PHILIP MORRIS
(PAKISTAN) LIMITED

QUARTERLY REPORT

For the third quarter ended September 30, 2013
(Un-audited)

QUARTERLY REPORT

For the third quarter ended September 30, 2013
(Un-audited)

CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS

ARPAD KONYE	(Chairman & Chief Executive)
NICOLAS FLOROS	
ANDREAS FRANZ KURALI	
JOSEPH ZIOMEK	
CHARLES BENDOTTI	
MUJTABA HUSSAIN	
ASMER NAIM	

COMPANY SECRETARY
MUJTABA HUSSAIN

AUDIT COMMITTEE

ANDREAS FRANZ KURALI	(Chairman)
CHARLES BENDOTTI	
MUJTABA HUSSAIN	
ASMER NAIM	

HUMAN RESOURCE AND REMUNERATION COMMITTEE

CHARLES BENDOTTI	(Chairman)
ARPAD KONYE	
ANDREAS FRANZ KURALI	
DION LESWARA	(Secretary)

AUDITORS
A.F. FERGUSON & CO.
Chartered Accountants

REGISTERED OFFICE
19TH FLOOR, THE HARBOUR FRONT, DOLMEN CITY
HC-3, BLOCK-4, CLIFTON, KARACHI-75600

FACTORIES

1. PLOT NO 20, SECTOR NO. 17
   KORANGI INDUSTRIAL AREA, KARACHI (Closed)

2. PLOT NO. 14-17, EXPORT
   PROCESSING ZONE, KARACHI.

3. E/15, S.I.T.E., KOTRI
   DISTT. DADU (SINDH)

4. QUADIRABAD
   DISTT. SAHIWAL

5. VILLAGE: MANDRA
   TEH : GUJJAR KHAN
   DISTT. RAWALPINDI

6. ISMAILA
   DISTT. SWABI

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

DIRECTORS' REVIEW

The Directors are pleased to report on the Company's performance for the nine month period ended September 30, 2013.

During the period, the Company's gross turnover increased by 2.7% compared to the same period in 2012. Distribution, marketing and administrative expenses increased by 10.1% versus 2012.

The Company recorded a loss before taxation of Rs. 505.2 million for the nine months compared to loss before taxation of Rs. 209.6 million in the same period last year. The non-tax paid tobacco industry continues to adversely impact the Company's profitability. The non-tax paid tobacco brands are increasingly damaging the Company, and the legitimate industry as a whole, as excise tax-driven price increases in 2013 provided the non-tax paid products with an incentive to flourish.

During the period, the Company's contribution to the National Exchequer, in the form of excise tax, sales tax and other government levies, was Rs. 17,877 million, as compared to Rs. 16,875 million in 2012. The strength and growth of the non-tax paid industry negatively affect the government's revenues. We actively support all efforts by the government to enforce regulation to stop illicit trade and establish a level playing field for the legitimate tobacco industry for the benefit of the National Exchequer.

The management team continues to be committed to improving the overall performance of the Company by utilizing global resources, pursuing initiatives such as new strategic marketing activities, improvements in product quality, technological advances by investment in operational capabilities and by developing its human resources. Growing volume and controlling the cost base remain key objectives for improving the Company's profitability.

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

On behalf of the Board of Directors,

ARPAD KONYE
Chairman & Chief Executive

Dated: October 25, 2013

CONDENSED INTERIM BALANCE SHEET (Un-audited-Note 2.2)

