



PHILIP MORRIS
(PAKISTAN) LIMITED

QUARTERLY REPORT

For the Quarter ended March 31, 2014
(Un-audited)

QUARTERLY REPORT

For the Quarter ended March 31, 2014
(Un-audited)



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COMPANY INFORMATION

BOARD OF DIRECTORS

ARPAD KONYE (Chairman & Chief Executive)
 (until January 31, 2014)
 ALEJANDRO PASCHALIDES (Chairman & Chief Executive)
 (with effect from February 1, 2014)
 NICOLAS FLOROS
 ANDREAS FRANZ KURALI
 JOSEPH ZIOMEK
 CHARLES BENDOTTI
 MUJTABA HUSSAIN
 ASMER NAIM

COMPANY SECRETARY

MUJTABA HUSSAIN

AUDIT COMMITTEE

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

HUMAN RESOURCE & REMUNERATION COMMITTEE

CHARLES BENDOTTI (Chairman)
 ARPAD KONYE
 (until January 31, 2014)
 ALEJANDRO PASCHALIDES
 (with effect from February 1, 2014)
 ANDREAS FRANZ KURALI
 DION LESWARA (Secretary)

AUDITORS

A. F. FERGUSON & CO.
 Chartered Accountants

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

BANKERS

UNITED BANK LIMITED
 BARCLAYS BANK PLC, PAKISTAN
 STANDARD CHARTERED BANK PAKISTAN LIMITED
 MCB BANK LIMITED
 HABIB BANK LIMITED
 CITIBANK N.A.
 DEUTSCHE BANK A.G.
 NATIONAL BANK OF PAKISTAN
 FAYSAL BANK LIMITED

REGISTERED OFFICE

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

FACTORIES

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



DIRECTORS' REVIEW

The Directors are pleased to report on the Company's performance for the quarter ended March 31, 2014.

During the period, the Company's gross turnover decreased by 4.8% compared to the same period in 2013. Distribution, marketing and administrative expenses increased by 26.4% versus 2013, mainly due to increased investment for launch of new product.

The Company recorded a loss before taxation of Rs. 246.6 million for the quarter compared to profit before taxation of Rs. 51.1 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. 6,177 million, as compared to Rs. 6,021 million in 2013. 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,

ALEJANDRO PASCHALIDES
Chairman and Chief Executive

Dated: April 25, 2014



CONDENSED INTERIM BALANCE SHEET (Un-audited)

AS AT MARCH 31, 2014

| | Note | March 31, 2014 (Rupees in thousand) | December 31, 2013 |
|------------------------------------------|------|-------------------------------------------|----------------------|
| ASSETS | | | |
| NON CURRENT ASSETS | | | |
| FIXED ASSETS | | | |
| Property, plant and equipment | 3 | 7,042,764 | 6,876,731 |
| Intangible | | 24,046 | 26,195 |
| | | <u>7,066,810</u> | <u>6,902,926</u> |
| Investment in a subsidiary company | 4 | 1 | 1 |
| Long term deposits and prepayments | | 42,778 | 41,101 |
| Deferred taxation | | 411,883 | 379,978 |
| | | <u>7,521,472</u> | <u>7,324,006</u> |
| CURRENT ASSETS | | | |
| Stores and spares - net | 5 | 618,379 | 588,330 |
| Stock in trade - net | 6 | 6,736,788 | 7,431,233 |
| Trade debts - net | | 1,920 | 996 |
| Loans and advances | | 43,680 | 69,434 |
| Prepayments | | 266,896 | 256,141 |
| Other receivables | | 27,768 | 215,022 |
| Income tax - net | | 661,657 | 670,942 |
| Cash and bank balances | | 12,280 | 12,753 |
| | | <u>8,369,368</u> | <u>9,244,851</u> |
| | | <u>15,890,840</u> | <u>16,568,857</u> |
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorised capital | | <u>1,000,000</u> | <u>1,000,000</u> |
| Issued, subscribed and paid-up capital | | 615,803 | 615,803 |
| Reserves | | 6,248,641 | 6,248,641 |
| Unappropriated loss | | (1,640,658) | (1,370,865) |
| | | <u>5,223,786</u> | <u>5,493,579</u> |
| CURRENT LIABILITIES | | | |
| Short term borrowings | | 8,053,961 | 8,776,634 |
| Trade and other payables | 7 | 2,363,998 | 2,027,811 |
| Accrued mark-up on short term borrowings | | 72,546 | 78,072 |
| Sales tax and excise duty payable | | 176,549 | 192,761 |
| | | <u>10,667,054</u> | <u>11,075,278</u> |
| | | <u>15,890,840</u> | <u>16,568,857</u> |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 8 | | |

