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sanofi-aventis Pakistan limited

**CONDENSED INTERIM
FINANCIAL STATEMENTS**
FOR THE SIX MONTHS ENDED
JUNE 30, 2019

(UN-AUDITED)



SANOFI



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Company Information

Board of Directors

Syed Babar Ali
Asim Jamal
Yasser Pirmuhammad
Syed Hyder Ali
Arshad Ali Gohar
Intiaz Ahmed Husain Laliwala
Ana Arcos
Naira Adamyan
Thomas Rouckout

Chairman
Chief Executive Officer
Chief Financial Officer

Company Secretary

Muhammad Yousuf

URL

www.sanofi.com.pk

Auditors

EY Ford Rhodes,
Chartered Accountants

Bankers

Citibank, N.A.
MCB Bank Limited
Deutsche Bank A.G.
Habib Bank Limited
National Bank of Pakistan
Standard Chartered Bank (Pakistan)
Limited
Allied Bank Limited

Legal Advisors

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

Registrars & Share

Transfer Office

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

Registered Office

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

Postal Address

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

Contact

Tel: +92 21 35060221-35
Email: contact.pk@sanofi.com



Directors' Report to the Shareholders

The Directors hereby present the un-audited interim condensed financial statements of your Company, for the six months ended June 30, 2019. 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.

In the midst of economic challenges faced by the country, Sanofi Pakistan is making every effort to reduce/minimize the adverse impacts which are affecting the overall operations and profitability of the Company. Despite the economic slowdown during the year, total net sales of the Company for the half year ended June 30, 2019 increased by 7% over the same period last year, reaching to Rs.7,243 million (2018: Rs.6,770 million). This includes sales of Rs.6,100 million (2018: Rs.5,685 million) from pharmaceutical business, reflecting a growth of 7.3% over prior comparative period. Sales of consumer healthcare business showed a growth of 4.4% over comparative prior period reaching to Rs.969 million (2018: Rs. 928 million). The overall growth of the Company was mainly driven by Flagyl®, Amaryl® and Lantus® which grew by 14.7%, 11.1% and 11.6% respectively.

The gross margin for the period was 24.9% of net sales, compared to 34.9% for the same period last year mainly due to continuous devaluation of Pakistan Rupee, resulting in substantially higher cost of imports.

Distribution and marketing expenses for the half year ended June 30, 2019 increased to 17.2% as a percentage of net sales, compared to 16.1% in same period last year. Increase is mainly driven by service fee paid to contract sales organization for promotion of certain product portfolio and cost associated with annual sales conference and cycle meetings. Administrative expenses reduced to 3.5% of net sales, compared to 3.6% for comparative prior period.

Other expenses have increased to 3.3% as compared to 2.7% in the same period last year which is primarily due to loss on foreign exchange payments and liabilities amounting to Rs.205 million

Finance cost for the period was Rs. 24.7 million as compared to Rs. 6.5 million in the comparative period last year. Since the cost of import has substantially gone up due to PKR devaluation, putting pressure on working capital requirements. As a result, Company have used its short term borrowing facility available with the banks.

Loss after tax for the half year ended June 30, 2019 amounted to Rs.70.5 million, mainly because of the reasons explained above, as well as higher current tax primarily due to taxes paid under final tax regime on import of finished goods and prior year adjustment.

Volatile economic situation, devaluation of Pakistan Rupee and uncertainty over pricing remains a key concern for the pharmaceutical companies in general as majority of the active pharmaceutical ingredients and finished goods are imported. The management considers this year to be a challenging year in light of the recent economic conditions. However, efforts are being undertaken to minimize these adverse impacts.

The Board of Directors would like to acknowledge the efforts and commitment of the employees.

By order of the Board

Syed Babar Ali
Chairman

Asim Jamal
Chief Executive Officer

Karachi: August 27th, 2019.

