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Plot No. 23, Sector 22,  
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Karachi-74900

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sanofi-aventis Pakistan limited

**CONDENSED INTERIM  
FINANCIAL STATEMENTS**  
FOR THE SIX MONTHS ENDED  
JUNE 30, 2018

(UN-AUDITED)



**SANOFI**



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## Company Information

### Board of Directors

Syed Babar Ali  
Asim Jamal  
Yasser Pir Muhammad  
Syed Hyder Ali  
Arshad Ali Gohar  
**Imtiaz Ahmed Husain Laliwala**  
David Khougazian  
Ana Arcos  
Thomas Rouckout

Chairman  
Chief Executive Officer  
Chief Financial Officer

### URL

[www.sanofi.com.pk](http://www.sanofi.com.pk)

### Auditors

EY Ford Rhodes,  
Chartered Accountants

### Legal Advisors

**Khalid Anwer & Co.**  
Ghani Law Associates  
Saadat Yar Khan & Co.

### Registrars & Share

#### Transfer Office

FAMCO Associates (Pvt.) Ltd.  
8-F, Next to Hotel Faran,  
Nursery, Block-6, P.E.C.H.S.  
Sharah-e-Faisal, Karachi - 74000.  
Tel. No: +92 21 34380101-5  
Fax No: +92 21 34380106  
URL: [www.famco.com.pk](http://www.famco.com.pk)

### Contact

Tel: +92 21 35060221-35  
[contact.pk@sanofi.com](mailto:contact.pk@sanofi.com)

### Bankers

Citibank, N.A.  
Deutsche Bank AG.  
MCB Bank Limited  
Allied Bank Limited  
Habib Bank Limited  
National Bank of Pakistan  
Bank of Tokyo-Mitsubishi UFJ, Limited  
Standard Chartered Bank (Pakistan)  
Limited  
Industrial & Commercial Bank of China  
Limited

### Registered Office

Plot 23, Sector 22, Korangi Industrial  
Area, Karachi - 74900

### Postal Address

P.O. Box No. 4962, Karachi - 74000



## Directors' Report to the Shareholders

The Directors are pleased to present the un-audited interim condensed financial statements of your Company, for the half-year ended June 30, 2018. These financial statements have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 - "Interim Financial Reporting" and the provisions of and the directives issued under the Companies Act, 2017. In case where requirements differ, the provisions of or directives issued under the Companies Act, 2017 have been followed.

The Company's net sales for the half year ended June 30, 2018 amounted to Rs. 6,770 (2017: Rs.6,629) million registering a growth of 2.1% over comparative prior period. The net sales of Company's pharmaceutical business for the half year ended June 2018 reached Rs.6,613 (2017: Rs.6,018) million delivering a solid growth of 10%, mainly driven by Flagyl®, No-Spa® and Lantus®, which grew by 25.4%, 28% and 21.5% respectively.

This strong growth in the pharmaceutical business was offset by the decline in vaccines business, with negligible public tender business; declining by 97% over comparative prior period. However, vaccines private business showed a strong growth during the half year ended June 30, 2018 reaching to Rs.139 (2017: Rs. 70) million.

The gross margin for the period slightly reduced to 35.0% of net sales, compared to 37.3% in comparative prior period mainly due to devaluation of Pakistan Rupee resulting in increase in cost of sales.

Distribution and marketing expenses for the half-year ended June 2018 improved to reach 16.1% of net sales (2017: 16.9%), mainly on account of lower commission expense due to decline in vaccine public tender business, whereas the administrative expenses increased to 3.6% (2017: 3.0%).

Other expenses reduced by Rs.24 million primarily due to certain measures taken by management to reduce exchange losses on foreign currency liabilities. Exchange loss during half-year ended June 2018 amounted to Rs.94.5 (2017: Rs. 105.4) million. Owing to better cash-flows and reduced debt levels, the Company managed to reduce the finance cost by 76% over comparative period.

Profit after tax for the half-year ended June 2018 was Rs.604 (2017: Rs.613) million because of the reasons explained above.

The impact of Pak Rupee depreciation is a major cause of concern for the pharmaceutical industry in general as majority of active pharmaceutical ingredients are imported and as per the pricing regulations this cost increase cannot be transferred to consumers.