AS AT SEPTEMBER 30, 2013

	Note	September 30, 2013 (Un-audited)	December 31, 2012 (Audited)
		(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
FIXED ASSETS			
Property, plant and equipment	5	**6,499,021**	5,352,956
Intangible		**27,209**	33,146
		6,526,230	5,386,102
Investment in a subsidiary company	6	**1**	1
Long term deposits and prepayments		**35,957**	41,347
Deferred taxation		**160,006**	6,887
		6,722,194	5,434,337
CURRENT ASSETS			
Stores and spares - net	7	**579,664**	523,667
Stock in trade - net	8	**8,205,213**	6,841,159
Trade debts - net		**31,824**	195,376
Loans and advances		**60,650**	75,970
Prepayments		**231,789**	172,205
Other receivables		**4,346**	54,356
Income tax - net		**568,647**	441,844
Cash and bank balances		**9,480**	17,373
		9,691,613	8,321,950
		16,413,807	13,756,287
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital		**1,000,000**	1,000,000
Issued, subscribed and paid-up capital		**615,803**	615,803
Reserves		**6,347,868**	6,371,900
Unappropriated loss		**(1,491,359)**	(1,034,618)
		5,472,312	5,953,085
CURRENT LIABILITIES			
Short term borrowings		**8,502,852**	4,923,921
Trade and other payables	9	**2,160,361**	2,090,449
Accrued mark-up on short term borrowings		**61,964**	70,231
Sales tax and excise duty payable		**216,318**	718,601
		10,941,495	7,803,202
		16,413,807	13,756,287
CONTINGENCIES AND COMMITMENTS	10		

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

ARPAD KONYE
Chairman & Chief Executive

JOSEPH ZIOMEK
Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (Un-audited-Note 2.2)

FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2013

	Note	Quarter ended		Nine months period ended	
		September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
		(Rupees in thousand)			
Gross turnover		**5,115,433**	7,854,817	**27,307,404**	26,579,497
Less: Sales tax		**741,717**	1,123,274	**3,846,778**	3,754,279
Excise duty		**2,368,400**	3,774,443	**12,811,719**	12,651,429
		3,110,117	4,897,717	**16,658,497**	16,405,708
Turnover - net of sales tax and excise duty		**2,005,316**	2,957,100	**10,648,907**	10,173,789
Cost of sales	11	**1,495,496**	2,120,021	**7,784,016**	7,365,578
Gross profit		**509,820**	837,079	**2,864,891**	2,808,211
Distribution and marketing expenses		**706,744**	637,978	**2,193,777**	1,908,448
Administrative expenses		**295,380**	292,073	**853,309**	857,929
		1,002,124	930,051	**3,047,086**	2,766,377
Operating (loss) / profit		**(492,304)**	(92,972)	**(182,195)**	41,834
Other expenses		**85,632**	14,641	**212,170**	94,616
		(577,936)	(107,613)	**(394,365)**	(52,782)
Other income		**5,674**	37,338	**115,986**	70,224
		(572,262)	(70,275)	**(278,379)**	17,442
Finance cost		**95,350**	82,146	**226,845**	226,998
Loss before taxation		**(667,612)**	(152,421)	**(505,224)**	(209,556)
Taxation	12	**(122,918)**	(74,432)	**(48,483)**	53,415
Loss after taxation		**(544,694)**	(77,989)	**(456,741)**	(262,971)
		------------- (Rupees) -------------			
Loss per share - basic	13	**(8.85)**	(1.27)	**(7.42)**	(4.27)

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

ARPAD KONYE
Chairman & Chief Executive

JOSEPH ZIOMEK
Director

CONDENSED INTERIM CASH FLOW STATEMENT (Un-audited-Note 2.2)

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2013

	Note	Nine months period ended September 30, 2013	Nine months period ended September 30, 2012
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	15	**(1,492,144)**	(335,308)
Finance cost paid		**(235,112)**	(244,609)
Income taxes paid		**(231,439)**	(41,957)
Long term loans		**-**	17
Long term deposits and prepayments		**5,390**	32
Net cash used in operating activities		**(1,953,305)**	(621,825)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		**(1,561,337)**	(1,316,739)
Proceeds from disposal of items of property, plant and equipment		**60,088**	21,036
Income received from short term deposits		**940**	2,495
Net cash used in investing activities		**(1,500,309)**	(1,293,208)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		**(13)**	(139)
Net cash used in financing activities		**(13)**	(139)
Net decrease in cash and cash equivalent during the period		**(3,453,627)**	(1,915,172)
Cash and cash equivalents at the beginning of the period		**(4,906,548)**	(2,782,082)
Unrealised exchange loss on loan from an associated undertaking		**(133,197)**	-
Cash and cash equivalents at the end of the period	16	**(8,493,372)**	(4,697,254)