حصص یا فنڈنگ کے لئے ڈائریکٹرز کی رپورٹ

بورڈ آف ڈائریکٹرز آپ کی کمپنی کے 30 جون، 2019 کو ختم شدہ ششماہی کے غیر آڈٹ شدہ عبوری فنانشل اسٹیٹمنٹس پیش کرتے ہیں۔ یہ فنانشل اسٹیٹمنٹس انٹرنیشنل اکاؤنٹنگ اسٹینڈرڈز 34 (IAS) کے تحت "انٹیریم فنانشل رپورٹنگ" کے مطابق اوپنیزا ایکٹ، 2017 کے تحت جاری شدہ ہدایات کی روشنی میں تیار کیے گئے ہیں۔ اگر کہیں پر ضرورت مختلف ہیں تو کمپنیز ایکٹ، 2017 کی ہدایات پر عمل کیا گیا ہے۔

ملک کو درپیش خراب معاشی صورتحال کے باوجود، سنوئی پاکستان ہر ممکن کوشش کر رہا ہے کہ کمپنی کی مجموعی پیداواری سرگرمیوں اور منافع جات پر کم سے کم منفی اثرات مرتب ہوں۔ رواں سال معاشی ترقی میں سست روی کے باوجود، 30 جون، 2019 کو ختم شدہ ششماہی کے دوران کمپنی کی نیٹ سیلز 7,243 ملین روپے رہی، جو کہ گزشتہ سال 2018 میں اسی عرصے کے دوران 6,770 ملین روپے کے مقابلے میں 7 فیصد زیادہ ہے۔ اس میں فارماسیوٹیکل برنس کی 6,100 ملین روپے کی سیلز (2018: 5685 ملین روپے) بھی شامل ہے، جو کہ گزشتہ سال اسی دورانیہ کے مقابلے میں 7.3 فیصد زیادہ ہے۔ کمزور ہیلیتھ کیئر برنس کی سیلز گزشتہ سال اسی دورانیہ (2018: 928 ملین روپے) کے مقابلے میں 4.4 فیصد اضافے کے ساتھ 969 ملین روپے تک جا پہنچی۔ کمپنی کی اہم پروڈکٹس فلیکس، ایمارل، اور لیٹنس کی سیلز میں بالترتیب 14.7 فیصد، 11.1 فیصد اور 11.6 فیصد اضافے کی وجہ سے کمپنی کی مجموعی سیلز میں بہتری آئی۔

اسی عرصے کے دوران نیٹ سیلز کی شرح کے لحاظ سے مجموعی منافع 24.9 فیصد ریکارڈ کیا گیا جو کہ گزشتہ سال اسی دورانیہ میں 34.9 فیصد تھا، جس کی بڑی وجہ پاکستانی روپے کی قدر میں مسلسل کمی ہے جس کے باعث درآمدات کی قیمتوں میں بہت زیادہ اضافہ ریکارڈ کیا گیا ہے۔

30 جون 2019 کو ختم شدہ ششماہی کے دوران ڈسٹری بیوشن اور مارکیٹنگ اخراجات نیٹ سیلز کی شرح کے لحاظ سے گزشتہ سال اسی دورانیہ کے 16.1 فیصد سے بڑھ کر 17.2 فیصد ہو گئے۔ اس اضافے کی وجوہات میں مخصوص پروڈکٹ پورٹ فولیو کی تسمیر کے لیے ٹھیکہ دار سیلز آرگنائزیشن کو سروس فیس کی ادائیگی کے علاوہ سالانہ سیلز کانفرنس اور سائیکل میٹنگز سے وابستہ اخراجات شامل ہیں۔ انتظامی اخراجات گزشتہ سال اسی دورانیہ کے 3.6 فیصد کے مقابلے میں کم ہو کر نیٹ سیلز کے 3.5 فیصد تک ہو گئے۔

دیگر اخراجات میں گزشتہ سال اسی دورانیہ کے 2.7 فیصد کے مقابلے میں اضافہ ہوا جو کہ 3.3 فیصد تک جا پہنچے جس کی بنیادی وجوہات میں فارن کرنسی میں واجبات اور ادائیگیوں پر زرمبادلہ کا خسارہ ہے جو کہ 205 ملین روپے ریکارڈ کیا گیا۔

کمپنی کے مالیاتی اخراجات گزشتہ سال اسی دورانیہ کے 6.5 ملین روپے کے مقابلے میں 24.7 ملین روپے رہے۔ پاکستانی روپے کی قدر میں کمی کے باعث درآمدی اخراجات میں بہت زیادہ اضافہ نے پیداوار کے لیے مطلوبہ سرمائے کا دباؤ بڑھا دیا ہے۔ اس کے نتیجے میں، کمپنی نے بینکوں سے قلیل المدت قرضہ جات کی دستیاب سہولت سے فائدہ اٹھایا ہے۔

