 million (2014: Rs 22.128 million).

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

30. 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 and balances with related parties, other than remuneration and benefits to key management personnel under the terms of their employment as disclosed in note 29, are as follows:

	Nature of transactions	2015	2014
		(Rupees in thousand)	
Associated undertakings	Sale of goods	**166,118**	400,220
	Sale of plant and machinery	**33,824**	323,331
	Services rendered	**273,461**	294,298
	Purchase of goods	**233,848**	295,049
	Purchase of plant and machinery	**465,238**	90,959
	Services procured	**14,247**	61,429
	Loans received	**27,337,650**	18,522,800
	Loans repaid / adjusted	**28,922,450**	15,418,300
	Loss on disposal of plant and machinery	**18,277**	-
	Mark-up on short term borrowings	**109,407**	86,406
	Provision for loss on goods destroyed	**24,205**	-
	Royalty charges	**42,115**	42,154
	Share based payment expense	**9,820**	22,128
	Share based payment recharge	**19,453**	19,333
Subsidiary	Expenses borne by the Company	**110**	110
Staff retirement plans	Expenses in relation to gratuity fund	**31,604**	91,584
	Expenses in relation to provident fund	**77,888**	93,851

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

The related party status of outstanding balances as at December 31, 2015 is included in notes 5, 10.1, 11.1, 12.1, 13.1, 17.2, and 18.1. These are to be settled in ordinary course of business.

31. CAPACITY AND PRODUCTION

Against an installed manufacturing capacity of 53,827 million (2014: 55,674 million) cigarettes, actual production was 15,861 million (2014: 17,554 million) cigarettes. Actual production was sufficient to meet the demand.

32. CASH GENERATED FROM OPERATIONS

	Note	2015	2014
		(Rupees in thousand)	
Loss before taxation		**(1,676,939)**	(1,513,269)
Adjustments for:			
Depreciation		**866,395**	631,434
Property, plant and equipment written off		**164**	22,710
Impairment charge on items of property, plant and equipment		**209,666**	91,451
Civil works written off		**16,418**	79,834
Loss on disposal of plant and machinery		**18,277**	6,384
Amortisation		**11,680**	8,966
Provision for slow moving spares		**272,975**	30,204
Provision for obsolete stocks - packing material		**50,145**	131,391
Stock in trade - written down to net realisable value		**4,654**	4,083
Expenses arising from equity-settled share-based payment plan		**9,820**	22,128
Gratuity expense		**13,757**	55,193
Unrealised exchange loss / (gain)		**11,753**	(49,477)
Exchange loss / (gain) - on loans from associated undertaking		**368,300**	(364,000)
Profit on savings accounts		**(10,939)**	(462)
Profit on disposal of items of property, plant and equipment		**(176,323)**	(84,836)
Finance cost		**395,439**	954,155
Working capital changes	32.1	**(277,896)**	172,910
		107,346	198,799

32.1 Working capital changes

	2015	2014
(Increase) / decrease in current assets		
Stores and spares	**(170,957)**	(35,564)
Stock in trade	**(563,193)**	(664,342)
Trade debts	**129,254**	(224,186)
Advances	**(3,680)**	20,154
Prepayments	**100,035**	(59,651)
Other receivables	**583,114**	(60,093)
	74,573	(1,023,682)
Increase / (decrease) in current liabilities		
Trade and other payables	**621,343**	415,541
Sales tax and excise duty payable	**(973,812)**	781,051
	(277,896)	172,910

33. CASH AND CASH EQUIVALENTS

	Note	2015	2014
Cash and bank balances	14	**74,610**	36,763
Running finance under mark-up arrangements	17	**(6,195,365)**	(2,531,151)
		(6,120,755)	(2,494,388)

34. FINANCIAL RISK MANAGEMENT

34.1 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 - Presently, fair value risk to the Company arises from 'balances with banks' and 'Loans from an associated undertaking' which are based on fixed interest rates. As at December 31, 2015, had there been increase / decrease in fixed interest rates by 50 basis points, with all other variables held constant, loss after taxation for the year then ended would have been higher / lower by Rs 25.070 million (2014: Rs 29.027) mainly as a result of finance cost.

- Future cash flow risk - Presently, future cash flow risk to the Company arises from 'running finance under mark-up arrangements' which are based on floating interest rates (i.e. KIBOR based). As at December 31, 2015, had there been increase / decrease of 50 basis points in KIBOR with all other variables held constant, loss after taxation for the year then ended would have been higher / lower by Rs 21.312 million (2014: Rs 8.584 million) mainly as a result of finance cost.

(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 and Euro in the form of trade debts (note 10), other receivables (note 12), bank balances (note 14), loans from associated undertaking (note 17), trade and other payables (note 18) and accrued markup on short term borrowings.

As at December 31, 2015, had the Company's functional currency weakened / strengthened by 5% against US Dollar, Euro and UK Pound, with all other variables held constant, loss after taxation for the year then ended would have been higher / lower by Rs 294.71 million (2014: Rs 295.872 million) mainly as a result of foreign exchange losses / gains.

(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.

(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 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 34.3, those that are subject to credit risk aggregates Rs 233.460 million (2014: Rs 888.261 million). The analysis below summarises the credit quality of the Company's financial assets as at December 31, 2015:

- Long term deposits are held with parties which have long association with the Company and have a good credit history.

- Credit limits are assigned to the Company's customer's on a case to case basis and such limits are regularly monitored, accordingly, the credit risk is minimal.

- Amounts aggregating Rs 10.926 million (2014: Rs 593.078 million) is receivable from group companies whereby credit exposure and the corresponding risk associated with recoverability is considered minimal.

- The banks with which balances are held carry atleast credit rating of 'A-2' which represents strong capacity for 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 balance sheet date:

	Note	2015	2014
		(Maturity within one year) (Rupees in thousand)	
Short term borrowings	17	**13,538,365**	11,090,651
Trade and other payables	18	**2,983,303**	2,387,255
Accrued mark-up on short term borrowings		**74,869**	98,564
		16,596,537	13,576,470

34.2 Fair values of financial assets and liabilities

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying value and the fair value estimates.

As at December 31, 2015, 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.