A new Drug Pricing Policy was announced by the government in June 2018, and moving forward all price increases by the Company would be in line with the provisions of this new policy. The management is confident that the growth of the Company in rest of the year will be aligned with the market growth of MNCs, barring any unforeseen event.

The Board would like to take this opportunity to acknowledge and thank all employees and other stakeholders for their continued support and loyalty.

By order of the Board

Syed Babar Ali  
Chairman

Asim Jamal  
Chief Executive Officer

## حصص یافتگان کے لئے ڈائریکٹرز کی رپورٹ

بورڈ آف ڈائریکٹرز آپ کی کمپنی کے 30 جون، 2018 کو ختم شدہ ششماہی کے غیر آڈٹ شدہ عبوری فنانشل اسٹیٹمنٹس پیش کرتے ہوئے خوشی محسوس کرتا ہے۔ یہ فنانشل اسٹیٹمنٹس انڈینیشنل اکاؤنٹنگ اسٹینڈرڈز 34 (IAS) - "انٹیرم فنانشل رپورٹنگ" کے مطابق اور کمپنیز ایکٹ، 2017 کے تحت جاری شدہ ہدایات کی روشنی میں تیار کیے گئے ہیں۔ اگر کہیں پر ضروریات مختلف ہیں تو کمپنیز ایکٹ، 2017 کی ہدایات پر عمل کیا گیا ہے۔

30 جون، 2018 کو ختم شدہ ششماہی کے دوران کمپنی کی نیٹ سیلز 6,770 ملین روپے رہی، جو کہ 2017 میں اسی دورانیہ کے دوران 6,629 ملین روپے کے مقابلے میں 2.1% زیادہ ہے۔ 2018 کی ششماہی کے اختتام پر کمپنی کے فارما سیویٹل برنس کی نیٹ سیلز 6,613 ملین روپے تک جا پہنچی، جو کہ 2017 میں اسی دورانیہ کے دوران 6,018 ملین روپے کے مقابلے میں 10% زیادہ ہے۔ اس عرصے میں فلیبل، نو سپا اور لینٹس کی سیلز میں بالترتیب 25.4%، 28% اور 21.5% کا اضافہ ریکارڈ کیا گیا ہے۔

فارما سیویٹل برنس میں اس شاندار اضافے کے اثر کو ویکسین برنس میں کمی نے جزوی طور پر متاثر کیا ہے، ویکسین برنس میں کمی کی وجہ سے کارائی ٹینڈر کے ذریعے برنس میں کمی ہے اور گزشتہ سال اسی عرصے کے مقابلے میں سرکاری ویکسین برنس میں 97% تک کمی ریکارڈ کی گئی ہے۔ البتہ ویکسین کے پرائیویٹ برنس میں 2018 کی پہلی ششماہی کے دوران بھر پور اضافہ ہوا اور یہ 139 ملین روپے تک جا پہنچا جو کہ 2017 میں اسی عرصے کے دوران صرف 70 ملین روپے تھا۔

اس عرصے کے دوران نیٹ سیلز کی شرح کے لحاظ سے مجموعی منافع میں تھوڑی کمی ریکارڈ کی گئی جو کہ گزشتہ سال اسی دورانیہ کے 37.3% کے مقابلے میں 35.0% تک رہا، جس کی بڑی وجہ پاکستانی روپے کی قدر میں کمی ہے جس کے باعث سیلز کے اخراجات میں اضافہ ہوا ہے۔

2018 کی جون میں ختم شدہ ششماہی کے دوران ڈسٹری بیوٹن اور مارکیٹنگ اخراجات میں نیٹ سیلز کی شرح کے لحاظ سے گزشتہ سال اسی دورانیہ کے مقابلے میں بہتری نظر آئی اور یہ شرح 16.1% رہی، جبکہ 2017 میں یہ شرح 16.9% تھی۔ اس بہتری کی وجوہات میں سرکاری ٹینڈر کے ذریعے ویکسین برنس میں کمی کے باعث کمیشن کے اخراجات میں کمی ہے جبکہ انتظامی اخراجات بڑھ کر نیٹ سیلز کے 3.6% ہو گئے جو کہ 2017 میں 3.0% تھے۔