30 جون 2019 کو ختم شدہ ششماہی میں بعد از ٹیکس خسارہ 70.5 ملین روپے رہا، جس کی بنیادی وجوہات میں مندرجہ بالا اسباب کے ساتھ درآمد کی گئی تیار شدہ ادویات پر ادا کیا جانے والا حتمی ٹیکس اور گزشتہ مالی سال کی ایڈجسٹمنٹ بھی شامل ہے۔

غیر مستحکم معاشی صورتحال، پاکستانی روپے کی قدر میں کمی اور قیمتوں پر غیر یقینی جیسے مسائل کی وجہ سے فارماسیوٹیکل کمپنیوں کو مشکلات کا سامنا کرنا پڑ رہا ہے کیونکہ فارماسیوٹیکل مصنوعات کے زیادہ اجزاء اور تیار شدہ اشیاء درآمد کی جاتی ہیں۔ حالیہ معاشی حالات کی روشنی میں انتظامیہ اس سال کو مشکل سال سمجھ رہی ہے۔ تاہم ان خراب اثرات کو کم سے کم کرنے کے لیے اقدامات اٹھائے جا رہے ہیں۔

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

بحکم بورڈ

Asim Rana

عاصم رحمان
چیف ایگزیکٹو آفیسر

Sidra Bhatti

سید بابر علی
چیرمین

کراچی: 27 اگست، 2019



Independent Auditor's 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 as at 30 June 2019 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 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 presentation of this 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 financial statements based on our review. The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the three months ended 30 June 2019 and 2018 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended 30 June 2019.

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 the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

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



Chartered Accountants
Place: Karachi
Date: August 28, 2019




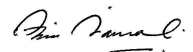
Condensed Interim Statement of Financial Position

As at June 30, 2019

	Note	June 30, 2019	December 31, 2018
Rupees in '000.....			
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	4	1,644,172	1,661,132
Right of use assets	5	3,535	-
Intangible assets		3,766	2,706
		<u>1,651,473</u>	<u>1,663,838</u>
Long-term loans		4,875	5,572
Long-term deposits		13,643	13,643
Deferred taxation		48,861	39,388
		<u>1,718,852</u>	<u>1,722,441</u>
CURRENT ASSETS			
Stores and spares		50,952	52,020
Stock-in-trade	6	2,975,191	2,879,645
Trade debts		553,964	582,001
Loans and advances		198,857	133,735
Trade deposits and short-term prepayments		349,212	399,052
Other receivables	7	72,839	31,095
Taxation - net		1,762,333	1,751,093
Cash and bank balances		51,019	254,648
		<u>6,014,367</u>	<u>6,083,289</u>
TOTAL ASSETS		<u>7,733,219</u>	<u>7,805,730</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital			
Authorized			
10,000,000 Ordinary shares of Rs. 10 each		<u>100,000</u>	<u>100,000</u>
Issued, subscribed and paid-up		<u>96,448</u>	<u>96,448</u>
Reserves			
Capital reserves		305,804	289,967
Revenue reserves		3,551,379	3,911,250
		<u>3,857,183</u>	<u>4,201,217</u>
		<u>3,953,631</u>	<u>4,297,665</u>
NON-CURRENT LIABILITIES			
Lease liability		2,318	-
CURRENT LIABILITIES			
Contract liabilities		79,780	23,358
Trade and other payables	8	2,903,752	3,476,403
Current maturity of lease liability		1,322	-
Accrued mark-up		16,869	339
Unclaimed dividend		9,240	7,965
Short-term borrowings	9	766,307	-
		<u>3,777,270</u>	<u>3,508,065</u>
CONTINGENCIES AND COMMITMENTS 10			
TOTAL EQUITY AND LIABILITIES		<u>7,733,219</u>	<u>7,805,730</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

For the six months ended June 30, 2019 (Un-audited)