34.3 Financial instruments by category

	2015	2014
	(Rupees in thousand)	
FINANCIAL ASSETS		
Loans and receivables at amortised cost		
Long term deposits	**37,094**	28,250
Trade debts	**95,928**	225,182
Other receivables	**15,332**	598,446
Cash and bank balances	**74,610**	36,763
	222,964	888,641
Fair value through profit and loss		
Foreign currency swap derivatives - held for trading	**10,921**	49,552
	233,885	938,193
FINANCIAL LIABILITIES		
Loans and receivables at amortised cost		
Short term borrowings	**13,538,365**	11,090,651
Trade and other payables	**2,970,814**	2,337,443
Accrued mark-up on short term borrowings	**66,659**	65,760
	16,575,838	13,493,854
Fair value through profit and loss		
Foreign currency swap derivatives - held for trading	**12,489**	49,812
	16,588,327	13,543,666

35. 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, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as 'short term borrowings' as shown in the balance sheet less 'cash and bank balances'. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

During 2015, the Company's strategy, which was unchanged from 2014, was to maintain gearing ratio at a minimum level. The gearing ratios, however, as at December 31, 2015 and 2014 were 84% and 74% respectively. The relatively high gearing ratio is primarily due to the Company's cash requirements to invest in capital expenditure and meet working capital requirements.

The Company intends to issue 1,100 million irredeemable, non-voting, non-cumulative and convertible Class A Preference Shares of Rs 10 per share (cumulating to Rs 11,000 million) and in this regard the Company through an extra ordinary general meeting held on October 28, 2015 authorised to issue up to 1,100 million aforementioned shares otherwise than by way of right issue to Philip Morris Investments B.V., and Philip Morris Brands S.à.r.l., in the ratio of 79.52% and 20.48% respectively. The Company is expected to receive this injection in two tranches. The first tranche of these shares aggregating Rs 7,500 million shall be issued before June 30, 2016 and the remaining tranche of Rs 3,500 million shall be issued before December 31, 2017.

36. DETAILS OF PROPERTY, PLANT AND EQUIPMENT DISPOSED OFF

The following operating property, plant and equipment having net book value of more than Rs 50,000, either individually or in aggregate, were disposed off during the year:

Category	Original cost	Accumulated depreciation	Book value	Disposal proceeds	Mode of disposal	Particulars of buyers
	(Rupees in thousand)					
Vehicle	842	(674)	168	295	Company policy	Mr. Muhammad Raza Hussain
	990	(304)	686	792	----do----	Mr. Najam ul Hassan
	1,608	(622)	986	1,286	----do----	Mr. Shahrukh Ansari
	1,673	(580)	1,093	1,338	----do----	Mr. Anwar Dar
	1,782	(1,426)	356	630	----do----	Mr. Amjad Iqbal
	765	(612)	153	268	----do----	Mr. Asam Zia
	801	(641)	160	284	----do----	Mr. Naubahar Ahmed
	806	(645)	161	284	----do----	Mr. Zahid Afaque
	1,673	(558)	1,115	1,350	----do----	Mr. Farhan Ahmed
	1,010	(417)	593	808	----do----	Mr. Ansab Junaid
	810	(648)	162	284	----do----	Mr. Qadar Sharif
	806	(645)	161	405	----do----	Mr. Akbar Hussain
	634	(237)	397	580	Insurance Claim	Century Insurance Company Limited
	1,399	(1,119)	280	1,100	----do----	----do----
	232	(80)	152	20	----do----	----do----
	634	(279)	355	580	----do----	----do----
	634	(271)	363	580	----do----	New Hampshire Insurance Company
	634	(271)	363	634	----do----	----do----
	634	(271)	363	634	----do----	----do----
Balance c / f	18,367	(10,300)	8,067	12,152		

Category	Original cost	Accumulated depreciation	Book value	Disposal proceeds	Mode of disposal	Particulars of buyers
	----------------- (Rupees in thousand) -----------------					
Balance b / f	18,367	(10,300)	8,067	12,152		
	1,673	(602)	1,071	1,600	Insurance Claim	New Hampshire Insurance Company
	654	(235)	419	654	----do----	----do----
	674	(198)	476	674	----do----	----do----
	1,688	(473)	1,215	1,625	----do----	----do----
	674	(189)	485	674	----do----	----do----
	634	(279)	355	634	----do----	----do----
	1,010	(283)	727	925	----do----	----do----
	526	(421)	105	400	Tender	Mr. Syed Sabir Ali Shah
	620	(496)	124	356	----do----	Mr. Nadeem Elahi
	620	(496)	124	356	----do----	----do----
	560	(448)	112	322	----do----	----do----
	1,900	(1,520)	380	1,091	----do----	----do----
	620	(496)	124	356	----do----	----do----
	1,040	(832)	208	597	----do----	----do----
	1,040	(832)	208	597	----do----	----do----
	654	(523)	131	376	----do----	----do----
	1,288	(1,030)	258	740	----do----	----do----
	1,040	(832)	208	597	----do----	----do----
	513	(411)	102	295	----do----	----do----
	969	(775)	194	556	----do----	----do----
	678	(542)	136	389	----do----	----do----
	620	(496)	124	356	----do----	----do----
	618	(494)	124	355	----do----	----do----
	678	(542)	136	389	----do----	----do----
	842	(674)	168	484	----do----	----do----
	560	(448)	112	322	----do----	----do----
	560	(448)	112	322	----do----	----do----
	560	(448)	112	322	----do----	----do----
	620	(496)	124	356	----do----	----do----
	1,087	(870)	217	624	----do----	----do----
	620	(496)	124	356	----do----	----do----
	1,120	(896)	224	643	----do----	----do----
	618	(494)	124	355	----do----	----do----
	620	(496)	124	356	----do----	----do----
	367	(294)	73	211	----do----	----do----
	367	(294)	73	211	----do----	----do----
	367	(294)	73	211	----do----	----do----
	367	(294)	73	211	----do----	----do----
	467	(374)	93	268	----do----	----do----
	367	(294)	73	211	----do----	----do----
	367	(294)	73	211	----do----	----do----
	367	(294)	73	382	----do----	----do----
	367	(294)	73	382	----do----	----do----
	367	(294)	73	382	----do----	----do----
	367	(294)	73	382	----do----	----do----
	367	(294)	73	382	----do----	----do----
	367	(294)	73	382	----do----	----do----
	367	(294)	73	382	----do----	----do----
	367	(294)	73	382	----do----	----do----
Balance c / f	52,170	(34,001)	18,169	35,796		