دیگر اخراجات میں 24 ملین روپے تک کمی آئی ہے جس کی بنیادی وجوہات میں فارن کرنسی میں ادائیگیوں پر زرمبادلہ کے خساروں کو کم کرنے کے لیے اٹھائے گئے اقدامات بھی شامل ہیں۔ جون 2018 کو ختم شدہ ششماہی کے دوران زرمبادلہ کا خسارہ 94.5 ملین روپے ریکارڈ کیا گیا جو کہ 2017 میں 105.4 ملین روپے تھا۔ کیش فلوز میں بہتری اور قرضوں کی سطح میں کمی کے باعث گزشتہ سال کے مقابلے میں کمپنی کے مالیاتی اخراجات میں 76% تک کمی ریکارڈ کی گئی۔

مندرجہ بالا اسباب کی وجہ سے جون 2018 کو ختم شدہ ششماہی میں بعد از ٹیکس منافع 604 ملین روپے رہا جبکہ 2017 میں اسی عرصے کے دوران یہ منافع 613 ملین روپے تھا۔

پاکستانی روپے کی قدر میں کمی کی وجہ سے مجموعی طور پر فارما سیویٹل انڈسٹری کو مشکلات کا سامنا کرنا پڑ رہا ہے کیونکہ فارما سیویٹل مصنوعات کے زیادہ تر اجزاء درآمد کیے جاتے ہیں اور قیمتوں کے تعین کے قواعد و ضوابط کے مطابق لاگت اخراجات میں اضافے کا بوجھ صارفین پر منتقل نہیں کیا جاسکتا۔

جون 2018 میں حکومت نے نئی ڈرگ پرائسنگ پالیسی کا اعلان کیا ہے، اور مستقبل میں کمپنی کی جانب سے قیمتوں میں اضافہ اس پالیسی کے تحت کیا جائے گا۔ انتظامیہ پر امید ہے کہ کمپنی MNCs کی مارکیٹ کے اعتبار سے فروغ حاصل کرے گی، لیکن کچھ ناویہ خطرات کا بھی خدشہ ہے۔

بورڈ آف ڈائریکٹرز کمپنی کے تمام ملازمین کی جانب سے سخت محنت اور دیگراستیک ہولڈرز کے مسلسل تعاون اور اعتماد پر ان کے شکر گزار ہیں۔

بحکم بورڈ

*Dr. Naveed*

عاصم جمال  
چیف ایگزیکٹو آفیسر

*S. S. S.*

سید باقر علی  
چیرمین



## Independent Auditors' Review Report

To the members of sanofi-aventis Pakistan Limited

Report on review of Interim Financial Statements

### Introduction

We have reviewed the accompanying condensed interim statement of financial position of sanofi-aventis Pakistan Limited (the Company) as at 30 June 2018 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows, and condensed interim statement of changes in equity and notes to the condensed interim financial statements for the six month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review. The figures of the condensed interim statement of comprehensive income and the notes forming part thereof for the three months ended 30 June 2018 and 2017 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended 30 June 2018.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the audit resulting in this independent auditors' report is Khurram Jameel.

Chartered Accountants  
Place: Karachi  
Date: August 27, 2018




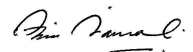
## Condensed Interim Statement of Financial Position

