PHILIP MORRIS (PAKISTAN) LIMITED

QUARTERLY REPORT

For the third quarter ended September 30, 2015
(Un-audited)

QUARTERLY REPORT

For the third quarter ended September 30, 2015
(Un-audited)

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COMPANY INFORMATION

BOARD OF DIRECTORS

KAMRAN Y. MIRZA	(Chairman)
ALEJANDRO PASCHALIDES	(Chief Executive)
NICOLAS FLOROS	
DANIEL FAHRNY	
JOSEPH ZIOMEK	
CHARLES BENDOTTI	
ATHAR ABBAS	

COMPANY SECRETARY
MUJTABA HUSSAIN

AUDIT COMMITTEE

ATHAR ABBAS	(Chairman)
DANIEL FAHRNY	
NICOLAS FLOROS	

HUMAN RESOURCE & REMUNERATION COMMITTEE

CHARLES BENDOTTI	(Chairman)
ALEJANDRO PASCHALIDES	
DANIEL FAHRNY	
C. DAVID ESCARDA	(Secretary)

AUDITORS
A. F. FERGUSON & CO.
Chartered Accountants

BANKERS
UNITED BANK LIMITED
STANDARD CHARTERED BANK PAKISTAN LIMITED
MCB BANK LIMITED
HABIB BANK LIMITED
CITIBANK N.A.
DEUTSCHE BANK A.G.
FAYSAL BANK LIMITED

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

FACTORIES
1. PLOT NO. 14-17, EXPORT PROCESSING ZONE, KARACHI
2. E/15, S.I.T.E., KOTRI
   DISTRICT: DADU (SINDH)
3. QUADIRABAD
   DISTRICT: SAHIWAL
4. ISMAILA
   DISTRICT: SWABI

SHARE REGISTRAR
THK ASSOCIATES (Pvt.) Ltd.
SECOND FLOOR, STATE LIFE BUILDING - 3
DR. ZIAUDDIN AHMED ROAD, KARACHI - 75530

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

DIRECTORS' REVIEW

The Directors are pleased to report on the Company's performance for the nine month period ended September 30, 2015.

During the quarter ended September 30, 2015, the Company's gross turnover was lower by 42% as compared to same period last year. This is mainly due to growth of non-tax paid tobacco industry and inventory adjustment taking place in the market post announcement of Federal Budget. However, the Company's gross turnover increased by 6.7% for the nine months ended September 30, 2015 as compared to the same period in 2014. This increase is primarily attributable to higher selling prices to the trade. Increase in other expenses is mainly due to restructuring costs including that of Mandra factory closure.

The Company recorded a loss before taxation of Rs. 420.9 million for the nine months compared to loss before taxation of Rs. 835.5 million in the same period last year. We are of the view that the non-tax paid tobacco industry continues to adversely impact the Company's profitability. The non-tax paid tobacco brands continue to damage the Company, and the legitimate industry as a whole, as excise tax-driven price increases in 2015 provided the non-tax paid tobacco products with an incentive to flourish. Company actively supports government's efforts to enforce regulations to stop illicit trade and to establish a level playing field for the legitimate tobacco industry.

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.20,240 million, as compared to Rs. 19,032 million in 2014.

As reported earlier, on February 11, 2015 the Minister for the Federal Ministry for National Health Services Regulation and Coordination ("MoH") announced that the MoH intends to increase the size of graphic health warnings ("GHW") on cigarette packs, both front and back to 85% (currently 40%) by March 30, 2015 and subsequently issued a formal Statutory Regulatory Oder ("SRO") on February 27, 2015. Subsequently, an inter-ministerial committee ("Committee") was set up at the direction of Ministry of Finance to deliberate on the SRO mandating new 85% GHW taking into consideration stakeholder feedback.

After numerous engagements with various stakeholders, the Committee at its last meeting on July 24, recommended a reduction in the size of the GHW from 85% to 50% with an implementation date of July 2016. MoH announced this decision to the media on July 25, 2015 but has not yet issued a new SRO. During Committee deliberations and pending final decision on the recommendation by the Committee, MOH has extended the initial implementation date of March 30th a number of times with the last extension given on September 29 until October 29, 2015.

