PHILIP MORRIS
(PAKISTAN) LIMITED

2018 Annual Report

PHILIP MORRIS (PAKISTAN) LIMITED

Annual Report December 31, 2018

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Corporate Information

BOARD OF DIRECTORS

KAMRAN Y. MIRZA	(Chairman)
JOAO MANUEL	(from September 1, 2018) (Chief Executive)
ALEXANDER REISCH	(until August 31, 2018) (Chief Executive)
MICHAEL SCHARER	(from November 12, 2018)
SHARMEN KARTHIGASU	
MUHAMMAD ZEESHAN	(from February 11, 2019)
ANTON STANKOV	(until February 11, 2019)

EE WON CHEN
LT. GEN. (R) TARIQ KHAN

COMPANY SECRETARY
MUSTAFA KAMAL ZUBERI

AUDIT COMMITTEE

LT. GEN. (R) TARIQ KHAN	(Chairman)
SHARMEN KARTHIGASU	
EE WON CHEN	
MUSTAFA KAMAL ZUBERI	(Secretary)

HUMAN RESOURCE & REMUNERATION COMMITTEE

KAMRAN Y. MIRZA	(Chairman)
JOAO MANUEL	
ALEXANDER REISCH	(Until August 31, 2018)
MICHAEL SCHARER	(from November 12, 2018)
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. G.T ROAD, QUADIRABAD, DISTRICT: SAHIWAL (PUNJAB)
2. LEAF DIVISION COMPLEX, 22ND KM, MARDAN SWABI ROAD, MARDAN (KPK)
3. PLOT NO. 14-17, EXPORT PROCESSING ZONE, WEST SITE TOWN, KARACHI (NON-OPERATIONAL)
4. E/15, S.I.T.E., KOTRI, DISTRICT: DADU (SINDH) (NON-OPERATIONAL)

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

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

Notice of Meeting

NOTICE IS HEREBY GIVEN that the 50th Annual General Meeting of **PHILIP MORRIS (PAKISTAN) LIMITED** will be held on Monday, April 15, 2019 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, 2018 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, 2019.

By Order of the Board

Karachi: Friday, March 22, 2019

MUSTAFA KAMAL ZUBERI
Company Secretary

NOTES:

1. The share transfer books of the Company will remain closed from April 06, 2019 to April 15, 2019 (both days inclusive). Transfer received in order at the Office of the Company's share Registrar, THK Associates (Pvt.) Ltd., 1st Floor, 40-C, Block-6, P.E.C.H.S Karachi - 75400 up to April 05, 2019 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 Listed Companies (Code of Corporate Governance) Regulations, 2017

Philip Morris (Pakistan) Limited Year ended December 31, 2018 (the "Company")

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are Seven (7) as per the following:

   a. Male: Six (6)
   b. Female: One (1)

2. The composition of board is as follows:

Category	Names
Independent Directors	Kamran Y. Mirza, Chairman Lt. Gen. (R) Tariq Khan
Executive Directors	Joao Manuel Muhammad Zeeshan
Non-Executive Directors	Sharmen Kartigasu Ee Won Chen Michael Scharer

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

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

6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. The Board has complied with the requirements pertaining to the Directors' Training program.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. CFO and CEO duly endorsed the financial statements before approval of the board.

12. The board has formed committees comprising of members given below:

a) Audit Committee
- Lt Gen (R) Tariq Khan, Chairman
- Ms. Ee Won Chen
- Mr. Sharmen Karthigasu

b) HR and Remuneration Committee
- Mr. Kamran Y Mirza, Chairman
- Mr. Joao Manuel
- Mr. Michael Scharer

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings of the committee were as follow:

a) Audit Committee - Quarterly
b) HR and Remuneration Committee - Yearly

15. The board has set up an effective internal audit function.

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, 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

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with.

KAMRAN Y. MIRZA
Chairman

Karachi: March 07, 2019

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Philip Morris (Pakistan) Limited (the Company) for the year ended December 31, 2018 in accordance with the requirements of regulation 40 of the Regulations.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Company for the year ended December 31, 2018.

A.F. FERGUSON & CO.
Chartered Accountants

Karachi: March 15, 2019

Review Report by the Chairman on Board's Overall Performance U/S 192 of the Companies Act, 2017 for the Year Ended December 31, 2018:

It gives me great pleasure to present the Annual Report for year ended December 31, 2018 to the shareholders of Philip Morris (Pakistan) Limited ("the Company") and to comment on the overall performance and effectiveness of the Board of Directors ("the Board").

As required under the Code of Corporate Governance, an annual evaluation mechanism was put into place for evaluation of the Board, individual directors and its Committees. This process has been carried out in consort with an independent third party - Pakistan Institute of Corporate Governance. The purpose of this evaluation is to assess the Board's overall performance and effectiveness which is measured and benchmarked against expectations in the context of objectives set for the Company. Areas of improvement are duly considered and action plans accordingly framed.

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

1. Vision, mission and values:

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

2. Engagement in strategic planning:

The Board has a clear understanding of the stakeholders (shareholders, customers, employees, vendors, Society at large, etc.) whom the Company serves. The Board has a strategic vision of how the organization should be evolving.

3. Diligence and Monitoring of Business Activities:

The Board members diligently performed their duties, having reviewed, discussed and approved Business Strategies, Corporate Objectives, plans, budgets, financial statements and other reports. It received clear / concise agendas and supporting written material in sufficient time prior to board and committee meetings. The board met at least once per Quarter to adequately discharge its responsibilities. The Board was periodically updated on various aspects of the Company by the management and other independent consultants (when engaged) to ensure direction and oversight from the board on a timely basis.

4. Diversity and Mix:

The Board members are sufficiently diverse and each member brings a plethora of experience in various fields. The constitution is a mix of independent and non-executive directors. The non-executive and independent directors are equally involved in important board decisions.

5. Governance and Control Environment:

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

KAMRAN Y. MIRZA
Chairman

Karachi: March 07, 2019

FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2018.

PERFORMANCE REVIEW

	Year ended December 31, 2018		Year ended December 31, 2017	
	Rs. million	**%**	**Rs. million**	**%**
Gross Turnover	**36,103**	**100.00**	30,144	100.00
Gross Profit	**6,024**	**16.69**	5,078	16.85
Operating Profit	**640**	**1.77**	565	1.87
Profit before tax	**617**	**1.71**	476	1.58
Profit after tax	**543**	**1.50**	191	0.63

The analysis of key operating results for the year ended December 31, 2018 in comparison with the previous year is as follows:

During 2018, the Company's gross turnover increased by 19.77% compared to 2017, mainly attributable to normalization of trade inventory movements and partial recovery of sales volumes after the introduction of the third excise tax tier in the 2017/18 federal budget. At the same time, management contained inflationary pressures with operational efficiencies and effective cost management. Overall, the Company recorded a Profit after tax of PKR 543 million for the year ended 2018, compared to a Profit after tax of PKR 191 million in 2017.

The introduction of the third excise tier arrested the exponential growth of non-tax paid cigarette segment ("Illicit trade"), providing a more level playing field by narrowing the price gap between tax paid and non-tax paid cigarettes. While the overall cigarette consumption has remained relatively static, there was a gradual shift in volumes from the illicit cigarette segment towards tax paid products. However, the Finance Supplementary bill dated September 18, 2018 imposed ~46% increase in the excise rates for the third excise tier, which led to a tax-driven price increase and has again widened the price gap between the tax paid and non-tax paid cigarettes.

The Company is reporting an earning per share of Rs.1.68 in 2018 due to payment of Final Cash Dividend of Rs.439 million paid to the Preference Shareholders of the Company (see note 29 of the financial statements).

REGULATORY

After 35 months of continuous engagements, the Federal Cabinet of Pakistan approved the decision to implement the recommendation of the Inter-Ministerial Committee (IMC, which was formed in July 2015 to deliberate on the size of new Graphical Health Warning - GHW) during the Cabinet meeting held on November 24, 2017. Subsequently, the Ministry of Health issued a Statutory Regulatory Order (SRO) on December 19, 2017 to increase the Graphical Health Warning from 40% to at least 50% of the pack (front and back) effective from June 1, 2018, and another 10% increase to 60% GHW on both front and back of the cigarette pack effective from June 1, 2019.

OPERATIONAL CAPACITY

In 2018, the company's investment in property, plant and equipment amounted to Rs.1,285 million, mainly on account of strategic and maintenance projects. It also continued to streamline its future footprints by eliminating non-productive and obsolete assets. These investments and initiatives reflect the company's commitment towards a sustainable future.

MATERIAL CHANGES AND COMMITMENTS

Subsequent to the year-end, the Company has announced the decision to reorganize its cigarette manufacturing operations by closing its Kotri factory. The decision has been taken after a comprehensive review of our operations to optimize process efficiencies and operational effectiveness to best position the company for sustainable future growth.

The Company has filed an application with provincial labor department and other relevant regulatory authorities for closure of the factory. The management believes that this decision will not adversely impact the sustainability of the Company's operations.

Other than as noted above, no changes and commitments have occurred which materially affect the financial position of the Company.

CONTRIBUTION TO THE NATIONAL EXCHEQUER

The Company continues to make substantial contribution to the Federal Government's revenues. In 2018, the Company contributed Rs.19.4 billion to the national Exchequer in the form of Federal Excise Duties, Custom Duties, Sales Tax and Income Tax, which represents an increase of 24.36% compared to 2017.

CORPORATE SOCIAL RESPONSIBILITY ("CSR")

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 disaster relief and preparedness. In 2018, the Company continued its collaboration with Philip Morris International Inc. and partner NGOs to achieve significant milestones, with some CSR projects being carried forward to the first quarter of 2019. Brief details about these projects are as follows:

- Women play a pivotal role in the local economy and need to be supported with adequate financial and technical resources. While most women have the business skills and ideas to run small micro-entrepreneurial ventures, they often need skill enhancement in order to enrich their artisanship and stay updated with the market. Philip Morris (Pakistan) Limited has partnered with Kashf Foundation to help 700 female entrepreneurs who are interested in setting up new businesses or expanding already existing ones, and want to augment their skills set through vocational trainings in Kotri, Sahiwal and 2 districts of KPK.

- The Company aims to promote fair and safe labor practices on all farms from where tobacco is sourced. Agricultural Labor Practice is a key component of Company's broader Good Agricultural Practices Program (GAP). Under GAP, the Company has seven focus areas, including the need to curb child labor on tobacco farms. During summer vacations, which is also the time of tobacco harvesting, Idara-e-Taleem-o-Agahi (ITA - a local NGO) organizes summer camps in local government schools. The main purpose of summer camps is to prevent farmers' children from working in the tobacco farms during their summer holidays. In 2017, the Summer School Program was conducted in 21 schools in two districts of Khyber Pakhtunkhwa province (KPK), catering to more than 1700 students. Under this program, fun-based learning activities and Literature Festivals were also held to promote the reading habit among children. Further, school upgradation projects are being undertaken in Kotri, Sahiwal and KPK to uplift their infrastructure and install solar panels.

- Providing basic medical care and health awareness to more than 2000 families through community mobilization by Lady Health Workers, medical camps and health awareness sessions in Kotri, Sahiwal and 2 districts of KPK.

- Reaching out to domestic violence affected female victims by funding reconstructive surgeries for 48 women, along with psycho-social support and vocational trainings for them across Pakistan.

- Enhance the socio-economic inclusion of 300 women with disabilities by forming community-based groups, building capacity of stakeholder groups for advocacy of their rights and sensitizing general community on issues faced by these women.

The Company is committed to continuing with its sustainable charitable programs to benefit local communities and increase employees' engagement in various initiatives in the coming years.

ENVIRONMENT, HEALTH, SAFETY AND SECURITY

The Company is committed to manufacture and deliver high quality tobacco products by adhering to its established and internationally recognized quality, environment, health and safety procedures and standards. Through these procedures, Company seeks to meet the expectations of its adult smokers and retain their loyalty through continuous improvement and excellence in its products.

The Company conducts business with utmost care for the environment and recognizes that the health and safety of its employees is a core principle and value of the business. The policies and practices are in place to prevent occupational injuries, illnesses and foreseeable hazards. All manufacturing sites and the threshing site received a "Very Good" PMI rating (5/6) from Bureau Veritas on integrated management system (IMS) with OHSAS 18001 (health & safety) and the new standard of the ISO 14001 (environment). There's a 100% compliance to all applicable statutory requirements of operations sites. In accordance to the commitment towards sustainable future, the company has also initiated its preparation to be certified from Alliance for water stewardship (AWS) program. The focus shifted from directing to educating and engaging the employees towards addressing their EHS (environment, health and Safety) behaviors. It's the first year in the company's history without any injury to employees or contractors in Sahiwal and Kotri.

INVESTMENT IN HUMAN RESOURCE

To engage employees and enable them to deliver their best through an inclusive environment, the company continually invests in talent through development platforms, comprehensive learning programs, cross-functional exposure and international experiences. The company strives to foster a culture that places people at the core of everything it does, celebrates diversity, is forward looking, and provides equal opportunity to all to help the company achieve its objectives and long-term goals.

CODE OF CORPORATE GOVERNANCE

Directors of the Company are aware of their responsibilities under the Listed Companies (Code of Corporate Governance) Regulations 2017 ("the Code") issued by the Securities & Exchange Commission of Pakistan. Further, the Company has taken all necessary steps to ensure Good Corporate Governance and full compliance of the Code.

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

- The financial statements prepared by the management of the Company represent fairly its state of affairs, the results of its operations, cash flows and changes in its equity;
- Proper books of accounts of the Company have been maintained;
- Appropriate accounting policies have been applied consistently in preparation of the financial statements. Accounting estimates are based on reasonable and prudent judgment;
- Approved accounting standards, as applicable in Pakistan, have been followed in preparation of 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 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, 2018 and for the last six financial years are set out on page 19; 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:

	Rs. Million	
Provident Fund	595	(Financial statements audited as of December 31, 2017)
Gratuity Fund	519	(Financial statements audited as of December 31, 2017)

HOLDING COMPANY

Incorporated in the Netherlands, Philip Morris Investments 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.

EVALUATION OF THE BOARD'S PERFORMANCE

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

DIRECTORS' REMINERATION POLICY

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

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

CHANGES IN THE BOARD OF DIRECTORS

The term of the Board ended on September 26, 2017 and the Election of Directors was held on the same date, re-electing all previous members of the Board. However, in August, 2018, Mr. Alexander Reisch resigned as Chief Executive and Director. Mr. Joao Martins already an elected member of the Board was appointed as Chief Executive in his place in September, 2018. Further, Mr. Michael Scharer joined the Board as non-executive director in November, 2018 to fill the casual vacancy.

Furthermore, Mr. Anton Stankov resigned as Chief Financial Officer and Director and Mr. Muhammad Zeeshan was appointed in his place as Chief Financial Officer and Director in February, 2019.

ELECTION OF DIRECTORS

The Election of Directors was held during the year on September 26, 2017. Subsequently, Company's Audit Committee and Human Resource & Remuneration Committee were reconstituted.

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). The Board consists of 6 Male Directors and 1 Female Director.

During 2018, the Board of Directors (the "Board") held 4 meetings. The attendance of Directors in those meetings is documented and provided here under:

Name of Directors	No. of meetings held in tenure	No. of meetings attended
Kamran Y. Mirza	4	4
Alexander Reisch	3	3
Lt. Gen. (R) Tariq Khan	4	4
Anton Stankov	4	2
Ee Won Chen	4	1
Joao Manuel	4	1
Sharmen Karthigasu	4	1
Michael Scharer	0	0

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

BOARD AUDIT COMMITTEE

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

The Audit Committee comprises of three members, of which one is an independent Director and two are non-executive Directors.

As at year end 2018 the following Directors were acting as members of the Audit Committee;

1. Lt. Gen. (R) Tariq Khan
2. Sharmen Karthigasu
3. Ee Won Chen

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
Lt. Gen. (R) Tariq Khan	4
Ee Won Chen	3
Sharmen Karthigasu	1

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

HUMAN RESOURCE AND REMUNERATION COMMITTEE ("HR&R")

Current HR&R Committee consists of three members, comprising of a non-executive, Independent and executive director.

As at year end 2018 the following Directors were acting as members of the HR&R Committee.

1. Kamran Mirza
2. Joao Manuel
3. Michael Scharer

During 2018, one meeting has been held by the HR&R Committee as required by the Code.

TRAINING OF DIRECTORS

The Board remained fully compliant with the provision of the Code pertaining to Directors training program.

PATTERN OF SHAREHOLDING

The pattern of shareholding of the Company as of December 31, 2018 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, 2019. As recommended by the Audit Committee, 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 2018. Details of those are provided in the Notes to the Financial Statements section 3.4.1.

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 continued to invest in marketing activities to enhance its brand portfolio. The Company launched on the market its international brand Parliament in Q3'18 as a value offering to adult smokers in the mid-tier segment. Furthermore, we expanded the launch geographies for L&M, a world renowned brand and introduced a new pack upgrade for Marlboro.

The company is supporting Government policies and actions to address the issue of smuggled and non-tax paid cigarettes including enhanced enforcement through the Inland Revenue Force of the Federal Board of Revenue ("FBR").

The third excise tax tier provided a wider and more sustainable base for the growth of government revenues which would have otherwise seen a significant decline.

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

ACKNOWLEDGEMENTS

The Directors wish to take this opportunity to thank all the Company's employees for their efforts, dedication, commitment and support in 2018.