As at June 30, 2018

		(Un-audited)	(Audited)
	Note	June 30, 2018	December 31, 2017
<b>ASSETS</b>			
.....Rupees in `000.....			
<b>NON-CURRENT ASSETS</b>			
<b>Fixed assets</b>			
Property, plant and equipment	5	1,659,091	1,701,285
Intangible assets		809	1,041
		<u>1,659,900</u>	<u>1,702,326</u>
Long-term loans		6,099	6,479
Long-term deposits		13,643	13,643
Deferred Taxation		32,531	5,106
		<u>1,712,173</u>	<u>1,727,554</u>
<b>CURRENT ASSETS</b>			
Stores and spares		49,369	51,173
Stock-in-trade	6	2,594,021	2,406,335
Trade debts		727,198	683,932
Loans and advances		149,341	59,939
Trade deposits and short-term prepayments		258,601	198,227
Other receivables	7	31,330	23,175
Taxation - net		1,476,559	1,458,883
Cash and bank balances		135,089	15,844
		<u>5,421,508</u>	<u>4,897,508</u>
<b>TOTAL ASSETS</b>		<u><u>7,133,681</u></u>	<u><u>6,625,062</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Share capital</b>			
<b>Authorized</b>			
10,000,000 (2017: 10,000,000) Ordinary shares of Rs. 10 each		<u>100,000</u>	<u>100,000</u>
<b>Issued, subscribed and paid-up</b>			
9,644,760 (2017: 9,644,760) Ordinary shares of Rs. 10 each		96,448	96,448
<b>Reserves</b>			
Capital reserves		275,490	262,044
Revenue reserves		3,960,001	3,790,126
		<u>4,235,491</u>	<u>4,052,170</u>
		<u>4,331,939</u>	<u>4,148,618</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	2,714,310	2,198,390
Accrued mark-up		716	1,435
Short-term borrowings		77,675	271,296
Unclaimed Dividend		9,041	5,323
		<u>2,801,742</u>	<u>2,476,444</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	9		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>7,133,681</u></u>	<u><u>6,625,062</u></u>

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

  
Syed Babar Ali  
Chairman

  
Asim Jamal  
Chief Executive Officer

  
Yasser Pirmuhammad  
Chief Financial Officer

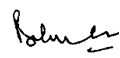






**Condensed Interim Statement of  
Profit or Loss (Un-audited)**  
For the six months period ended June 30, 2018

Note	Six Months Ended		Three Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	.....Rupees in `000.....			
NET SALES	6,769,880	6,629,117	3,449,227	3,590,084
Cost of sales	(4,403,665)	(4,156,510)	(2,315,169)	(2,251,636)
GROSS PROFIT	2,366,215	2,472,607	1,134,058	1,338,448
Distribution and marketing costs	(1,090,329)	(1,122,146)	(512,246)	(576,722)
Administrative expenses	(246,831)	(198,623)	(131,406)	(113,814)
Other expenses	(186,115)	(210,656)	(47,440)	(146,148)
Other income	13,016	27,616	5,378	14,567
	(1,510,259)	(1,503,809)	(685,714)	(822,117)
OPERATING PROFIT	855,956	968,798	448,344	516,331
Finance costs	(6,556)	(27,388)	(2,508)	(12,746)
PROFIT BEFORE TAXATION	849,400	941,410	445,836	503,585
Taxation - Current	(286,895)	(282,309)	(140,225)	(194,653)
- Prior	13,959	(46,723)	-	(46,723)
- Deferred	27,768	233	30,351	39,332
	(245,168)	(328,799)	(109,874)	(202,044)
NET PROFIT FOR THE PERIOD	604,232	612,611	335,962	301,541
EARNINGS PER SHARE				
- basic and diluted (Rupees)	62.65	63.52	34.83	31.26

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

  
Syed Babar Ali  
Chairman

  
Asim Jamal  
Chief Executive Officer

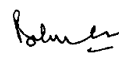
  
Yasser Pirmuhammad  
Chief Financial Officer





**Condensed Interim Statement of  
Comprehensive Income (Un-audited)**  
For the six months period ended June 30, 2018

	Six Months Ended		Three Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	.....Rupees in `000.....			
Net profit for the period	604,232	612,611	335,962	301,541
Other comprehensive loss				
Items not to be reclassified to statement of profit or loss in subsequent periods				
Actuarial gain/ (loss) recognized directly in equity	-	-	-	-
Related deferred tax	(343)	(210)	-	-
Total comprehensive income for the period	603,889	612,401	335,962	301,541