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

ARPAD KONYE
Chairman & Chief Executive

JOSEPH ZIOMEK
Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Un-audited-Note 2.2)

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2013

	Issued, subscribed and paid-up capital	----------------Revenue reserves--------------			Reserve for share based payments	Total
		Unappro-priated (Loss)	General reserve	Sub-total		
	------------------------- (Rupees in thousand) -------------------------					
Balance as at January 1, 2012	615,803	(451,863)	6,347,000	5,895,137	52,238	6,563,178
Transactions with owners						
Share based payments						
- expense	-	-	-	-	15,113	15,113
- recharge by the ultimate parent	-	-	-	-	(40,887)	(40,887)
	-	-	-	-	(25,774)	(25,774)
Total comprehensive income						
Loss after taxation for the nine months period ended September 30, 2012	-	(262,971)	-	(262,971)	-	(262,971)
	-	(262,971)	-	(262,971)	-	(262,971)
Balance as at September 30, 2012	615,803	(714,834)	6,347,000	5,632,166	26,464	6,274,433
Balance as at January 1, 2013	615,803	(1,034,618)	6,347,000	5,312,382	24,900	5,953,085
Transactions with owners						
Share based payments						
- expense	-	-	-	-	5,021	5,021
- recharge by the ultimate parent	-	-	-	-	(29,053)	(29,053)
	-	-	-	-	(24,032)	(24,032)
Total comprehensive income						
Loss after taxation for the nine months period ended September 30, 2013	-	(456,741)	-	(456,741)	-	(456,741)
	-	(456,741)	-	(456,741)	-	(456,741)
Balance as at September 30, 2013	615,803	(1,491,359)	6,347,000	4,855,641	868	5,472,312

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

ARPAD KONYE
Chairman & Chief Executive

JOSEPH ZIOMEK
Director

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2013

1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan on February 10, 1969 as a public limited company under the Companies Act, 1913 (now Companies Ordinance, 1984) and its shares are quoted on the Karachi and Lahore Stock Exchanges. The principal activity of the Company is 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.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 These condensed interim financial statements of the Company for the nine month period ended September 30, 2013 have been prepared in accordance with the requirements of the International Accounting Standard 34, 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In cases where requirements differ, the provisions of or directives issued under the Ordinance have been followed.These interim financial statements should be read in conjunction with the financial statements for the year ended December 31, 2012 as they provide an update of previously reported information.

2.2 The consolidated financial statements of the group comprising the Company and its subsidiary, LaksonPremier Tobacco Company (Private) Limited, have not been prepared due to the exemption granted by the Securities & Exchange Commission of Pakistan (the SECP) vide its letter No. EMD/233/619/02 dated August 15, 2013 from the requirement of Section 237 of the Companies Ordinance, 1984 (the Ordinance). The exemption is, however, subject to the condition that any material and relevant details of the aforesaid subsidiary shall be prominently disclosed by the Company.

2.3 The comparative balance sheet presented in these condensed interim financial statements as at December 31, 2012 has been extracted from the audited financial statements of the Company for the year then ended (December 2012 financial statements). The comparative profit and loss account, statement of changes in equity and cash flow statement for the nine months period ended September 30, 2012 have been extracted from the condensed interim financial statements of the Company for the nine months period then ended. The comparative profit and loss account for the quarter ended September 30, 2012 is also included in these condensed interim financial statements.