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

JOAO MANUEL
Chief Executive

Karachi, March 07, 2019

Pattern of Holding of Shares

AS AT DECEMBER 31, 2018
INCORPORATION NUMBER - 0002832

NUMBER OF SHAREHOLDERS (Ordinary Shareholders)	SHAREHOLDING From	- To	SHARES HELD
886	1	100	18,934
326	101	500	84,269
114	501	1000	80,548
174	1001	5000	338,805
19	5001	10000	131,810
3	10001	15000	32,947
3	15001	20000	48,469
1	25001	30000	28,915
1	45001	50000	46,255
1	630001	635000	633,979
2	12315001	12320000	2,4632,116
1	35500001	35505000	35,503,294

CATEGORIES OF SHAREHOLDERS (Ordinary Shareholders)	SHARES HELD	PERCENTAGE
Directors, Chief Executive Officer and their spouse and minor children	76	0.00%
Associated Companies, undertakings and related parties	60,135,410	97.65%
Nit and ICP	58	0.00%
Banks, Development Financial Institutions, Non-Banking Financial Institutions	3,360	0.06%
Insurance Companies	10,620	0.02%
Modarbas and Mutual funds	680	0.00%
Shareholders holding 5% and above	60,135,410	97.65%
General Public (Local)	702,700	1.14%
Others	59,179	1.10%

Note: some of the shareholders are reflected in more than one category

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

CATEGORIES OF SHAREHOLDERS (Ordinary Shareholders)

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
LT.GEN.(R).TARIQ KHAN	20
MR. ANTON STANKOV	2
MR. ALEXANDER REISCH	1
MR. JOAO MANUEL	1
MR. SHARMEN KARTHIGASU	1
MS. EE WON CHEN	1
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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
CDC-TRUSTEE AKD INDEX TRACKER FUND	680
PAKISTAN REINSURANCE COMPANY LIMITED	10,620
	14,718
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

Pattern of Shareholding - (Preference Shareholder)

DETAILS AS AT DECEMBER 31, 2018

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

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

CATEGORIES OF PREFERENCE SHAREHOLDERS	
ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES	
PHILIP MORRIS INVESTMENTS B.V.	832,097,280
PHILIP MORRIS BRANDS SARL	214,302,720
	1,046,400,000

PATTERN OF HOLDING OF PREFERENCE SHARES AS AT DECEMBER 31, 2018

INCORPORATION NUMBER - 0002832

NUMBER OF PREFERENCE SHAREHOLDERS	PREFERENCE SHAREHOLDING		PREFERENCE SHARES HELD
	FROM	TO	
1	1	250,000,000	214,302,720
1	250,000,001	850,000,000	832,097,280

Financial Highlights for Last Six Years

	Year ended December 31, 2018					
	2018	2017	2016	2015	2014	2013
	(Rupees in thousand)					
Share Capital						
- Ordinary shares	615,803	615,803	615,803	615,803	615,803	615,803
- Preference shares	10,464,000	10,464,000	10,464,000	-	-	-
Transaction cost on issuance of Preference						
- net of tax	(33,911)	(33,911)	(33,911)	-	-	-
Reserves	1,564,754	1,855,384	2,544,144	2,033,524	3,373,047	4,877,776
Share Holders' Equity	**12,610,646**	**12,901,276**	**13,590,036**	**2,649,327**	**3,988,850**	**5,493,579**
Deferred liabilities	-	-	-	-	-	-
TOTAL CAPITAL EMPLOYED	**12,610,646**	**12,901,276**	**13,590,036**	**2,649,327**	**3,988,850**	**5,493,579**
Fixed assets - NET	7,348,030	7,818,958	8,517,170	8,048,391	7,416,512	6,902,926
Long-term investment	1	1	1	1	1	1
Long-term loans, deposits & prepayments	50,545	45,825	39,762	37,452	36,760	41,101
Deferred tax assets	659,761	678,585	761,323	937,354	527,615	379,978
Working capital	4,552,309	4,357,907	4,271,780	(6,373,871)	(3,992,038)	(1,830,427)
TOTAL ASSETS	**12,610,646**	**12,901,276**	**13,590,036**	**2,649,327**	**3,988,850**	**5,493,579**
Turnover	36,102,925	30,143,938	40,343,161	40,157,144	38,045,693	35,984,891
Profit / (Loss) before tax	616,908	476,315	769,888	(1,676,939)	(1,513,269)	(708,860)
Profit / (Loss) after tax & adjustment	543,151	191,008	575,157	(1,315,008)	(1,482,455)	(441,458)
Dividends declared (Cash)	747,390	923,000	-	-	-	-
Bonus shares	-	-	-	-	-	-
	(Rupees)					
(inclusive of Fixed Assets Revaluation)						
Break-up value of shares	204.78	209.50	220.69	43.02	64.77	89.21
Net Earning / (Loss) per Share	1.68	(1.89)	8.79	(21.35)	(24.07)	(7.17)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PHILIP MORRIS (PAKISTAN) LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Philip Morris (Pakistan) Limited (the Company), which comprise the statement of financial position as at December 31, 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2018 and of the profit and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

Following are the Key Audit Matters:

S. No.	Key Audit Matters	How the matter was addressed in our audit
(i)	**First time application of the Fourth Schedule to the Companies Act, 2017** (Refer note 3.4.1 to the annexed financial statements) The fourth schedule to the Companies Act, 2017 became applicable to the Company for the first time for the preparation of annexed financial statements. As part of this transition to the requirements, the management performed a gap analysis to identify differences between the previous and current fourth schedules and as a result certain amendments relating to presentation and disclosures were made in the annexed financial statements. In view of the various additional disclosures prepared and presented in the annexed financial statements due to first time application of the fourth schedule to the Companies Act, 2017, we considered this a key audit matter.	We reviewed and understood the requirements of the fourth schedule to the Companies Act, 2017. Our audit procedures included the following: ● considered the management's process to identify the additional disclosures required in the annexed financial statements; ● obtained relevant underlying supports for the additional disclosures and assessed its appropriateness for sufficient audit evidence; and ● verified, on test basis, supporting evidence for the additional disclosures in accordance with the requirements of the accounting and reporting standards as applicable in Pakistan.
(ii)	**The Company's exposure to the matters relating to the income tax, sales tax and Federal Excise Duty** (Refer notes 20.3 to 20.7 to the annexed financial statements) The Company has certain ongoing litigations in respect of income tax, sales tax and Federal Excise Duty (FED), which are pending adjudication before various taxation authorities and other legal forums. These contingencies require management to make judgements and estimates in relation to the interpretation of laws, statutory rules, regulations and the probability of outcome and financial impact, if any, on the Company for disclosure and recognition and measurement of any provisions that may be required against such contingencies.	Our audit procedures, amongst others, included the following: ● obtained and reviewed details of the pending tax matters and discussed the same with the Company's management; ● obtained confirmations from the Company's external legal and tax counsels for their views on the status of each case and on the open tax assessments of the Company;

S. No.	Key Audit Matters	How the matter was addressed in our audit
	Due to the significance of amounts involved, inherent uncertainty with respect to the outcome of the abovementioned matters, the time period such matters may take to resolve, and use of significant management judgement, we considered the contingencies relating to the income tax, sales tax and Federal Excise Duty matters a key audit matter.	• reviewed correspondence of the Company with the relevant authorities including judgements or orders passed by competent authorities in relation to the issues involved or matters which have similarities with the issues involved; • involved internal tax experts to assess and review management's conclusions on ongoing tax matters; and • reviewed the disclosures made in the annexed financial statements, in accordance with the requirements of the accounting and reporting standards as applicable in Pakistan, in respect of such matters.
(iii)	**Deferred tax asset on account of unutilised tax losses** (Refer note 7 to the annexed financial statements) As at December 31, 2018, included in the balance of deferred tax asset (net) is an amount of Rs 1,043.353 million representing deferred tax asset recognised on account of unutilised tax losses. Recognition of deferred tax asset on account of unutilised tax losses requires management to estimate the Company's future tax liabilities. This process relies on the assessment of the Company's profitability forecast, which in turn is based on assumptions concerning future economic conditions and business performance. As preparing of profitability forecast and assessment of realisability of recognised deferred tax asset requires significant management judgement, we considered this a key audit matter.	Our audit procedures, amongst others, included the following: • obtained understanding of management process of preparation of forecasts of profitability and tax liability and deferred tax calculation; • discussed with the management, reasonableness of the significant underlying assumptions used in preparing the profitability forecast; • checked the appropriateness of tax rates applied in view of the local tax legislation; • checked mathematical accuracy of the calculations; and • reviewed the disclosures made in the annexed financial statements, in accordance with the requirements of the accounting and reporting standards as applicable in Pakistan, in respect of such matters.

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

(a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

(b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

(c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

(d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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

A. F. Ferguson & Co.,
Chartered Accountants
Karachi

Date: March 15, 2019

Statement of Financial Position

AS AT DECEMBER 31, 2018

	Note	2018	2017
		(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Fixed assets			
- Property, plant and equipment	4	**7,323,760**	7,798,935
- Intangibles	5	**24,270**	20,023
		7,348,030	7,818,958
Investment in a subsidiary company	6	**1**	1
Long term deposits		**50,545**	45,825
Deferred taxation	7	**659,761**	678,585
		8,058,337	8,543,369
CURRENT ASSETS			
Stores and spares - net	8	**226,899**	238,690
Stock in trade - net	9	**5,800,812**	6,204,581
Trade debts - net	10	**-**	36,458
Advances	11	**22,288**	35,160
Prepayments		**140,689**	63,715
Other receivables	12	**12,503**	312,729
Income tax - net		**878,983**	614,001
Staff retirement benefits	13	**52,412**	97,048
Cash and bank balances	14	**2,965,229**	256,100
		10,099,815	7,858,482
TOTAL ASSETS		**18,158,152**	16,401,851
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital	15	**12,000,000**	12,000,000
Issued, subscribed and paid-up capital			
- Ordinary shares	15	**615,803**	615,803
- Preference shares	15	**10,464,000**	10,464,000
		11,079,803	11,079,803
Transaction cost on issuance of preference shares - net of tax		**(33,911)**	(33,911)
		11,045,892	11,045,892
Reserves		**1,564,754**	1,855,384
TOTAL EQUITY		**12,610,646**	12,901,276
CURRENT LIABILITIES			
Trade and other payables	18	**4,917,251**	3,144,291
Unclaimed dividend	19	**34,608**	11,582
Accrued mark-up on short term borrowings		**113**	33
Sales tax and excise duty payable		**595,534**	344,669
TOTAL LIABILITIES		**5,547,506**	3,500,575
TOTAL EQUITY AND LIABILITIES		**18,158,152**	16,401,851
CONTINGENCIES AND COMMITMENTS	20		

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

Karachi: March 07, 2019

KAMRAN Y. MIRZA
Chairman

JOAO MANUEL
Chief Executive

MUHAMMAD ZEESHAN
Chief Financial Officer

Statement of Profit or Loss and other Comprehensive Income

FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018	2017
		(Rupees in thousand)	
Turnover - net	21	**16,199,912**	13,966,525
Cost of sales	22	**10,175,924**	8,888,275
Gross profit		**6,023,988**	5,078,250
Distribution and marketing expenses	23	**3,570,578**	2,926,658
Administrative expenses	24	**1,389,471**	1,355,237
Other expenses	25	**686,981**	396,448
Other income	26	**(263,044)**	(165,210)
		5,383,986	4,513,133
Operating profit		**640,002**	565,117
Finance cost and bank charges	27	**23,094**	88,802
Profit before taxation		**616,908**	476,315
Taxation	28	**73,757**	285,307
Profit after taxation		**543,151**	191,008
Other comprehensive income for the year - net of tax			
Item that will not be reclassified to profit or loss			
Remeasurement (expense) / income relating to			
staff retirement benefits	13	**(83,790)**	25,084
- Current tax		**24,299**	(7,525)
Total items that will not be reclassified to profit and loss		**(59,491)**	17,559
Total comprehensive income for the year		**483,660**	208,567
		(Rupees)	
Earnings / (loss) per share - basic (after adjustment of preference dividend)		**1.68**	(1.89)

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

Karachi: March 07, 2019

KAMRAN Y. MIRZA
Chairman

JOAO MANUEL
Chief Executive

MUHAMMAD ZEESHAN
Chief Financial Officer

Statement of Changes in Equity

FOR THE YEAR ENDED DECEMBER 31, 2018

	Issued, subscribed and paid-up capital		Transaction cost on issuance of preference shares - net of tax	Reserve							Total
				Capital Reserves		Subtotal Capital Reserves	Revenue Reserves			Subtotal - Reserves	
	Ordinary shares	Preference shares		Reserve for share based payments	Remeasurement of staff retirement gratuity plan - net of tax		General reserve	Unappropriated loss	Subtotal Revenue Reserves		
	---------- (Rupees in thousand) ----------										
Balance as at January 1, 2017	615,803	10,464,000	(33,911)	6,498	(216,183)	(209,685)	6,347,000	(3,593,171)	2,753,829	2,544,144	13,590,036
Transactions with owners											
- Interim cash dividend for the year ended December 31, 2017	-	-	-	-	-	-	(923,000)	-	(923,000)	(923,000)	(923,000)
- Reversal of unclaimed dividend (note 19)	-	-	-	-	-	-	-	27,217	27,217	27,217	27,217
Share-based payment											
- expense	-	-	-	21,008	-	21,008	-	-	-	21,008	21,008
- recharge	-	-	-	(22,552)	-	(22,552)	-	-	-	(22,552)	(22,552)
(note 3.6.17)	-	-	-	(1,544)	-	(1,544)	(923,000)	27,217	(895,783)	(897,327)	(897,327)
Total comprehensive income											
Profit after taxation for the year ended December 31, 2017	-	-	-	-	-	-	-	191,008	191,008	191,008	191,008
Other comprehensive income for the year	-	-	-	-	17,559	17,559	-	-	-	17,559	17,559
	-	-	-	-	17,559	17,559	-	191,008	191,008	208,567	208,567
Balance as at December 31, 2017	615,803	10,464,000	(33,911)	4,954	(198,624)	(193,670)	5,424,000	(3,374,946)	2,049,054	1,855,384	12,901,276
Transaction with owners											
- Final cash dividend for the year ended December 31, 2017	-	-	-	-	-	-	(747,390)	-	(747,390)	(747,390)	(747,390)
- Reinstatement of unclaimed dividend (note 19)	-	-	-	-	-	-	-	(27,217)	(27,217)	(27,217)	(27,217)
Share-based payment											
- expense	-	-	-	18,403	-	18,403	-	-	-	18,403	18,403
- recharge	-	-	-	(18,086)	-	(18,086)	-	-	-	(18,086)	(18,086)
(note 3.6.17)	-	-	-	317	-	317	(747,390)	(27,217)	(774,607)	(774,290)	(774,290)
Total comprehensive income											
Profit after taxation for the year ended December 31, 2018	-	-	-	-	-	-	-	543,151	543,151	543,151	543,151
Other comprehensive loss for the year	-	-	-	-	(59,491)	(59,491)	-	-	-	(59,491)	(59,491)
	-	-	-	-	(59,491)	(59,491)	-	543,151	543,151	483,660	483,660
Balance as at December 31, 2018	615,803	10,464,000	(33,911)	5,271	(258,115)	(252,844)	4,676,610	(2,859,012)	1,817,598	1,564,754	12,610,646

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

Karachi: March 07, 2019

KAMRAN Y. MIRZA
Chairman

JOAO MANUEL
Chief Executive

MUHAMMAD ZEESHAN
Chief Financial Officer

Statement of Cash Flow

FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018	2017
		(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	33	**4,895,941**	3,320,143
Staff retirement gratuity paid		**(72,347)**	(73,491)
Finance cost paid		**(407)**	(75,492)
Profit received on deposit accounts		**134,984**	15,220
Income taxes paid		**(295,616)**	(245,320)
Long term deposits		**(4,720)**	(6,063)
Net cash generated from operating activities		**4,657,835**	2,934,997
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		**(1,286,242)**	(662,156)
Acquisition of intangibles		**(14,277)**	(4,660)
Proceeds from disposal of items of property, plant and equipment		**103,394**	129,453
Net cash used in investing activities		**(1,197,125)**	(537,363)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		**(751,581)**	(911,420)
Short term loans obtained		**-**	27,097,000
Repayment of short term loans		**-**	(27,096,650)
Net cash used in financing activities		**(751,581)**	(911,070)
Net increase in cash and cash equivalents during the year		**2,709,129**	1,486,564
Cash and cash equivalents at the beginning of the year		**237,239**	(1,249,325)
Cash and cash equivalents at the end of the year	34	**2,946,368**	237,239

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

Karachi: March 07, 2019

KAMRAN Y. MIRZA
Chairman

JOAO MANUEL
Chief Executive

MUHAMMAD ZEESHAN
Chief Financial Officer

1. THE COMPANY AND ITS OPERATIONS

1.1 Philip Morris (Pakistan) Limited (the Company) was incorporated in Pakistan on February 10, 1969 as a public limited company under the Companies Act, 1913 (now the Companies Act, 2017). The Company is listed on the Pakistan Stock Exchange. The principal activity of the Company is the manufacturing and sale of cigarettes and tobacco products.

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

	Bussiness Unit	Loacation / Address
a)	Registerd Office	19th Floor, The Harbour Front, Dolmen City, HC - 3, Block 4, Clifton, Karachi.
b)	Green Leaf Threshing Plant	Leaf Division Complex, 22nd KM, Mardan Swabi Road, Mardan, KPK
c)	Kotri Factory (Non - operational)	E/15, S.I.T.E., Kotri, District Dadu, Sindh
d)	Sahiwal Factory	G.T Road, Qadirabad, District Sahiwal, Punjab
e)	Export Plant (Non - operational)	Plot No. 14-17, Export Processing Zone, West Site Town, Karachi.