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.

ALEJANDRO PASCHALIDES
Chairman and Chief Executive

JOSEPH ZIOMEK
Director



CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (Un-audited)

FOR THE QUARTER ENDED MARCH 31, 2014

| | Note | Quarter Ended | |
|---------------------------------------------|------|----------------------|-------------------|
| | | March 31, 2014 | March 31, 2013 |
| | | (Rupees in thousand) | |
| Gross turnover | | 9,210,590 | 9,677,375 |
| Less: Sales tax | | 1,407,813 | 1,339,610 |
| Excise duty | | 4,510,036 | 4,506,313 |
| | | 5,917,849 | 5,845,923 |
| Turnover - net of sales tax and excise duty | | 3,292,741 | 3,831,452 |
| Cost of sales | 9 | 2,285,294 | 2,773,367 |
| Gross profit | | 1,007,447 | 1,058,085 |
| Distribution and marketing expenses | | 837,675 | 610,738 |
| Administrative expenses | | 282,829 | 275,614 |
| | | 1,120,504 | 886,352 |
| Operating (Loss) / Profit | | (113,057) | 171,733 |
| Other expenses | | 6,930 | 6,226 |
| | | (119,987) | 165,507 |
| Other income | 10 | 535,161 | 17,642 |
| | | 415,174 | 183,149 |
| Finance cost | 11 | 661,732 | 132,043 |
| Loss before taxation | | (246,558) | 51,106 |
| Taxation | 12 | 23,235 | (2,525) |
| Loss after taxation | | (269,793) | 53,631 |
| (Loss) / Profit per share - basic | 13 | (4.38) | 0.87 |

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.

ALEJANDRO PASCHALIDES
Chairman and Chief Executive

JOSEPH ZIOMEK
Director



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

FOR THE QUARTER ENDED MARCH 31, 2014

| | Issued, subscribed and paid-up capital | General reserve | Reserve for share based payments | Re-measurement of staff retirement gratuity plan | Sub-total | Unappropriated (Loss) | Total |
|---------------------------------------------------------------------------|-------------------------------------------------|--------------------|----------------------------------------|--------------------------------------------------------|-----------|--------------------------|-----------|
| | (Rupees in thousand) | | | | | | |
| Balance as at January 1, 2013 | 615,803 | 6,347,000 | 24,900 | (105,211) | 6,266,689 | (929,407) | 5,953,085 |
| Profit after taxation for the three months period ended March 31, 2013 | - | - | - | - | - | 53,631 | 53,631 |
| | - | - | - | - | - | 53,631 | 53,631 |
| Balance as at March 31, 2013 | 615,803 | 6,347,000 | 24,900 | (105,211) | 6,266,689 | (875,776) | 6,006,716 |
| Balance as at January 1, 2014 | 615,803 | 6,347,000 | 13,230 | (111,589) | 6,248,641 | (1,370,865) | 5,493,579 |
| Loss after taxation for the three months period ended March 31, 2014 | - | - | - | - | - | (269,793) | (269,793) |
| | - | - | - | - | - | (269,793) | (269,793) |
| Balance as at March 31, 2014 | 615,803 | 6,347,000 | 13,230 | (111,589) | 6,248,641 | (1,640,658) | 5,223,786 |

