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sanofi-aventis Pakistan limited

**CONDENSED INTERIM
FINANCIAL STATEMENTS**
FOR THE NINE MONTHS ENDED
SEPTEMBER 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
Imtiaz 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

E Y 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. No: +92 21 35060221-35
contact.pk@sanofi.com



Directors' Report to the Shareholders

The Directors hereby present the un-audited condensed interim financial statements of your Company, for the nine months ended September 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.

Despite the economic slowdown during the year, total net sales of the Company for the nine months ended September 30, 2019 increased by 8% over the same period last year, reaching to Rs. 10,901 million (2018: Rs. 10,099 million). This includes sales of Rs. 9,135 million (2018: Rs. 8,484 million) from pharmaceutical business, reflecting a growth of 7.7% over comparative prior period. Sales of consumer healthcare business showed a growth of 4.2% over comparative prior period reaching to Rs.1,434 million (2018: Rs.1,376 million). The overall growth of the Company was mainly driven by Clexane®, Flagyl® and Amaryl® which grew by 26.5%, 17.1% and 10.8% respectively.

The gross margin for the period declined significantly to 23% of net sales as compared to 32.3% for the same period last year mainly due to devaluation of Pakistan Rupee, resulting in substantially higher cost of imports.

Distribution and marketing expenses for the nine months ended September 30, 2019 marginally reduced as a percentage of net sales, compared to same period last year. Whereas the administrative expenses remains flat at 3.5% of net sales, compared to comparative prior period.

The devaluation of PKR put a lot of pressure on Company's working capital, resulting in increase of utilization of short term borrowings. This was coupled with the increase in interest rates which resulted in financing cost of Rs.53.2 million as compared to Rs.12.2 million in the comparative period last year.

Profit before tax for the nine months ended September 30, 2019 declined to Rs.200 million as compared to Rs.963 million in the comparative period last year because of the reasons explained above.

Further, mainly due to higher current tax paid on import of products in finished form under final tax regime and prior year adjustment has resulted in loss after tax for the nine months ended September 30, 2019 amounting to Rs.51 million.

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

حصص یافتگان کے لئے ڈائریکٹرز کی رپورٹ



بورڈ آف ڈائریکٹرز آپ کی کمپنی کے 30 ستمبر، 2019 کو ختم شدہ نو ماہ کے غیر آڈٹ شدہ عبوری فنانشل اسٹیٹمنٹس پیش کرتے ہوئے خوشی محسوس کرتا ہے۔ یہ فنانشل اسٹیٹمنٹس انٹرنیشنل 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۔

رواں سال معاشی ترقی میں سست روی کے باوجود، 30 ستمبر، 2019 کو ختم شدہ نو ماہ کے دوران کمپنی کی مجموعی نیٹ سیلز 10,901 ملین روپے رہی، جو کہ 2018 میں اسی عرصے کے دوران 10,099 ملین روپے کے مقابلے میں 8% زیادہ ہے۔ اس میں کمپنی کے فارماسیوٹیکل بزنس کی نیٹ سیلز 9,135 ملین روپے بھی شامل ہے، جو کہ 2018 میں اسی عرصے کے دوران 8,484 ملین روپے کے مقابلے میں 7.7% زیادہ ہے۔ کنزیومر ہیلتھ کیئر بزنس کی سیلز 4.2% اضافے کے ساتھ 1,434 ملین روپے تک جا پہنچی ہے جو کہ 2018 میں اسی عرصے کے دوران 1,376 ملین روپے تھی۔ فلکیزین[®]، فلیکل[®] اور ایمارل[®] کی سیلز میں بالترتیب 26.5%، 17.1% اور 10.8% کا اضافہ ریکارڈ کیا گیا جو کہ کمپنی کی مجموعی ترقی کا سبب ٹھہرا۔

اسی عرصے کے دوران نیٹ سیلز کی شرح کے لحاظ سے مجموعی منافع 23% ریکارڈ کیا گیا جو کہ گزشتہ سال اسی عرصے کے دوران 32.3% تھا، جس کی بڑی وجہ پاکستانی روپے کی قدر میں کمی ہے، جس کے نتیجے میں درآمدات کی قیمتوں میں بھاری اضافہ ہو گیا ہے۔