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

  
Syed Babar Ali  
Chairman

  
Asim Jamal  
Chief Executive Officer

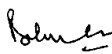
  
Yasser Pirmuhammad  
Chief Financial Officer





**Condensed Interim Statement of  
Cash Flows (Un-audited)**  
For the six months period ended June 30, 2018

	Note	June 30, 2018	June 30, 2017
		.....Rupees in `000.....	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		849,400	941,410
<b>Adjustments for non-cash charges and other items:</b>			
Depreciation / amortization		169,923	167,329
Loss on sale of operating fixed assets		920	286
Expenses arising from equity settled share based payment plans		13,446	13,896
Retirement benefits		41,131	38,248
Interest income		(10)	(13)
Finance costs		6,556	27,388
		<u>1,081,366</u>	<u>1,188,544</u>
 <b>(Increase) / Decrease in current assets</b>			
Stores and spares		1,804	(711)
Stock-in-trade		(187,686)	477,896
Trade debts		(43,266)	(96,841)
Loans and advances		(89,402)	(18,914)
Trade deposits and short-term prepayments		(60,374)	26,453
Other receivables		(8,155)	3,759
		<u>(387,079)</u>	<u>(391,642)</u>
		694,287	1,580,186
 <b>Increase in current liabilities</b>			
Trade and other payables		515,920	401,885
Cash generated from operations		<u>1,210,207</u>	<u>1,982,071</u>
 Finance costs paid		(7,275)	(29,864)
Income tax paid		(290,612)	(364,148)
Retirement benefits paid		(41,131)	(18,447)
Long-term loans-net		380	(125)
<b>Net cash generated from operating activities</b>		<u>871,569</u>	<u>1,569,487</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(139,477)	(65,331)
Sale proceeds from disposal of operating fixed assets		11,060	4,673
Interest received		10	13
<b>Net cash used in investing activities</b>		<u>(128,407)</u>	<u>(60,645)</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Short-term borrowings repaid		-	(500,000)
Long-term financing repaid		-	(500,000)
Dividends paid		(430,296)	(281,097)
<b>Net cash used in financing activities</b>		<u>(430,296)</u>	<u>(1,281,097)</u>
 <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<u>312,866</u>	<u>227,745</u>
 <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<u>(255,452)</u>	<u>(125,001)</u>
 <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	10	<u>57,414</u>	<u>102,744</u>

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

  
Syed Babar Ali  
Chairman

  
Asim Jamal  
Chief Executive Officer

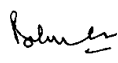
  
Yasser Pir Muhammad  
Chief Financial Officer





**Condensed Interim Statement of  
Changes in Equity (Un-audited)**  
For the six months period ended June 30, 2018

	Capital Reserves				Revenue Reserves		Total
	Issued, subscribed and paid-up share capital	Long term liabilities forgone	Difference of share capital under scheme of arrangement for amalgamation	Other	General reserve	Unappropriated profit	
	Rupees in '000.						
Balance as at January 1, 2017	96,448	5,935	18,000	209,083	2,035,538	1,047,336	3,412,340
Employee benefits cost under IFRS - 2 "Share based payment"	-	-	-	13,896	-	-	13,896
Final dividend @ Rs. 30 per ordinary share for the year ended December 31, 2016	-	-	-	-	-	(289,343)	(289,343)
Transfer to general reserve	-	-	-	-	700,000	(700,000)	-
Net profit for the period	-	-	-	-	-	612,611	612,611
Other comprehensive loss	-	-	-	-	-	(210)	(210)
Total comprehensive income for the period	-	-	-	-	-	612,401	612,401
Balance as at June 30, 2017	<u>96,448</u>	<u>5,935</u>	<u>18,000</u>	<u>222,979</u>	<u>2,735,538</u>	<u>670,394</u>	<u>3,749,294</u>
Balance as at January 1, 2018	96,448	5,935	18,000	238,109	2,735,538	1,054,588	4,148,618
Employee benefits cost under IFRS 2 - "Share based payment"	-	-	-	13,446	-	-	13,446
Final dividend @ Rs. 45 per ordinary share for the year ended December 31, 2017	-	-	-	-	-	(434,014)	(434,014)
Transfer to general reserve	-	-	-	-	600,000	(600,000)	-
Net profit for the period	-	-	-	-	-	604,232	604,232
Other comprehensive loss	-	-	-	-	-	(343)	(343)
Total comprehensive income for the period	-	-	-	-	-	603,889	603,889
Balance as at June 30, 2018	<u>96,448</u>	<u>5,935</u>	<u>18,000</u>	<u>251,555</u>	<u>3,335,538</u>	<u>624,463</u>	<u>4,331,939</u>

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

  
Syed Babar Ali  
Chairman

  
Asim Jamal  
Chief Executive Officer

  
Yasser Pir Muhammad  
Chief Financial Officer



## Notes to the Condensed Interim Financial Statements (Un-audited) For the six months period ended June 30, 2018

### 1. THE COMPANY AND ITS OPERATIONS

Sanofi-aventis Pakistan Limited (the Company) was incorporated in Pakistan in 1967 as a Public Limited Company. The shares of the Company are listed on Pakistan Stock Exchange Limited. The Company is a subsidiary of SECIFE, France (the Parent Company). The Ultimate Parent of the Company is Sanofi S.A., France. The registered office of the Company is located at Plot 23, Sector 22, Korangi Industrial Area, Karachi. The Company is engaged in the manufacturing and selling of pharmaceutical and consumer products.