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 In view of exemption granted by the Securities & Exchange Commission of Pakistan (the SECP) vide its letter No. EMD/233/619/2002-549 dated March 12, 2018 from the requirement of section 228(7) of the Companies Act, 2017, the consolidated financial statements of the group comprising the Company and its subsidiary, Laksonpremier Tobacco Company (Private) Limited, have not been prepared. The exemption is, however, subject to the condition that any material and relevant details of the aforesaid subsidiary shall be prominently disclosed by the Company.

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

2. SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE

The Company's financial position and performance was particularly affected by the following events and transactions during the reporting period:

a) Increase in profits has resulted in exposure to normal tax regime tax liability during the current year instead of minimum tax liability, which has led to recoupment of minimum taxes carried forward from previous periods. Refer note 27.

b) Devaluation of functional currency against US Dollars has resulted in exchange loss amounting to Rs 315.447 million. Refer note 25.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of measurement

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

3.2 Functional and Presentation Currency

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

3.3 Statement of Compliance

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

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

- Provisions of and directives issued under the Companies Act, 2017.

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

3.4 Change in accounting standards, interpretations and amendments to published approved accounting and reporting standards

3.4.1 New standards, amendments and interpretation to published approved accounting and reporting standards which were effective during the year ended December 31, 2018:

During the year, the Securities and Exchange Commission of Pakistan (the SECP) has adopted IFRS 15 'Revenue from contracts with customers' which shall be effective for periods beginning on or after July 1, 2018. However, the Company has early adopted IFRS 15 as of April 1, 2018 and applied with effect from the current year. The adoption does not impact the accounting policies of the Company nor did it have a material impact to its financial position, results of earnings or cashflows.

The fourth schedule to the Companies Act, 2017 became applicable to the Company for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its fourth schedule) forms an integral part of the statutory financial reporting framework applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. Additional disclosures include but are not limited to, significant transactions and events affecting the Company's financial position or performance (refer note 2), particulars of immovable assets of the Company (refer note 4.1.4), management assessment of sufficiency of tax provision in the financial statements (refer note 28.4), change in threshold for identification of executives (refer note 30), additional disclosure requirements for related parties (refer note 31) etc.

There are certain other amendments and an interpretation to the approved accounting and reporting standards which were mandatory for the Company's annual accounting period which began on January 1, 2018. However, these do not have any significant impact on the Company's financial reporting and, therefore, have not been detailed in these financial statements.

3.4.2 New standards, amendments and interpretations to published approved accounting and reporting standards that are not yet effective

There are certain amendments and interpretations to the approved accounting and reporting standards that will be mandatory for the Company's annual accounting periods beginning on or after January 1, 2019. However, these will not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these financial statements.

Further, the SECP has adopted IFRS 9 'Financial Instruments' (effective for reporting period / year ending on or after June 30, 2019), which will not have a significant impact on the financial position, results of operations or cash flows, and IFRS 16 'Leases' (effective from January 1, 2019), impacts of which shall be accounted from the next financial year. Upon adoption of IFRS 16 w.e.f. January 1, 2019, the Company has recognised lease liabilities and corresponding right-of-use assets (at the present value of future payments) for the leases in place. This resulted in an increase of Rs 300 million (approximately) on its assets and liabilities in its statement of financial position. However, the adoption did not have a significant impact on its profit or loss or statement of cash flows.

Further, IFRS 17 'Insurance contracts' is yet to be adopted by the SECP.

3.5 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, management has made the following estimates and judgments which are significant to these financial statements:

Property, plant and equipment

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

Stock in trade

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

Income taxes

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

Deferred taxes

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

Staff retirement benefits

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

Equity settled share-based payment plans

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

Provisions

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

3.6 Summary of significant accounting policies

3.6.1 Property, plant and equipment

(i) Operating property, plant and equipment

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

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 4.1 below. Depreciation on additions is charged from the month in which the asset is put to use and on disposals up to the month the asset is no longer in use. Assets' residual values and useful lives are annually reviewed, and adjusted, if material.

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

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

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

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

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

(ii) Capital work-in-progress

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

(iii) Major spare parts and stand-by 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 the relevant categories of operating property, plant and equipment as and when these assets are consumed.

3.6.2 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 softwares) includes purchase cost and directly attributable expenses incidental to bring the asset for its intended use.

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

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

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

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

3.6.3 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.

(d) Available for sale

These are those non-derivative financial assets that are designated as available for sale or are not classified as (a) financial assets at fair value through profit or loss, (b) held-to-maturity investments, or (c) loans and receivables.

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 or 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 or 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.

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.

3.6.4 Stores and spares

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

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.

3.6.5 Stock in trade

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

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

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

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

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

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

3.6.7 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 the goods and services.

3.6.8 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 date of statement of financial position and adjusted to reflect the current best estimate.

3.6.9 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.

3.6.10 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.

3.6.11 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 credits available, if any. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from the assessments made / finalised during the year.

(ii) Deferred

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

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

The carrying amount of deferred income tax assets is reviewed at each date of statement of financial position 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 date of statement of financial position and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

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

3.6.12 Cash and cash equivalents

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

3.6.13 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.

3.6.14 Revenue recognition

As stated in note 3.4.2, with effect from April 1, 2018:

- Revenue from sale of goods is recognised when the Company satisfies a performance obligation by transferring promised goods to customer. Goods are transferred when the customer obtains their control (i.e. either upon shipment or delivery of goods to customers). Revenue is recognised at transaction price (either which excludes estimates of variable consideration), which represents the fair value of the consideration received or receivable.

- Profit on bank balances is recognised on a time proportion basis on the principal amount outstanding and at the applicable rate

- Gains / (losses) arising on disposal of investments are recognised on the date when the transaction takes place.

3.6.15 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 are made to this scheme on the basis of actuarial valuation and recommendations. The actuarial valuation is performed 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 made from a trustee - administered fund [Philip Morris (Pakistan) Employees Gratuity Fund Trust].

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

3.6.16 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 perform an actuarial valuation for this liability.

3.6.17 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.

3.6.18 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 date of statement of financial position. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations of monetary assets and liabilities denominated in foreign currencies are charged to income.

3.6.19 Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to income on a straight-line basis over the period of the lease.

3.6.20 Financial assets and liabilities

Financial assets and liabilities carried on the statement of financial position 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.

3.6.21 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.

3.6.22 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.

4. PROPERTY, PLANT AND EQUIPMENT

	Note	2018	2017
		(Rupees in thousand)	
Operating property, plant and equipment	4.1	**6,222,136**	7,260,775
Capital work-in-progress (CWIP)	4.2	**1,100,341**	538,160
Major capital spares and stand-by equipment		**1,283**	-
		7,323,760	7,798,935

Notes to and Forming Part of the Financial Statements (continued)

4.1 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, 2016												
Cost	113,150	2,441	1,651,130	60,190	221,086	7,899,964	326,884	127,651	909,443	1,104,078	587,904	13,003,921
Accumulated depreciation	-	(1,033)	(385,647)	(32,082)	(194,541)	(2,939,024)	(218,886)	(79,403)	(534,318)	(378,036)	(337,888)	(5,100,858)
Accumulated Impairment	-	(29)	(2,001)	-	-	(217,498)	(758)	(700)	-	(24,308)	(508)	(245,802)
Net book value	113,150	1,379	1,263,482	28,108	26,545	4,743,442	107,240	47,548	375,125	701,734	249,508	7,657,261
Year ended December 31, 2017												
Transfers from CWIP see note 4.2.1	-	-	124,551	-	50,632	287,913	46,328	1,734	9,904	135,377	280,740	937,179
Disposals												
Cost	(13,754)	-	(27,455)	-	-	(558)	(6,909)	(2,378)	(38,830)	-	(12,573)	(102,457)
Accumulated depreciation	-	-	7,794	-	-	558	6,815	2,378	28,345	-	12,573	58,463
	(13,754)	-	(19,661)	-	-	-	(94)	-	(10,485)	-	-	(43,994)
Write offs - note 25												
Cost	-	-	(28,874)	-	(2,037)	(99,983)	(222,195)	(6,833)	(599)	(20,033)	(36,712)	(417,266)
Accumulated depreciation	-	-	6,605	-	461	73,177	182,518	4,297	471	12,751	31,110	311,390
	-	-	(22,269)	-	(1,576)	(26,806)	(39,677)	(2,536)	(128)	(7,282)	(5,602)	(105,876)
Impairment - notes 4.1.3 & 25	-	-	(461)	-	-	(57,429)	-	-	-	(25,875)	-	(83,765)
Depreciation charge - note 4.1.1	-	(90)	(37,512)	(1,505)	(61,348)	(560,985)	(53,044)	(22,227)	(128,889)	(71,354)	(163,076)	(1,100,030)
Net book value as at December 31, 2017	99,396	1,289	1,308,130	26,603	14,253	4,386,135	60,753	24,519	245,527	732,600	361,570	7,260,775
Year ended December 31, 2018												
Transfers from CWIP see note 4.2.1	510	-	37,769	1,974	7,924	324,498	14,802	-	216,831	37,055	73,460	714,823
Disposals												
Cost	(15,164)	-	(18,865)	(157)	-	(2,765)	(3,874)	(25)	(109,266)	(21,206)	-	(171,322)
Accumulated depreciation	-	-	6,643	157	-	2,765	3,540	25	91,049	19,712	-	123,891
	(15,164)	-	(12,222)	-	-	-	(334)	-	(18,217)	(1,494)	-	(47,431)
Write-offs - note 25												
Cost	-	-	(11,392)	-	(3,965)	(5,282)	(9,654)	(4,048)	(8,940)	(11,626)	(102,757)	(157,664)
Accumulated depreciation	-	-	3,217	-	3,593	4,422	8,566	3,667	8,940	9,612	101,576	143,593
	-	-	(8,175)	-	(372)	(860)	(1,088)	(381)	-	(2,014)	(1,181)	(14,071)
Impairment - notes 4.1.3 & 25	-	-	(8,651)	-	-	(122,629)	(25)	(126)	-	(193)	-	(131,624)
Depreciation charge - note 4.1.1	-	(81)	(43,119)	(2,065)	(21,182)	(1,055,119)	(28,258)	(15,704)	(101,071)	(105,232)	(188,505)	(1,560,336)
Net book value as at December 31, 2018	84,742	1,208	1,273,732	26,512	623	3,532,025	45,850	8,308	343,070	660,722	245,344	6,222,136
At December 31, 2017												
Cost	99,396	2,441	1,719,352	60,190	269,681	8,087,336	144,108	120,174	879,918	1,219,422	819,359	13,421,377
Accumulated depreciation	-	(1,123)	(408,760)	(33,587)	(255,428)	(3,426,274)	(82,597)	(94,955)	(634,391)	(436,639)	(457,281)	(5,831,035)
Accumulated impairment	-	(29)	(2,462)	-	-	(274,927)	(758)	(700)	-	(50,183)	(508)	(329,567)
Net book value	99,396	1,289	1,308,130	26,603	14,253	4,386,135	60,753	24,519	245,527	732,600	361,570	7,260,775
At December 31, 2018												
Cost	84,742	2,441	1,726,864	62,007	273,640	8,403,787	145,382	116,101	978,543	1,223,645	790,062	13,807,214
Accumulated depreciation	-	(1,204)	(442,019)	(35,495)	(273,017)	(4,474,206)	(98,749)	(106,967)	(635,473)	(512,547)	(544,210)	(7,123,887)
Accumulated impairment	-	(29)	(11,113)	-	-	(397,556)	(783)	(826)	-	(50,376)	(508)	(461,191)
Net book value	84,742	1,208	1,273,732	26,512	623	3,532,025	45,850	8,308	343,070	660,722	245,344	6,222,136
Depreciation rate	-	3.33%	2.50%	3.33%	20% to 33.33%	6.67% to 20%	20%	20%	20%	6.67%	20% to 33.33%	

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

	Note	2018	2017
		(Rupees in thousand)	
Purchases, redrying and related expenses	22.1	**85,524**	66,026
Manufacturing expenses	22.2	**1,186,784**	774,021
Distribution and marketing expenses	23	**208,683**	179,811
Administrative expenses	24	**79,345**	80,172
		1,560,336	1,100,030

4.1.2 Details of items of property, plant and equipment disposed off during the year and having net book value of more than Rs 500,000 either individually or in aggregate are given in note 37.

4.1.3 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 847.105 million (2017: Rs 255.503 million) and Rs 131.624 million (2017: Rs 83.765 million) respectively have been written down to Rs Nil in these financial statements as at December 31, 2018.

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

Business Unit Type	Location	Total Area (Square Yards)
a) Sahiwal Factory	Sahiwal	85,488
b) Kotri Factory and Allied Plots	Kotri	109,336
c) Land in Mardan and GLT	Mardan	90,844
d) Land in Mandra	Mandra	50,789
e) Land in EPZ	EPZA Karachi	7,798
f) Land in Swabi	Swabi	37,355
g) Land in Naushera	Naushera	67,679
h) Land in Gujrat	Gujrat	5,626
i) Land in Sargodha	Sargodha	9,801

4.2 Capital work-in-progress

	2018	2017
	(Rupees in thousand)	
Civil works	**81,015**	14,190
Plant and machinery	**192,625**	163,683
Power and other installations	**568,971**	202,285
Furniture and fixtures	**70,929**	73,385
Computer equipment pending installations	**8,092**	7,137
Advance to suppliers and contractors	**178,709**	77,480
	1,100,341	538,160

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

	2018	2017
	(Rupees in thousand)	
Balance as at beginning of the year	**538,160**	822,576
Additions during the year		
- Civil works	**112,518**	166,487
- Freehold land	**510**	-
- Leasehold land	**1,974**	-
- Plant and machinery	**353,440**	127,212
- Power and other installations	**407,275**	48,079
- Furniture and fixtures	**12,346**	26,622
- Computer equipment pending installations	**78,836**	235,912
- Advance to suppliers and contractors	**318,060**	57,844
	1,284,959	662,156
Transfers to operating property, plant and equipment		
- Buildings on freehold land	**37,769**	124,551
- Freehold land	**510**	-
- Leasehold land	**1,974**	-
- Leasehold improvements	**7,924**	50,632
- Plant and machinery	**324,498**	287,913
- Furniture and fixtures	**14,802**	46,328
- Office equipment	**-**	1,734
- Vehicles	**216,831**	9,904
- Power and other installations	**37,055**	135,377
- Computer equipment	**73,460**	280,740
	714,823	937,179
Items written off during the year		
- Plant and machinery	**-**	-
- Furniture and fixtures	**-**	3,636
- Power and other installations	**3,534**	5,757
- Computer equipment	**4,421**	-
	7,955	9,393
Balance at the end of the year	**1,100,341**	538,160

5. INTANGIBLES

	Note	2018	2017
		(Rupees in thousand)	
Computer software			
At January 1			
Cost		**73,554**	71,741
Accumulated amortisation		**(53,531)**	(41,832)
Net book value		**20,023**	29,909
Year ended December 31			
Additions		**14,277**	4,660
Write offs			
Cost		**-**	(2,847)
Accumulated amortisation		**-**	1,584
		-	(1,263)
Amortisation for the year	5.1	**(10,030)**	(13,283)
Net book value as at December 31		**24,270**	20,023
At December 31			
Cost		**87,831**	73,554
Accumulated amortisation		**(63,561)**	(53,531)
Net book value		**24,270**	20,023

5.1 Amortisation for the year has been allocated to purchases, redrying and related expenses (note 22.1), manufacturing expenses (note 22.2), distribution and marketing expenses (note 23) and administrative expenses (note 24).

6. INVESTMENT IN A SUBSIDIARY COMPANY

This represents the cost of 103 fully paid ordinary shares of Rs 10 each in Laksonpremier Tobacco Company (Private) Limited. Out of the 103 shares, two shares are in the name of the nominees. The statement of profit or loss and other comprehensive income of the subsidiary company for the year ended December 31, 2018 amounted to Rs Nil resulting in an accumulated loss of Rs 1,030 as at that date. The net assets of the subsidiary company as at December 31, 2018 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, 2018.

The audited financial statements of the subsidiary company are available for inspection at the Company's registered office and are available to the members on request without any cost.

The investment in subsidiary has been made in accordance with the requirements of the Companies Act, 2017.

7. DEFERRED TAXATION

	Note	2018	2017
		(Rupees in thousand)	
Deferred tax asset on deductible temporary differences:			
Accrual for employees compensated absences		**2,459**	2,472
Unutilised tax losses	7.3	**1,043,353**	1,336,497
Unutilised tax credits		**14,595**	-
Provision for spares		**26,890**	25,149
Provision for obsolete stocks		**282**	11,400
Provision for doubtful debts		**778**	834
Worker's welfare fund		**11,684**	8,276
		1,100,041	1,384,628
Deferred tax liability on taxable temporary differences:			
Tax depreciation allowance		**(440,280)**	(706,043)
Deferred tax asset		**659,761**	678,585

7.1 The movement in temporary differences is as follows:

	Balance as at January 1, 2017	Recognised in statement of profit or loss	Balance as at December 31, 2017	Recognised in statement of profit or loss	Balance as at December 31, 2018
	---Rupees in '000---				
Deferred tax debits:					
Accrual for employees compensated absences	2,131	341	2,472	(13)	2,459
Unutilised tax losses	1,448,262	(111,765)	1,336,497	(293,144)	1,043,353
Unutilised tax credits	-	-	-	14,595	14,595
Provision for spares	20,513	4,636	25,149	1,741	26,890
Provision for obsolete stocks	15,609	(4,209)	11,400	(11,118)	282
Provision for doubtful debts	809	25	834	(56)	778
Worker's welfare fund	-	8,276	8,276	3,408	11,684
	1,487,324	(102,696)	1,384,628	(284,587)	1,100,041
Deferred tax Credits:					
Tax depreciation allowance	(726,001)	19,958	(706,043)	265,763	(440,280)
	761,323	(82,738)	678,585	(18,824)	659,761

7.2 The applicable income tax rate for the current year was reduced from 30% to 29% through the Finance Act, 2018. Further, income tax rates enacted for the future years ending on December 31, 2019 and thereafter shall reduce by 1% every year.