30 ستمبر، 2019 کو ختم شدہ نو ماہ کے دوران ڈسٹری بیوشن اور مارکیٹنگ اخراجات میں نیٹ سیلز کی شرح کے لحاظ سے گزشتہ سال اسی عرصے کے مقابلے میں کچھ کمی آئی، جبکہ انتظامی اخراجات نیٹ سیلز کی شرح کے لحاظ سے گزشتہ سال اسی عرصے کے 3.5% پر برقرار رہے۔

پاکستانی روپے کی قدر میں کمی کا کمپنی کے ورکنگ کپٹل پر شدید دباؤ ہے، جس کے نتیجے میں قلیل مدتی قرضوں کے استعمال میں اضافہ نظر آیا ہے۔ اس کے ساتھ انٹرسٹ ریٹ میں بھی اضافہ ہوا ہے جس کی وجہ سے فنانسنگ اخراجات گزشتہ سال اسی عرصے کے 12.2 ملین روپے کے مقابلے میں 53.2 ملین روپے تک جا پہنچے ہیں۔

مندرجہ بالا اسباب کی وجہ سے 30 ستمبر، 2019 کو ختم شدہ نو ماہ میں قبل از ٹیکس منافع کم ہو کر 200 ملین روپے رہا جبکہ 2018 میں اسی عرصے کے دوران یہ منافع 963 ملین روپے تھا۔

تیار شدہ شکل میں پروڈکٹس کی درآمد پر زیادہ حتمی ٹیکس کی ادائیگی اور گزشتہ سال کی ایڈجسٹمنٹ کے نتیجے میں 30 ستمبر، 2019 کو ختم شدہ نو ماہ میں بعد از ٹیکس خسارہ 51 ملین روپے ریکارڈ کیا گیا ہے۔

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

بحکم بورڈ

Asim Jamal

عاصم جمال
چیف ایگزیکٹو آفیسر

Rahman

سید بابر علی
چیرمین

کراچی: 28 اکتوبر، 2019



Condensed Interim Statement of Financial Position

As at September 30, 2019

		(Un-audited) September 30, 2019	(Audited) December 31, 2018
ASSETS			
NoteRupees in `000.....			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	4	1,606,371	1,661,132
Right of use asset	5	3,182	-
Intangible assets		3,440	2,706
		<u>1,612,993</u>	<u>1,663,838</u>
Long-term loans		4,876	5,572
Long-term deposits		13,643	13,643
Deferred taxation		101,416	39,388
		<u>1,732,928</u>	<u>1,722,441</u>
CURRENT ASSETS			
Stores and spares		52,243	52,020
Stock-in-trade	6	3,043,915	2,879,645
Trade debts		666,634	582,001
Loans and advances		153,284	133,735
Trade deposits and short-term prepayments		330,714	399,052
Other receivables	7	32,298	31,095
Taxation - net		1,697,443	1,751,093
Cash and bank balances		42,854	254,648
		<u>6,019,385</u>	<u>6,083,289</u>
TOTAL ASSETS		<u>7,752,313</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		96,448	96,448
Reserves			
Capital reserves		313,995	289,967
Revenue reserves		3,570,867	3,911,250
		<u>3,884,862</u>	<u>4,201,217</u>
		<u>3,981,310</u>	<u>4,297,665</u>
NON-CURRENT LIABILITIES			
Lease liability		1,961	-
CURRENT LIABILITIES			
Contract liabilities		102,045	23,358
Trade and other payables	8	2,838,071	3,476,403
Current maturity of lease liability		1,364	-
Accrued mark-up		19,514	339
Short-term borrowings	9	798,829	-
Unclaimed dividend		9,219	7,965
		<u>3,769,042</u>	<u>3,508,065</u>
CONTINGENCIES AND COMMITMENTS	10		
TOTAL EQUITY AND LIABILITIES		<u>7,752,313</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 nine months ended September 30, 2019 (Un-audited)