### 2. BASIS OF PREPARATION

2.1 These condensed interim financial statements of the Company for the six months period ended June 30, 2018 have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, "Interim Financial Reporting" 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 the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

These condensed interim financial statement of the Company for the half year ended June 30, 2018 are unaudited but subject to limited scope review by the statutory auditors as required by the Listed Companies (Code of Corporate Governance) Regulations, 2017.

The figures of the condensed interim statement of Profit or Loss and condensed interim Statement of Comprehensive income for the quarters ended June 30, 2018 and 2017 have not been reviewed by the external auditors of the Company as they have reviewed the cumulative figures for the half year ended June 30, 2018. These condensed interim financial statements do not include all the information and disclosures as required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2017.

These condensed interim financial statements are being submitted to the shareholders as required by the Section 237 of the Companies Act, 2017.

### 3. ACCOUNTING POLICIES

#### 3.1 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation used in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements for the year ended December 31, 2017, except as disclosed below:

##### New / Revised Standards, Interpretations and Amendments.

- |          |   |
|----------|---|
| IFRS 2   | Share-based Payments - Classification and Measurement of Share-based Payments Transaction (Amendments)  |
| IFRS 4   | Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - (Amendments)   |
| IAS 28   | Investments in Associates and Joint Ventures: Clarification that measuring investees at fair value through profit or loss is an investment - by - investment choice (Amendment) |
| IAS 40   | Investment Property: Transfers of Investment Property (Amendments)  |
| IFRIC 22 | Foreign Currency Transactions and Advance Consideration   |

The adoption of the above standards did not have any effect on the condensed interim financial statements.

3.2 The Company follows the practice of conducting actuarial valuation annually at the year end. Hence, the impact of re-measurement of post-employment benefit plans has not been incorporated in the condensed interim financial statements.

3.3 Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.



**Notes to the Condensed Interim  
Financial Statements (Un-audited)**  
For the six months period ended June 30, 2018

**4. ACCOUNTING ESTIMATES AND JUDGEMENTS**

- 4.1 The preparation of these condensed interim financial statements is in conformity with the approved accounting standards which 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 expectation of future events that are believed to be reasonable under the circumstances. However, actual results may differ from these estimates.
- 4.2 During the preparation of these condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the audited annual financial statements for the year ended December 31, 2017.

	(Un-audited)	(Audited)
Note	June 30, 2018	December 31, 2017

.....Rupees in `000.....

**5. PROPERTY, PLANT AND EQUIPMENT**

Operating fixed assets	1,477,494	1,584,463
Capital work-in-progress	181,597	116,822
	<u>1,659,091</u>	<u>1,701,285</u>

**5.1 OPERATING FIXED ASSETS**

Opening net book value		1,584,463	1,703,331
Additions during the period / year - at cost	5.1.1	74,458	233,957
Disposals during the period / year	5.1.1	(11,980)	(17,966)
Depreciation charged during the period / year		(169,447)	(334,859)
Closing net book value		<u>1,477,494</u>	<u>1,584,463</u>

- 5.1.1. Additions to operating fixed assets, including transfers from capital work-in-progress, and the disposals made during the period were as follows.

	Additions (at cost)		Disposals (at net book value)	
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017

.....Rupees in `000.....

Building on leasehold land	29	26,756	-	-
Plant & machinery	33,686	89,024	-	-
Furniture & fixtures	3,230	321	-	-
Factory & office equipment	21,342	10,568	111	4,914
Motor vehicles	16,171	7,811	11,869	44
	<u>74,458</u>	<u>134,480</u>	<u>11,980</u>	<u>4,958</u>

	(Un-audited)	(Audited)
	June 30, 2018	December 31, 2017

.....Rupees in `000.....