ALEJANDRO PASCHALIDES
Chairman and Chief Executive

JOSEPH ZIOMEK
Director



CONDENSED INTERIM CASH FLOW STATEMENT (Un-audited)

FOR THE QUARTER ENDED MARCH 31, 2014

| | | Quarter Ended | |
|---------------------------------------------------------------------|------|----------------------|-------------------|
| | Note | March 31, 2014 | March 31, 2013 |
| | | (Rupees in thousand) | |
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Cash generated from operations | 15 | 868,941 | 1,003,932 |
| Finance cost paid | | (221,442) | (120,582) |
| Income taxes paid | | (45,856) | (65,406) |
| Long term deposits and prepayments | | (1,677) | 2,942 |
| Net cash provided by operating activities | | 599,966 | 820,886 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Capital expenditure | | (338,365) | (304,232) |
| Proceeds from disposal of items of property, plant and equipment | | 13,599 | 7,004 |
| Income received from short term deposits | | - | 65 |
| Net cash used in investing activities | | (324,766) | (297,163) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds of loan from associated undertaking | | 2,579,300 | 3,426,700 |
| Repayment of loan from associated undertaking | | (1,573,500) | (3,873,250) |
| Net cash provided by / (used) in financing activities | | 1,005,800 | (446,550) |
| Net increase in cash and cash equivalent during the period | | 1,281,000 | 77,173 |
| Cash and cash equivalents at the beginning of the period | | (2,944,881) | (2,961,548) |
| Cash and cash equivalents at the end of the period | 16 | (1,663,881) | (2,884,375) |

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.

ALEJANDRO PASCHALIDES
Chairman and Chief Executive

JOSEPH ZIOMEK
Director



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

FOR THE QUARTER ENDED MARCH 31, 2014

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 three month period ended March 31, 2014 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, 2013 as they provide an update of previously reported information.
- 2.2 The comparative balance sheet presented in these condensed interim financial statements as at December 31, 2013 has been extracted from the audited financial statements of the Company for the year then ended (December 2013 financial statements). The comparative profit and loss account, statement of changes in equity and cash flow statement for the three months period ended March 31, 2013 have been extracted from the condensed interim financial statements of the Company for the three months period then ended.
- 2.3 The accounting policies adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the December 2013 financial statements.

| | Note | March 31, 2014 (Un-audited) (Rupees in thousand) | December 31, 2013 (Audited) |
|------------------------------------------------------|------------|-----------------------------------------------------------|-----------------------------------|
| 3. PROPERTY, PLANT AND EQUIPMENT | | | |
| Operating property, plant and equipment | 3.1 to 3.4 | 4,362,368 | 4,286,803 |
| Capital work-in-progress | 3.5 | 2,672,195 | 2,583,090 |
| Major capital spares and stand-by equipment | | 8,201 | 6,838 |
| | | <u>7,042,764</u> | <u>6,876,731</u> |
| 3.1 Operating property, plant and equipment | | | |
| Book value at the beginning of the period / year | | 4,286,803 | 3,208,561 |
| Additions during the period / year | 3.2 | 247,897 | 1,646,368 |
| | | <u>4,534,700</u> | <u>4,854,929</u> |
| Disposals during the period / year - net book value | | (5,991) | (45,136) |
| Write offs during the period / year - net book value | | (20,365) | (38) |
| Depreciation charge during the period / year | | (145,976) | (522,952) |
| | | <u>(172,332)</u> | <u>(568,126)</u> |
| Book value at the end of the period / year | | <u>4,362,368</u> | <u>4,286,803</u> |