	Nine Months Ended		Three Months Ended	
	Sep. 30, 2019	Sep. 30, 2018	Sep. 30, 2019	Sep. 30, 2018
Rupees in `000.....			
NET SALES	10,901,155	10,099,022	3,658,512	3,329,142
Cost of sales	(8,391,310)	(6,837,318)	(2,950,301)	(2,433,653)
GROSS PROFIT	2,509,845	3,261,704	708,211	895,489
Distribution and marketing expenses	(1,792,490)	(1,675,505)	(547,959)	(585,176)
Administrative expenses	(384,902)	(353,860)	(131,310)	(107,029)
Other expenses	(156,515)	(277,446)	82,097	(91,331)
Other income	77,260	20,011	17,311	6,995
	(2,256,647)	(2,286,800)	(579,861)	(776,541)
OPERATING PROFIT	253,198	974,904	128,350	118,948
Finance costs	(53,220)	(12,164)	(28,480)	(5,608)
PROFIT BEFORE TAXATION	199,978	962,740	99,870	113,340
Taxation - Current	(284,977)	(418,709)	(132,937)	(131,814)
- Prior	(28,069)	13,959	-	-
- Deferred	62,028	30,461	52,555	2,693
	(251,018)	(374,289)	(80,382)	(129,121)
NET (LOSS) / PROFIT FOR THE PERIOD	(51,040)	588,451	19,488	(15,781)
BASIC AND DILUTED (LOSS) / EARNINGS Per Share (Rs. Per Share)	(5.29)	61.01	2.02	(1.64)

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 nine months ended September 30, 2019 (Un-audited)

	Nine Months Ended		Three Months Ended	
	Sep. 30, 2019	Sep. 30, 2018	Sep. 30, 2019	Sep. 30, 2018
Rupees in `000.....			
Net (loss) / profit for the period	(51,040)	588,451	19,488	(15,781)
Other comprehensive items not to be reclassified to statement of profit or loss in subsequent periods				
Impact of rate change on deferred tax on actuarial loss on defined benefit plans	-	(343)	-	-
Total other comprehensive loss	-	(343)	-	-
Total comprehensive (loss) / income for the period	(51,040)	588,108	19,488	(15,781)

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 nine months ended September 30, 2019 (Un-audited)

	September 30, 2019	September 30, 2018
	Note	Rupees in `000.....
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	199,978	962,740
Adjustments for non-cash charges and other items:		
Depreciation / amortization	265,191	255,511
Fixed assets written-off	2,454	-
Loss on disposal of operating fixed assets	3,831	1,595
Expenses arising from equity settled share based payment plans	24,028	18,391
Retirement benefits	77,641	61,697
Interest income	(16)	(16)
Finance costs	53,220	12,164
	<u>626,327</u>	<u>1,312,082</u>
(Increase) / Decrease in current assets:		
Stores and spares	(223)	516
Stock-in-trade	(164,270)	(157,692)
Trade debts	(84,633)	(74,507)
Short-term loans and advances	(19,549)	(111,013)
Trade deposits and short-term prepayments	68,338	(112,407)
Other receivables	(1,203)	(4,168)
	<u>(201,540)</u>	<u>(459,271)</u>
	424,787	852,811
Increase / (Decrease) in current liabilities		
Contract liabilities	78,687	(5,230)
Trade and other payables (excluding liabilities for employees' pension and gratuity fund)	(635,500)	492,620
	<u>(556,813)</u>	<u>(1,000)</u>
Cash (used in) / generated from operations	<u>(132,026)</u>	<u>1,340,201</u>
Finance costs paid	(33,699)	(12,166)
Interest on lease liability paid	(346)	-
Income tax paid	(259,396)	(478,571)
Retirement benefits paid	(80,473)	(61,697)
Long-term loans and advances	696	597
Net cash (used in) / generated from operating activities	<u>(505,244)</u>	<u>788,364</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(239,500)	(171,868)
Sale proceeds from disposal of operating fixed assets	23,111	22,027
Interest received	16	16
Net cash used in investing activities	<u>(216,373)</u>	<u>(149,825)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(288,089)	(430,471)
Repayment of lease liability	(917)	-
Net cash used in financing activities	<u>(289,006)</u>	<u>(430,471)</u>
Net (decrease) / increase in cash and cash equivalents	<u>(1,010,623)</u>	<u>208,068</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	<u>(755,975)</u>	<u>(47,384)</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 Changes in Equity

For the nine months ended September 30, 2019 (un-audited)