**5.2 Capital work-in-progress**

Building on leasehold land	15,325	13,314
Plant and machinery	132,762	83,988
Others	33,510	19,520
	<u>181,597</u>	<u>116,822</u>

**5.3 Movement in capital work-in-progress is as follows:**

Opening balance	116,822	163,124
Additions during the year	96,756	77,595
Transferred to operating fixed assets	(31,981)	(123,897)
Closing balance	<u>181,597</u>	<u>116,822</u>



**Notes to the Condensed Interim  
Financial Statements (Un-audited)**  
For the six months period ended June 30, 2018

	(Un-audited)	(Audited)
Note	June 30, 2018	December 31, 2017
	.....Rupees in `000.....	
<b>6. STOCK-IN-TRADE</b>		
Raw and packing material		
in hand	1,014,876	1,042,678
in transit	305,513	103,421
	<u>1,320,389</u>	<u>1,146,099</u>
Provision against raw and packing material	6.1 (108,828)	(118,992)
	<u>1,211,561</u>	<u>1,027,107</u>
Work-in-process	115,216	37,598
Finished goods		
in hand	1,281,121	1,343,652
in transit	157,748	160,159
	<u>1,438,869</u>	<u>1,503,811</u>
Provision against finished goods	6.2 & 6.3 (171,625)	(162,181)
	<u>1,267,244</u>	<u>1,341,630</u>
	<u>2,594,021</u>	<u>2,406,335</u>
<b>6.1 Movement of provision against raw and packing material</b>		
Opening balance	118,992	107,464
(Reversal) / Charge for the period / year	(10,164)	21,654
Write off during the year	-	(10,126)
Closing balance	<u>108,828</u>	<u>118,992</u>
<b>6.2 Movement of provision against finished goods</b>		
Opening balance	162,181	122,317
Charge for the period / year	17,337	47,382
Write off during the year	(7,893)	(7,518)
Closing balance	<u>171,625</u>	<u>162,181</u>
<b>6.3</b> Includes write down of finished goods costing Rs. 151.803 (2017: Rs. 33.531) million, to their net realizable value of Rs. 136.042 (2017: Rs. 24.345) million.		
<b>7. OTHER RECEIVABLES</b>		
Includes Rs. 6,037 (2017: Rs. 5,607) million receivable from related parties.		
	(Un-audited)	(Audited)
	June 30, 2018	December 31, 2017
	.....Rupees in `000.....	
<b>8. TRADE AND OTHER PAYABLES</b>		
Trade creditors		
Related parties	868,085	552,834
Other trade creditors	264,178	161,724
	<u>1,132,263</u>	<u>714,558</u>
Other payables		
Accrued liabilities	912,815	793,857
Provision for Infrastructure Development Cess	294,000	222,009
Employees' Pension Fund	88,812	88,812
Employees' Gratuity Fund	15,453	15,453
Amount payable under voluntary separation scheme	-	70,725
Advances from customers	28,783	34,341
Workers' Profits Participation Fund	37,552	80,909
Workers' Welfare Fund	81,964	67,270
Central Research Fund	8,869	17,050
Compensated absences	95,036	69,111
Security deposits	775	775
Contractors' retention money	1,850	1,850
Withholding income tax payable	-	8,335
Sales tax payable	16,138	13,335
	<u>1,582,047</u>	<u>1,483,832</u>
	<u>2,714,310</u>	<u>2,198,390</u>



**Notes to the Condensed Interim  
Financial Statements (Un-audited)**  
For the six months period ended June 30, 2018

**9. CONTINGENCIES AND COMMITMENTS**

**9.1 Contingencies**

There is no change in the status of contingencies, as disclosed in note 18.1 to the annual financial statements of the Company for the year ended December 31, 2017 except for the following:

During the year ended December 31, 2016, Inland Revenue, Enforcement & Collection had framed the assessment for tax year 2014 on the alleged contention that the Company had short deducted income tax from payments made to vendors under various heads of expenditures. Total tax demand raised under the order was Rs 123.4 million. The Company filed an appeal before Commissioner Inland Revenue (Appeals) [CIR(A)]. During the period, the CIR(A) has remanded back the proceedings for fresh consideration to the Deputy Commissioner Inland Revenue.