Category	Original cost	Accumulated depreciation	Book value	Disposal proceeds	Mode of disposal	Particulars of buyers
	------------------ (Rupees in thousand) ------------------					
Balance b / f	52,170	(34,001)	18,169	35,796		
	367	(294)	73	382	Tender	Mr. Nadeem Elahi
	367	(294)	73	382	----do----	----do----
	367	(294)	73	382	----do----	----do----
	367	(294)	73	382	----do----	----do----
	620	(496)	124	646	----do----	----do----
	367	(294)	73	382	----do----	----do----
	367	(294)	73	382	----do----	----do----
	367	(294)	73	382	----do----	----do----
	367	(294)	73	382	----do----	----do----
	367	(294)	73	382	----do----	----do----
	620	(496)	124	646	----do----	----do----
	620	(496)	124	646	----do----	----do----
	367	(294)	73	382	----do----	----do----
	367	(294)	73	382	----do----	----do----
	367	(294)	73	382	----do----	----do----
	367	(294)	73	382	----do----	----do----
	367	(294)	73	382	----do----	----do----
	367	(294)	73	382	----do----	----do----
	367	(294)	73	382	----do----	----do----
	367	(294)	73	382	----do----	----do----
	367	(294)	73	382	----do----	----do----
	367	(294)	73	382	----do----	----do----
	367	(294)	73	382	----do----	----do----
	367	(294)	73	382	----do----	----do----
	367	(294)	73	382	----do----	----do----
	1,359	(1,087)	272	566	----do----	DM Motors
	1,359	(1,087)	272	566	----do----	----do----
	1,359	(1,087)	272	566	----do----	----do----
	1,359	(1,087)	272	566	----do----	----do----
	1,399	(1,119)	280	583	----do----	----do----
	1,399	(1,119)	280	583	----do----	----do----
	1,613	(1,291)	322	672	----do----	----do----
	1,613	(1,291)	322	672	----do----	----do----
	1,613	(1,291)	322	672	----do----	----do----
	1,613	(1,291)	322	672	----do----	----do----
	1,613	(1,291)	322	672	----do----	----do----
	1,613	(1,291)	322	672	----do----	----do----
	1,613	(1,291)	322	672	----do----	----do----
	1,613	(1,291)	322	672	----do----	----do----
	1,620	(1,296)	324	675	----do----	----do----
	1,620	(1,296)	324	675	----do----	----do----
	1,870	(1,365)	505	779	----do----	----do----
	2,073	(1,106)	967	863	----do----	----do----
	2,073	(1,106)	967	863	----do----	----do----
	1,087	(870)	217	453	----do----	----do----
	1,200	(960)	240	500	----do----	----do----
	1,080	(864)	216	450	----do----	----do----
	1,725	(1,380)	345	718	----do----	----do----
Balance c / f	97,590	(69,114)	28,476	60,920		

Category	Original cost	Accumulated depreciation	Book value	Disposal proceeds	Mode of disposal	Particulars of buyers
	(Rupees in thousand)					
Balance b / f	97,590	(69,114)	28,476	60,920		
	1,775	(1,420)	355	739	Tender	DM Motors
	679	(543)	136	283	----do----	----do----
	2,080	(1,664)	416	866	----do----	----do----
	888	(710)	178	370	----do----	----do----
	654	(253)	401	272	----do----	----do----
	574	(306)	268	239	----do----	----do----
	634	(287)	347	264	----do----	----do----
	654	(253)	401	272	----do----	----do----
	634	(287)	347	264	----do----	----do----
	634	(287)	347	264	----do----	----do----
	634	(287)	347	264	----do----	----do----
	634	(287)	347	264	----do----	----do----
	459	(367)	92	191	----do----	----do----
	612	(277)	335	255	----do----	----do----
	674	(198)	476	281	----do----	----do----
	674	(171)	503	281	----do----	----do----
	674	(171)	503	281	----do----	----do----
	674	(171)	503	281	----do----	----do----
	674	(234)	440	281	----do----	----do----
	674	(252)	422	281	----do----	----do----
	674	(216)	458	281	----do----	----do----
	634	(287)	347	264	----do----	----do----
	654	(253)	401	272	----do----	----do----
	654	(279)	375	272	----do----	----do----
	620	(496)	124	258	----do----	----do----
	620	(496)	124	258	----do----	----do----
	620	(496)	124	258	----do----	----do----
	620	(496)	124	258	----do----	----do----
	620	(496)	124	258	----do----	----do----
	620	(496)	124	258	----do----	----do----
	1,810	(1,448)	362	754	----do----	----do----
	618	(494)	124	257	----do----	----do----
	232	(99)	133	97	----do----	----do----
	232	(99)	133	97	----do----	----do----
	674	(216)	458	371	----do----	----do----
	634	(287)	347	349	----do----	----do----
	574	(306)	268	316	----do----	----do----
	574	(306)	268	316	----do----	----do----
	634	(287)	347	349	----do----	----do----
	634	(287)	347	349	----do----	----do----
	654	(262)	392	360	----do----	----do----
	634	(287)	347	349	----do----	----do----
	634	(287)	347	349	----do----	----do----
	574	(306)	268	316	----do----	----do----
	674	(216)	458	371	----do----	----do----
	674	(216)	458	371	----do----	----do----
	674	(216)	458	371	----do----	----do----
	674	(216)	458	371	----do----	----do----
	674	(216)	458	371	----do----	----do----
Balance c / f	131,997	(87,601)	44,396	76,534		