	Capital Reserves				Revenue Reserves		
	Issued, subscribed and paid-up share capital	Long- term liabilities forgone	Difference of share capital under scheme of arrangement for amalgamation	Other	General reserve	Unappropri- ated profit	Total
	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 benefits cost under IFRS 2 - "Share based payment"	-	-	-	18,391	-	-	18,391
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	-	-	-	-	-	588,451	588,451
Other comprehensive loss for the period	-	-	-	-	-	(343)	(343)
Total comprehensive income for the period	-	-	-	-	-	588,108	588,108
Balance as at September 30, 2018	<u>96,448</u>	<u>5,935</u>	<u>18,000</u>	<u>256,500</u>	<u>3,335,538</u>	<u>608,682</u>	<u>4,321,103</u>
Balance as at January 1, 2019	96,448	5,935	18,000	266,032	3,335,538	575,712	4,297,665
Employee benefits cost under IFRS 2 - "Share based payment"	-	-	-	24,028	-	-	24,028
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	-	-	-	-	-	(51,040)	(51,040)
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-	(51,040)	(51,040)
Balance as at September 30, 2019	<u>96,448</u>	<u>5,935</u>	<u>18,000</u>	<u>290,060</u>	<u>3,335,538</u>	<u>35,329</u>	<u>3,981,310</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 nine months ended September 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 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 December 31, 2018.
- 2.3 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 December 31, 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 December 31, 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	Lease
IAS 19	Plan Amendment, Curtailment or Settlement (Amendments)
IAS 28	Long-term Interests in Associates and Joint Ventures (Amendments)
IFRIC 23	Uncertainty 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 January 01, 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



Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2019 (Un-audited)

value through other comprehensive income (FVOCI); and (c) fair value through profit or loss (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 January 01, 2019, accordingly, the opening retained earnings as of January 01, 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 Contract 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 January 01, 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 January 01, 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 January 01, 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.



Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2019 (Un-audited)

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 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 January 01, 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 or loss includes an increase in depreciation expense by Rs. 1,060,546, increase in interest expense by Rs. 345,825 and decrease in lease rental by Rs. 1,263,375. Further, impact on statement of cash flows includes an increase in net cash flows from operating activities by Rs. 917,550 and a decrease in net cash flows from financing activities by the same amount.

		(Un-audited) September 30, 2019	(Audited) December 31, 2018		
Note		Rupees in `000.....			
4. PROPERTY, PLANT AND EQUIPMENT					
	Operating fixed assets	4.1 1,540,468	1,563,910		
	Capital work-in-progress	4.2 65,903	97,222		
		<u>1,606,371</u>	<u>1,661,132</u>		
4.1 OPERATING FIXED ASSETS					
	Opening net book value	1,563,910	1,584,463		
	Additions during the period / year - at cost	4.1.1 268,908	355,140		
	Disposals during the period / year	4.1.1 (26,942)	(32,686)		
	Write-off during the period / year	(2,454)	(2,160)		
	Depreciation charged during the period / year	<u>(262,954)</u>	<u>(340,847)</u>		
	Closing net book value	<u>1,540,468</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)
		Sep. 30, 2019	Sep. 30, 2018	Sep. 30, 2019	Sep. 30, 2018
	Rupees in `000.....			
	Buildings on leasehold land	8,050	11,705	-	-
	Plant and machinery	72,449	82,304	-	-
	Furniture and fixtures	3,031	3,465	-	-
	Factory and office equipment	58,834	27,727	1,212	165
	Motor vehicles	126,544	31,715	25,730	23,457
		<u>268,908</u>	<u>156,916</u>	<u>26,942</u>	<u>23,622</u>
				(Un-audited) September 30, 2019	(Audited) December 31, 2018
	Rupees in `000.....			
4.2 Capital work-in-progress					
	Buildings on leasehold land	9,181	12,826		
	Plant and machinery	46,451	51,320		
	Others	10,271	33,076		
		<u>65,903</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	49,574	81,436		
	Transferred to operating fixed assets	<u>(80,893)</u>	<u>(101,036)</u>		
	Closing balance	<u>65,903</u>	<u>97,222</u>		



Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2019 (Un-audited)

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
Rupees in `000.....	
5. RIGHT OF USE ASSET		
Cost	4,242	-
Depreciation charged during the period	(1,060)	-
Closing net book value	<u>3,182</u>	<u>-</u>

5.1 The Company renewed its contract with State Life Insurance Corporation of Pakistan effective from January 06, 2019 with respect to its sales office located in Faisalabad for a period of 3 years ending January 05, 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. 13.4 million for the nine months ended September 30, 2019.