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, improving process and operational efficiency, developing and improving resource utilization and allocation. 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,

KAMRAN Y. MIRZA
Chairman

Karachi: October 19, 2015

CONDENSED INTERIM BALANCE SHEET (Un-audited)

AS AT SEPTEMBER 30, 2015

	Note	September 30, 2015 (Un-audited)	December 31, 2014 (Audited)
		(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
FIXED ASSETS			
Property, plant and equipment	4	**7,686,890**	7,393,065
Intangibles		**24,699**	23,447
		7,711,589	7,416,512
Investment in a subsidiary company	5	**1**	1
Long term deposits and prepayments		**38,527**	36,760
Deferred taxation	6	**666,308**	527,615
		8,416,425	7,980,888
CURRENT ASSETS			
Stores and spares - net		**376,956**	593,690
Stock in trade - net	7	**9,050,072**	7,960,101
Trade debts - net		**69,712**	225,182
Loans and advances		**41,959**	49,280
Prepayments		**454,449**	315,792
Other receivables	8	**261,268**	598,446
Income tax - net		**872,602**	747,423
Cash and bank balances		**58,125**	36,763
		11,185,143	10,526,677
TOTAL ASSETS		**19,601,568**	18,507,565
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		**6,211,278**	6,226,367
Unappropriated loss		**(3,176,514)**	(2,853,320)
TOTAL EQUITY		**3,650,567**	3,988,850
CURRENT LIABILITIES			
Short term borrowings		**13,598,237**	11,090,651
Trade and other payables		**2,076,674**	2,388,492
Accrued mark-up on short term borrowings		**79,371**	65,760
Sales tax and excise duty payable		**196,719**	973,812
TOTAL LIABILITIES		**15,951,001**	14,518,715
TOTAL EQUITY AND LIABILITIES		**19,601,568**	18,507,565
CONTINGENCIES AND COMMITMENTS	9		

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

ALEJANDRO PASCHALIDES
Chief Executive

JOSEPH ZIOMEK
Director

Karachi: October 19, 2015

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (Un-audited)

FOR THE QUARTER AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2015

	Note	Quarter ended		Nine month period ended	
		September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
		---------- (Rupees in thousand) ----------			
Gross turnover		**4,311,804**	7,454,697	**31,212,339**	29,246,716
Less: Sales tax		**685,966**	1,156,844	**4,766,361**	4,478,625
Excise duty		**2,175,689**	3,674,945	**15,032,919**	14,115,779
		2,861,655	4,831,789	**19,799,280**	18,594,404
Turnover - net of sales tax and excise duty		**1,450,149**	2,622,908	**11,413,059**	10,652,312
Cost of sales	10	**1,382,156**	1,723,465	**7,272,703**	7,546,512
Gross profit		**67,993**	899,443	**4,140,356**	3,105,800
Distribution and marketing expenses		**804,801**	785,758	**2,406,703**	2,611,593
Administrative expenses		**349,032**	283,479	**1,042,274**	865,630
Other expenses	11	**(9,071)**	67,646	**627,466**	93,349
Other income		**(146,163)**	83,090	**(236,135)**	(94,530)
		998,599	1,219,973	**3,840,308**	3,476,042
Operating (loss) / profit		**(930,606)**	(320,530)	**300,048**	(370,242)
Finance cost		**342,101**	202,230	**720,927**	465,208
Loss before taxation		**(1,272,707)**	(522,760)	**(420,879)**	(835,450)
Taxation	12	**(241,521)**	(158,798)	**(97,685)**	(232,081)
Loss after taxation		**(1,031,186)**	(363,962)	**(323,194)**	(603,369)
		---------- (Rupees) ----------			
Loss per share - basic	13	**(16.75)**	(5.91)	**(5.25)**	(9.80)