Category	Original cost	Accumulated depreciation	Book value	Disposal proceeds	Mode of disposal	Particulars of buyers
	------------------ (Rupees in thousand) ------------------					
Balance b / f	131,997	(87,601)	44,396	76,534		
	634	(287)	347	349	Tender	DM Motors
	674	(207)	467	371	----do----	----do----
	634	(287)	347	349	----do----	----do----
	674	(216)	458	371	----do----	----do----
	574	(306)	268	316	----do----	----do----
	674	(207)	467	371	----do----	----do----
	634	(287)	347	349	----do----	----do----
	674	(216)	458	371	----do----	----do----
	634	(287)	347	349	----do----	----do----
	634	(287)	347	349	----do----	----do----
	574	(306)	268	316	----do----	----do----
	574	(306)	268	316	----do----	----do----
	674	(216)	458	371	----do----	DM Motors
	674	(234)	440	371	----do----	----do----
	507	(406)	101	279	----do----	----do----
	507	(406)	101	279	----do----	----do----
	5,185	(4,148)	1,037	2,854	----do----	----do----
	674	(216)	458	371	----do----	----do----
	654	(253)	401	360	----do----	----do----
	634	(287)	347	349	----do----	----do----
	654	(253)	401	360	----do----	----do----
	674	(216)	458	371	----do----	----do----
	674	(216)	458	371	----do----	----do----
	634	(287)	347	349	----do----	----do----
	674	(198)	476	371	----do----	----do----
	674	(252)	422	371	----do----	----do----
	674	(216)	458	371	----do----	----do----
	674	(207)	467	371	----do----	----do----
	674	(207)	467	371	----do----	----do----
	674	(198)	476	371	----do----	----do----
	674	(207)	467	371	----do----	----do----
	674	(216)	458	371	----do----	----do----
	674	(216)	458	371	----do----	----do----
	574	(306)	268	316	----do----	----do----
	674	(216)	458	371	----do----	----do----
	674	(225)	449	1,101	----do----	----do----
	674	(225)	449	1,101	----do----	----do----
	674	(225)	449	1,101	----do----	----do----
	674	(225)	449	1,101	----do----	----do----
	507	(406)	101	449	----do----	----do----
	654	(270)	384	579	----do----	----do----
	634	(304)	330	561	----do----	----do----
	634	(304)	330	561	----do----	----do----
	634	(304)	330	561	----do----	----do----
	634	(304)	330	561	----do----	----do----
	634	(304)	330	561	----do----	----do----
	574	(321)	253	508	----do----	----do----
	654	(279)	375	579	----do----	----do----
	634	(304)	330	561	----do----	----do----
Balance c / f	167,933	(104,377)	63,556	101,307		

Category	Original cost	Accumulated depreciation	Book value	Disposal proceeds	Mode of disposal	Particulars of buyers
	------------------ (Rupees in thousand) ------------------					
Balance b / f	167,933	(104,377)	63,556	101,307		
	634	(304)	330	561	Tender	DM Motors
	654	(270)	384	579	----do----	----do----
	634	(304)	330	561	----do----	----do----
	674	(234)	440	596	----do----	----do----
	674	(234)	440	596	----do----	----do----
	674	(234)	440	596	----do----	----do----
	674	(234)	440	596	----do----	----do----
	674	(234)	440	596	----do----	----do----
	674	(234)	440	596	----do----	----do----
	674	(234)	440	596	----do----	----do----
	674	(234)	440	596	----do----	----do----
	674	(234)	440	596	----do----	----do----
	674	(225)	449	596	----do----	----do----
	674	(225)	449	596	----do----	----do----
	674	(234)	440	596	----do----	----do----
	634	(304)	330	561	----do----	----do----
	674	(270)	404	596	----do----	----do----
	674	(234)	440	596	----do----	----do----
	674	(234)	440	596	----do----	----do----
	674	(234)	440	596	----do----	----do----
	674	(225)	449	596	----do----	----do----
	674	(225)	449	596	----do----	----do----
	674	(234)	440	596	----do----	----do----
	654	(270)	384	579	----do----	----do----
	674	(252)	422	596	----do----	----do----
	674	(270)	404	596	----do----	----do----
	674	(252)	422	596	----do----	----do----
	634	(304)	330	561	----do----	----do----
	634	(304)	330	561	----do----	----do----
	674	(234)	440	596	----do----	----do----
	674	(234)	440	596	----do----	----do----
	574	(321)	253	508	----do----	----do----
	654	(262)	392	579	----do----	----do----
	674	(234)	440	596	----do----	----do----
	674	(234)	440	596	----do----	----do----
	634	(304)	330	561	----do----	----do----
	634	(304)	330	561	----do----	----do----
	574	(321)	253	508	----do----	----do----
	574	(321)	253	508	----do----	----do----
	507	(406)	101	449	----do----	----do----
	507	(406)	101	449	----do----	----do----
	507	(406)	101	449	----do----	----do----
	674	(225)	449	596	----do----	----do----
	674	(270)	404	596	----do----	----do----
	654	(279)	375	579	----do----	----do----
	674	(225)	449	596	----do----	----do----
	469	(375)	94	415	----do----	----do----
	618	(494)	124	547	----do----	----do----
	654	(270)	384	579	----do----	----do----
Balance c / f	199,517	(117,782)	81,735	129,246		