7.3 The accumulated tax losses of the Company as at December 31, 2018 aggregated Rs 3,726.259 million (2017: Rs 4,454.990 million) in respect of which the Company has recognised deferred tax asset amounting to Rs 1,043.353 million (2017: Rs 1,336.497 million). The existing unutilised tax loss mainly attributable to tax depreciation can be utilised for an indefinite period against future profits. The Company carries out periodic assessment to determine the benefit of the loss 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 and the expected applicable tax rate. 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 projected taxable profits.

8. STORES AND SPARES - net

	Note	2018	2017
		(Rupees in thousand)	
Stores		**5,518**	4,520
Spares	8.4	**317,416**	318,003
		322,934	322,523
Less: Provision for slow moving spares	8.1	**(96,035)**	(83,833)
		226,899	238,690

8.1 Provision for slow moving spares

	Note	2018	2017
Opening balance		**83,833**	70,493
Provision made during the year		**26,295**	15,540
Write off against provision	8.2	**(14,093)**	(2,200)
Closing balance		**96,035**	83,833

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 on the basis of a time based criteria, have been identified as slow moving spares. Further, the Company has written off spares which have been scrapped during the current year due to recent upgradation and optimisation of its manufacturing facilities.

8.3 Items written off directly during the year amounted to Rs nil (2017: Rs 104.860 million).

8.4 This includes spares in transit amounting to Rs 5.382 million (2017: Rs 5.187 million).

9. STOCK IN TRADE - net

	Note	2018	2017
		(Rupees in thousand)	
Raw and packing materials	9.2	**4,610,723**	5,747,841
Work-in-process		**143,281**	107,962
Finished goods		**1,047,815**	386,779
		5,801,819	6,242,582
Less: Provision for obsolete stocks	9.1	**(1,007)**	(38,001)
		5,800,812	6,204,581

9.1 Provision for obsolete stocks

	2018	2017
Opening balance	**38,001**	53,641
Provision made during the year	**6,709**	18,256
Write off against provision	**(43,703)**	(33,896)
Closing balance	**1,007**	38,001

9.2 These include raw and packing materials in transit aggregating Rs 264.292 million (2017: Rs 181.608 million).

10. TRADE DEBTS - net

	Note	2018	2017
		(Rupees in thousand)	
Considered good - unsecured		**-**	36,458
Considered doubtful		**2,780**	2,780
		2,780	39,238
Less: Provision for doubtful debts		**(2,780)**	(2,780)
		-	36,458

11. ADVANCES

	Note	2018	2017
Considered good - unsecured			
Advances to:			
- Employees	11.1	**12,342**	18,547
- Suppliers and contractors		**9,946**	16,613
		22,288	35,160

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

12. OTHER RECEIVABLES

	Note	2018	2017
		(Rupees in thousand)	
Receivable from 'associated undertakings'	12.1	**-**	302,576
Others		**12,503**	10,153
		12,503	312,729

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

	2018	2017
	(Rupees in thousand)	
Philip Morris Products S.A.	-	510
Philip Morris Services S.A.	-	301,329
Philip Morris Services India Sarl	-	737
	-	302,576

12.2 The maximum aggregate balance of receivable due from related parties at the end of any month during the year was Rs 283.934 million (2017: Rs 395.904 million). Further, amounts due from related parties as at December 31, 2018 aggregated Rs Nil (2017: Rs 302.576 million).

13. STAFF RETIREMENT BENEFITS

13.1 Defined benefit plan

As stated in note 3.6.15, the Company operates an approved funded gratuity scheme for all its permanent employees. An actuarial valuation of the scheme is peformed every year with the latest actuarial valuation performed as at December 31, 2018.

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

13.1.1 Net Asset

	Note	2018	2017
		(Rupees in thousand)	
Fair value of plan assets	13.1.5	**589,334**	540,363
Present value of defined benefit obligation	13.1.6	**(536,922)**	(443,315)
		52,412	97,048

13.1.2 Amounts charged to profit or loss:

	Note	2018	2017
Current service cost		**56,600**	64,870
Net interest income		**(14,654)**	(5,395)
Plan curtailments / settlements		**(8,753)**	(26,410)
	13.1.3	**33,193**	33,065

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

	Note	2018	2017
Purchases, redrying and related expenses	22.1	**5,041**	4,665
Manufacturing expenses	22.2	**9,268**	14,005
Distribution and marketing expenses	23	**7,287**	6,271
Administrative expenses	24	**11,597**	8,124
		33,193	33,065

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

	Note	2018	2017
		(Rupees in thousand)	
Balance as at the beginning of the year		**97,048**	31,538
Net charge for the year	13.1.3	**(33,193)**	(33,065)
Contributions		**72,347**	73,491
Net remeasurements for the year		**(83,790)**	25,084
Balance as at the end of the year		**52,412**	97,048

13.1.5 Movement in the fair value of plan assets:

	2018	2017
Opening balance	**540,363**	487,536
Interest income	**60,643**	44,205
Contributions	**72,347**	73,491
Benefits paid	**(50,471)**	(48,785)
Remeasurement loss on plan assets	**(33,548)**	(16,084)
Closing balance	**589,334**	540,363

13.1.6 Movement in the present value of defined benefit obligation:

	2018	2017
Opening balance	**443,315**	455,998
Current service cost	**56,600**	64,870
Interest cost	**45,989**	38,810
Benefits paid	**(50,471)**	(48,785)
Plan curtailments / settlements	**(8,753)**	(26,410)
Remeasurement loss / (gain) on obligation	**50,242**	(41,168)
Closing balance	**536,922**	443,315

13.1.7 Principal actuarial assumptions used are as follows:

	2018	2017
Expected rate of increase in salary level	**11.00%**	10.30%
Valuation discount rate	**11.00%**	11.00%

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

	2018	2017
Debt instruments	**369,862**	439,988
Equity	**42,311**	45,596
Balances with banks	**177,161**	54,779
	589,334	540,363

13.1.9 Actual gain on plan assets during the year ended December 31, 2018 was Rs 27.095 million (2017: Rs 28.121 million).

13.1.10 Expected contribution to defined benefit plan for the year ending December 31, 2019 is Rs 73.063 million (2018: Rs 72.347 million).

13.1.11 Weighted average duration of the defined benefit obligation is 15.5 years.

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

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

		Impact on present value of defined benefit obligation	
	Change in assumptions	**Increase in assumption**	**Decrease in assumption**
	(%)	**(Rupees in thousand)**	
Valuation discount rate	1%	(461,872)	628,441
Expected rate of increase / decrease in salary level	1%	628,040	(460,841)

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

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

Asset volatility

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

Inflation risk

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

Life expectancy / withdrawal rate

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

13.2 Defined contribution plan

	Note	2018	2017
		(Rupees in thousand)	
The charge for the year has been allocated as follows:			
Purchases, redrying and related expenses	22.1	**7,847**	8,764
Manufacturing expenses	22.2	**20,323**	20,860
Distribution and marketing expenses	23	**25,490**	23,437
Administrative expenses	24	**20,480**	20,287
		74,140	73,348

13.3 The investments out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017.

	Note	2018	2017
		(Rupees in thousand)	
14. CASH AND BANK BALANCES			
With banks in current accounts			
- Foreign currency		**238,794**	92,676
- Local currency			
- Current accounts		**238,154**	37,392
- Deposit accounts	14.1 & 14.2	**2,488,046**	125,870
		2,726,200	163,262
		2,964,994	255,938
Cash in hand		**235**	162
		2,965,229	256,100

14.1 Deposit accounts carry markup at fixed rate of 8% (2017: 3.75%) per annum.

14.2 These include amount of Rs 18.861 million (2017: Rs 18.861 million) held by a commercial bank as security against the guarantees (note 20.1) and funded facilities obtained from the bank in the normal course of business.

15. SHARE CAPITAL

15.1 Authorised capital

2018	2017		2018	2017
(Number of shares)			(Rupees in thousand)	
1,200,000,000	1,200,000,000	Shares of Rs 10 each	**12,000,000**	12,000,000

15.2 Issued, subscribed and paid-up capital

15.2.1 Ordinary shares

2018	2017		2018	2017
(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

15.2.2 Preference shares

		Preference shares of Rs 10 each fully paid in cash (notes 15.4 and 15.7)	**10,464,000**	10,464,000
1,046,400,000	1,046,400,000		**11,079,803**	11,079,803

15.3 As at December 31, 2018, the number of ordinary shares of Rs 10 each held by Philip Morris Investments B.V., (the parent company) and Philip Morris Brands S.à.r.l., both subsidiaries of Philip Morris International Inc., were 47,819,356 and 12,316,061 respectively.

15.4 As at December 31, 2018, the preference shares of Rs 10 were held by the parent company and Philip Morris Brands S.à.r.l., in the ratio of 79.52% and 20.48% respectively.

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

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

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

- The shares were issued under the provisions of section 86 of the repealed Companies Ordinance (now section 83 of the Companies Act, 2017) read with section 90 of the repealed Companies Ordinance (now section 58 of the Companies Act, 2017) and the Companies Share Capital (Variation in Rights and Privileges) Rules, 2000 [now Companies (Further Issue of Shares) Regulations, 2018].

- The issue of the shares was duly approved by the members of the Company at the Extra Ordinary General Meeting held on October 28, 2015.

- The requirements of the Companies Act, 2017 takes precedence over the requirements of the IFRSs.

- The preference shareholders have the right to convert these shares into ordinary shares.

16. SHARE-BASED PAYMENT PLAN

Details of equity settled share-based payments under 'Time-vested Share Plan' (note 3.6.17) in relation to the Company are as follows:

16.1 Grant dates

	February 5, 2015, February 4, 2016 & February 2, 2017 & February 8, 2018
Share price at grant date (February 5, 2015)	Rs 8,340 / share (US $ 82.57 / share)
Share price at grant date (February 4, 2016)	Rs 9,311 / share (US $ 89.10 / share)
Share price at grant date (February 2, 2017)	Rs 10,319 / share (US $ 98.84 / share)
Share price at grant date (February 8, 2018)	Rs 11,073 / share (US $ 110.30 / share)
Number of shares outstanding at the end of the year	7,629

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

	Note	2018	2017
		(Number of shares)	
Outstanding as at the beginning of the year		**7,649**	6,969
Granted during the year		**2,750**	2,770
Vested / exercised during the year	16.4	**(1,650)**	(1,810)
Forfeited during the year		**(1,120)**	(280)
Outstanding as at the end of the year		**7,629**	7,649

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

	Note	2018	2017
		(Rupees in thousand)	
Purchase, redrying and related expenses	22.1	**1,935**	1,744
Manufacturing expenses	22.2	**2,597**	3,217
Distribution and marketing expenses	23	**2,464**	3,372
Administrative expenses	24	**11,407**	12,675
		18,403	21,008

16.4 During the year ended December 31, 2018 shares granted on February 5, 2015 were fully vested along with early vesting for certain employees from the respective grant dates.

16.5 An amount of Rs 18.086 million (US$ 162,062) was recharged by Philip Morris International Inc. New York during the year, which was payable as at December 31, 2018 [2017: Rs 22.552 million (US$ 214,782)].

17. SHORT TERM BORROWINGS

17.1 The Company has arranged for running finance to the extent of Rs 7,100 million (2017: Rs 7,100 million) from commercial banks. These facilities are available for various periods expiring between April 30, 2019 to July 22, 2019. The facilities are secured by way of hypothecation of stock in trade of the Company and are carrying markup rates ranging from 9.67 % to 10.65 % (2017: 6.37% to 6.8%) per annum.

The facilities for opening of letters of credits and letters of guarantees included in the aforementioned facilities of Rs 7,100 million as at December 31, 2018 aggregated Rs 1,200 million and Rs 218.90 million respectively of which the cumulative unutilised amount as at December 31, 2018 was Rs 1,227.89 million.

18. TRADE AND OTHER PAYABLES

	Note	2018	2017
		(Rupees in thousand)	
Creditors	18.1 & 18.2	**2,140,855**	1,601,482
Bills payable		**844,122**	376,912
Royalty payable to a related party	18.1 & 18.2	**118,742**	39,080
Accrued expenses		**879,568**	761,089
Tobacco development cess	18.6	**33,550**	36,050
Contractors' retention money		**5,979**	5,979
Advance from customers - unsecured	18.3	**524,675**	36,366
Workers' welfare fund	18.4	**41,726**	27,586
Others		**328,034**	259,747
		4,917,251	3,144,291

18.1 The amount due to group undertakings included in creditors and royalty payable aggregated Rs 495.242 million (2017: Rs 140.424 million).

18.2 These include outstanding balances to the following associated undertakings:

	2018	2017
	(Rupees in thousand)	
Philip Morris Services S.A.	**20,229**	-
Philip Morris International	**-**	3,987
Philip Morris International Management S.A. (Tolling)	**53,800**	23,220
Philip Morris Products S.A.	**4,412**	1,257
Philip Morris Romania S.R.L.	**63,301**	-
Philip Morris Exports Sarl	**-**	4,132
PMFTC Inc.	**392**	-
Philip Morris International Inc.	**-**	16,681
Philip Morris global brands Inc.	**107,151**	32,233
Philip Morris Korea Inc.	**14**	31
Philip Morris Malaysia SDN. BHD	**-**	3,481
PT Philip Morris Indonesia	**182,195**	-
Philip Morris Philippines	**39,074**	47,967
PMI Service Center Europe	**901**	-
Massalin particulares S.R.L.	**1,013**	-
PT. Philip Morris Sampoerna	**12,315**	-
PT Hanjaya Mandala Sampoerna Tbk.	**10,445**	7,435
	495,242	140,424

18.3 These include the advances from the following related parties:

	2018	2017
	(Rupees in thousand)	
Philip Morris International Management S.A. (Tolling)	**31,434**	-
Philip Morris Exports Sarl	**-**	4,132
PMFTC Inc.	**332**	-
Philip Morris Philippines	**595**	482
PT Hanjaya Mandala Sampoerna Tbk.	**813**	79
	33,174	4,693

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

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

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

	2018	2017
	(Rupees in thousand)	
Balance as at the beginning of the year	**-**	-
Provision for the year	**33,052**	27,718
Less: Payments made during the year	**(33,052)**	(27,718)
Balance at the end of the year	**-**	-

18.6 The movement of tobacco development cess is as follows:

	2018	2017
Balance as at the beginning of the year	**36,050**	16,188
Provision for the year	**45,209**	70,517
Less: Payments made during the year	**(47,709)**	(50,655)
Balance at the end of the year	**33,550**	36,050

18.6.1 Effective July 1, 1999, the 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.

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

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

19. UNCLAIMED DIVIDEND

The Board of Directors of the Company in its meeting held on March 10, 2017 had resolved that under article 124 of the Articles of Association of the Company, the unclaimed dividend liability amounting to Rs 27.217 million be forfeited and therefore, the liability was reversed in the prior year financial statements. However during the year, the unclaimed dividend liability initially forfeited was written back in accordance with the letter No. EMD/233/619/2002.196 dated October 15, 2018 of the SECP.

20. CONTINGENCIES AND COMMITMENTS

20.1 Guarantees

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

20.2 Commitments

	2018	2017
	(Rupees in thousand)	
Capital expenditure contracted for but not incurred	**572,399**	547
Post dated cheques	**31,876**	-
Letters of credit	**121,445**	-

20.3 Income tax related matters

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

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

(iii) While reviewing the income tax return of the Company for the tax year 2013, the Additional Commissioner Inland Revenue (ADCIR) through an order dated April 28, 2014 had disallowed certain deductions aggregating Rs 455.747 million having an incremental tax impact of Rs 77.829 million. At present, disallowances aggregating Rs 95.685 million are pending at ADCIR for further consideration, while disallowances amounting to Rs 149.442 million are pending before Appellate Tribunal.

(iv) While reviewing the income tax return of the Company for the tax year 2014, the DCIR through an order dated June 28, 2016 had disallowed certain deductions aggregating Rs 131.086 million having an incremental tax impact of Rs 39.326 million. The Company filed appeals before CIR- Appeals against the said order and hearings have been held and the matter has been reserved for order.

(v) While reviewing the income tax return of the Company for the tax year 2015, the DCIR through an order dated June 27, 2018 had disallowed certain deductions aggregating Rs 154.078 million having an incremental tax impact of Rs 49.305 million. The Company has filed an appeal against the order before CIR – Appeals dated July 6, 2018 on few items which is pending adjudication.

(vi) While reviewing the income tax return of the Company for the tax year 2016, the DCIR through an order dated December 29, 2018 had disallowed certain deductions aggregating Rs 104.122 million having an incremental tax impact of Rs 33.927 million. The Company has filed an appeal against the order before CIR – Appeals dated January 25, 2019 on few items which is pending adjudication.

The management is confident that the aforementioned matters will be eventually decided in the Company's favour and accordingly no provision on account of these matters has been made in these financial statements.