2.4 New standards, amendments to approved accounting standards and new interpretations which became effective during the nine months period ended September 30, 2013:

There were new standards, amendments to the approved accounting standards and new interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) which became effective during the period but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in these condensed interim financial statements except for the following:

i) International accounting standards (IAS) 19, (revised) 'Employee Benefits';

ii) Amendment to IAS 1 'Presentation of financial statements' regarding disclosure requirements for comparative information; and

iii) Amendment to IAS 1 'Presentation of financial statements' regarding presentation in 'other comprehensive income' on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

The details and effects of the aforementioned changes have been disclosed in note 4.

2.5 New standards, amendments to approved accounting standards and new interpretations published but are not effective:

There are certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for accounting periods beginning after January 1, 2013, but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in these condensed interim financial statements.

2.6 The accounting policies adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the December 2012 financial statements except for the changes as stated in note 4.

3. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

3.1 The preparation of these condensed interim financial statements requires the use of certain accounting estimates. It also requires management to exercise its judgments in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

3.2 During the preparation of these condensed interim financial statements, significant judgments made by management in applying the Company's accounting policies and key sources of estimation were the same as those applied in the Company's December 2012 financial statements.

3.3 The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended December 31, 2012.

4. CHANGES IN ACCOUNTING POLICIES

4.1 Amendment to IAS 1 'Presentation of Financial statements' regarding 'other comprehensive income'

The standard requires that the items be grouped and presented in 'other comprehensive income' on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

The aforementioned change does not have any effect in these condensed interim financial statements.

4.2 IAS 19 (Revised) 'Employee Benefits'

IAS 19 (Revised) 'Employee benefits' amends the accounting for the Company's defined benefit plan. The revised standard has been applied retrospectively in accordance with the transition provisions of the standard. The impact of the adoption of IAS 19 (revised) has been in the following areas:

- The standard requires all actuarial gains and losses to be recognised immediately in 'other comprehensive income' and shall not be amortised to the profit and loss account. There is no impact of the said change in these condensed interim financial statements as there are no actuarial gains or losses for the period.

- The standard requires past service cost to be recognised immediately in profit or loss. This change has not resulted in any impact on these condensed interim financial statements as no past service cost has arisen in current as well as previously reported years.

- The standard replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year. There is no change to determining the discount rate; this continues to reflect the yield on high-quality corporate bonds. This treatment, however, has no impact on these condensed interim financial statements as no actuarial valuation was conducted as at September 30, 2013.

- There is a new term 'remeasurements'. This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost.

The Company follows a consistent practice to conduct actuarial valuations annually at the year end.

4.3 Amendment to IAS 1 'Presentation of financial statements regarding disclosure requirements for comparative information:

The amendment classifies the disclosure requirements for comparative information when an entity provides a third balance sheet as required by IAS 8 'Accounting policies, changes in accounting estimates and errors', the balance sheet should be as at the beginning of the preceding period i.e. the opening position. No notes are required to support this balance sheet.

	Note	September 30, 2013 (Un-audited)	December 31, 2012 (Audited)
		(Rupees in thousand)	
5. PROPERTY, PLANT AND EQUIPMENT			
Operating property, plant and equipment	5.1 to 5.4	**3,918,391**	3,208,561
Capital work-in-progress	5.5	**2,580,630**	2,144,395
		6,499,021	5,352,956

5.1 Operating property, plant and equipment

Book value at the beginning of the period / year	**3,208,561**	2,907,963
Additions during the period / year	**1,125,102**	784,714
	4,333,663	3,692,677
Disposals during the period / year - net book value	**(26,181)**	(14,904)
Write offs during the period / year - net book value	**(22,481)**	(48,938)
Depreciation charge during the period / year	**(366,610)**	(420,274)
	(415,272)	(484,116)
Book value at the end of the period / year	**3,918,391**	3,208,561