Category	Original cost	Accumulated depreciation	Book value	Disposal proceeds	Mode of disposal	Particulars of buyers
	------------------ (Rupees in thousand) -----------------					
Balance b / f	199,517	(117,782)	81,735	129,246		
	634	(304)	330	561	Tender	DM Motors
	674	(252)	422	596	----do----	----do----
	674	(270)	404	596	----do----	----do----
	634	(304)	330	561	----do----	----do----
	620	(496)	124	549	----do----	----do----
	674	(252)	422	596	----do----	----do----
	674	(270)	404	596	----do----	----do----
	674	(234)	440	596	----do----	----do----
	674	(234)	440	596	----do----	----do----
	654	(296)	358	579	----do----	----do----
	674	(270)	404	596	----do----	----do----
	674	(225)	449	596	----do----	----do----
	674	(207)	467	596	----do----	----do----
	634	(304)	330	561	----do----	----do----
	654	(270)	384	579	----do----	----do----
	654	(270)	384	579	----do----	----do----
	507	(406)	101	449	----do----	----do----
	507	(406)	101	449	----do----	----do----
	507	(406)	101	449	----do----	----do----
	507	(406)	101	449	----do----	----do----
	674	(234)	440	596	----do----	----do----
	674	(234)	440	596	----do----	----do----
	674	(270)	404	596	----do----	----do----
	574	(321)	253	508	----do----	----do----
	574	(321)	253	508	----do----	----do----
	507	(406)	101	449	----do----	----do----
	507	(406)	101	449	----do----	----do----
	634	(304)	330	561	----do----	----do----
	634	(304)	330	561	----do----	----do----
	654	(279)	375	579	----do----	----do----
	634	(304)	330	561	----do----	----do----
	634	(304)	330	561	----do----	----do----
	507	(406)	101	449	----do----	----do----
	367	(294)	73	325	----do----	----do----
	654	(270)	384	579	----do----	----do----
	634	(304)	330	561	----do----	----do----
	634	(304)	330	561	----do----	----do----
	654	(270)	384	579	----do----	----do----
	674	(234)	440	596	----do----	----do----
	574	(321)	253	508	----do----	----do----
	574	(321)	253	508	----do----	----do----
	574	(321)	253	508	----do----	----do----
	654	(270)	384	579	----do----	----do----
	634	(304)	330	561	----do----	----do----
	654	(296)	358	579	----do----	----do----
	634	(304)	330	561	----do----	----do----
	634	(304)	330	561	----do----	----do----
	654	(270)	384	579	----do----	----do----
	634	(304)	330	561	----do----	----do----
Balance c / f	229,813	(132,648)	97,165	156,055		

Category	Original cost	Accumulated depreciation	Book value	Disposal proceeds	Mode of disposal	Particulars of buyers
	----------------- (Rupees in thousand) -----------------					
Balance b / f	229,813	(132,648)	97,165	156,055		
	634	(304)	330	561	Tender	DM Motors
	654	(270)	384	579	----do----	----do----
	634	(304)	330	561	----do----	----do----
	574	(321)	253	508	----do----	----do----
	695	(139)	556	615	----do----	----do----
	695	(139)	556	615	----do----	----do----
	674	(234)	440	596	----do----	----do----
	674	(234)	440	596	----do----	----do----
	574	(321)	253	508	----do----	----do----
	674	(225)	449	596	----do----	----do----
	674	(234)	440	596	----do----	----do----
	674	(234)	440	596	----do----	----do----
	654	(270)	384	579	----do----	----do----
	634	(304)	330	561	----do----	----do----
	634	(304)	330	561	----do----	----do----
	574	(321)	253	508	----do----	----do----
	634	(304)	330	561	----do----	----do----
	574	(321)	253	508	----do----	----do----
	674	(234)	440	596	----do----	----do----
	654	(279)	375	579	----do----	----do----
	634	(304)	330	561	----do----	----do----
	634	(304)	330	561	----do----	----do----
	634	(304)	330	561	----do----	----do----
	654	(270)	384	579	----do----	----do----
	634	(304)	330	561	----do----	----do----
	634	(304)	330	561	----do----	----do----
	634	(304)	330	561	----do----	----do----
	674	(225)	449	596	----do----	----do----
	634	(304)	330	561	----do----	----do----
	674	(225)	449	596	----do----	----do----
	674	(270)	404	596	----do----	----do----
	654	(279)	375	579	----do----	----do----
	654	(262)	392	579	----do----	----do----
	674	(234)	440	596	----do----	----do----
	574	(321)	253	508	----do----	----do----
	574	(321)	253	508	----do----	----do----
	574	(321)	253	508	----do----	----do----
	674	(225)	449	596	----do----	----do----
	674	(225)	449	596	----do----	----do----
	674	(225)	449	596	----do----	----do----
	674	(225)	449	596	----do----	----do----
	674	(225)	449	596	----do----	----do----
	367	(294)	73	325	----do----	----do----
	574	(321)	253	508	----do----	----do----
	574	(321)	253	508	----do----	----do----
	574	(321)	253	508	----do----	----do----
	654	(270)	384	579	----do----	----do----
	654	(270)	384	579	----do----	----do----
	654	(279)	375	579	----do----	----do----
Balance c / f	260,914	(146,001)	114,913	183,573		

Category	Original cost	Accumulated depreciation	Book value	Disposal proceeds	Mode of disposal	Particulars of buyers
	(Rupees in thousand)					
Balance b / f	260,914	(146,001)	114,913	183,573		
	674	(252)	422	596	Tender	DM Motors
	634	(304)	330	561	----do----	----do----
	674	(234)	440	596	----do----	----do----
	674	(234)	440	596	----do----	----do----
	654	(270)	384	579	----do----	----do----
	507	(406)	101	449	----do----	----do----
	507	(406)	101	449	----do----	----do----
	507	(406)	101	449	----do----	----do----
	574	(321)	253	508	----do----	----do----
	574	(329)	245	508	----do----	----do----
	367	(294)	73	325	----do----	----do----
	634	(313)	321	561	----do----	----do----
	634	(313)	321	561	----do----	----do----
	674	(234)	440	596	----do----	----do----
	674	(261)	413	596	----do----	----do----
	654	(279)	375	579	----do----	----do----
	654	(288)	366	579	----do----	----do----
	367	(294)	73	325	----do----	----do----
	367	(294)	73	325	----do----	----do----
	367	(294)	73	325	----do----	----do----
	654	(305)	349	579	----do----	----do----
	367	(294)	73	325	----do----	----do----
	404	(323)	81	357	----do----	----do----
	507	(406)	101	449	----do----	----do----
	674	(279)	395	596	----do----	----do----
	674	(243)	431	596	----do----	----do----
	674	(279)	395	596	----do----	----do----
	674	(261)	413	596	----do----	----do----
	674	(234)	440	596	----do----	----do----
	674	(261)	413	596	----do----	----do----
	674	(279)	395	596	----do----	----do----
	574	(329)	245	508	----do----	----do----
	654	(305)	349	579	----do----	----do----
	574	(329)	245	508	----do----	----do----
	574	(329)	245	508	----do----	----do----
	634	(313)	321	561	----do----	----do----
	634	(313)	321	561	----do----	----do----
	654	(279)	375	579	----do----	----do----
	634	(313)	321	561	----do----	----do----
	654	(288)	366	579	----do----	----do----
	654	(288)	366	579	----do----	----do----
	574	(329)	245	508	----do----	----do----
	634	(313)	321	561	----do----	----do----
	634	(313)	321	561	----do----	----do----
	634	(313)	321	561	----do----	----do----
	574	(329)	245	508	----do----	----do----
	654	(314)	340	579	----do----	----do----
	634	(313)	321	561	----do----	----do----
	654	(288)	366	579	----do----	----do----
Balance c / f	290,167	(160,789)	129,378	209,459		