	Six Months Ended		Three Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Rupees in `000.....			
NET SALES	7,242,643	6,769,880	3,650,643	3,449,227
Cost of sales	(5,441,009)	(4,403,665)	(2,817,208)	(2,315,169)
GROSS PROFIT	1,801,634	2,366,215	833,435	1,134,058
Distribution and marketing expenses	(1,244,531)	(1,090,329)	(624,096)	(512,246)
Administrative expenses	(253,592)	(246,831)	(137,579)	(131,406)
Other expenses	(238,612)	(186,115)	(238,518)	(47,440)
Other income	59,949	13,016	51,185	5,378
	(1,676,786)	(1,510,259)	(949,008)	(685,714)
OPERATING PROFIT	124,848	855,956	(115,573)	448,344
Finance costs	(24,740)	(6,556)	(18,729)	(2,508)
PROFIT / (LOSS) BEFORE TAXATION	100,108	849,400	(134,302)	445,836
Taxation - Current	(152,040)	(286,895)	(47,712)	(140,225)
- Prior	(28,069)	13,959	(28,069)	-
- Deferred	9,473	27,768	17,239	30,351
	(170,636)	(245,168)	(58,542)	(109,874)
NET (LOSS) / PROFIT FOR THE PERIOD	<u>(70,528)</u>	<u>604,232</u>	<u>(192,844)</u>	<u>335,962</u>
(LOSS) / EARNINGS PER SHARE - basic and diluted (Rupees)	<u>(7.31)</u>	<u>62.65</u>	<u>(19.99)</u>	<u>34.83</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 Comprehensive Income

For the six months ended June 30, 2019 (Un-audited)

	Six Months Ended		Three Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Rupees in `000.....			
Net (loss) / profit for the period	(70,528)	604,232	(192,844)	335,962
Other comprehensive loss items not to be reclassified to profit or loss in subsequent periods				
Impact of rate change on deferred tax on actuarial loss on defined benefit plans	-	(343)	1,126	-
Total other comprehensive (loss) / income	-	(343)	1,126	-
Total comprehensive (loss) / income for the period	<u>(70,528)</u>	<u>603,889</u>	<u>(191,718)</u>	<u>335,962</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

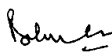



Condensed Interim Statement of Cash Flows


For the six months ended June 30, 2019 (Un-audited)

	Note	June 30, 2019	June 30, 2018
.....Rupees in `000.....			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		100,108	849,400
Adjustments for non-cash charges and other items:			
Depreciation / amortization		175,684	169,923
Loss on disposal of operating fixed assets		3,940	920
Operating fixed assets written-off		2,454	-
Expenses arising from equity settled share based payment plans		15,837	13,446
Retirement benefits		52,941	41,131
Interest income		(13)	(10)
Finance costs		24,740	6,556
		<u>375,691</u>	<u>1,081,366</u>
Decrease / (Increase) in current assets			
Stores and spares		1,068	1,804
Stock-in-trade		(95,546)	(187,686)
Trade debts		28,037	(43,266)
Short-term loans and advances		(65,122)	(89,402)
Trade deposits and short-term prepayments		49,840	(60,374)
Other receivables		(41,744)	(8,155)
		<u>(123,467)</u>	<u>(387,079)</u>
		252,224	694,287
(Decrease) / Increase in current liabilities			
Contract liabilities		56,422	(5,558)
Trade and other payables (excluding liabilities for employees' pension and gratuity fund)		(571,943)	521,478
Cash (used in) / generated from operations		<u>(263,297)</u>	<u>1,210,207</u>
Finance costs paid		(7,970)	(7,275)
Interest on lease liability paid		(240)	-
Income tax paid		(191,349)	(290,612)
Retirement benefits paid		(53,649)	(41,131)
Long-term loans		697	380
Net cash (used in) / generated from operating activities		<u>(515,808)</u>	<u>871,569</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(181,203)	(139,477)
Sale proceeds from disposal of operating fixed assets		15,732	11,060
Interest received		13	10
Net cash used in investing activities		<u>(165,458)</u>	<u>(128,407)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(288,068)	(430,296)
Repayment of lease liability		(602)	-
Net cash used in financing activities		<u>(288,670)</u>	<u>(430,296)</u>
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		<u>(969,936)</u>	<u>312,866</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		254,648	(255,452)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	11	<u>(715,288)</u>	<u>57,414</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