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

| | Quarter Ended | |
|--------------------------------------------------|-----------------------------------------------------------|-----------------------------------|
| | March 31, 2014 (Un-audited) (Rupees in thousand) | March 31, 2013 (Un-audited) |
| 3.2 Additions during the period | | |
| Buildings on freehold land | 22,816 | - |
| Plant and machinery | 6,193 | - |
| Furniture and fixtures | 18,030 | - |
| Vehicles | 91,461 | 93,981 |
| Leasehold improvements | 340 | - |
| Power and other installations | 82,435 | - |
| Computer equipment | 26,622 | 7,865 |
| | <u>247,897</u> | <u>101,846</u> |
| 3.3 Disposals during the period - net book value | | |
| Vehicles | 5,664 | 5,794 |
| Office equipments | 327 | - |
| | <u>5,991</u> | <u>5,794</u> |
| 3.4 Depreciation charge during the period | <u>145,976</u> | <u>113,177</u> |
| 3.5 Capital work-in-progress | | |
| Civil works | 570,129 | 530,288 |
| Plant and machinery | 1,351,663 | 1,262,194 |
| Power and other installations | 518,543 | 501,741 |
| Furniture and fixtures | 16,170 | 46,150 |
| Computer equipment pending installation | 122,329 | 60,332 |
| Advance to suppliers and contractors | 93,361 | 182,385 |
| | <u>2,672,195</u> | <u>2,583,090</u> |

4. 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 three months period ended March 31, 2014, 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 March 31, 2013 amounted to Rs nil, in accordance with its unaudited condensed interim financial statements for the three months period then ended.



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

| | Note | March 31, 2014 (Un-audited) (Rupees in thousand) | December 31, 2013 (Audited) |
|-------------------------------------|-------------|-----------------------------------------------------------|-----------------------------------|
| 5. STORES AND SPARES - net | | | |
| Stores and spares | | <u>618,379</u> | <u>588,330</u> |
| | | <u>618,379</u> | <u>588,330</u> |
| 6. STOCK IN TRADE - net | | | |
| Raw and packing materials | 6.1 and 6.2 | <u>5,404,042</u> | <u>6,314,446</u> |
| Work-in-process | | <u>55,087</u> | <u>49,849</u> |
| Finished goods | 6.2 | <u>1,296,342</u> | <u>1,120,668</u> |
| | | <u>6,755,471</u> | <u>7,484,963</u> |
| Less: Provision for obsolete stocks | | <u>(18,683)</u> | <u>(53,730)</u> |
| | | <u>6,736,788</u> | <u>7,431,233</u> |

6.1 These includes raw & packing material in transit aggregating Rs.15.334 million (December 31, 2013: Rs. 80.411 million) and finished goods in transit aggregating Rs. Nil (December 31, 2013: Rs. 12.417 million).

6.2 During the period, the Company has written off inventory aggregating Rs. 43.424 million (2013: Rs. 2.237 million)

7. TRADE AND OTHER PAYABLES

7.1 There is no change in the status of case as set out in note 20.2 to the December 2013 financial statements.

8. CONTINGENCIES AND COMMITMENTS

8.1 Guarantees

Indemnities given to a bank for guarantees issued by it in the normal course of business aggregated Rs 98.193 million (December 31, 2013: Rs 78.22 million).

8.2 Commitments

| | Note | March 31, 2014 (Un-audited) (Rupees in thousand) | December 31, 2013 (Audited) |
|-----------------------------------------------------|------|-----------------------------------------------------------|-----------------------------------|
| Capital expenditure contracted for but not incurred | | <u>598,329</u> | <u>496,181</u> |
| Letters of credit | | <u>15,116</u> | <u>24,728</u> |



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

- 8.3 Post dated cheques have been issued to custom authorities as a security against duties and taxes amounting to Rs 29.751 million (December 31, 2013: Rs 20.025 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.
- 8.4 There is no change in the status of case as set out in note 21.3.2 to 21.3.5 to the December 2013 financial statements.
- 8.5 Further to the matters as set out in note 21.3.6 to the December 2013 financial statements, the Federal Government issued SRO 212(I)/2014 dated 26 March 2014 through which the Federal Government declared the tax levied under the provincial laws to be the provincial sales tax for the purpose of 'input tax', thereby allowing adjustment for provincial sales tax paid on services. The Company is in the process of withdrawing the petition filed before the Sindh High Court and the matter is not a contingent liability for the period ended 31 March 2014.