20.4 The Additional Collector of Customs, Sales Tax and Central Excise (Adjudication), Rawalpindi had issued two orders to the Company during calendar year 2003 on account of short payment of Central Excise Duty and Sales

Tax aggregating Rs 7.466 million and Rs 4.021 million respectively along with additional duty and penalty. After the rejection of the Company's appeals before the Federal Excise & Taxation Appellate Tribunal, Islamabad during July 2007, the Company proceeded to file tax references before Lahore High Court, Rawalpindi Bench, the adjudication of which is pending to date.

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

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

The FBR filed two reference applications before the High Court of Sindh during August 2016 (i.e. referred to as 'Reference Applications') against the Tribunal Order, which are pending adjudications. The Company's management believes that the ultimate order in relation to the Reference Applications shall be in the Company's favour as the Demand had also been earlier set aside by the Tribunal Order.

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

On February 8, 2019, the Company has filed appeals against the orders before the Tribunal and has also obtained an automatic stay thereagainst by making payment equal to 15% of the FED demand and 100% of the Sales Tax demand amounting to Rs 241.867 million and Rs 152.561 million respectively.

The management believes that the Company has sufficient documentary evidence to prove that it has discharged payment of all due duties and taxes in a timely manner and as such, ultimate decision in the appeal process will be in its favour. Accordingly, a provision has not been recognised in these financial statements.

20.7 The FBR issued three orders to the Company dated December 8, 2017 alleging non-payment of duty on sale of cigarettes by over declaring closing stock reported in the sales tax returns for the months of June 2016, December 2016 and June 2017. Through these orders, demand of Rs 1,698.154 million was raised for alleged evasion of excise duty. These orders were rectified on December 29, 2017 and the aggregate demand was revised to Rs 19.205 million. On January 12, 2018, the Company has filed appeals against the orders before CIR – Appeals and has also obtained stay thereagainst by making payment equal to 15% of the aforementioned demand amounting to Rs 2.881 million. At present, hearing was held and the matter has been reserved for order.

The management believes that the Company has sufficient documentary evidence to prove that it has discharged payment of all due duties and taxes in a timely manner and as such, ultimate decision in the appeal process will be in its favour. Accordingly, a provision has not been recognised in these financial statements.

21. TURNOVER - net

	Note	2018	2017
		(Rupees in thousand)	
Gross turnover		**36,102,925**	30,143,938
Less: Trade discount		**1,069,978**	933,478
Sales tax		**5,238,653**	4,278,774
Excise duty		**13,594,382**	10,965,161
		19,903,013	16,177,413
		16,199,912	13,966,525

22. COST OF SALES

	Note	2018	2017
Raw and packing materials consumed			
Opening stock		**5,747,841**	6,992,580
Purchases, redrying and related expenses	22.1	**6,967,557**	5,562,926
		12,715,398	12,555,506
Closing stock	9	**(4,610,723)**	(5,747,841)
		8,104,675	6,807,665
Government levies		**87,761**	109,768
Manufacturing expenses	22.2	**2,689,115**	2,135,314
		10,881,551	9,052,747
Work in process			
Opening stock		**107,962**	124,732
Closing stock	9	**(143,281)**	(107,962)
Sale of waste		**(9,272)**	(3,979)
		(44,591)	12,791
Cost of goods manufactured		**10,836,960**	9,065,538
Finished goods			
Opening stock		**386,779**	209,516
Closing stock	9	**(1,047,815)**	(386,779)
		(661,036)	(177,263)
		10,175,924	8,888,275

22.1 Purchases, redrying and related expenses

	Note	2018	2017
		(Rupees in thousand)	
Raw and packing material		**6,166,311**	4,878,678
Salaries, wages and other benefits	13 & 16	**262,433**	265,337
Stores and spares consumed		**60,804**	30,083
Fuel and power		**53,684**	45,893
Rent, rates and taxes		**11,315**	8,428
Freight and stacking		**106,515**	89,765
Postage, telephone and stationery		**10,904**	8,218
Depreciation	4.1.1	**85,524**	66,026
Amortisation	5.1	**974**	49
Repair and maintenance		**37,594**	23,379
Travelling and vehicle expenses		**26,381**	20,575
Professional charges		**1,900**	180
Fumigation and pesticide expenses		**29,750**	32,006
Security charges		**80,048**	83,384
Other expenses		**33,420**	10,925
		801,246	684,248
		6,967,557	5,562,926

22.2 Manufacturing expenses

	Note	2018	2017
Salaries, wages and other benefits	13 & 16	**557,283**	579,443
Stores and spares consumed		**492,685**	378,698
Fuel and power		**214,086**	185,961
Rent, rates and taxes		**2,751**	2,640
Cartage		**47,238**	35,216
Postage, telephone and stationery		**8,484**	10,262
Depreciation	4.1.1	**1,186,784**	774,021
Amortisation	5.1	**621**	1,615
Travelling and vehicle expenses		**96,681**	88,936
Security charges		**41,568**	66,621
Other expenses		**40,934**	11,901
		2,689,115	2,135,314

23. DISTRIBUTION AND MARKETING EXPENSES

	Note	2018	2017
Salaries, allowances and other benefits	13 & 16	**1,017,710**	1,013,621
Selling expenses		**1,672,293**	1,167,250
Freight expense		**210,344**	151,423
Rent, rates and taxes		**56,516**	54,546
Postage, telephone and stationery		**18,906**	22,069
Depreciation	4.1.1	**208,683**	179,811
Amortisation	5.1	**7,008**	4,777
Travelling and vehicle expenses		**139,676**	145,291
Royalty	23.1	**94,649**	61,380
Repair and maintenance		**42,107**	37,465
Security charges		**30,599**	43,504
Other expenses		**72,087**	45,521
		3,570,578	2,926,658

23.1 Details of royalty paid during the year are as follows:

Name of recipient	Relationship with the Company	Registered address	2018	2017
			(Rupees in thousand)	
Philip Morris Products S.A.	Associate	Quai Jeanrenaud 3, 2000, Neuchatle, Switzerland	**2,405**	-
Philip Morris global brands Inc.	Associate	120 Park Ave., 6th Foor, 10017, New York, USA	**92,244**	61,380
			94,649	61,380

24. ADMINISTRATIVE EXPENSES

		2018	2017
Salaries, allowances and other benefits	13 & 16	**671,525**	661,036
Rent, rates and taxes		**200,100**	186,855
Postage, telephone and stationery		**23,953**	21,272
Travelling and vehicle expenses		**112,985**	110,372
Repairs and maintenance		**59,927**	57,963
Legal and professional charges		**108,283**	93,019
Utilities		**18,059**	20,911
Fee and subscription		**13,705**	10,705
Insurance		**39,056**	50,095
Auditors' remuneration	24.1	**11,651**	6,254
Depreciation	4.1.1	**79,345**	80,172
Amortisation	5.1	**1,427**	6,842
Security charges		**43,030**	47,786
Other expenses		**6,425**	1,955
		1,389,471	1,355,237

24.1 Auditors' remuneration

	2018	2017
Audit fee	**2,450**	2,450
Review of half yearly financial statements	**1,055**	1,055
Taxation and other services	**7,514**	2,328
	11,019	5,833
Out of pocket expenses	**632**	421
	11,651	6,254

25. OTHER EXPENSES

		2018	2017
Exchange loss - net	25.1	**315,447**	30,996
Employee separation costs	25.2	**134,048**	79,152
Property, plant and equipment written off	4.1	**14,071**	105,876
Impairment charge on items of property, plant and equipment	4.1.3	**131,624**	83,765
Capital work-in-progress written off	4.2.1	**7,955**	9,393
Workers' welfare fund		**14,140**	11,087
Workers' profit participation fund		**33,052**	27,718
Intangibles written off		**-**	1,263
Miscellaneous expenses		**36,644**	47,198
		686,981	396,448

25.1 This includes net unrealised exchange loss amounting to Rs 260.433 million (2017: Rs 41.551 million) arising from 'trade and other payables'.

25.2 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 continues to reorganise its various functions / operations. This overall reorganisation has resulted in redundancies of permanent employees across different functions.

26. OTHER INCOME

	Note	2018	2017
		(Rupees in thousand)	
Income from financial assets:			
● Profit on deposit accounts		**134,984**	15,220
● Others	26.1	**72,097**	64,531
		207,081	79,751
Income from assets other than financial assets:			
● Profit on disposal of items of property, plant and equipment		**55,963**	85,459
		263,044	165,210

26.1 These mainly include income arising on liabilities written back no longer considered payable and sale of scrap.

27. FINANCE COST AND BANK CHARGES

	Note	2018	2017
		(Rupees in thousand)	
Mark-up on short term borrowings	27.1	**487**	63,076
Exchange gain on foreign currency loan		**-**	(350)
Loss on foreign currency swap derivatives		**-**	5,200
Bank commission and other charges		**22,607**	20,876
		23,094	88,802

27.1 The mark-up on short term borrowings includes mark-up aggregating Rs Nil (2017: Rs 3.197 million) on the loans from an associated undertaking.

28. TAXATION

	Note	2018	2017
		(Rupees in thousand)	
Current - for the year	28.3	**54,680**	130,061
- for prior years		**253**	72,508
		54,933	202,569
Deferred	7.1	**18,824**	82,738
		73,757	285,307

28.1 Relationship between tax expense and accounting profit

	Note	2018	2017
		(Rupees in thousand)	
Accounting profit before tax		**616,908**	476,315
Effective tax rate	28.2	**29%**	30%
Tax on accounting profit		**178,903**	142,895
Tax effect of:			
● effect of change in tax rate		**45,240**	(23,546)
● income assessed under Final Tax Regime		**63,538**	(41,395)
● tax credit for investments u/s 65B of the Income Tax Ordinance, 2001		**(32,450)**	(8,702)
● minimum tax		**(211,332)**	144,942
● super tax		**30,381**	-
● others		**(776)**	(1,395)
		73,504	212,799
Adjustments in respect of current tax of prior periods		**253**	72,508
Tax expense for the year		**73,757**	285,307

28.2 The applicable income tax rate was reduced from 30% to 29% during the year on account of the changes made to Income Tax Ordinance, 2001 via the Finance Act, 2018.

28.3 This represents current tax expense relating to profit or loss. The break-up of tax expense recognised in these financial statements is as follows:

	2018	2017
	(Rupees in thousand)	
Current tax charge / (reversal) recognised in:		
Statement of profit or loss	**54,680**	130,061
Other comprehensive income - remeasurement expense relating to staff retirement benefits	**(24,299)**	7,525

28.4 As per the management's assessment, sufficient tax provision has been made in the Company's financial statements. The comparison of tax provision, as per the financial statements, to the tax assessed for last three years is as follows:

Tax year	Provision for taxation	Tax assessed
	(Rupees in '000)	
2018	137,839	137,839
2017	72,508	30,850
2016	57,351	57,351

		2018	2017
29.	**EARNINGS PER SHARE - BASIC AND DILUTED**	**(Rupees in thousand)**	
29.1	Earnings / (loss) per share - basic		
	Profit for the year after taxation	**543,151**	191,008
	Less: dividend on non-cumulative preference shares paid during the year	**(439,488)**	(307,197)
	Profit / (loss) attributable to ordinary shareholders	**103,663**	(116,189)
		(No. of shares)	
	Weighted average number of ordinary shares	**61,580,341**	61,580,341
		Rupees	
	Earnings / (loss) per share - basic	**1.68**	(1.89)

29.2 The 1,046,400,000 preference shares (note 15) are antidilutive for both the years ended December 31, 2018 and December 31, 2017.

30. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Chief Executive		Executives Directors		Executives		Total	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
	(Rupees in thousand)							
Remuneration	**-**	-	**-**	-	**339,853**	356,777	**339,853**	356,777
House rent	**-**	-	**-**	-	**152,934**	160,550	**152,934**	160,550
Bonus	**-**	-	**-**	-	**110,874**	119,553	**110,874**	119,553
Retirement benefits	**-**	-	**-**	-	**62,861**	62,707	**62,861**	62,707
Utilities	**502**	-	**347**	-	**33,985**	35,678	**34,834**	35,678
Others	**3,215**	2,034	**1,218**	1,293	**37,185**	137,120	**41,618**	140,447
	3,717	2,034	**1,565**	1,293	**737,692**	872,385	**742,974**	875,712
Number of persons	**2**	1	**1**	1	**142**	146	**145**	148

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

30.2 Directors' fee aggregating Rs 3.535 million (2017: Rs 3.319 million) in respect of independent directors and non-executive directors of the Company have been charged during the year.

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

30.4 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 18.403 million (2017: Rs 21.008 million).

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

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

31. RELATED PARTIES DISCLOSURES

Related parties comprise of Philip Morris Investments B.V. (the parent company) and Philip Morris Brands S.à.r.l., related group undertakings, subsidiary company Laksonpremier Tobacco Company (Private) Limited, staff retirement funds and key management personnel. Transactions with related parties, other than remuneration and benefits to key management personnel as disclosed in note 30, are as follows:

	Nature of transactions	**2018**	**2017**
		(Rupees in thousand)	
Associated undertakings	Sale of goods	**1,849,497**	2,365,158
	Sale of plant and machinery	**6,772**	5,855
	Purchase of goods	**256,579**	226,140
	Purchase of plant and machinery	**249,528**	2,290
	Services procured	**54,530**	35,967
	Loans received	**-**	2,097,000
	Loans repaid / adjusted	**-**	2,096,650
	Mark-up on short term borrowings	**-**	3,197
	Royalty charges	**94,649**	61,380
	Share based payment recharge	**18,086**	22,552
Subsidiary	Expenses borne by the Company	**105**	186
Staff retirement plans	Expense in relation to gratuity fund	**116,983**	7,981
	Expense in relation to provident fund	**74,140**	73,348

The related party status of outstanding balances as at December 31, 2018 is included in **notes** 13.1, 18.2 and 18.3. These are to be settled in the ordinary course of business.

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

S. No.	Name of related parties	Basis of relationship	Aggregate share-holding % in the Company
1.	Philip Morris Products S.A. Manufacturing, Switzerland	Group Company	Nil
2.	Philip Morris Management Services SA. , Switzerland	Group Company	Nil
3.	Philip Morris International Managment SA. , Switzerland	Group Company	Nil
4.	Philip Morris International Management S.A. (Tolling), Switzerland	Group Company	Nil
5.	Philip Morris Products S.A., Switzerland	Group Company	Nil
6.	Philip Morris Romania S.R.L., Romania	Group Company	Nil
7.	Philip Morris Exports Sàrl, Switzerland	Group Company	Nil
8.	PMFTC Inc., Philippines	Group Company	Nil
9.	Philip Morris International Inc., United States	Group Company	Nil
10.	Philip Morris Global Brands Inc., United States	Group Company	Nil
11.	Philip Morris Asia Limited, Hong Kong	Group Company	Nil
12.	Philip Morris Korea Inc., Korea	Group Company	Nil
13.	Philip Morris (Malaysia) Sdn. Bhd., Malaysia	Group Company	Nil
14.	PT Philip Morris Indonesia, Indonesia	Group Company	Nil
15.	Philip Morris Philippines Manufacturing Inc., Philippines	Group Company	Nil
16.	PMI Service Center Europe spolka z ograniczona odpowiedzialnoscia, Poland	Group Company	Nil
17.	Massalin Particulares S.R.L., Argentina	Group Company	Nil
18.	Philip Morris Kazakhstan LLP, Kazakhstan	Group Company	Nil
19.	PT Philip Morris Sampoerna International Service Center, Indonesia	Group Company	Nil
20.	PMI ITSC SARL EUR Philip Morris International IT Service Center Sarl, Switzerland	Group Company	Nil
21.	PT Hanjaya Mandala Sampoerna Tbk., Indonesia	Group Company	Nil
22.	Philip Morris Brands Sarl, Switzerland	Group Company	19.999987%
23.	Laksonpremier Tobacco Company (Private) Limited	Subsidiary	Nil
24.	Philip Morris (Pakistan) Limited Employees' Gratuity Fund	Retirement benefit trust	Nil
25.	Philip Morris (Pakistan) Limited Employees' Provident Fund	Retirement benefit trust	Nil
26.	Philip Morris Investments B.V.	Parent company	77.653597%
27.	Mr. Kamran Y. Mirza	Chairman	0.000081%
28.	Mr. Joao Manuel	Chief Executive	0.000002%
29.	Mr. Alexander Reisch	Director	0.000002%
30.	Lt. Gen. (R) Tariq Khan, Esq.	Director	0.000032%
31.	Mr. Anton Stankov	Director	0.000003%
32.	Mr. Sharmen Karthigasu	Director	0.000002%
33.	Ms. EE Won Chen	Director	0.000002%
34.	Ms. Hee Kyung Yun	Director	Nil
35.	Mr. Michael Scharer	Director	Nil

31.2 Following are the details of associated companies, incorporated outside Pakistan, with whom the Company had entered into transactions or had arrangements / agreements in place during the year:

S. No.	Company name	Basis of association
1.	Philip Morris Products S.A. Manufacturing, Switzerland	Group Company
2.	Philip Morris Management Services SA., Switzerland	Group Company
3.	Philip Morris International Managment SA., Switzerland	Group Company
4.	Philip Morris International Management S.A. (Tolling), Switzerland	Group Company
5.	Philip Morris Products S.A., Switzerland	Group Company
6.	Philip Morris Romania S.R.L., Romania	Group Company
7.	Philip Morris Exports Sàrl, Switzerland	Group Company
8.	PMFTC Inc., Philippines	Group Company
9.	Philip Morris International Inc., United States	Group Company
10.	Philip Morris Global Brands Inc., United States	Group Company
11.	Philip Morris Asia Limited, Hong Kong	Group Company
12.	Philip Morris Korea Inc., Korea	Group Company
13.	Philip Morris (Malaysia) Sdn. Bhd., Malaysia	Group Company
14.	PT Philip Morris Indonesia, Indonesia	Group Company
15.	Philip Morris Philippines Manufacturing Inc., Philippines	Group Company
16.	PMI Service Center Europe spolka z ograniczona odpowiedzialnoscia, Poland	Group Company
17.	Massalin Particulares S.R.L., Argentina	Group Company
18.	Philip Morris Kazakhstan LLP, Kazakhstan	Group Company
19.	PT Philip Morris Sampoerna International Service Center, Indonesia	Group Company
20.	PMI ITSC SARL EUR Philip Morris International IT Service Center Sarl, Switzerland	Group Company
21.	Philip Morris Brands Sarl, Switzerland	Group Company
22.	PT Hanjaya Mandala Sampoerna Tbk., Indonesia	Group Company
23.	Philip Morris Investments B.V.	Parent Company

The Company has no shareholding in these entities. Further, the Company has approached the SECP for granting exemption from disclosure requirement of information relating to the registered address, names of Chief Executive Officer or Principal Officer or Authorized Agent, operational status and auditors' opinion on latest financial statements as majority of these entities are not listed entities in the respective jurisdictions and hence the requisite information is not public. The response from SECP in this respect is awaited to date.