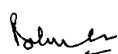

Yasser Pir Muhammad
Chief Financial Officer




**Condensed Interim Statement of
Changes in Equity**
For the six months ended June 30, 2019 (Un-audited)

	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, 2018	96,448	5,935	18,000	238,109	2,735,538	1,054,588	4,148,618
Employee benefit 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>
Balance as at January 1, 2019	96,448	5,935	18,000	266,032	3,335,538	575,712	4,297,665
Employee benefit cost under IFRS 2 - "Share based payment"	-	-	-	15,837	-	-	15,837
Final dividend @ Rs. 30 per ordinary share for the year ended December 31, 2018	-	-	-	-	-	(289,343)	(289,343)
Transfer to general reserve	-	-	-	-	200,000	(200,000)	-
Net loss for the period	-	-	-	-	-	(70,528)	(70,528)
Other comprehensive loss	-	-	-	-	-	-	-
Total comprehensive Loss for the period	-	-	-	-	-	(70,528)	(70,528)
Balance as at June 30, 2019	<u>96,448</u>	<u>5,935</u>	<u>18,000</u>	<u>281,869</u>	<u>3,535,538</u>	<u>15,841</u>	<u>3,953,631</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 For the six months ended June 30, 2019 (Un-audited)

1. THE COMPANY AND ITS OPERATIONS

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 Sanofi Foreign Participations B.V., registered in Netherlands (the Parent Company). The Ultimate Parent of the Company is Sanofi S.A., France. The Company is engaged in the manufacturing and selling of pharmaceutical, consumer healthcare products and vaccines. The registered office of the Company is located at Plot 23, Sector 22, Korangi Industrial Area, Karachi.

2. STATEMENT OF COMPLIANCE

- 2.1 These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting which 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 requirement of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.
- 2.2 These condensed interim financial statements are un-audited but subject to limited scope review by the auditors and are being submitted to the shareholders as required under Section 237 of the Companies Act, 2017. These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the financial statements of the Company for the year ended 31 December 2018.
- 2.3 The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the quarters ended 30 June 2019 and 30 June 2018 and notes forming part thereof have not been reviewed by the auditors of the Company, as they have reviewed the cumulative figures for the half years ended 30 June 2019 and 30 June 2018.
- 2.4 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 judgement in the process of applying the Company's accounting policies. Estimates and judgements 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. Actual results may differ from the estimates. During the preparation of these condensed interim financial statement, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation and assumptions are consistent with those that were applied to the annual audited financial statements of the Company for the year ended 31 December 2018 except, if any, as stated in note 3 of these condensed interim financial statements.

3. ACCOUNTING POLICIES

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements for the year ended 31 December 2018, except for the adoption of the following new and amended standards, interpretations and improvements to IFRSs by the Company, which became effective for the current period:

IFRS 9	Financial Instruments
IFRS 9	Prepayment Features with Negative Compensation (Amendments)
IFRS 15	Revenue from Contract with Customers
IFRS 16	Leases
IAS 19	Plan Amendment, Curtailment or Settlement (Amendments)
IAS 28	Long-term interests in Associates and Joint Ventures (Amendments)
IFRIC 23	Uncertainly over Income Tax Treatments

The adoption of above standards, interpretations and improvement to standards did not have any material effect on the condensed interim financial statements of the Company, except for the changes related to adoption of IFRS 9 'Financial Instruments', IFRS 15 'Revenue From Contracts With Customer' and IFRS 16 'Leases' as explained below.

IFRS 9- Financial Instruments

IFRS 9 'Financial Instruments', has replaced IAS 39 'Financial Instruments: Recognition and Measurement' (IAS 39) for annual periods beginning on or after 01 January 2019, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. IFRS 9 categorizes financial assets at (a) amortised cost; (b) fair value through other comprehensive income (FVOCI); and (c) fair value through profit or loss



Notes to the Condensed Interim Financial Statements For the six months ended June 30, 2019 (Un-audited)

(FVTPL). Their classification is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 has changed the accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires to recognise a loss allowance for ECLs on debt instruments measured subsequently at amortised cost or at FVTOCL. There are no significant changes in the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

As allowed under IFRS 9, the Company has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements and therefore, the information presented for prior periods does not reflect the requirements of IFRS 9, but rather those of IAS 39. The effect of adoption of IFRS 9 did not have any significant impact on the measurement and impairment of the Company's existing financial assets and liabilities as at 01 January 2019, accordingly, the opening retained earnings as of 01 January 2019 have not been restated in these condensed interim financial statements. For classification, all financial assets of the Company are now carried at amortised cost under IFRS 9 (originally categorized as loans and receivables under IAS 39).