Quarter Ended
March 31, March 31,
2014 2013
(Un-audited) (Un-audited)
(Rupees in thousand)

9. COST OF SALES

Raw and packing material consumed

| | | |
|------------------------------------------|--------------------|--------------------|
| Opening stock | 6,314,446 | 6,526,894 |
| Purchases, redrying and related expenses | 1,156,231 | 1,540,509 |
| | <u>7,470,677</u> | <u>8,067,403</u> |
| Closing stock | <u>(5,404,042)</u> | <u>(5,341,447)</u> |
| | <u>2,066,635</u> | <u>2,725,956</u> |

| | | |
|------------------------|------------------|------------------|
| Government levies | 7,935 | 8,674 |
| Manufacturing expenses | <u>306,094</u> | <u>434,563</u> |
| | <u>2,380,664</u> | <u>3,169,193</u> |

Work-in-process

| | | |
|----------------------------|------------------|------------------|
| Opening stock | 49,849 | 34,388 |
| Closing stock | (55,087) | (48,201) |
| Sale of waste | (5,099) | (16,458) |
| | <u>(10,337)</u> | <u>(30,271)</u> |
| Cost of goods manufactured | <u>2,370,327</u> | <u>3,138,922</u> |

Finished goods

| | | |
|--------------------------|--------------------|------------------|
| Opening stock | 1,120,668 | 279,877 |
| Finished goods purchased | 90,641 | 76,036 |
| Closing stock | <u>(1,296,342)</u> | <u>(721,468)</u> |
| | <u>(85,033)</u> | <u>(365,555)</u> |
| | <u>2,285,294</u> | <u>2,773,367</u> |



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

| | Quarter Ended | |
|-------------------------|-----------------------------------------------------------|-----------------------------------|
| | March 31, 2014 (Un-audited) (Rupees in thousand) | March 31, 2013 (Un-audited) |
| 10. OTHER INCOME | | |
| Exchange gain - net | 529,365 | 11,992 |
| Others | 5,796 | 5,650 |
| | <u>535,161</u> | <u>17,642</u> |

| | | |
|-----------------------------------|----------------|----------------|
| 11. FINANCE COST | | |
| Loss on forward exchange contract | 441,818 | 21,857 |
| Mark-up on short term borrowings | 215,916 | 105,484 |
| Bank commission and other charges | 3,998 | 4,702 |
| | <u>661,732</u> | <u>132,043</u> |

| | | |
|---------------------|---------------|----------------|
| 12. TAXATION | | |
| Current | 55,141 | 22,475 |
| Deferred | (31,906) | (25,000) |
| | <u>23,235</u> | <u>(2,525)</u> |

- 12.1 In the 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 in the cases of taxable loss for the year has held by interpreting 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 there is tax paid in a particular year is less than the minimum tax payable. Accordingly, if no tax is paid / payable by the 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 that 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 'minimum tax' aggregating Rs. 240.538 million has been recognised in the these financial statements as at March 31, 2014.

| | | |
|-----------------------------------------------|-----------------------------------------------------------|-----------------------------------|
| 13. (LOSS) / PROFIT PER SHARE – BASIC | Quarter Ended | |
| | March 31, 2014 (Un-audited) (Rupees in thousand) | March 31, 2013 (Un-audited) |
| (Loss) / Profit for the period after taxation | <u>(269,793)</u> | <u>53,631</u> |
| Number of ordinary shares | <u>61,580,341</u> | <u>61,580,341</u> |
| (Loss) / Profit per share – basic | <u>(4.38)</u> | <u>0.87</u> |

There were no convertible dilutive potential ordinary shares outstanding as at March 31, 2014 or 2013.