32. CAPACITY AND PRODUCTION

Against an installed manufacturing capacity of 37,152 million (2017: 40,262 million) cigarette sticks, the manned manufacturing capacity is 19,162 million cigarette sticks (2017: 17,963 million sticks). Actual production was 14,353 million (2017: 10,634 million) cigarette sticks, which was sufficient to meet the demand.

33. CASH GENERATED FROM OPERATIONS

	Note	2018	2017
		(Rupees in thousand)	
Profit before taxation		**616,908**	476,315
Depreciation	4.1.1	**1,560,336**	1,100,030
Property, plant and equipment written off		**14,071**	105,876
Impairment charge on items of property, plant and equipment		**131,624**	83,765
Capital work-in-progress written off		**7,955**	9,393
Intangibles written off		**-**	1,263
Amortisation		**10,030**	13,283
Provision for slow moving spares		**26,295**	15,540
Provision for obsolete stocks		**6,709**	18,256
Expenses arising from equity-settled share-based payment plan		**18,403**	21,008
Gratuity expense		**33,193**	33,065
Liabilities written back		**(32,775)**	(46,421)
Unrealised exchange loss		**260,433**	41,551
Exchange gain on foreign currency loans		**-**	(350)
Profit on deposit accounts		**(134,984)**	(15,220)
Profit on disposal of items of property, plant and equipment		**(55,963)**	(85,459)
Consumption of capital spares		**-**	7,424
Finance cost		**487**	68,276
Working capital changes	33.1	**2,433,219**	1,472,548
		4,895,941	3,320,143

33.1 Working capital changes

	2018	2017
(Increase) / decrease in current assets		
Stores and spares	**(14,504)**	124,999
Stock in trade	**397,060**	1,050,350
Trade debts	**36,458**	(34,935)
Advances	**12,872**	(1,882)
Prepayments	**(76,974)**	29,113
Other receivables	**300,226**	(102,425)
	655,138	1,065,220
Increase / (decrease) in current liabilities		
Trade and other payables	**1,527,216**	510,468
Sales tax and excise duty payable	**250,865**	(103,140)
	2,433,219	1,472,548

34. CASH AND CASH EQUIVALENTS

	Note	2018	2017
Cash and bank balances	14	**2,965,229**	256,100
Less: Amount held as security	14.2	**(18,861)**	(18,861)
		2,946,368	237,239

35. FINANCIAL RISK MANAGEMENT

35.1 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 instruments which are based on fixed interest rates. As at December 31, 2018, the Company did not have any fixed rate instrument.

- 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, 2018, had there been increase / decrease of 50 basis points in KIBOR with all other variables held constant, profit after taxation for the year then ended would have been lower / higher by Rs Nil (2017: Rs Nil) 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, Euro and UK Pound in the form of other receivables (note 12), bank balances (note 14), trade and other payables (note 18) and accrued markup on short term borrowings.

As at December 31, 2018, had the Company's functional currency strengthened / weakened by 5% against US Dollar, Euro and UK Pound, with all other variables held constant, profit after taxation for the year then ended would have been higher / lower by Rs 25.704 million (2017: Rs 7.213 million) mainly as a result of foreign exchange gains / losses.

(c) Other price risk

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

(ii) Credit risk and its concentration

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted. The Company enters into financial contracts in accordance with the internal risk management policies which mainly include incurring of sales on an advance payment basis and holding of balances with reputable banks of the country. Out of the total financial assets as set out in note 35.3, those that are subject to credit risk aggregated Rs 3,028.042 million as at December 31, 2018 (2017: Rs 650.950 million). The analysis below summarises the credit quality of the Company's financial assets as at December 31, 2018:

- 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 customers on a case to case basis and such limits are regularly monitored, accordingly the credit risk is minimal.

- Amounts aggregating Rs Nil (2017: Rs 302.576 million) are receivable from group companies whereby credit exposure and the corresponding risk associated with recoverability is considered minimal.

- Amounts aggregating Rs Nil (2017: Rs 36.458 million) is receivable from a customer whereby credit exposure and the corresponding risk associated with recoverability is considered minimal.

- The banks with which balances are held carry at least a credit rating of 'A-' which represents high credit quality.

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 date of statement of financial position:

	Note	2018	2017
		(Maturity within one year)	
		(Rupees in thousand)	
Trade and other payables	18	**4,317,300**	3,044,289
Accrued mark-up on short term borrowings		**113**	33
Unclaimed dividend		**34,608**	11,582
		4,352,021	3,055,904

35.2 Fair values of financial assets and liabilities

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

As at December 31, 2018, the carrying values of all financial assets and liabilities, approximate to the fair values due to the fact that most of the financial assets and liabilities are of short term nature.

35.3 Financial instruments by category

	2018	2017
	(Rupees in thousand)	
FINANCIAL ASSETS		
Loans and receivables at amortised cost		
Long term deposits	**50,545**	45,825
Trade debts	**-**	36,458
Other receivables	**12,503**	312,729
Cash and bank balances	**2,965,229**	256,100
	3,028,277	651,112
FINANCIAL LIABILITIES		
At amortised cost		
Trade and other payables	**4,317,300**	3,044,289
Accrued mark-up on short term borrowings	**113**	33
Unclaimed dividend	**34,608**	11,582
	4,352,021	3,055,904

36. 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.

37. DETAILS OF PROPERTY, PLANT AND EQUIPMENT DISPOSED OFF

The following operating property, plant and equipment having net book value of more than Rs 500,000, either individually or in aggregate, were disposed off during the year:

Category	Original cost	Accumulated depreciation	Book value	Disposal proceeds	Gain / (loss)	Mode of disposal	Particulars of buyers	Relationship of buyers with company or director if any
	(Rupees in thousand)							
Freehold land	8,456	-	8,456	36,500	28,044	Negotiated	Mr. Ashfaq Ahmed	Third party
	3,041	-	3,041	1,949	(1,092)	----do----	Syed Salman Ul Aziz, Esq.	Third party
	2,558	-	2,558	2,370	(188)	----do----	Mr. Rahat Jan	Third party
	1,110	-	1,110	3,278	2,168	----do----	Sub Treasury Office Gujar Khan	Third party (Government)
Building on freehold land	1,092	(183)	909	1,012	103	Negotiated	Mr. Rahat Jan	Third party
	7,111	(3,017)	4,094	4,558	464	----do----	Syed Salman Ul Aziz, Esq.	Third party
	1,042	(262)	780	668	(112)	----do----	Syed Salman Ul Aziz, Esq.	Third party
	794	(200)	594	509	(85)	----do----	Syed Salman Ul Aziz, Esq.	Third party
	810	(204)	606	519	(87)	----do----	Syed Salman Ul Aziz, Esq.	Third party
	2,682	(1,199)	1,483	2,485	1,002	----do----	Mr. Rahat Jan	Third party
	1,644	(380)	1,264	958	(306)	----do----	Sub Treasury Office Gujar Khan	Third party (Government)
Power & other installation	2,700	(1,223)	1,477	853	(624)	Negotiated	Ameer Aman & Brothers Engg Works	Third party
Vehicles	1,753	(1,069)	684	1,600	916	Insurance claim	Jubilee General Insurance Co Ltd	Third party
	2,392	(1,882)	510	837	327	Company Policy	Mr. Babar Rauf	Employee of the Company
	2,390	(1,880)	510	837	327	----do----	Mr. Salman Anwer Ali Khan	Employee of the Company
	2,392	(1,850)	542	837	295	----do----	Mr. Muhammad Irshad Khan	Employee of the Company
	2,392	(1,882)	510	837	327	----do----	Mr. Zia Ullah	Employee of the Company
	2,392	(1,882)	510	837	327	----do----	Ms. Faiza Kapadia Raffay	Employee of the Company
	2,392	(1,882)	510	837	327	----do----	Mr. Ali Khurram Pasha	Employee of the Company
	49,143	**(18,995)**	**30,148**	**62,281**	**32,133**			

38. NUMBER OF EMPLOYEES

The total and average number of employees during the year and as at December 31, 2018 and 2017 respectively are as follows:

	2018	2017
	No. of employees	
Total number of factory employees as at December 31	**583**	553
Total number of employees as at December 31	**945**	936
Average number of factory employees during the year	**578**	619
Average number of employees during the year	**949**	1,020

39. SUBSEQUENT EVENT

Subsequent to the year-end, the Company has announced the closure of its manufacturing facility in Kotri. Management believes that this decision will not impact the Company's ability to supply products to the market. Other impacts of this decision are being worked out.

40. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on March 07, 2019 by the Board of Directors of the Company.

41. GENERAL

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

Karachi: March 07, 2019	**KAMRAN Y. MIRZA** Chairman	**JOAO MANUEL** Chief Executive	**MUHAMMAD ZEESHAN** Chief Financial Officer

Independent Auditor's Report to the Members

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Laksonpremier Tobacco Company (Private) Limited (the Company), which comprise the statement of financial position as at December 31, 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the International Financial Reporting Standards and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2018 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Independent Auditor's Report to the Members

Report on Other Legal and Regulatory Requirements

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

(a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

(b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

(c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

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

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

A.F. FERGUSON & CO.
Chartered Accountants

Karachi: March 15, 2019

Statement Of Financial Position

AS AT DECEMBER 31, 2018

	Note	2018	2017
		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: February 27, 2019

MUHAMMAD ZEESHAN
Chief Financial Officer

MUSTAFA KAMAL ZUBERI
Director

Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
	Rupees	
Turnover	-	-
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: February 27, 2019

MUHAMMAD ZEESHAN
Chief Financial Officer

MUSTAFA KAMAL ZUBERI
Director

Statement Of Changes In Equity

FOR THE YEAR ENDED DECEMBER 31, 2018

	Issued, subscribed & paid-up capital	Accumulated (loss)	Total
	Rupees		
Balance as at January 1, 2017	1,030	(1,030)	-
Total comprehensive income / (loss) for the year ended December 31, 2017	-	-	-
Balance as at December 31, 2017	1,030	(1,030)	-
Total comprehensive income / (loss) for the year ended December 31, 2018	-	-	-
Balance as at December 31, 2018	1,030	(1,030)	-

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

Karachi: February 27, 2019

MUHAMMAD ZEESHAN
Chief Financial Officer

MUSTAFA KAMAL ZUBERI
Director

Statement of Cash Flows

FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
	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 period	-	-
Cash and cash equivalents at the end of the period	-	-

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

Karachi: February 27, 2019

MUHAMMAD ZEESHAN
Chief Financial Officer

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

1.2 The Company is a wholly owned subsidiary of Philip Morris (Pakistan) Limited (the Holding Company). Philip Morris International Inc. is the ultimate parent company.

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 January 12, 2018, that the Holding Company intends to continue to provide financial support to the company to enable it to continue as a 'going concern' in the foreseeable future. Accordingly, these financial statements have been prepared on a going concern basis.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

2.1 These financial statements have been prepared under the historical cost convention.

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

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

- Provisions of and directives issued under the Companies Act, 2017.

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

3. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2018	2017		2018	2017
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:

	2018	2017
	Rupees	
Expenses borne by the Holding Company		
- Filing fees for corporate forms	**4,900**	85,525
- Audit fee	**100,000**	100,000

5. DATE OF AUTHORISATION

These financial statements were authorised for issue on February 27, 2019 by the board of directors of the Company.

Karachi: February 27, 2019

MUHAMMAD ZEESHAN
Chief Financial Officer

MUSTAFA KAMAL ZUBERI
Director

ڈائریکٹرز رپورٹ

کمپنی کی انتظامیہ پر اعتماد کرنے کے لیے، بورڈ آف ڈائریکٹرز اپنے تمام کاروباری شراکت داروں، مثلاً تقسیم کنندگان، فراہم کنندگان، حصص یافتگان اور دیگر اداروں کا بھی شکریہ ادا کرتے ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے

کامران یوسف مرزا
چیئرمین

جواؤ مینوئل
چیف ایگزیکٹو

کراچی، 07مارچ، 2019ء

ڈائریکٹرز رپورٹ

شیئر ہولڈنگ کا اسلوب

مؤرخہ 31 دسمبر 2018ء کے مطابق کمپنی کی حصص داری (شیئر ہولڈنگ) کا نمونہ، ضابطوں کے تقاضوں کے مطابق، اس سالانہ رپورٹ میں شامل ہے۔

آڈیٹرز

موجودہ ایکسٹرنل آڈیٹرز، اے ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، آئندہ سالانہ اجلاس عام کے بعد ریٹائر ہو جائیں گے، تاہم، اہلیت کی بناء پر خود کو، 31 دسمبر، 2019ء کو ختم ہونے والے سال کے لیے دوبارہ ایکسٹرنل آڈیٹرز کے طور پر پیش کرتے ہیں۔ آڈٹ کمیٹی کی سفارش کی روشنی میں ارکان سے درخواست ہے کہ وہ ان کی آڈیٹرز کے طور پر دوبارہ تقرری منظور کریں اور ان کے معاوضے کی توثیق کریں۔

اکاؤنٹنگ پالیسیاں

کمپنی نے، سنہ 2018ء کے دوران، نئے اکاؤنٹنگ معیارات، منظور شدہ معیارات میں ترامیم اور تشریحات کا اطلاق کیا۔ اس کی تفصیلات مالی گوشواروں کے نوٹس کے سیکشن 3.4.1 میں فراہم کی گئی ہیں۔

مستقبل کی توقعات

کمپنی فلپ مورس انٹرنیشنل انکارپوریشن کے ساتھ مکمل طور پر الحاق رکھتی ہے اور اس طرح عالمی وسائل اور مہارت سے مسلسل استفادہ کرتی رہے گی، یہ طویل المیعاد پائیداری اور منافع کو بہتر بناتی رہے گی اور جس سے اس کی اثرانگیزی میں اضافہ ہوگا۔

اپنے برانڈ پورٹ فولیو میں اضافے کے لیے کمپنی نے مارکیٹنگ کی سرگرمیوں میں سرمایہ کاری جاری رکھی۔ کمپنی نے، سنہ 2018ء کی تیسری سہ ماہی کے دوران، مارکیٹ میں، اپنا بین الاقوامی برانڈ 'پارلیمنٹ' (Parliament) متعارف کرایا۔ یہ برانڈ بالغ سگریٹ نوشوں کے درمیانے طبقے کے لیے ہے۔ علاوہ ازیں، اپنے عالمی شہرت یافتہ برانڈ L&M کے تعارفی جغرافیہ میں اضافہ کیا اور مارلبورو (Marlboro) کے لیے ایک نیا پیک متعارف کرایا۔

کمپنی، حکومت کی ایسی تمام پالیسیوں اور اقدامات کی حمایت کرتی ہے جن سے اسمگل شدہ اور بنا ٹیکس ادا شدہ سگریٹوں کے مسئلے سے نمٹا جا سکے۔ ان میں فیڈرل بورڈ آف ریونیو (''ایف بی آر'') کی ان لینڈ ریونیو فورس (Inland Revenue Force) کے ذریعے تعمیل میں اضافہ شامل ہے۔ ٹیکس کی تیسری سطح نے، سرکاری محصولات میں اضافے کے لیے ایک وسیع اور زیادہ پائیدار بنیاد فراہم کی ہے جو، بصورت دیگر، تنزلی کا شکار تھی۔

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

اعترافات

اس موقع سے فائدہ اٹھاتے ہوئے، ڈائریکٹرز، سنہ 2018ء کے دوران، کمپنی کے تمام ملازمین کی بھرپور محنت، لگن، جذبے اور تعاون کا شکریہ ادا کرتے ہیں۔

ڈائریکٹرز رپورٹ

بورڈ آڈٹ کمیٹی

آڈٹ کمیٹی کمپنی کے بورڈ کے وضع کردہ حوالہ کی شرائط (terms of reference) کے مطابق کام کرتی ہے جو سیکیوریٹی اینڈ ایکسچینج کمیشن آف پاکستان (Securities and Exchange Commission of Pakistan; ECP) کے جاری کردہ ضابطے میں درج تقاضوں کے مطابق ہیں۔

آڈٹ کمیٹی تین ارکان پر مشتمل ہے جن میں سے ایک (01) انڈیپینڈنٹ ڈائریکٹر اور دو (02) نان-ایگزیکٹو ڈائریکٹرز ہیں۔

سنہ 2018ء کے اختتام تک مندرجہ ذیل ڈائریکٹرز آڈٹ کمیٹی کے ارکان کے طور پر کام کر رہے تھے:

1۔ لیفٹیننٹ جنرل (ریٹائرڈ) طارق خان (Lt.Gen.(R) Tariq Khan)
2۔ شارمن کارتھیگاسو (Sharmen Karthigasu)
3۔ ای وون چین (Ee WonChen)

سال کے دوران آڈٹ کمیٹی کے کل چار اجلاس منعقد ہوئے۔ ان اجلاسوں میں ڈائریکٹرز کی حاضری کا باقاعدہ ریکارڈ رکھا گیا جو ذیل میں فراہم کیا گیا ہے:

ڈائریکٹر کا نام	اجلاسوں میں حاضری کی تعداد
1۔ لیفٹیننٹ جنرل (ر) طارق خان (Lt.Gen.(R) Tariq Khan)	4
2۔ شارمن کارتھیگاسو (Sharmen Karthigasu)	3
3۔ ای وون چین (Ee WonChen)	1

ایسے ڈائریکٹرز جو آڈٹ کمیٹی کے اجلاسوں میں شریک نہیں ہو سکے تھے، ان کے لیے چھٹی کی منظوری دی گئی تھی۔

انسانی وسائل اور معاوضہ کمیٹی ("HR&R")

موجودہ انسانی وسائل اور معاوضہ کمیٹی (Human Resource & Remuneration Committee; "HR&R") تین (03) ارکان پر مشتمل ہے جن میں سے ایک (01) نان-ایگزیکٹو، ایک (01) انڈیپینڈنٹ اور ایک (01) ایگزیکٹو ڈائریکٹر ہے۔

سنہ 2018ء کے اختتام تک مندرجہ ذیل ڈائریکٹرز انسانی وسائل اور مشاہرہ کمیٹی کے ارکان کے طور پر کام کر رہے تھے:

1۔ کامران یوسف مرزا (Kamran Y. Mirza)
2۔ جواؤ مینوئل (Joao Manuel)
3۔ مائیکل شارر (MichaelScharer)

ضابطے کے تقاضے کے مطابق، سنہ 2018ء کے دوران، انسانی وسائل اور مشاہرہ کمیٹی کا ایک (01) اجلاس منعقد ہوا۔

ڈائریکٹرز کی ٹریننگ

ڈائریکٹرز کی ٹریننگ کے پروگرام کے حوالے سے بورڈ ضابطے پر پوری طرح کاربند رہا۔

ڈائریکٹرز رپورٹ

بورڈ آف ڈائریکٹرز میں تبدیلیاں

بورڈ کی مدت 26 ستمبر، 2017ء کو ختم ہوئی اور اسی تاریخ کو الیکشن کا انعقاد ہوا جس کے ذریعے ڈائریکٹرز کا انتخاب ہوا اور بورڈ کے تمام سابق اراکین کو دوبارہ منتخب کر لیا گیا۔ تاہم، اگست، 2018ء میں جناب الیگزینڈر ررائیش (Alexander Reisch) نے بطور چیف ایگزیکٹو اور ڈائریکٹر استعفاد ے دیا۔ جناب جواؤ مارٹنز، جو پہلے ہی بورڈ کے رکن کے طور پر منتخب ہو چکے تھے، انہیں ستمبر، 2018ء میں بطور چیف ایگزیکٹو مقرر کر دیا گیا۔ مزید برآں، نومبر، 2018ء میں، جناب مائیکل شیریر (Michael Scharer) نے نان-ایگزیکٹو ڈائریکٹر کے طور پر بورڈ میں شمولیت اختیار کی۔

علاوہ ازیں، جناب اینٹون اسٹینکوف (Anton Stankov) نے بطور چیف فنانشل آفیسر اور ڈائریکٹر استعفاد ے دیا اور، ان کی جگہ، جناب محمد ذیشان (Muhammad Zeeshan) کو، فروری 2019ء میں، بطور چیف فنانشل آفیسر اور ڈائریکٹر منتخب کیا گیا۔

ڈائریکٹرز کا انتخاب

مؤرخہ 26 ستمبر، 2017ء کو ڈائریکٹرز کا انتخاب ہوا۔ بعدازاں، جس کے نتیجے میں، آڈٹ کمیٹی (Audit Committee) اور انسانی وسائل اور معاوضہ کمیٹی (Human Resource & Remuneration Committee) کی تشکیل نو کی گئی۔

بورڈ آف ڈائریکٹرز کے اجلاس

بورڈ آف ڈائریکٹرز سات (07) ڈائریکٹرز پر مشتمل ہے جن میں سے دو (02) ڈائریکٹرز انڈیپنڈنٹ ڈائریکٹرز، تین (03) نان-ایگزیکٹو ڈائریکٹرز اور دو (02) ایگزیکٹو ڈائریکٹرز ہیں۔ بورڈ میں چھ (06) مرد اور ایک (01) خاتون ڈائریکٹر شامل ہیں۔

سنہ 2018ء کے دوران، بورڈ آف ڈائریکٹرز (''بورڈ'') کے چار (04) اجلاس منعقد ہوئے۔ ان اجلاسوں میں ڈائریکٹرز کی حاضری کا باقاعدہ ریکارڈ رکھا گیا جو مندرجہ ذیل میں فراہم کیا گیا ہے:

ڈائریکٹر کا نام	منعقد ہوئے اجلاسوں کی تعداد	اجلاسوں میں حاضری کی تعداد
کامران یوسف مرزا (Kamran Y. Mirza)	4	4
الیگزینڈر ررائیش (Alexander Reisch)	3	3
لیفٹیننٹ جنرل (ر) طارق خان (Lt.Gen.(R) Tariq Khan)	4	4
اینٹن اسٹینکوف (Anton Stankov)	4	2
ای وون چین (Ee Won Chen)	4	1
جواؤ مینوئل (Joao Manuel)	4	1
مائیکل شاریر (Michael Scharer)	0	0
شارمن کارتھیگاسو (Sharmen Karthigasu)	4	1

ایسے ڈائریکٹرز جو بورڈ کے اجلاسوں میں شریک نہیں ہو سکے تھے، ان کے لیے چھٹی کی منظوری دی گئی۔

ڈائریکٹرز رپورٹ

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

ہم آہنگی کا گوشوارہ
کمپنی ہم آہنگی کا گوشوا(Statement of Compliance) شائع کرنے کی ذمہ دار ہے۔ہم آہنگی کا گوشوارہ اس سالانہ رپورٹ کا حصہ ہے۔

ریٹائرمنٹ فنڈ میں سرمایہ کاری
آڈٹ شدہ مالی گوشواروں کے مطابق، کمپنی کے زیر انتظام ملازمین کی ریٹائرمنٹ فنڈز کی جانب سے کی گئی سرمایہ کاری کی مالیت درج ذیل کے مطابق تھی:

	ملین روپے	
پراویڈنٹ فنڈ	595	(31دسمبر،2017 کے آڈٹ شدہ مالیاتی گوشواروں کے مطابق)
گریجویٹی فنڈ	519	(31دسمبر،2017 کے آڈٹ شدہ مالیاتی گوشواروں کے مطابق)

ہولڈنگ کمپنی
ہالینڈ(Netherlands) میں قائم شدہ فلپ موریس انویسٹمنٹس بی۔وی، ایک ہولڈنگ کمپنی ہے جس کے پاس کمپنی کے77.65 فیصد حصص ہیں۔

فلپ موریس برانڈز ایس اے آر ایل(SARL) ایک ملحق کمپنی ہے جس کے کمپنی میں20 فیصد حصص ہیں۔

بورڈ کی کارکردگی کا جائزہ
بورڈ نے ایک مربوط پالیسی کی منظوری دی ہے اور سالانہ بنیادوں پر بورڈ، انفرادی ڈائریکٹرز اور اس کی کمیٹیوں کی کارکردگی کا جائزہ لینے کے لیے ایک طریقہ کار بھی وضع کیا گیا ہے۔اس جائزے کا مقصد، اس بات کو یقینی بنانا ہے کہ بورڈ کی کارکردگی کا جائزہ مجموعی ادارہ جاتی مقاصد، کمپنی میں نگرانی کے ڈھانچے، قانونی اور انضباطی تعمیل، اثرانگیزی، تعاون اور قدر میں اضافے کے حوالے سے لیا جائے۔

ڈائریکٹرز کے معاوضے کی پالیسی
بورڈ نے ڈائریکٹرز کے معاوضے کی پالیسی کی منظوری دی ہے جو بورڈ اور اس کی کمیٹیوں کے اجلاس میں شرکت کے لیے ڈائریکٹرز کے معاوضے کے تعین کے شفاف طریقہ کار اور مقاصد کی تفصیل بیان کرتی ہے۔دیگر امور کے علاوہ، ڈائریکٹرز کے معاوضے کی پالیسی کی اہم خصوصیات درج ذیل ہیں:

- معاوضے کی سطح کاروبار کی ضرورت، حکمت عملی کی مطابقت اور کمپنی، نیز اس کے حصص یافتگان کے بہترین مفادات کے مطابق ہوگی۔
- کوئی بھی ڈائریکٹر اپنے معاوضے کا تعین خود نہیں کرے گا۔
- معاوضے کی سطح مارکیٹ میں مسابقتی کمپنیوں/صنعت کے مطابق ہوگی۔
- معاوضے کے تعین کے موقع پر صنفی بنیاد پر کوئی امتیاز نہیں برتا جائے گا۔
- کسی بھی معاوضے کی سطح ایسی نہیں ہوگی جس سے ڈائریکٹرز کی خودمختاری پر سمجھوتے کا خدشہ ہو۔
- صرف خودمختار ڈائریکٹرز ہی بورڈ کے اجلاسوں میں شرکت کے لیے معاوضے وصول کریں گے۔
- معاوضے کی مناسب سطح تجویز کرنے کے لیے بورڈ ایک خودمختار کنسلٹنٹ کی خدمات بھی حاصل کرسکتا ہے۔

ڈائریکٹرز رپورٹ

ماحول کے حوالے سے کمپنی انتہائی احتیاط سے کام کرتی ہے اور سمجھتی ہے کہ اس کے ملازمین کی صحت اور تحفظ کاروبار کا ایک بنیادی اصول اور روایت ہے۔ ایسی پالیسیاں اور طریقہ کار موجود ہیں جو پیشہ ورانہ زخموں، بیماریوں اور قابل قیاس خطرات اور اندیشوں سے بچاتی ہیں۔ تمام مینوفیکچرنگ سائٹس اور تھریشنگ سائٹ کو بیورو ویریٹاس کی جانب سے OHSAS 18001 (Health &Safety) اور نئے اسٹینڈرڈ ISO 14001 (Environment) سمیت مربوط انتظامی سسٹم (Integrated Management System) پر پی ایم آئی کی جانب سے (Very Good) کی ریٹنگ (5/6) حاصل کی۔ آپریشنز سائٹس پر تمام قابل اطلاق قانونی تقاضوں کی 100 فیصد تعمیل کی جاتی ہے۔ بہتر مستقبل کے عزم کے ساتھ، کمپنی نے الائنس فار واٹر اسٹیورڈ شپ (Alliance for Water Stewardship; AWS) سے بھی سرٹیفکیشن حاصل کرنے کے لیے بھی تیاریوں کا آغاز کر دیا ہے۔ اب کمپنی کی توجہ ملازمین کی تعلیم اور ان کے ماحول، صحت اور تحفظ کے حوالے سے رویوں کو بہتر بنانے کی جانب مرکوز ہو گئی ہے۔ کمپنی کی تاریخ میں یہ پہلا سال ہے جس میں ساہیوال اور کوٹری میں ملازمین یا ٹھیکیداروں کو کوئی زخم آئے بغیر گزرا ہے۔ اگر چہ آپریشنز کے علاوہ بھی کوششیں جاری ہیں جن میں سڑکوں پر ہونے والے حادثات میں کمی، بہتر آگاہی اور بیرونی ویئر ہاؤسز اور سیلز آفسز کی تیاری کی صورت میں بار آور ثابت ہو رہے ہیں۔

انسانی وسائل میں سرمایہ کاری

ملازمین کی خدمات کے حصول اور شمولیت ماحول کے ذریعے انہیں انجام دہی کے قابل بنانے کے لیے کمپنی، ترقیاتی پلیٹ فارموں، جامع تربیتی پروگراموں، بین الشعبہ جاتی دوروں اور بین الاقوامی تجربات کے ذریعے ٹیلنٹ میں مسلسل سرمایہ کاری کر رہی ہے۔ کمپنی ایک ایسے ماحول کو فروغ دینے کی کوشش کرتی ہے جہاں لوگوں ہر اس کام کے بنیادی عمل میں شریک کرتی ہے جسے وہ انجام دیتے ہیں، تنوع کا جشن مناتی ہے، پیش بین ہے اور ان تمام لوگوں کو مساوی مواقع فراہم کرتی ہے جو کمپنی کو اس کے مقاصد اور طویل المیعاد اہداف کے حصول میں مدد کرتے ہیں۔

ادارہ جاتی انتظام کا ضابطہ

کمپنی کے ڈائریکٹرز سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے جاری کردہ لسٹیڈ کمپنیز (کوڈ آف کارپوریٹ گورنینس) ریگولیشنز 2017ء (''کوڈ'') کے تحت اپنی ذمہ داریوں سے آگاہ ہیں۔ مزید یہ کہ کمپنی نے Listed Companies (Code of Corporate Governance) Regulations, 2017 کو یقینی بنانے اور اس کوڈ کی تعمیل کے لیے تمام ضروری اقدامات کیے ہیں۔

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

- کمپنی کی انتظامیہ کی جانب سے تیار کردہ مالی گوشوارے اس کے معاملات، آپریشنز کے نتائج، نقدی کے بہاؤ اور اس کے حصص میں تبدیلی کی درست عکاسی کرتے ہیں؛
- کمپنی حسابات کی کتب درست انداز میں رکھی گئی ہیں؛
- مالی گوشواروں کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کا اطلاق کیا گیا ہے۔ حسابی تخمینے دانشمندانہ اور محتاط فیصلوں کی بنیاد پر ہیں۔
- مالی گوشواروں کی تیاری میں اکاؤنٹنگ کے منظور شدہ معیارات پر، جیسا کہ پاکستان میں لاگو ہیں، عمل کیا گیا ہے۔
- کمپنی کے اندرونی کنٹرولز کا نظام ڈیزائن کے اعتبار سے مضبوط ہے، جس پر مؤثر انداز میں عمل کیا گیا ہے اور مزید بہتر بنانے کے لیے اس کا مسلسل جائزہ بھی لیا جاتا ہے؛
- ایک جاری کاروباری کی حیثیت سے تسلسل جاری رکھنے کے لیے کمپنی کی اہلیت شک و شبہات سے بالاتر ہے؛
- اداراجاتی نگرانی کے بہترین طریقوں سے کوئی قابل ذکر انحراف نہیں ہوا ہے جس کی ضوابط کی فہرست میں تفصیل موجود ہے؛
- سال کے لیے بنیادی مالیاتی جھلکیوں اور اثاثوں کا اور بمطابق 31 دسمبر 2018ء، کمپنی کے واجبات اور پچھلے 6 مالیاتی سالوں کے لیے اس کا ایک خلاصہ صفحہ نمبر 19 پر ترتیب دیا گیا ہے؛
- ٹیکسوں اور محصولات کے بارے میں معلومات مالی گوشواروں کے متعلق نوٹس میں دی گ ءہے۔

ڈائریکٹرز رپورٹ

- خواتین مقامی معیشت میں اہم کردار ادا کرتی ہیں اور ضرورت اس بات کی ہے کہ انہیں مناسب مالی اعانت اور تیکنکی وسائل فراہم کی جائیں۔ بہت سے خواتین کے پاس چھوٹے کاروبار چلانے کے لیے جہاں مطلوبہ مہارت اور تصورات موجود ہوتے ہیں، وہیں ان کو اکثر اس بات کی ضرورت ہوتی ہے کہ وہ اپنی مہارت میں اضافہ کریں تا کہ اپنی ہنرمندی میں بھی اضافہ کرسکیں اور ان کے پاس مارکیٹ کے بارے میں تازہ ترین معلومات دستیاب ہوں۔ فلپ موریس (پاکستان) لمٹیڈ نے کشف فاونڈیشن کے ساتھ شراکت داری قائم کی ہے تا کہ 700 سے زائد ایسی کاروباری خواتین کو مدد فراہم کی جاسکے جو نیا کاروبار شروع کرنا چاہتی ہیں یا اپنے موجودہ کاروبار کو ترقی دینا چاہتی ہیں اور ساتھ ہی، کوٹری، ساہیوال اور خیبر پختونخوا کے دو اضلاع میں، اپنی ووکیشنل ٹریننگ کے ذریعے مہارت میں اضافہ کرنا چاہتی ہیں۔