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 'Revenue from Contracts with Customers' establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It has replaced IAS 18 'Revenue Recognition', IAS 11 'Construction Contracts' and related interpretations for annual periods beginning on or after 01 January 2019. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised when a customer obtains control of the goods or services and the determination of timing of the transfer of control – at a point in time or over time requires judgement. Further, revenue is recognised at an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer.

The Company enters into contracts with customers for sale of goods and related variable consideration and has concluded that the first-time application of IFRS 15 by the Company does not have any significant effect with regards to the amount and timing of revenue and variable consideration recognised. The Company has made the following reclassifications as per the requirements of IFRS 15:

- Advances from customers, being advances received from customers as per the terms and conditions of the contract against future sales, have been reclassified as "Contract liabilities" and the same has been recognised in the condensed interim statement of financial position; and
- Provision for sales returns in respect of returns of near expiry products have been reclassified as "Refund liabilities" under trade and other payables.

Accordingly, opening reserves as at 01 January 2019 are not required to be restated. As allowed under IFRS 15, the Company has adopted the new standard on the required effective date using a modified retrospective method, therefore the information presented for prior periods has not been restated, i.e. it is presented, as previously reported, under IAS 18 and related interpretations and additional disclosure requirements in IFRS 15 have not been applied to comparative information.

IFRS 16 - Leases

IFRS 16 supersedes IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Whereas, for lessees all leases will be classified as finance leases only.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 01 January 2019. Under this method, the standard is applied retrospectively with cumulative effect of initially applying standard recognised at the date of initial application and accordingly the Company is not required to restate prior year results.

The Company assessed its existing contracts and concluded that a right of use asset as disclosed in note 5 to these condensed interim financial statements shall be recognised along with its related lease liability. For other existing contracts, the Company elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets'). For such contracts, the management will be evaluating the feasibility of the terms of the contract and compare the same



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with other options available in the market. Accordingly, initial application of IFRS 16 did not have any impact on the opening retained earnings as of 01 January 2019 and on these condensed interim financial statements, except for the recognition of right of use asset and related lease liability as disclosed in note 5 to these condensed interim financial statements. The effect of adoption of IFRS 16 on the statement of profit of loss includes an increase in depreciation expense by Rs. 707,031, increase in interest expense by Rs. 240,075 and decrease in lease rental by Rs. 842,250. Further, impact on statement of cash flows includes an increase in net cash flows from operating activities by Rs. 602,175 and an decrease in net cash flows from financing activities by the same amount.

	Note	June 30, 2019	December 31, 2018
.....Rupees in `000.....			
4. PROPERTY, PLANT AND EQUIPMENT		(Un-audited)	(Audited)
Operating fixed assets	4.1	1,523,489	1,563,910
Capital work-in-progress	4.2	120,683	97,222
		<u>1,644,172</u>	<u>1,661,132</u>

4.1. OPERATING FIXED ASSETS

Opening net book value			
Additions during the period / year-at cost	4.1.1	1,563,910	1,584,463
Disposals during the period / year	4.1.1	155,981	355,140
Write-off during the period / year		(19,672)	(32,686)
Depreciation charged during the period / year		(2,454)	(2,160)
Closing net book value		<u>(174,276)</u>	<u>(340,847)</u>
		<u>1,523,489</u>	<u>1,563,910</u>

4.1.1. Details of additions and disposals are as follows:

	Additions (at cost)		Disposals (at net book value)	
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
.....Rupees in `000.....				
Buildings on leasehold land	1,468	29	-	-
Plant & machinery	38,165	33,686	-	-
Furniture & fixtures	1,906	3,230	-	-
Factory & office equipment	27,102	21,342	1,212	111
Motor vehicles	87,340	16,171	18,460	11,869
	<u>155,981</u>	<u>74,458</u>	<u>19,672</u>	<u>11,980</u>

	June 30, 2019	December 31, 2018
.....Rupees in `000.....		
	(Un-audited)	(Audited)
4.2 Capital work-in-progress		
Buildings on leasehold land	22,075	12,826
Plant and machinery	58,721	51,320
Others	39,887	33,076
	<u>120,683</u>	<u>97,222</u>