Category	Original cost	Accumulated depreciation	Book value	Disposal proceeds	Mode of disposal	Particulars of buyers
	----------------- (Rupees in thousand) -----------------					
Balance b / f	290,167	(160,789)	129,378	209,459		
	634	(313)	321	561	Tender	DM Motors
	459	(367)	92	406	----do----	----do----
	459	(367)	92	406	----do----	----do----
	459	(367)	92	406	----do----	----do----
	459	(367)	92	406	----do----	----do----
	634	(313)	321	561	----do----	----do----
	654	(279)	375	579	----do----	----do----
	674	(243)	431	596	----do----	----do----
	674	(243)	431	596	----do----	----do----
	674	(243)	431	596	----do----	----do----
	654	(288)	366	579	----do----	----do----
	674	(243)	431	596	----do----	----do----
	674	(216)	458	596	----do----	----do----
	634	(313)	321	561	----do----	----do----
	467	(374)	93	413	----do----	----do----
	654	(288)	366	579	----do----	----do----
	654	(288)	366	579	----do----	----do----
	654	(279)	375	579	----do----	----do----
	507	(406)	101	449	----do----	----do----
	634	(313)	321	561	----do----	----do----
	634	(313)	321	561	----do----	----do----
	634	(313)	321	561	----do----	----do----
	654	(279)	375	579	----do----	----do----
	634	(313)	321	561	----do----	----do----
	674	(243)	431	596	----do----	----do----
	654	(314)	340	579	----do----	----do----
	654	(288)	366	579	----do----	----do----
	634	(313)	321	561	----do----	----do----
	634	(313)	321	561	----do----	----do----
	674	(234)	440	596	----do----	----do----
	674	(243)	431	596	----do----	----do----
	634	(313)	321	561	----do----	----do----
	654	(288)	366	579	----do----	----do----
	634	(313)	321	561	----do----	----do----
	634	(313)	321	561	----do----	----do----
	634	(313)	321	561	----do----	----do----
	634	(313)	321	561	----do----	----do----
	634	(313)	321	561	----do----	----do----
	634	(313)	321	561	----do----	----do----
	634	(313)	321	561	----do----	----do----
	467	(374)	93	413	----do----	----do----
	634	(313)	321	561	----do----	----do----
	654	(305)	349	579	----do----	----do----
	574	(329)	245	508	----do----	----do----
	574	(329)	245	508	----do----	----do----
	467	(374)	93	413	----do----	----do----
	467	(374)	93	413	----do----	----do----
	467	(374)	93	413	----do----	----do----
	467	(374)	93	413	----do----	----do----
Balance c / f	319,804	(176,003)	143,801	235,682		

Category	Original cost	Accumulated depreciation	Book value	Disposal proceeds	Mode of disposal	Particulars of buyers
	------------------ (Rupees in thousand) ------------------					
Balance b / f	319,804	(176,003)	143,801	235,682		
	654	(279)	375	579	Tender	DM Motors
	574	(329)	245	508	----do----	----do----
	467	(374)	93	413	----do----	----do----
	467	(374)	93	413	----do----	----do----
	467	(374)	93	413	----do----	----do----
	467	(374)	93	413	----do----	----do----
	574	(329)	245	508	----do----	----do----
	574	(329)	245	508	----do----	----do----
	574	(329)	245	508	----do----	----do----
	574	(329)	245	508	----do----	----do----
	634	(313)	321	561	----do----	----do----
	467	(374)	93	413	----do----	----do----
	574	(329)	245	508	----do----	----do----
	574	(329)	245	508	----do----	----do----
	467	(374)	93	413	----do----	----do----
	574	(329)	245	508	----do----	----do----
	634	(313)	321	561	----do----	----do----
	654	(279)	375	579	----do----	----do----
	634	(313)	321	561	----do----	----do----
	507	(406)	101	449	----do----	----do----
	574	(329)	245	508	----do----	----do----
	634	(313)	321	561	----do----	----do----
	507	(406)	101	449	----do----	----do----
	507	(406)	101	449	----do----	----do----
	507	(406)	101	449	----do----	----do----
	674	(243)	431	596	----do----	----do----
	674	(279)	395	596	----do----	----do----
	367	(294)	73	325	----do----	----do----
	674	(261)	413	596	----do----	----do----
	674	(243)	431	596	----do----	----do----
	674	(234)	440	596	----do----	----do----
	467	(374)	93	413	----do----	----do----
	467	(374)	93	413	----do----	----do----
	467	(374)	93	413	----do----	----do----
	467	(374)	93	413	----do----	----do----
	467	(374)	93	413	----do----	----do----
	467	(374)	93	413	----do----	----do----
	467	(374)	93	413	----do----	----do----
	467	(374)	93	413	----do----	----do----
	467	(374)	93	413	----do----	----do----
	367	(294)	73	325	----do----	----do----
	674	(243)	431	596	----do----	----do----
	507	(406)	101	449	----do----	----do----
	507	(406)	101	449	----do----	----do----
	467	(374)	93	413	----do----	----do----
	507	(406)	101	449	----do----	----do----
	507	(406)	101	449	----do----	----do----
	634	(313)	321	561	----do----	----do----
	674	(243)	431	596	----do----	----do----
Balance c / f	346,428	(192,653)	153,775	259,239		