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

ALEJANDRO PASCHALIDES
Chief Executive

JOSEPH ZIOMEK
Director

Karachi: October 19, 2015

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

FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2015

	Issued, subscribed and paid-up capital	General reserve	Reserve for share based payments	Re-measurement of staff retirement gratuity plan	Sub-total Reserves	Unappropriated loss	Total
	(Rupees in thousand)						
Balance as at January 1, 2014	615,803	6,347,000	13,230	(111,589)	6,248,641	(1,370,865)	5,493,579
Transactions with owners							
Share based payments							
- expense	-	-	7,310	-	7,310	-	7,310
- recharge	-	-	(17,174)	-	(17,174)	-	(17,174)
	-	-	(9,864)	-	(9,864)	-	(9,864)
Total comprehensive loss							
Loss after taxation for the nine month period ended September 30, 2014	-	-	-	-	-	(603,369)	(603,369)
	-	-	-	-	-	(603,369)	(603,369)
Balance as at September 30, 2014	615,803	6,347,000	3,366	(111,589)	6,238,777	(1,974,234)	4,880,346
Balance as at January 1, 2015	615,803	6,347,000	16,025	(136,658)	6,226,367	(2,853,320)	3,988,850
Transactions with owners							
Share based payments							
- expense	-	-	4,364	-	4,364	-	4,364
- recharge	-	-	(19,453)	-	(19,453)	-	(19,453)
	-	-	(15,089)	-	(15,089)	-	(15,089)
Total comprehensive loss							
Loss after taxation for the nine month period ended September 30, 2015	-	-	-	-	-	(323,194)	- (323,194)
	-	-	-	-	-	(323,194)	(323,194)
Balance as at September 30, 2015	615,803	6,347,000	936	(136,658)	6,211,278	(3,176,514)	3,650,567

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

ALEJANDRO PASCHALIDES
Chief Executive

JOSEPH ZIOMEK
Director

Karachi: October 19, 2015

CONDENSED INTERIM CASH FLOW STATEMENT (Un-audited)

FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2015

	Note	Nine month period ended September 30, 2015	Nine month period ended September 30, 2014
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	15	**(654,869)**	673,524
Finance cost paid		**(441,066)**	(114,202)
Income taxes paid		**(166,187)**	(136,722)
Long term deposits and prepayments		**(1,767)**	(1,701)
Net cash provided by operating activities		**(1,263,889)**	420,899
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures		**(1,064,718)**	(1,007,759)
Acquisition of intangible		**(9,966)**	(6,218)
Proceeds from disposal of items of property, plant and equipment		**109,104**	72,582
Profit received on savings accounts		**9,730**	139
Net cash used in investing activities		**(955,850)**	(941,256)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		**(235)**	-
Proceeds of loan from associated undertaking		**13,243,250**	12,929,300
Repayment of loan from associated undertaking		**(12,141,500)**	(10,875,300)
Net cash used in financing activities		**1,101,515**	2,054,000
Net increase in cash and cash equivalent during the period		**(1,118,224)**	1,533,643
Cash and cash equivalents at the beginning of the period		**(2,494,388)**	(2,944,881)
Cash and cash equivalents at the end of the period	16	**(3,612,612)**	(1,411,238)

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

ALEJANDRO PASCHALIDES
Chief Executive

JOSEPH ZIOMEK
Director

Karachi: October 19, 2015

FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2015

1. THE COMPANY AND ITS OPERATIONS

Philip Morris (Pakistan) Limited (the Company) was incorporated in Pakistan on February 10, 1969 as a public limited company under the Companies Act, 1913 (now Companies Ordinance, 1984) 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 months period ended September 30, 2015 have been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting which comprises 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 shall prevail. These interim financial statements should be read in conjunction with the financial statements for the year ended December 31, 2014 as they provide an update of reported information in those financial statements.

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/233/619/2002-1426 dated June 2, 2015 from the requirement of Section 237 of the Ordinance. The exemption is, however, subject to the condition that any material and relevant details of the aforesaid subsidiary shall be prominently disclosed by the Company.

In accordance with the requirements of the said exemption, financial highlights of the subsidiary are stated in note 5.

2.3 The comparative balance sheet presented in these condensed interim financial statements as at December 31, 2014 has been extracted from the audited financial statements of the Company for the year then ended (December 2014 financial statements). The comparative profit and loss account, statement of changes in equity and cash flow statement for the nine month period ended September 30, 2014 have been extracted from the condensed interim financial statements of the Company for the nine month period then ended.

2.4 New standards, amendments to approved accounting standards and new interpretations which become effective during the nine month period ended September 30, 2015:

There were certain new standards and amendments to the approved accounting standards 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.

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

There are certain new standards and amendments to approved accounting standards that are mandatory for accounting periods beginning after January 1, 2015 but are considered not to be relevant or will not 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 2014 financial statements.

3. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

3.1 The preparation of these condensed interim financial statements in conformity with approved accounting standards requires the use of certain critical 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 2014 financial statements.