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	NoteRupees in `000.....	
6 STOCK-IN-TRADE		

Raw and packing material

in hand	1,115,762	1,029,298
in transit	146,480	517,042
	<u>1,262,242</u>	<u>1,546,340</u>
Provision against raw and packing material	6.1 (138,796)	(130,155)
	<u>1,123,446</u>	<u>1,416,185</u>
Work-in-process	79,351	94,040

Finished goods

in hand	1,927,865	1,307,235
in transit	200,445	247,342
	<u>2,128,310</u>	<u>1,554,577</u>
Provision against finished goods	6.2 & 6.3 (287,192)	(185,157)
	<u>1,841,118</u>	<u>1,369,420</u>
	<u>3,043,915</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	8,641	15,869
Write-off during the period / year	-	(4,706)
Closing balance	<u>138,796</u>	<u>130,155</u>

6.2 Includes write down of finished goods costing Rs. 602 million (2018: Rs. 195 million), to their net realizable value of Rs. 521 million (2018: Rs. 172 million).

6.3 Movement of provision against finished goods

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
Rupees in `000.....	
Opening balance	185,157	162,181
Charge for the year	159,449	60,355
Write off during the period / year	(57,414)	(37,379)
Closing balance	<u>287,192</u>	<u>185,157</u>

7. OTHER RECEIVABLES

Includes Rs. 3 million (2018: Rs. 8 million) receivable from related parties.



Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2019 (Un-audited)

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
.....Rupees in `000.....		
8. TRADE AND OTHER PAYABLES		
Trade creditors		
Related parties	978,351	1,638,149
Other trade creditors	<u>209,998</u>	<u>191,887</u>
	<u>1,188,349</u>	<u>1,830,036</u>
Other payables		
Accrued liabilities	917,372	921,579
Refund liabilities	57,477	46,134
Provision for Infrastructure Development Cess	342,619	306,669
Employees' Pension Fund	160,038	161,545
Employees' Gratuity Fund	31,661	32,986
Workers' Profits Participation Fund	12,329	40,968
Workers' Welfare Fund	90,312	83,621
Central Research Fund	1,549	9,147
Compensated absences	19,658	23,494
Security deposits	775	775
Contractors' retention money	2,390	2,356
Sales tax payable	13,542	17,093
	<u>1,649,722</u>	<u>1,646,367</u>
	<u>2,838,071</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 million (2018: Rs. 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

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.

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
.....Rupees in `000.....		
10.2 Commitments		
Commitments for capital expenditure	<u>72,151</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>129,296</u>	<u>241,063</u>
Outstanding bank guarantees	<u>413,911</u>	<u>392,443</u>
Outstanding bank contracts	<u>1,238,502</u>	<u>2,289,595</u>
	(Un-audited) September 30, 2019	(Un-audited) September 30, 2018
.....Rupees in `000.....		

11. CASH AND CASH EQUIVALENTS

Cash and bank balances	42,854	58,119
Short term borrowings	<u>(798,829)</u>	<u>(105,503)</u>
	<u>(755,975)</u>	<u>(47,384)</u>



Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2019 (Un-audited)

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:

	September 30, 2019 (Un-audited)				Total	September 30, 2018 (Un-audited)				Total
	Group Companies	Associates Undertakings	Retirement benefit plans	Key management personnel		Group Companies	Associates Undertakings	Retirement benefit plans	Key management personnel	
	Rupees in `000.....									
i) Sales	18,530	-	-	-	18,530	15,161	-	-	-	15,161
ii) Purchase of goods	4,501,018	17,522	-	-	4,518,540	3,622,518	-	-	-	3,622,518
iii) Purchase of services	56,105	13,111	-	-	69,216	131,544	11,000	-	-	142,544
iv) Insurance claim received	-	46,038	-	-	46,038	-	2,477	-	-	2,477
v) Contribution paid	-	-	45,067	-	45,067	-	-	41,574	-	41,574
- Provident fund	-	-	35,079	-	35,079	-	-	30,045	-	30,045
- Gratuity fund	-	-	45,394	-	45,394	-	-	31,652	-	31,652
- Pension fund	-	-	-	-	-	-	-	-	-	-
vi) Remuneration of key management personnel	-	-	-	209,636	209,636	-	-	-	201,455	201,455

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 December 31, 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

	(Un-audited) September 30, 2019	(Un-audited) September 30, 2018
Rupees in `000.....	
Pharmaceutical	9,135,342	8,483,906
Consumer Healthcare	1,433,766	1,375,660
Vaccine	332,047	239,456
	<u>10,901,155</u>	<u>10,099,022</u>

14.3 Information about geographical areas - net sales


	10,685,106	10,042,083
Pakistan	10,685,106	10,042,083
Afghanistan	197,519	41,778
Others	18,530	15,161
	<u>10,901,155</u>	<u>10,099,022</u>


15. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorized for issue on October 28, 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