4.3 Movement in capital work-in-progress is as follows:

Opening balance	97,222	116,822
Additions during the period / year	82,161	81,436
Transferred to operating fixed assets	(58,700)	(101,036)
Closing balance	<u>120,683</u>	<u>97,222</u>

5. RIGHT OF USE ASSET

	June 30, 2019	December 31, 2018
.....Rupees in `000.....		
	(Un-audited)	(Audited)
Cost	4,242	-
Depreciation charged during the period	(707)	-
Closing net book value	<u>3,535</u>	<u>-</u>



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- 5.1 The Company renewed its contract with State Life Insurance Corporation of Pakistan effective from 6th January 2019 with respect to its sales office located in Faisalabad for a period of 3 years ending 5th January 2022. A right of use asset has been recognised against the same in line with IFRS 16, and depreciation has been charged on a straight line basis over the contract term.
- 5.2 The costs relating to leases for which the Company applied the practical expedient of IFRS 16 (leases with the contract term of less than 12 months), described in note 3 for IFRS 16 to these condensed interim financial statements, amounted to Rs. 8.7 million for the six months ended 30 June 2019.

	June 30, 2019	December 31, 2018
Rupees in `000.....	
6. STOCK-IN-TRADE	Note (Un-audited)	(Audited)
Raw and packing material		
In hand	1,219,873	1,029,298
In transit	<u>206,836</u>	<u>517,042</u>
	1,426,709	1,546,340
Provision against raw and packing material	6.1 (142,793)	(130,155)
	<u>1,283,916</u>	<u>1,416,185</u>
Work-in-process	71,052	94,040
Finished goods		
In hand	<u>1,727,016</u>	<u>1,307,235</u>
In transit	<u>146,626</u>	<u>247,342</u>
	1,873,642	1,554,577
Provision against finished goods	6.2 & 6.3 (253,419)	(185,157)
	<u>1,620,223</u>	<u>1,369,420</u>
	<u>2,975,191</u>	<u>2,879,645</u>
6.1 Movement of provision against raw and packing material		
Opening balance	130,155	118,992
Charge for the period / year	12,638	15,869
Write off during the period / year	-	(4,706)
Closing balance	<u>142,793</u>	<u>130,155</u>
6.2 Includes write down of finished goods costing Rs. 592.124 (2018: Rs. 195.221) million, to their net realizable value of Rs. 520.588 (2018: Rs. 172.423) million.		
	June 30, 2019	December 31, 2018
Rupees in `000.....	
	(Un-audited)	(Audited)
6.3 Movement of provision against finished goods		
Opening balance	185,157	162,181
Charge for the period / year	124,854	60,355
Write off during the period / year	<u>(56,592)</u>	<u>(37,379)</u>
Closing balance	<u>253,419</u>	<u>185,157</u>
7. OTHER RECEIVABLES		
Includes Rs. 3,277 (2018: Rs. 8,414) million receivable from related parties and Rs. 39 million for insurance claim receivable due to temperature excursion of certain products in the year 2017.		



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	June 30, 2019	December 31, 2018
Rupees in `000.....	
	(Un-audited)	(Audited)
8. TRADE AND OTHER PAYABLES		
Trade creditors	1,127,897	1,638,149
Related parties	<u>195,914</u>	<u>191,887</u>
Other trade creditors	<u>1,323,811</u>	<u>1,830,036</u>
Other payables		
Accrued liabilities	878,459	921,579
Refund liabilities	46,037	46,134
Provision for Infrastructure Development Cess	330,540	306,669
Employees' Pension Fund	161,168	161,545
Employees' Gratuity Fund	32,655	32,986
Workers' Profits Participation Fund	6,738	40,968
Workers' Welfare Fund	86,111	83,621
Central Research Fund	389	9,147
Compensated absences	18,803	23,494
Security deposits	775	775
Contractors' retention money	2,442	2,356
Sales tax payable	15,824	17,093
	<u>1,579,941</u>	<u>1,646,367</u>
	<u>2,903,752</u>	<u>3,476,403</u>

9. SHORT-TERM BORROWINGS

Represents running finance facilities from various commercial banks under mark-up arrangements aggregating to Rs. 3,800 (2018: 4,250) million. These facilities are secured against first pari passu charge on stock-in-trade and book debts of the Company and carry mark-up rates ranging between KIBOR + 0.35% to KIBOR + 0.75% (2018: KIBOR + 0.35% to KIBOR + 0.40%) per annum. These facilities will expire latest by December 31, 2019.