3.3 The Company's financial risk management objectives and policies are consistent with those disclosed in the December 2014 financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

	Note	September 30, 2015 (Un-audited)	December 31, 2014 (Audited)
		(Rupees in thousand)	
Operating property, plant and equipment	4.1 to 4.4	**6,647,612**	5,383,968
Capital work-in-progress	4.5	**1,028,624**	1,990,821
Major capital spares and stand-by equipment		**10,654**	18,276
		7,686,890	7,393,065

4.1 Operating property, plant and equipment

Book value at the beginning of the period / year	**5,383,968**	4,286,803
Additions during the period / year	**2,034,537**	1,878,206
	7,418,505	6,165,009
Disposals during the period / year - net book value	**(58,477)**	(35,446)
Write offs during the period / year - net book value	**-**	(22,710)
Impairment during the period / year - net book value	**(91,965)**	(91,451)
Depreciation charge during the period / year	**(620,451)**	(631,434)
	(770,893)	(781,041)
Book value at the end of the period / year	**6,647,612**	5,383,968

4.2 Additions during the period

	Nine month period ended September 30, 2015 (Un-audited)	Nine month period ended September 30, 2014 (Un-audited)
	(Rupees in thousand)	
Buildings on freehold land	**294,606**	238,255
Plant and machinery	**1,301,038**	680,284
Furniture and fixtures	**94,983**	79,381
Vehicles	**84,712**	144,363
Buildings and leasehold improvements	**-**	46,616
Power and other installations	**195,822**	196,873
Computer equipment	**63,376**	51,784
	2,034,537	1,437,556

4.3 Disposals during the period - net book value

Buildings on freehold land	**-**	574
Plant and machinery	**63**	-
Furniture and fixtures	**-**	327
Vehicles	**58,286**	16,782
Power and other installations	**128**	32
	58,477	17,715

4.4 Depreciation charge during the period

	620,451	461,075

		September 30, 2015 (Un-audited)	December 31, 2014 (Audited)
		(Rupees in thousand)	
4.5	Capital work-in-progress		
	Civil works	**59,255**	73,460
	Plant and machinery	**603,559**	1,191,597
	Power and other installations	**224,719**	424,526
	Furniture and fixtures	**66,111**	77,241
	Computer equipment pending installation	**57,878**	128,197
	Advance to suppliers and contractors	**17,102**	95,800
		1,028,624	1,990,821

5. INVESTMENT IN A SUBSIDIARY COMPANY

This represents the cost of 103 fully paid ordinary shares of Rs 10 each in LaksonPremier Tobacco Company (Private) Limited. Out of such 103 shares, two shares are in the name of the nominees. During the nine month period ended September 30, 2015, 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, 2015 amounted to Rs Nil, in accordance with its unaudited condensed interim financial statements for the nine month period ended September 30, 2015.

6. DEFERRED TAXATION

	September 30, 2015 (Un-audited)	December 31, 2014 (Audited)
	(Rupees in thousand)	
Deferred tax liability on taxable temporary differences:		
Tax depreciation allowance	**(588,907)**	(557,366)
Deferred tax asset on deductible temporary differences:		
Accrual for employees compensated absences	**649**	6,255
Amortisation of intangible	**2,912**	164
Unutilised tax loss and credit	**1,155,886**	1,059,074
Minimum tax	**40,988**	-
Provision for spares	**52,984**	501
Provision for obsolete stocks	**929**	18,093
Provision for doubtful debts	**867**	894
	1,255,215	1,084,981
Deferred tax asset	**666,308**	527,615

7. STOCK IN TRADE - net

	Note	September 30, 2015 (Un-audited)	December 31, 2014 (Audited)
		(Rupees in thousand)	
Raw and packing materials	7.1 to 7.3	**7,569,298**	7,287,025
Work-in-process		**50,891**	82,817
Finished goods	7.2	**1,432,862**	646,492
		9,053,051	8,016,334
Provision for obsolete stocks		**(2,979)**	(56,233)
		9,050,072	7,960,101

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

7.2 Includes raw & packing material in transit aggregating Rs 1.999 million (December 31, 2014: Rs 25.252 million).

7.3 During the current period, the Company has written off raw & packing material aggregating Rs 51.685 million (December 31, 2014: Rs 29.798) and finished goods aggregating Rs 2.997 million (December 31, 2014: Rs 99.090 million).

8. OTHER RECEIVABLES

	September 30, 2015 (Un-audited)	December 31, 2014 (Audited)
	(Rupees in thousand)	
Receivable from 'associated undertakings'	**258,055**	593,078
Others	**3,213**	5,368
	261,268	598,446

9. CONTINGENCIES AND COMMITMENTS

9.1 Guarantees

Indemnities given to banks for guarantees issued by it in the normal course of business aggregated Rs 98.193 million (December 31, 2014: Rs 98.193 million).