	Nine months period ended	
	September 30, 2013	September 30, 2012
	(Rupees in thousand)	
5.2 Additions during the period		
Buildings on freehold land	**35,017**	-
Plant and machinery	**604,205**	8,556
Furniture and fixtures	**11,729**	94
Vehicles	**429,594**	112,747
Leasehold improvements	**11,992**	-
Computer equipment	**32,565**	3,837
	1,125,102	125,234
5.3 Disposals during the period - net book value		
Plant and machinery	**8,722**	-
Vehicles	**17,459**	6,107
	26,181	6,107
5.4 Depreciation charge during the period	**366,610**	307,767

	Note	September 30, 2013 (Un-audited)	December 31, 2012 (Audited)
		(Rupees in thousand)	
5.5 Capital work-in-progress			
Civil works		**503,477**	245,738
Plant and machinery		**1,367,328**	1,590,679
Power and other installations		**406,684**	96,695
Furniture and fixtures		**64,179**	55,681
Computer equipment pending installation		**65,984**	17,509
Advance to suppliers and contractors		**172,978**	138,093
		2,580,630	2,144,395

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 such 103 shares, three shares are in the name of the nominees. During the nine months period ended September 30, 2013, the subsidiary company has incurred loss after taxation amounting 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 September 30, 2013 amounted to Rs nil, in accordance with its unaudited condensed interim financial statements for the nine months period then ended.

	Note	September 30, 2013 (Un-audited)	December 31, 2012 (Audited)
		(Rupees in thousand)	
7. STORES AND SPARES - net			
Stores and spares		**579,664**	527,393
Less: Provision against slow moving stores and spares		**-**	(3,726)
		579,664	523,667
8. STOCK IN TRADE - net			
Raw and packing materials	8.1 and 8.2	**6,582,470**	6,526,894
Work-in-process		**65,689**	34,388
Finished goods		**1,557,054**	279,877
		8,205,213	6,841,159

8.1 Includes stock in transit amounting to Rs 71.453 million (December 31, 2012: Rs 13.764 million).

8.2 Includes impact of seasonal purchases on account of harvest of tobacco crop during the months of July to September.

9. TRADE AND OTHER PAYABLES

9.1 There is no change in the status of case as set out in note 19.2 to the December 2012 financial statements, except for the fact that payments aggregating Rs 32.375 million have been made under protest during the current period.

10. CONTINGENCIES AND COMMITMENTS

10.1 Guarantees

Indemnities given to a bank for guarantees issued by it in the normal course of business aggregated Rs 78.222 million (December 31, 2012: Rs 38.193 million).

10.2 Commitments

	September 30, 2013 (Un-audited)	**December 31, 2012 (Audited)**
	(Rupees in thousand)	
Capital expenditure contracted for but not incurred	**1,100,906**	1,207,414
Letters of credit	**72,881**	324,515

10.3 There is no change in the status of contingent liabilities set out in note 20.3.1 to the December 2012 financial statements.

10.4 Post dated cheques have been issued to custom authorities as a security against duties and taxes amounting to Rs 42.946 million (December 31, 2012: Rs 57.244 million) in respect of goods imported for re-export. In the event the goods are not re-exported within the stipulated time period, cheques issued as a security shall be encashable.

10.5 Further to the matters as set out in note 20.3.3 to the December 2012 financial statements in relation to duties and taxes on sale of Marlboro, the Court during the current period, in its order dated March 28, 2013, has extended the interim injunction available to the Company till the next date of hearing which, however, has not yet been announced.

10.6 While reviewing the income tax return of the Company for the tax year 2011 (accounting year ended December 31, 2010) the Deputy Commissioner Inland Revenue ('the assessing officer') has under section 122(1) of the Income Tax

Ordinance, 2001 (the Tax Ordinance) served the Company with an order dated May 28, 2013 amending its assessment for that tax year and has disallowed certain deductions aggregating Rs 177.872 million, the tax impact of which is Rs 62.255 million. The Company has filed an appeal before the Commissioner Inland Revenue – Appeals III against the aforementioned matters which is pending adjudication. The management is of the view that the aforementioned disallowed deductions include items having an aggregate amount of Rs 35.66 million which represent apparent errors and, therefore, it intends to file a rectification application under section 221 of the Tax Ordinance. Further, in respect of the remaining disallowed deductions the management is confident that the ultimate decision of the appeal shall be in its favour, therefore, a provision has not been recognised against the total aforementioned disallowed deductions in these condensed interim financial statements.