Category	Original cost	Accumulated depreciation	Book value	Disposal proceeds	Mode of disposal	Particulars of buyers
	----------------- (Rupees in thousand) -----------------					
Balance b / f	346,428	(192,653)	153,775	259,239		
	459	(367)	92	406	Tender	DM Motors
	507	(406)	101	449	----do----	----do----
	654	(279)	375	579	----do----	----do----
	634	(313)	321	561	----do----	----do----
	634	(313)	321	561	----do----	----do----
	507	(406)	101	449	----do----	----do----
	654	(305)	349	579	----do----	----do----
	654	(305)	349	579	----do----	----do----
	634	(313)	321	561	----do----	----do----
	634	(313)	321	561	----do----	----do----
	574	(329)	245	508	----do----	----do----
	367	(294)	73	325	----do----	----do----
	574	(329)	245	508	----do----	----do----
	674	(243)	431	596	----do----	----do----
	574	(329)	245	508	----do----	----do----
	634	(313)	321	561	----do----	----do----
	634	(313)	321	561	----do----	----do----
	467	(374)	93	413	----do----	----do----
	467	(374)	93	413	----do----	----do----
	634	(313)	321	561	----do----	----do----
	574	(329)	245	508	----do----	----do----
	467	(374)	93	413	----do----	----do----
	467	(374)	93	413	----do----	----do----
	654	(305)	349	579	----do----	----do----
	467	(374)	93	413	----do----	----do----
	467	(374)	93	413	----do----	----do----
	467	(374)	93	413	----do----	----do----
	4,463	(1,547)	2,916	2,500	----do----	TCS Logistics Private Limited
	4,463	(1,547)	2,916	2,500	----do----	----do----
	4,463	(1,547)	2,916	2,400	----do----	----do----
	4,463	(1,547)	2,916	2,500	----do----	----do----
	2,750	(2,085)	665	1,800	----do----	----do----
	4,463	(1,547)	2,916	2,300	----do----	----do----
	2,750	(2,085)	665	1,800	----do----	----do----
	4,463	(1,547)	2,916	2,500	----do----	----do----
	4,463	(1,547)	2,916	2,400	----do----	----do----
	4,463	(1,547)	2,916	2,400	----do----	----do----
	4,463	(1,488)	2,975	2,500	----do----	----do----
	2,750	(2,085)	665	1,900	----do----	----do----
	2,750	(2,085)	665	1,900	----do----	----do----
	2,750	(2,085)	665	1,900	----do----	----do----
	4,463	(1,488)	2,975	2,400	----do----	----do----
	4,463	(1,488)	2,975	2,400	----do----	----do----
	4,463	(1,488)	2,975	2,400	----do----	----do----
	2,750	(2,085)	665	1,800	----do----	----do----
	3,700	(1,973)	1,727	2,300	----do----	----do----
	4,463	(1,547)	2,916	2,400	----do----	----do----
	1,714	(963)	751	1,350	----do----	----do----
	1,523	(1,218)	305	1,300	----do----	----do----
Balance c / f	443,017	(238,227)	204,790	320,280		

Category	Original cost	Accumulated depreciation	Book value	Disposal proceeds	Mode of disposal	Particulars of buyers
	(Rupees in thousand)					
Balance b / f	443,017	(238,227)	204,790	320,280		
	1,523	(1,218)	305	1,300	Tender	TCS Logistics Private Limited
	2,000	(1,600)	400	1,450	----do----	----do----
	2,000	(1,600)	400	1,500	----do----	----do----
	1,572	(1,257)	315	1,400	----do----	----do----
	2,000	(1,600)	400	1,500	----do----	----do----
	2,000	(1,600)	400	1,600	----do----	----do----
	1,800	(1,440)	360	1,400	----do----	----do----
	1,800	(1,440)	360	1,400	----do----	----do----
	1,800	(1,440)	360	1,400	----do----	----do----
	1,800	(1,440)	360	1,400	----do----	----do----
	1,800	(1,440)	360	1,500	----do----	----do----
	1,800	(1,440)	360	1,500	----do----	----do----
	1,800	(1,440)	360	1,500	----do----	----do----
	2,000	(1,600)	400	1,500	----do----	----do----
	2,000	(1,600)	400	1,500	----do----	----do----
	2,000	(1,600)	400	1,500	----do----	----do----
	2,000	(1,600)	400	1,500	----do----	----do----
	2,044	(1,622)	422	1,500	----do----	----do----
	2,000	(1,600)	400	1,500	----do----	----do----
	1,844	(1,462)	382	1,500	----do----	----do----
	2,000	(1,600)	400	1,500	----do----	----do----
	1,800	(1,440)	360	1,500	----do----	----do----
	2,000	(1,600)	400	1,500	----do----	----do----
	1,800	(1,440)	360	1,350	----do----	----do----
	1,800	(1,440)	360	1,350	----do----	----do----
	2,044	(1,622)	422	1,500	----do----	----do----
	1,800	(1,440)	360	1,400	----do----	----do----
	1,800	(1,440)	360	1,400	----do----	----do----
	1,800	(1,440)	360	1,400	----do----	----do----
	2,000	(1,600)	400	1,500	----do----	----do----
	499,444	(283,328)	216,116	364,030		

37. PROVIDENT FUND RELATED DISCLOSURES

The following information is based on the financial statements of the Fund as of December 31, 2015 and 2014:

	2015 (Un-audited)	2014 (Audited)
	(Rupees in thousand)	
Size of the Fund - Total Assets	**880,302**	1,279,937
Cost of investments made	**600,981**	860,164
Percentage of investments made	**69.48%**	68.13%
Fair value of investments	**611,608**	871,972

The break-up of fair value of investments is:

	2015		2014	
	(Rs in '000)	(Percentage)	(Rs in '000)	(Percentage)
Shares in listed companies	**77,857**	**13%**	121,923	14%
Debt Securities	**533,751**	**87%**	750,049	86%
	611,608	**100%**	871,972	100%

The investments out of provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

38. NUMBER OF EMPLOYEES

The total average number of employees during the year and as at December 31, 2015 and 2014 respectively are as follows:

	2015	2014
	Number of employees	
Number of employees as at December 31	**1,512**	2,521
Average number of employees during the year	**1,706**	2,587

39. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on March 11, 2016 by the Board of Directors of the Company.

40. GENERAL

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

Karachi: March 11, 2016

ALEJANDRO PASCHALIDES
Chief Executive

ANTON STANKOV
Director

Auditors' Report to the Members

We have audited the annexed balance sheet of Laksonpremier Tobacco Company (Private) Limited as at December 31, 2015 and the related profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that-

(a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion-

  (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied; and

  (ii) no business was conducted, no investments were made or expenditure incurred during the year.