9.2 Commitments

	September 30, 2015 (Un-audited)	December 31, 2014 (Audited)
	(Rupees in thousand)	
Capital expenditure contracted for but not incurred	**181,812**	423,374
Letters of credit	**12,410**	103,667

Operating lease commitments

The Company leases various offices and warehouses under non-cancellable operating lease arrangements. The lease terms are between 1 to 5 years, and majority of these lease agreements are renewable at the end of the lease period. Commitments in respect of such operating leases are as follows:

	September 30, 2015 (Un-audited)	December 31, 2014 (Audited)
	(Rupees in thousand)	
Not later than 1 year	**196,146**	84,941
Later than 1 year and not later than 5 years	**295,574**	92,107
	491,720	177,048

9.3 Contingencies

9.3.1 Post dated cheques have been issued to custom authorities as a security against duties and taxes amounting to Rs 3.701 million (December 31, 2014: Rs 18.579 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.

9.3.2 There is no significant change in the status of the cases set out in note 19.3.2 to 19.3.7 to the December 2014 financial statements.

10. COST OF SALES

	Note	Quarter ended		Nine months period ended	
		September 30, 2015 (Un-audited)	September 30, 2014 (Un-audited)	September 30, 2015 (Un-audited)	September 30, 2014 (Un-audited)
		(Rupees in thousand)			
Raw and packing material consumed					
Opening stock		**5,391,917**	4,380,280	**7,287,025**	6,314,446
Purchases, redrying and related expenses		**3,603,499**	4,285,905	**6,273,767**	6,620,249
		8,995,416	8,666,185	**13,560,792**	12,934,695
Closing stock		**(7,569,298)**	(7,406,111)	**(7,569,298)**	(7,406,111)
		1,426,118	1,260,074	**5,991,494**	5,528,584
Government levies		**5,702**	6,546	**28,129**	23,805
Manufacturing expenses		**631,080**	464,524	**1,805,546**	1,480,600
		2,062,900	1,731,144	**7,825,169**	7,032,989
Work-in-process					
Opening stock		**51,128**	113,108	**82,817**	49,849
Closing stock		**(50,891)**	(118,436)	**(50,891)**	(118,436)
Sale of waste		**(3,896)**	(2,679)	**(15,486)**	(11,426)
		(3,659)	(8,007)	**16,440**	(80,013)
Finished goods					
Opening stock		**646,026**	702,118	**646,492**	1,120,668
Finished goods purchased		**109,751**	129,290	**217,464**	303,948
Closing stock		**(1,432,862)**	(831,080)	**(1,432,862)**	(831,080)
		(677,085)	328	**(568,906)**	593,536
		1,382,156	1,723,465	**7,272,703**	7,546,512

11. OTHER EXPENSES

Employee separation costs	11.1	**15,814**	55,551	**518,400**	66,619
Impairment charge on items of property, plant and equipment	4.1	**33,649**	-	**91,965**	10,756
Loss on disposal of plant and machinery		**2,195**	-	**2,315**	443
Worker's Profit Participation Fund		**(45,797)**	-	**-**	-
Worker's Welfare Fund		**(18,319)**	-	**-**	-
Miscellaneous expenses		**3,387**	12,095	**14,786**	15,531
		(9,071)	67,646	**627,466**	93,349

11.1 This includes costs incurred on reorganisation during the period ended September 30, 2015.

12. TAXATION

	Quarter ended		Nine months period ended	
	September 30, 2015 (Un-audited)	September 30, 2014 (Un-audited)	September 30, 2015 (Un-audited)	September 30, 2014 (Un-audited)
	(Rupees in thousand)			
Current				
- for the period	**41,749**	(38,510)	**49,581**	70,505
- for the prior period	**(8,573)**	18,018	**(8,573)**	-
	33,176	(20,492)	**41,008**	70,505
Deferred	**(274,697)**	(138,306)	**(138,693)**	(302,586)
	(241,521)	(158,798)	**(97,685)**	(232,081)

13. (LOSS) PER SHARE – BASIC

	Quarter ended		Nine months period ended	
	September 30, 2015 (Un-audited)	September 30, 2014 (Un-audited)	September 30, 2015 (Un-audited)	September 30, 2014 (Un-audited)
	(Rupees in thousand)			
Loss for the period after taxation	**(1,031,186)**	(363,962)	**(323,194)**	(603,369)
	(Number of shares)			
Number of ordinary shares	**61,580,341**	61,580,341	**61,580,341**	61,580,341
	(Rupees)			
Loss per share – basic	**(16.75)**	(5.91)	**(5.25)**	(9.80)

There were no convertible dilutive potential ordinary shares outstanding as at September 30, 2015 or 2014.