11. COST OF SALES

	Quarter Ended		Nine months period ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
	(Rupees in thousand)			
Raw and packing material consumed				
Opening stock	**4,436,950**	4,725,054	**6,526,894**	6,499,143
Purchases, redrying and related expenses	**4,542,148**	4,256,207	**7,439,499**	6,760,975
	8,979,098	8,981,261	**13,966,393**	13,260,118
Closing stock	**(6,582,470)**	(7,186,411)	**(6,582,470)**	(7,186,411)
	2,396,628	1,794,850	**7,383,923**	6,073,707
Government levies	**8,450**	12,638	**25,916**	55,142
Manufacturing expenses	**306,658**	342,463	**1,441,978**	1,100,251
	2,711,736	2,149,951	**8,851,817**	7,229,100
Work-in-process				
Opening stock	**58,542**	15,650	**34,388**	13,748
Closing stock	**(65,689)**	(23,425)	**(65,689)**	(23,425)
Sale of waste	**(14,517)**	(8,659)	**(45,401)**	(29,088)
	(21,664)	(16,434)	**(76,702)**	(38,765)
Cost of goods manufactured	**2,690,072**	2,133,517	**8,775,115**	7,190,335
Finished goods				
Opening stock	**198,037**	224,925	**279,877**	263,798
Finished goods purchased	**164,441**	34,187	**286,078**	184,053
Closing stock	**(1,557,054)**	(272,608)	**(1,557,054)**	(272,608)
	(1,194,576)	(13,496)	**(991,099)**	175,243
	1,495,496	2,120,021	**7,784,016**	7,365,578

	Quarter Ended		Nine months period ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
	(Rupees in thousand)			
12. TAXATION				
Current				
- for the period	**57,082**	22,000	**117,996**	84,000
- for the prior period	**-**	(10,098)	**(13,360)**	91,749
	57,082	11,902	**104,636**	175,749
Deferred	**(180,000)**	(86,334)	**(153,119)**	(122,334)
	(122,918)	(74,432)	**(48,483)**	53,415

12.1 During the current period, in case of another company the Division Bench of the Sindh High Court in its decision dated May 7, 2013 on carry forward of 'minimum tax' to further years in the case of a taxable loss for the year, has interpreted Section 113(2)(c) of the Tax Ordinance that the benefit of carry forward of minimum tax paid by a company is only available if the tax paid in a particular year is less than minimum tax payable. Accordingly, if no tax is paid/payable by a company due to taxable loss the right to carry forward the minimum tax does not arise. However, the management based on the advice of its legal counsel is of the view this matter is subject to appeal in larger bench of the High Court as well as the Supreme Court and valid legal grounds are available to substantiate the company's case for carry forward of minimum tax, therefore, deferred tax asset on the 'minimum tax' aggregating Rs 193.316 million has been recognised in these condensed interim financial statements as at September 30, 2013.

13. LOSS PER SHARE – BASIC

	Quarter ended		Nine months period ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
	(Rupees in thousand)			
Loss for the period after taxation	**(544,694)**	(77,989)	**(456,741)**	(262,971)
	(Number of shares)			
Number of ordinary shares	**61,580,341**	61,580,341	**61,580,341**	61,580,341
	(Rupees)			
Loss per share – basic	**(8.85)**	(1.27)	**(7.42)**	(4.27)

There were no convertible dilutive potential ordinary shares outstanding as at September 30, 2012 or 2013.