  (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, 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, 2015 and its results, its changes in equity and cash flows for the year then ended; and

(d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

A.F. Ferguson & Co.

A.F. FERGUSON & CO.
Chartered Accountants
Audit Engagement Partner: Tahir Sharif

Karachi: March 25, 2016

Balance Sheet

AS AT DECEMBER 31, 2015

	Note	2015	2014
		Rupees	
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.

Karachi: March 21, 2016

ANTON STANKOV
Chief Executive Officer

MUJTABA HUSSAIN
Director

Profit & Loss Account

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015	2014
	Rupees	
Income	-	-
Expenses	-	-
Profit / (loss) before taxation	-	-
Taxation	-	-
Profit / (loss) after taxation	-	-
Other comprehensive income / (loss)	-	-
Total comprehensive income / (loss)	-	-

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

Karachi: March 21, 2016

ANTON STANKOV
Chief Executive Officer

MUJTABA HUSSAIN
Director

Statement Of Changes In Equity

FOR THE YEAR ENDED DECEMBER 31, 2015

	Issued, subscribed & paid-up capital	Accumulated (loss)	Total
	Rupees		
Balance as at January 1, 2014	1,030	(1,030)	-
Total comprehensive income / (loss) for the year ended December 31, 2014	-	-	-
Balance as at December 31, 2014	1,030	(1,030)	-
Total comprehensive income / (loss) for the year ended December 31, 2015	-	-	-
Balance as at December 31, 2015	1,030	(1,030)	-

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

Karachi: March 21, 2016

ANTON STANKOV
Chief Executive Officer

MUJTABA HUSSAIN
Director

Cash Flow Statement

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015	2014
	Rupees	
Cash flow from operating activities	-	-
Cash flow from investing activities	-	-
Cash flow from financing activities	-	-
Net increase / (decrease) 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	-	-

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

Karachi: March 21, 2016

ANTON STANKOV
Chief Executive Officer

MUJTABA HUSSAIN
Director

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 Companies Ordinance, 1984). 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).

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.

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 13, 2015, that all necessary expenditure will continue to be provided by it (i.e. the Holding Company) to ensure the Company's going concern status. 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 requirements of the Companies Ordinance, 1984 (the Ordinance) and the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Ordinance and the requirements of and directives issued under that Ordinance. However, the requirements of and the directives issued under that Ordinance have been followed where those requirements are not consistent with the requirements of the IFRSs as notified under the Ordinance.

3. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2015	2014		2015	2014
Number of shares			Rupees	
		Authorised share capital		
5,000,000	5,000,000	Ordinary shares of Rs 10 each	50,000,000	50,000,000
		Issued, subscribed and paid-up share capital		
103	103	Ordinary shares of Rs 10 each fully paid in cash	1,030	1,030

3.1 All the shares are held by the Holding Company. Out of 103 shares, two shares are in the name of nominee directors.

4. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of the chief executive officer and director of the Company and the Holding Company. The transactions carried out with related parties are as follows:

	2015	2014
	Rupees	
Expenses borne by the Holding Company		
Filing fees for corporate forms	9,100	9,675
Audit fee	100,000	100,000

5. DATE OF AUTHORISATION

These financial statements were authorised for issue on March 21, 2016 by the Board of Directors of the Company.

Karachi: March 21, 2016

ANTON STANKOV
Chief Executive Officer

MUJTABA HUSSAIN
Director

PHILIP MORRIS (PAKISTAN) LIMITED

FORM OF PROXY

I / We ____

of ____

a member of **Philip Morris (Pakistan) Limited (the "Company")**
hereby appoint ____

of ____

or failing him ____

of ____

who is / are also members of the Company 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 19, 2016 and at any adjournment thereof

Signed this____________________ day of ________________ 2016

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.

PHILIP MORRIS (PAKISTAN) LIMITED

فلپ مورس پاکستان لمیٹڈ

فارم برائے نمائندگی

میں/ہم ____

تعلق ____

بطور ممبر فلپ مورس (پاکستان) لمیٹڈ ("مذکورہ کمپنی") تقرری کرتا ہوں / کرتے ہیں ____________________

تعلق ____

یا بصورت دیگر ____

تعلق ____

جو کمپنی کا / کے ممبر بھی ہے / ہیں اور میری / ہماری جانب سے کمپنی کے شراکت داروں کی 19 اپریل 2016 کو منعقد ہونے والی سالانہ جنرل میٹنگ اور اس کے التوا کی صورت میں (بعد میں) میری / ہماری جانب سے ووٹ ڈال سکیں گے۔

دستخط ____________ دن: ____________ تاریخ: ____________ 2016

فولیو نمبر	سی ڈی سی شریک کا شناختی نمبر	سی ڈی سی اکاؤنٹ / سب اکاؤنٹ نمبر	حصص کی تعداد

ریونیو مہر پر دستخط

گواہ نمبر 1		گواہ نمبر 2	
دستخط:	------------------------	دستخط:	------------------------
نام:	------------------------	نام:	------------------------
قومی شناختی کارڈ نمبر:	------------------------	قومی شناختی کارڈ نمبر:	------------------------
پتہ:	------------------------	پتہ:	------------------------

ہدایات:

1. نمائندے کیلئے کمپنی کا ممبر ہونا لازمی ہے۔
2. یہاں کیے جانے والے دستخط کا کمپنی کے ریکارڈز میں موجود دستخط سے مماثلت رکھنا ضروری ہے۔
3. اگر کسی ایسے ممبر کی جانب سے نمائندگی کی اجازت دی گئی ہے جس نے اپنے شیئرز سینٹرل ڈپازٹری کمپنی آف پاکستان میں جمع کروائے ہوں، تو اس صورت میں نمائندے کو شراکت دار کا شناختی نمبر اور سی ڈی سی اکاؤنٹ / سب اکاؤنٹ نمبر کے ساتھ کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ کاپیاں ہمراہ لانا ضروری ہے۔
4. نمائندے کو یہ فارم مکمل پُر کر کے ہمراہ تمام ضروری دستاویزات اجلاس سے کم از کم 48 گھنٹے قبل کمپنی کے شیئرز رجسٹرار کے دفتر میں جمع کرانا ہوں گے۔