14. RELATED PARTIES DISCLOSURES

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

Relationship	Nature of transaction	Nine months period ended	
		September 30, 2015 (Un-audited)	September 30, 2014 (Un-audited)
		(Rupees in thousand)	
Associated undertakings	Sale of goods and service	**408,018**	428,238
	Purchase of goods and service	**411,070**	415,203
	Loans received / roll forward	**13,243,250**	12,929,300
	Loans repaid / adjusted	**12,141,500**	10,875,300
	Mark-up on loan/short term borrowings	**70,737**	64,177
	Royalty charges	**32,894**	33,017
	Share based payment expense	**4,364**	7,310
	Share based payment recharge	**19,453**	17,174
	Unrealised exchange loss on loans	**266,250**	335,000
Staff retirement benefit plans	Contribution to gratuity fund	**68,819**	62,000
	Contribution to provident fund	**58,876**	70,076
Key management personnel	Remuneration and benefits - note 14.1.1 and 14.1.2	**14,215**	44,426

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

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

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

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

14.1.4 The two independent directors were paid directors fee of Rs 2.4 million during the period (September 30, 2014: Rs Nil).

14.2 The amount due from related parties (which is classified under 'Trade debts and other receivables') comprises:

	September 30, 2015 (Un-audited)	December 31, 2014 (Audited)
	(Rupees in thousand)	
Group undertakings	**308,244**	593,078

14.3 The amount due to related parties comprises:

Trade and other payables		
Group undertakings	**262,153**	408,602
Staff retirement plans	**18,667**	-
	280,820	408,602
Short term borrowings		
Loans from an associated undertaking	**9,927,500**	8,559,500
	10,208,320	8,968,102

14.4 Investment in subsidiary company — See note 5

15. CASH GENERATED FROM OPERATIONS

	Note	Nine months period ended September 30, 2015 (Un-audited)	September 30, 2014 (Un-audited)
		(Rupees in thousand)	
Loss before taxation		**(420,879)**	(835,450)
Adjustments for:			
Depreciation		**620,451**	461,075
Amortisation		**8,714**	6,567
Expenses arising from equity-settled share-based payment plan		**4,364**	7,310
Provision for obsolete stocks		**5,958**	5,039
Stock in trade - written off		**163,625**	120,246
Stores and spares written off		**278,765**	30,205
Impairment charge on items of property, plant and equipment		**91,965**	10,758
Profit on savings accounts		**(9,730)**	(139)
Unrealised exchange (gain) / loss - others		**50,623**	(30,288)
Exchange loss / (gain) on loans from an associated undertaking - net (Included in finance cost)		**266,250**	335,000
Gain on disposal of items of property, plant and equipment		**(50,627)**	(54,867)
Property, plant and equipment written off		**-**	20,365
Finance cost		**454,677**	130,208
Working capital changes	15.1	**(2,119,025)**	467,495
		(654,869)	673,524

15.1 Working capital changes

	Nine months period ended	
	September 30, 2015 (Un-audited)	September 30, 2014 (Un-audited)
	(Rupees in thousand)	
(Increase) / decrease in current assets		
Stores and spares - net	**(62,031)**	(22,413)
Stock in trade - net	**(1,259,554)**	(1,044,640)
Trade debts - net	**155,470**	(234,924)
Loans and advances	**7,321**	20,646
Prepayments	**(138,657)**	(425,220)
Other receivables	**337,178**	200,614
	(960,273)	(1,505,937)
(Decrease) / increase in current liabilities		
Trade and other payables	**(381,659)**	271,264
Sales tax and excise payable	**(777,093)**	1,702,168
	(1,158,752)	1,973,432
	(2,119,025)	467,495

16. CASH AND CASH EQUIVALENT

Cash and bank balances	**58,125**	14,819
Short term borrowings - running finance under mark-up arrangements	**(3,670,737)**	(1,426,057)
	(3,612,612)	(1,411,238)

17. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on October 19, 2015 by the Board of Directors of the Company.

18. GENERAL

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

18.2 For better presentation, prior period / year numbers have been restated where required.

Karachi: October 19, 2015

ALEJANDRO PASCHALIDES
Chief Executive

JOSEPH ZIOMEK
Director

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