The management, based on tax advise, is confident for a favourable outcome, hence no provision is made in respect of these order.

	(Un-audited) June 30, 2018	(Audited) December 31, 2017
	.....Rupees in `000.....	
<b>9.2 Commitments</b>		
Commitments for capital expenditure	<u>88,407</u>	<u>92,609</u>
Post-dated cheques issued to Collector of Cutoms	<u>21,440</u>	<u>21,440</u>
Outstanding letters of credit	<u>228,015</u>	<u>111,829</u>
Outstanding bank guarantees	<u>387,965</u>	<u>370,524</u>
Outstanding bank contracts	<u>338,435</u>	<u>73,745</u>
	(Un-audited) June 30, 2018	(Un-audited) June 30, 2017
	.....Rupees in `000.....	

**10. CASH AND CASH EQUIVALENTS**

Cash and bank balances	135,089	286,898
Short term running finance utilized under mark-up arrangements	<u>(77,675)</u>	<u>(184,154)</u>
	<u>57,414</u>	<u>102,744</u>

**11. TRANSACTIONS WITH RELATED PARTIES**

The related parties of the Company comprise of Associates, employees' retirement funds, directors and key management personnel. Transactions with related parties other than those disclosed elsewhere in the financial statements are as follows:

There are no transactions with key management personnel other than under the terms of employment.

Details of transactions with related parties during the period are as follows:

	June 30, 2018 (Un-audited)				June 30, 2017 (Un-audited)			
	Associates	Retirement benefit plans	Key management personnel	Total	Associates	Retirement benefit plans	Key management personnel	Total
	.....Rupees in `000.....							
i) Gross Sales	11,659	-	-	11,659	11,576	-	-	11,576
ii) Purchase of goods	2,418,219	-	-	2,418,219	1,731,205	-	-	1,731,205
iii) Purchase of services	129,058	-	-	129,058	8,623	-	-	8,623
iv) Insurance claim received	2,477	-	-	2,477	6,736	-	-	6,736
v) Contribution paid								
- Provident fund	-	27,406	-	27,406	-	25,677	-	25,677
- Gratuity fund	-	20,029	-	20,029	-	9,563	-	9,563
- Pension fund	-	21,102	-	21,102	-	8,884	-	8,884
vi) Remuneration of key management personnel	-	-	130,473	130,473	-	-	100,639	100,639

**12. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES**

The Company's activities expose it to a variety of financial risks. These condensed interim financial statements do not include all financial risk management information and disclosures which are required in the annual audited financial statements and should be read in conjunction with the annual audited financial statements of the Company as at 31 December 2017. There has been no change in any risk management policies since the year end.



**Notes to the Condensed Interim  
Financial Statements (Un-audited)**  
For the six months period ended June 30, 2018

**13. FAIR VALUES OF ASSETS AND LIABILITIES**

The carrying values of all financial assets and liabilities are estimated to approximate their fair values. There were no transfers amongst levels during the period.

**14. ENTITY WIDE INFORMATION**

14.1 The Company constitutes a single reportable segment, the principal classes of products provided are pharmaceutical and vaccine products.

14.2 Information about classes of products - net sales

	(Un-audited) June 30, 2018	(Un-audited) June 30, 2017
	.....Rupees in `000.....	
Pharmaceutical	6,612,911	6,017,757
Vaccine	156,969	611,360
	<u>6,769,880</u>	<u>6,629,117</u>
14.3 Information about geographical areas - net sales		
Pakistan	6,755,748	6,492,129
Afghanistan	2,473	125,412
Others	11,659	11,576
	<u>6,769,880</u>	<u>6,629,117</u>

14.2 Information about major customers

There were three major customers of the company who contributed 11%, 10.25% and 9.9% of the Company's total net sales. This revenue was generated in pharmaceutical and vaccine products.

**15. DATE OF AUTHORISATION FOR ISSUE**

These condensed interim financial statements were authorized for issue on August 27, 2018 by the Board of Directors of the Company.

**16. GENERAL**

Figures presented in these condensed interim financial statements have been rounded off to the nearest thousand rupees, unless otherwise stated.

Syed Babar Ali  
Chairman

Asim Jamal  
Chief Executive Officer

Yasser Pirmuhammad  
Chief Financial Officer