10. CONTINGENCIES AND COMMITMENTS

10.1. Contingencies

10.1.1. There are no material changes in the status of contingencies, as set out in note 18.1 to the annual financial statements of the Company for the year ended December 31, 2018, except for the following:

The Deputy Commissioner Inland Revenue (DCIR), issued an order on December 28, 2017, for the year ended December 31, 2013 increasing the tax liability by Rs.275.69 million alleging that the purchases of certain Active Pharmaceutical Ingredients (APIs) from related parties were not executed at arms' length basis. The Company was required to pay an amount of Rs.110.61 million being the short payment on account of reassessed tax liability. The Company paid the said amount under protest and filed an appeal with the Commissioner Inland Revenue (Appeals) [CIR(A)] against the said order. The CIR(A) decided on the above issue against the Company vide order dated May 6, 2019. The Company has now filed an appeal with the Appellate Tribunal Inland Revenue (ATIR) on the issue which is pending to be heard.

	June 30, 2019	December 31, 2018
Rupees in `000.....	
	(Un-audited)	(Audited)
10.2. Commitments		
Commitments for capital expenditure	<u>54,569</u>	<u>90,300</u>
Post-dated cheques issued to Collector of Customs	<u>20,613</u>	<u>20,613</u>
Outstanding letters of credit	<u>116,491</u>	<u>241,063</u>
Outstanding bank guarantees	<u>413,910</u>	<u>392,443</u>
Outstanding bank contracts	<u>1,844,606</u>	<u>2,289,595</u>



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	June 30, 2019	June 30, 2018
Rupees in `000.....	
	(Un-audited)	(Un-audited)
11. CASH AND CASH EQUIVALENTS		
Cash and bank balances	51,019	135,089
Short-term borrowings	(766,307)	(77,675)
	<u>(715,288)</u>	<u>57,414</u>

12. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of group companies, associated undertakings, employees' retirement benefit plans, directors and key management personnel of the Company. The Company in the normal course of business carries out transactions with various related parties. All transactions with related parties are executed at agreed terms duly approved by the Board of Directors of the Company.

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, 2019 (Un-audited)					June 30, 2018 (Un-audited)				
	Group Companies	Associates Undertakings	Retirement benefits plans	Key management personnel	Total	Group Companies	Associates Undertakings	Retirement benefits plans	Key management personnel	Total
Rupees in `000.....									
i) Gross Sales	7,972	-	-	-	7,972	11,659	-	-	-	11,659
ii) Purchase of goods	2,748,028	10,199	-	-	2,758,227	2,418,219	-	-	-	2,418,219
iii) Purchase of services	33,678	8,822	-	-	42,500	123,672	5,386	-	-	129,058
iv) Insurance claim	-	43,004	-	-	43,004	2,477	-	-	-	2,477
v) Contribution paid	-	-	29,880	-	29,880	-	-	27,406	-	27,406
- Provident fund	-	-	23,386	-	23,386	-	-	20,029	-	20,029
- Gratuity fund	-	-	30,263	-	30,263	-	-	21,102	-	21,102
- Pension fund	-	-	-	-	-	-	-	-	-	-
vi) Remuneration of key management personnel	-	-	-	139,907	139,907	-	-	-	130,473	130,473

13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

These condensed interim financial statements do not include all financial risk management information and disclosures which are required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2018. There have been no changes in any risk management policies since the year-end.

14. ENTITY WIDE INFORMATION

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

14.2 Information about classes of products - net sales

	June 30, 2019	June 30, 2018
Rupees in `000.....	
	(Un-audited)	(Un-audited)
Pharmaceutical	6,100,476	5,685,060
Consumer Healthcare	968,718	927,851
Vaccine	173,449	156,969
	<u>7,242,643</u>	<u>6,769,880</u>

14.3. Information about geographical areas - net sales

	June 30, 2019	June 30, 2018
Pakistan	7,163,690	6,755,748
Afghanistan	70,981	2,473
Others	7,972	11,659
	<u>7,242,643</u>	<u>6,769,880</u>

15. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorized for issue on August 27, 2019 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 Pir Muhammad
Chief Financial Officer