- کمپنی، ایسے تمام کھیتوں پر کام کرنے والے مزدوروں کے لیے منصفانہ اور محفوظ طریقوں کو فروغ دینا چاہتی ہے جہاں سے تمبا کو حاصل کیا جاتا ہے۔ اگیریکلچرل لیبر پریکٹس (Agricultural Labor Practice)، کمپنی کے وسیع تر گڈ اگیریکلچرل پریکٹسز پروگرام (Good Agricultural Practices Program; GAP) کا حصہ ہے جس کے ذریعہ کمپنی سات اہم شعبوں پر توجہ دے رہی ہے جن میں تمبا کو کے کھیتوں میں بچوں سے لی جانے والی مزدوری کا خاتمہ شامل ہے۔ موسم گرما کی تعطیلات میں، جو تمبا کو کی کاشت کا وقت بھی ہوتا ہے، ادارہ تعلیم و آگاہی (ایک مقامی غیر سرکاری تنظیم) مقامی سرکاری اسکولوں میں سمر کیمپ منعقد کرتی ہے۔ ان سمر کیمپوں کے انعقاد کا بنیادی مقصد، موسم گرما کی چھٹیوں کے دوران، کاشتکاروں کے بچوں کو تمبا کو کے کھیتوں میں کام کرنے سے بچانا ہے، سنہ 2017ء میں، خیبر پختونخوا کے دو اضلاع میں سمر اسکول پروگرام منعقد کیا گیا جس میں 1700 سے زائد طلباء نے استفادہ کیا۔ اس پروگرام کے تحت، تفریحی تعلیمی سرگرمیوں اور لیٹریچر فیسٹویل بھی منعقد کیے گئے تا کہ بچوں میں کتب بینی کی عادت کو فروغ دیا جاسکے۔ مزید برآں، کوٹری، ساہیوال اور خیبر پختونخوا میں اسکول اپ گریڈیشن پروجیکٹ بھی جاری ہے تا کہ ان کے بنیادی ڈھانچے کو بہتر بنایا جاسکے۔ ان اسکولوں میں شمسی پینل بھی لگائے جائیں گے۔

- کوٹری، ساہیوال اور خیبر پختونخوا کے دو اضلاع میں لیڈی ہیلتھ وزیٹرز، طبی کیمپوں اور صحت کے بارے میں آگاہی کے سیشنوں کے ذریعہ مقامی آبادیوں کو متحرک کیا گیا اور اس طرح 2000 خاندانوں کو بنیادی صحت کی دیکھ بھال اور صحت کے حوالے سے معلومات فراہم کی گئیں۔

- پورے پاکستان میں، گھریلو تشدد سے متاثرہ خواتین کے لیے بحالی کی جراحتوں کے لیے فنڈز فراہم کرنے کے ساتھ انہیں نفسیاتی و سماجی اعانت بھی فراہم کی گئی اور انہیں ووکیشنل تربیت بھی فراہم کی گئی۔

- آبادی کی سطح پر گروپ کی تشکیل، ان کے حقوق کی وکالت، اور ان خواتین کو درپیش مسائل کے بارے میں عوام میں احساس پیدا کرنے کی غرض سے متعلق فریقین کی صلاحیتوں میں اضافے کے ذریعے 300 سے زائد مجبور و معذور خواتین کی سماجی و اقتصادی شمولیت میں اضافہ کیا گیا۔

کمپنی اپنے طویل المیعاد خیراتی پروگراموں کے ذریعے مقامی آبادیوں کے فائدے اور آئندہ برسوں میں، متعدد اقدامات کے ذریعے ملازمین کی شرکت میں اضافہ کرنے کے لیے پرعزم ہے۔

ماحول، صحت، تحفظ اور امن و اطمینان

کمپنی، اپنے معروف اور عالمی سطح پر تسلیم شدہ معیار، ماحول، صحت، تحفظ کے طریقہ کار اور معیارات پر کاربند رہتے ہوئے تمبا کو سے تیار کردہ اعلیٰ معیار کی مصنوعات تیار کرنے اور فراہمی کے لیے پرعزم ہے۔ ان طریقوں کے ذریعے، کمپنی اپنے بالغ صارفین کی توقعات پر پورا اترنے کی کوشش کرتی ہے اور اپنی مصنوعات میں مسلسل بہتری اور مزید عمدگی لاتے ہوئے ان کے اعتماد کو برقرار رکھتی ہے۔

ڈائریکٹرز رپورٹ

انضباط
پینتیس ماہ کی مسلسل جدوجہد کے بعد، وزیراعظم پاکستان نے، کابینہ کے اجلاس منعقدہ 24 نومبر 2017ء میں، بین الوزارتی کمیٹی کی سفارشات پر عمل درآمد کی منظوری دے دی۔ یہ کمیٹی جولائی 2015ء میں قائم کی گئی تھی تاکہ صحت کے بارے میں نئی تصویری تنبیہ (Graphical Health Warning-GHW) ے سائز پر غور وخوض کیا جاسکے۔ نتیجتاً، وزارت صحت نے، مؤرخہ 19 دسمبر، 2017ء کوایک قانونی انضباطی آرڈر (SRO) جاری کیا جس کے تحت صحت کے بارے میں تصویری تنبیہ کے سائز کو، سگریٹ کے پیک کے سامنے اور پیچھے کی جانب 40 فیصد سے بڑھا کر 50 فیصد کردیا گیا جو یکم جون 2018ء سے نافذ العمل ہوا اور مزید 10 فیصد بڑھا کر 60 فیصد GHW، سگریٹ کے سامنے اور پیچھے کی جانب، یکم جون 2019ء سے ہوگا۔

عملی صلاحیت
سنہ 2018ء کے دوران، کمپنی نے جائیداد، پلانٹ اور آلات میں 1,285 ملین روپے کی سرمایہ کاری کی جس کی بنیادی وجہ حکمت عملی اور پروجیکٹس کی دیکھ بھال تھی۔ کمپنی، اپنے غیر پیداواری اور پرانے اثاثوں کے خاتمے کے ذریعے اپنے مستقبل کے فٹ پرنٹس کو ہموار کرتی رہے گی۔ یہ سرمایہ کاری اور اقدامات بہتر اور پائیدار مستقبل کے حوالے سے کمپنی کے عزم کے عکاس ہیں۔

کلیدی تبدیلیاں اور عزائم
سال کے اختتام پر، کمپنی نے کوٹری فیکٹری میں سگریٹ مینوفیکچرنگ آپریشنز کی تنظیم نو کا فیصلہ کیا جس کے نتیجے میں کوٹری فیکٹری کو بند کردیا گیا۔ یہ فیصلہ ہمارے آپریشنز کے جامع جائزے کے بعد کیا گیا تاکہ، مستقبل میں مستحکم ترقی کے لیے، کمپنی کی بہترین پوزیشن کے مطابق، آپریشنز کے مؤثر اثرات یقینی بنائے جاسکیں اور کارکردگی میں اضافہ ہوسکے۔

کمپنی نے صوبائی محکمہ لیبر اور دیگر متعلق انضباطی اتھارٹیز کے پاس فیکٹری کی بندش کے لیے درخواست دائر کردی ہے۔ انتظامیہ کو یقین ہے کہ اس فیصلے سے مارکیٹ میں مصنوعات کی فراہمی کے لیے کمپنی کی صلاحیت پر اثر نہیں پڑے گا۔

مذکورہ بالا کے علاوہ، دیگر کوئی تبدیلیاں یا عزائم میں فرق واقع نہیں ہوا جس کے باعث کمپنی کی پوزیشن حقیقی معنوں میں متاثر ہو۔

قومی خزانے میں حصہ
کمپنی وفاقی حکومت کے محصولات میں اضافے کے لیے نمایاں حصہ لے رہی ہے۔ سنہ 2018ء میں، کمپنی نے فیڈرل ایکسائز ڈیوٹی، کسٹم ڈیوٹیز، سیلز ٹیکس اور انکم ٹیکس کی صورت میں، قومی خزانے کو 19.4 ارب روپے ادا کیے جو سنہ 2017ء کے مقابلے میں 24.36 فیصد زیادہ ہے۔

ادارہ جاتی سماجی ذمہ داری ("CSR")
ترقی پذیر ممالک میں، ہمیشہ سے زیادہ، اس بات کی ضرورت رہی ہے کہ سماجی مسائل سے ممکن حد تک مؤثر اور عمدگی کے ساتھ نمٹنے کے لیے ادارے، ملازمین، آبادیاں اور سرکاری ادارے مل جل کر کام کریں۔

کمپنی ملازمین اور دیگر فریقین کے ساتھ مل کر چار اہم شعبوں یعنی تعلیم، خواتین کو بااختیار بنانے، معاشی مواقع اور قدرتی و ناگہانی آفات میں بحالی اور ان کے لیے تیاری کے کاموں کو بہت اہمیت دیتی ہے۔ سنہ 2018ء میں کمپنی نے فلپ مورس انٹرنیشنل انکارپوریشن اور شریک غیر سرکاری تنظیموں (NGOs) کے ساتھ تعاون جاری رکھا تاکہ اہم سنگ میل عبور کیے جاسکیں جن میں سے کچھ پروجیکٹس پر سنہ 2019ء کی پہلی سہ ماہی میں بھی کام جاری رہے گا۔ ان پروجیکٹس کے بارے میں مختصر معلومات ذیل میں فراہم کی گئی ہیں:

ڈائریکٹرز رپورٹ

برائے سال مختتم 31 دسمبر، 2018ء

مجھے خوشی ہے کہ میں فلپ موریس (پاکستان) لمیٹڈ (''کمپنی'') کے بورڈ آف ڈائریکٹرز کی جانب سے مؤرخہ 31 دسمبر 2018ء کو ختم ہونے والے سال کے لیے کمپنی کے آڈٹ شدہ مالیاتی گوشواروں کے ہمراہ ڈائریکٹرز رپورٹ پیش کر رہا ہوں۔

کارکردگی کا جائزہ

مؤرخہ 31 دسمبر 2018ء کو ختم ہونے والے سال کے لیے اہم آپریٹنگ نتائج کا تجزیہ درج ذیل ہے۔ موازنے کے لیے گزشتہ سال کے نتائج بھی دیئے گئے ہیں:

	برائے سال مختتم 31 دسمبر، 2018		برائے سال مختتم 31 دسمبر، 2017	
	ملین روپے	%	ملین روپے	%
مجموعی کاروبار	36,103	100.00	30,144	100.00
مجموعی منافع	6,024	16.69	5,078	16.85
آپریٹنگ منافع	640	1.77	565	1.87
منافع قبل از ٹیکس	617	1.71	476	1.58
منافع بعد از ٹیکس	543	1.50	191	0.63

سال 2018ء کے دوران کمپنی کے مجموعی کاروبار میں، گزشتہ سال کے مقابلے میں، 19.77 فیصد کا اضافہ ہوا جس کی بنیادی وجہ تجارتی انونٹری کی حرکت کا معمول میں آنا اور 18-2017ء میں وفاقی بجٹ میں ایکسائز ٹیکس کی تیسری سطح متعارف کرانے کے بعد فروخت کے حجم میں جزوی بحالی ہے۔ اسی کے ساتھ، انتظامیہ نے عملی کارکردگی اور اخراجات کے مؤثر انتظام کے ذریعہ افراطِ زر کے دباؤ کو قابو میں رکھا۔ مجموعی طور پر کمپنی نے مورخہ 31 دسمبر 2018ء کو ختم ہونے والے سال کے لیے 543 ملین روپے کا بعد از ٹیکس منافع ظاہر کیا جب کہ پچھلے سال سنہ 2017ء میں 191 ملین روپے کا بعد از ٹیکس منافع حاصل ہوا تھا۔

ایکسائز ٹیکس کی تیسری سطح متعارف ہونے کے بعد بنا ٹیکس ادا شدہ سگریٹوں کی تیاری (''غیر قانونی تجارت'') کے شعبے میں غیر معمولی اضافہ رک گیا جس سے ٹیکس ادا شدہ سگریٹوں اور بنا ٹیکس ادا شدہ سگریٹوں کی قیمتوں میں فرق میں کم ہونے سے برابری کے مقابلے کی فضا پیدا ہوگئی۔ اگرچہ سگریٹوں کا استعمال نسبتاً ساکت رہا، لیکن غیر قانونی سگریٹوں کے استعمال کے مقابلے میں ٹیکس ادا شدہ مصنوعات کے استعمال میں بتدریج تبدیلی واقع ہوئی۔ تاہم، مؤرخہ 18 ستمبر 2018ء کو پیش کیے گئے ضمنی مالیاتی بجٹ میں ایکسائز ٹیکس کی تیسری سطح میں کم و بیش 46~ فیصد تک اضافہ کر دیا گیا جس سے ٹیکس کے بعد قیمت میں اضافہ ہوگیا اور اس طرح ٹیکس ادا شدہ اور بنا ٹیکس ادا شدہ سگریٹوں کی قیمتوں کے درمیان فرق ایک مرتبہ پھر بڑھ گیا۔

کمپنی کے ترجیحی حصص یافتگان کو 439 ملین روپے کی ادائیگی کے بعد کمپنی، سنہ 2018ء کے لیے 1.68 روپے فی حصص آمدنی رپورٹ کر رہی ہے (دیکھیے مالی گوشواروں کا نوٹ نمبر 29)۔

4۔ تنوع اور آمیزش:

بورڈ ارکان مناسب حد تک تنوع رکھتے ہیں اور ہر رکن متعدد شعبوں میں وسیع تجربہ رکھتا ہے۔ بورڈ کی تشکیل میں انڈیپنڈنٹ اور نان-ایگزیکٹو ڈائریکٹرز کی آمیزش پائی جاتی ہے۔

5۔ نگرانی اور کنٹرول کا ماحول:

بورڈ نے نگرانی کا ایک شفاف، پیش قدم اور مضبوط نظام مؤثر انداز میں قائم کیا ہے۔ مزید برآں، بورڈ نے کنٹرول کا مؤثر ماحول، مقامی اور عالمی بہترین طریقوں پر عمل درآمد اور پوری کمپنی میں اخلاقی / منصفانہ رویہ کو فروغ دیا ہے۔

کامران یوسف مرزا
چیئرمین

کراچی، 07 مارچ، 2019ء

کمپنیز ایکٹ، 2017ء کی شق 192 کے تحت، 31 دسمبر، 2018ء کو ختم ہونے والے سال کے لیے بورڈ کی مجموعی کارکردگی کے بارے میں چیئرمین کی جانب سے جائزہ رپورٹ

مجھے خوشی ہے کہ میں فلپ موریس (پاکستان) لمٹیڈ (''کمپنی'') کے شیئر ہولڈرز کے سامنے، سال مختتم 31 دسمبر 2018ء کے لیے سالانہ رپورٹ مع مجموعی کارکردگی اور بورڈ آف ڈائریکٹرز (''بورڈ'') کے ہونے پر تبصرہ پیش کر رہا ہوں۔

ضابطہ ادارہ جاتی نگرانی (Code of Corporate Governance) کے تقاضے کے مطابق، بورڈ کی کارکردگی، اس کی کمیٹیوں کی کارکردگی اور ڈائریکٹرز کی انفرادی کارکردگی کی سالانہ جانچ کے لیے ایک طریقہ کار تشکیل دیا گیا تھا۔ یہ عمل ایک خودمختار تیسرے فریق۔ پاکستان انسٹی ٹیوٹ آف کارپوریٹ گورنینس (Pakistan Institute of Corporate Governance) کی رفاقت میں انجام دیا گیا تھا۔ اس جانچ کا مقصد بورڈ کی مجموعی کارکردگی اور مؤثر ہونے کا جائزہ لینا ہے جس کی پیمائش کمپنی کے اہداف کے تناظر میں موجود توقعات سے کی جاتی ہے اور بینچ مارک کیا جاتا ہے۔ ایسے شعبے جن میں بہتری کی گنجائش موجود ہو ان پر خصوصی توجہ دی جاتی ہے اس کے مطابق ایکشن پلان ترتیب دیئے جاتے ہیں۔

بورڈ کے چیئرمین کی حیثیت سے، میں اس بات کی تصدیق کرتا ہوں کہ کمپنی کی کارکردگی بہتر بنانے کی غرض سے ڈائریکٹرز کی حوصلہ افزائی کی جاتی ہے کہ وہ بھی حکمت عملی سے تعلق رکھنے والے مسائل پر اپنی رائے دیں۔

1۔ تصور، نصب العین اور اقدار:

بورڈ کے ارکان موجودہ تصور (Vision)، نصب العین (Mission) اور اقدار (Values) سے واقف ہیں۔ بورڈ، وقتاً فوقتاً، تصور اور نصب العین کے بیان پر نظر ثانی کرتا رہتا ہے۔

2۔ حکمت عملی پر مبنی منصوبہ بندی:

بورڈ اُن (شیئر ہولڈرز، گاہکوں، ملازمین، فروشندگان، اور بڑی حد تک معاشرہ) کا، جن کی وہ خدمت کرتا ہے، ادراک رکھتا ہے۔

3۔ کاروباری سرگرمیوں کی تندہی سے نگرانی:

بورڈ کے ارکان نے تندہی کے ساتھ اپنے فرائض انجام دیئے، کاروبار سے تعلق رکھنے والی حکمت عملیوں، ادارہ جاتی اہداف، منصوبوں، بجٹ، مالی گوشواروں اور دیگر رپورٹوں کا جائزہ لیا، بحث کی اور منظوری دی۔ بورڈ اور اس کی کمیٹیوں کے اجلاسوں سے قبل انہیں واضح / جامع ایجنڈے اور اعانتی تحریری مواد فراہم کیا گیا۔ اپنی ذمہ داریاں انجام دینے کے لیے بورڈ نے، ہر سہ ماہی میں، کم از کم ایک اجلاس منعقد کیا۔ انتظامیہ اور دیگر آزاد کنسلٹنٹس کی جانب سے (جہاں کہیں ان کی خدمات حاصل کی گئیں) بورڈ کو کمپنی کے مختلف پہلوؤں کے بارے میں تازہ ترین معلومات فراہم کی گئیں تاکہ بورڈ کی جانب سے برقت نگرانی اور سمت کا تعین یقینی بنایا جاسکے۔

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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 15, 2019 and at any adjournment thereof.

Signed this__________________ day of _______________ 2019

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 15 اپریل 2019 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: ____________________ 2019

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

ریوینیو 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 ریکارڈ 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 سنٹرل 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 فوٹو 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۔

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

www.philipmorrispakistan.com.pk