14. RELATED PARTIES DISCLOSURES

14.1 Related parties comprise of Philip Morris Investments B.V., and Philip Morris Brands Sarl, related group undertakings, subsidiary company i.e. LaksonPremier Tobacco Company (Private) Limited, staff retirement benefits plan and members of the key management personnel. Transactions with related parties are as follows:

Relationship	Nature of transaction	Nine months period ended	
		September 30, 2013	September 30, 2012
		(Rupees in thousand)	
Group companies	Sale of goods	**894,077**	817,225
	Purchase of goods and services	**458,411**	337,266
	Loans received / roll forward	**11,572,950**	-
	Loans repaid / adjusted	**7,801,700**	-
	Mark-up on loan	**20,001**	-
	Royalty charges	**22,767**	21,266
Staff retirement benefit plans	Contribution to gratuity fund	**30,838**	33,286
	Contribution to provident fund	**63,158**	47,144
Key management personnel	Remuneration and benefits - note 14.1.1 and 14.1.2	**68,344**	82,280

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

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

14.1.2 The members of the key management personnel are provided with free use of the company maintained cars.

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

	September 30, 2013 (Un-audited)	December 31, 2012 (Audited)
	(Rupees in thousand)	
14.2 The amount due from related parties comprises:		
Group undertakings	**59,714**	79,968
14.3 The amount due to related parties comprises:		
Group undertakings	**274,319**	449,490
Staff retirement plans	**19,318**	-
	293,637	449,490

15. CASH GENERATED FROM OPERATIONS

	Note	Nine months period ended	
		September 30, 2013	September 30, 2012
		(Rupees in thousand)	
Loss before taxation		**(505,224)**	(209,556)
Adjustments for non cash changes and other items:			
Depreciation		**366,610**	307,767
Amortisation		**5,937**	450
Expenses arising from equity-settled share-based payment plan		**5,021**	15,113
Reversal for slow moving stores and spares		**(3,726)**	-
Profit on short term deposits		**(940)**	(2,495)
Unrealised exchange loss on loan from an associated undertaking		**133,197**	-
Profit on disposal of property, plant and equipment		**(33,907)**	(14,929)
Property, plant and equipment written off		**22,481**	24,596
Finance cost		**226,845**	226,998
Working capital changes	15.1	**(1,708,438)**	(683,252)
		(1,492,144)	(335,308)

15.1 Working capital changes

Decrease / (increase) in current assets		
Stores and spares	**(52,271)**	(101,045)
Stock in trade	**(1,364,054)**	(705,755)
Trade debts	**163,552**	129,343
Balance carried forward	**(1,252,773)**	(677,457)

	Note	Nine months period ended September 30, 2013	September 30, 2012
		(Rupees in thousand)	
Balance brought forward		**(1,252,773)**	(677,457)
Loans and advances		**15,320**	34,358
Prepayments		**(59,584)**	32,722
Other receivables		**50,010**	(89,510)
		(1,247,027)	(699,887)
Increase / (decrease) in current liabilities			
Trade and other payables		**40,872**	740,381
Sales tax and excise payable		**(502,283)**	(723,746)
		(461,411)	16,635
		(1,708,438)	(683,252)

16. CASH AND CASH EQUIVALENT

Cash and bank balances	**9,480**	60,375
Short term borrowings	**(8,502,852)**	(4,757,629)
	(8,493,372)	(4,697,254)

17. RECLASSIFICATION

For better presentation and in accordance with the applicable financial reporting framework, the sales allowances which appeared under 'distribution and marketing expenses' have been reclassified and netted off against revenue. Accordingly, the corresponding figures amounting to Rs 152.966 million and Rs 391.727 million for the quarter and nine months ended September 30, 2012 respectively have now been reclassified and netted off against revenue.

18. DATE OF AUTHORISATION FOR ISSUE

18.1 These condensed interim financial statements were authorised for issue on October 25, 2013 by the Board of Directors of the Company.

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

ARPAD KONYE
Chairman & Chief Executive

JOSEPH ZIOMEK
Director

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