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

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 | Quarter Ended | |
|--------------------------------|--------------------------------|-----------------------------------------------------------|-----------------------------------|
| | | March 31, 2014 (Un-audited) (Rupees in thousand) | March 31, 2013 (Un-audited) |
| Group companies | Sale of goods and service | 20,348 | 427,175 |
| | Purchase of goods and service | 111,022 | 202,802 |
| | Loans received / roll forward | 2,579,300 | 3,426,700 |
| | Loans repaid / adjusted | 1,573,500 | 3,873,250 |
| | Mark-up on loan | 20,718 | 6,303 |
| | Royalty charges | 11,259 | 7,691 |
| Staff retirement benefit plans | Contribution to gratuity fund | 20,667 | 10,272 |
| | Contribution to provident fund | 22,201 | 18,284 |
| Key management personnel | Remuneration and benefits | 19,181 | 26,624 |

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

| | March 31, 2014 (Un-audited) (Rupees in thousand) | December 31, 2013 (Audited) |
|-----------------------------------------------------|-----------------------------------------------------------|-----------------------------------|
| 14.2 The amount due from related parties comprises: | | |
| Group undertakings | <u>26,582</u> | <u>209,557</u> |
| 14.3 The amount due to related parties comprises: | | |
| Group undertakings | 255,319 | 314,784 |
| Staff retirement plans | <u>19,447</u> | - |
| | <u>274,766</u> | <u>314,784</u> |

15. CASH GENERATED FROM OPERATIONS

| Note | Quarter Ended | |
|-----------------------------------------------------------------|-----------------------------------------------------------|-----------------------------------|
| | March 31, 2014 (Un-audited) (Rupees in thousand) | March 31, 2013 (Un-audited) |
| (Loss) / Profit before taxation | (246,558) | 51,106 |
| Adjustments for non cash changes and other items: | | |
| Depreciation | 145,976 | 113,177 |
| Amortisation | 2,149 | 2,079 |
| Profit on short term deposits | - | (65) |
| Unrealised exchange loss on loan from an associated undertaking | (447,000) | (21,700) |
| Profit on disposal of property, plant and equipment | (7,608) | (1,210) |
| Property, plant and equipment written off | 20,365 | - |
| Finance cost | 215,916 | 105,484 |
| Working capital changes | 15.1 1,185,701 | 755,061 |
| | <u>868,941</u> | <u>1,003,932</u> |



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

| | Note | Quarter Ended | |
|----------------------------------------------|------|---------------------------------------------------------------------|---------------------------------------------------------------------|
| | | March 31, 2014 (Un-audited) (Rupees in thousand) | March 31, 2013 (Un-audited) (Rupees in thousand) |
| 15.1 Working capital changes | | | |
| Decrease / (increase) in current assets | | | |
| Stores and spares | | (30,049) | 7,540 |
| Stock in trade | | 694,445 | 730,043 |
| Trade debts | | (924) | (112,244) |
| Loans and advances | | 25,754 | (18,752) |
| Prepayments | | (10,755) | 62,955 |
| Other receivables | | 187,254 | 25,861 |
| | | <u>865,725</u> | <u>695,403</u> |
| Increase / (decrease) in current liabilities | | | |
| Trade and other payables | | 336,188 | (121,462) |
| Sales tax and excise payable | | (16,212) | 181,120 |
| | | <u>319,976</u> | <u>59,658</u> |
| | | <u>1,185,701</u> | <u>755,061</u> |
| 16. CASH AND CASH EQUIVALENT | | March 31, 2014 (Un-audited) (Rupees in thousand) | December 31, 2013 (Audited) (Rupees in thousand) |
| Cash and bank balances | | 12,280 | 12,753 |
| Short term borrowings | | (1,676,161) | (2,957,634) |
| | | <u>(1,663,881)</u> | <u>(2,944,881)</u> |

17. DATE OF AUTHORISATION FOR ISSUE

- 17.1 These condensed interim financial statements were authorised for issue on April 25, 2014 by the Board of Directors of the Company.
- 17.2 Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.
- 17.3 Prior period / year numbers have been restated where required.

ALEJANDRO PASCHALIDES
Chairman and Chief Executive

JOSEPH ZIOMEK
Director



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