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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 Pirmuhammad
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

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

Contact

Tel: +92 21 35060221-35
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 انڈینٹل اکاؤنٹنگ اسٹینڈرڈز 34 (IAS) - ”غیر منافع بخش 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 فارماسیوٹیکل 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 فلیٹل، نو سپلا اور لیٹس کی سیلز میں بالترتیب 25.4%، 28% اور 21.5% کا اضافہ ریکارڈ کیا گیا ہے۔

فارماسیوٹیکل برنس میں اس شاندار اضافے کے اثر کو یکسین برنس میں کمی نے جزوی طور پر متاثر کیا ہے، یکسین برنس میں کمی کی وجہ سرکاری ٹینڈر کے ذریعے برنس میں کمی ہے اور گزشتہ سال اسی عرصے کے مقابلے میں سرکاری یکسین برنس میں 97% تک کمی ریکارڈ کی گئی ہے۔ البتہ یکسین کے پرائیویٹ برنس میں 2018 کی پہلی ششماہی کے دوران بھرپور 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 یکسین 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۔ یکسین فلوئز 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 فارماسیوٹیکل انڈسٹری کو مشکلات کا سامنا کرنا پڑ رہا ہے کیونکہ فارماسیوٹیکل مصنوعات کے زیادہ تر اجزاء درآمد کیے جاتے ہیں اور قیمتوں کے تعین کے قواعد و ضوابط کے مطابق لاگتی 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 ناوید 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 ہمال

چیف ایگزیکٹو آفیسر

S. S. S.

سید باغلی

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

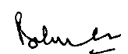


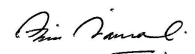
Condensed Interim Statement of Financial Position

As at June 30, 2018

	Note	(Un-audited) June 30, 2018	(Audited) December 31, 2017
.....Rupees in `000.....			
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
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		<u>32,531</u>	<u>5,106</u>
		<u>1,712,173</u>	<u>1,727,554</u>
CURRENT ASSETS			
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		<u>135,089</u>	<u>15,844</u>
		<u>5,421,508</u>	<u>4,897,508</u>
TOTAL ASSETS		<u>7,133,681</u>	<u>6,625,062</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital			
Authorized			
10,000,000 (2017: 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>
9,644,760 (2017: 9,644,760) Ordinary shares of Rs. 10 each			
Reserves			
Capital reserves		275,490	262,044
Revenue reserves		<u>3,960,001</u>	<u>3,790,126</u>
		<u>4,235,491</u>	<u>4,052,170</u>
		<u>4,331,939</u>	<u>4,148,618</u>
CURRENT LIABILITIES			
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		<u>9,041</u>	<u>5,323</u>
		<u>2,801,742</u>	<u>2,476,444</u>
CONTINGENCIES AND COMMITMENTS	9		
TOTAL EQUITY AND LIABILITIES		<u>7,133,681</u>	<u>6,625,062</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)	-	-
	(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

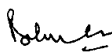
Yasser Pirmuhammad
Chief Financial Officer





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.....	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		849,400	941,410
Adjustments for non-cash charges and other items:			
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>
(Increase) / Decrease in current assets			
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
Increase in current liabilities			
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)
Net cash generated from operating activities		<u>871,569</u>	<u>1,569,487</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(139,477)	(65,331)
Sale proceeds from disposal of operating fixed assets		11,060	4,673
Interest received		10	13
Net cash used in investing activities		<u>(128,407)</u>	<u>(60,645)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Short-term borrowings repaid		-	(500,000)
Long-term financing repaid		-	(500,000)
Dividends paid		(430,296)	(281,097)
Net cash used in financing activities		<u>(430,296)</u>	<u>(1,281,097)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		<u>312,866</u>	<u>227,745</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		<u>(255,452)</u>	<u>(125,001)</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	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

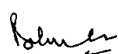

Yasser Pir Muhammad
Chief Financial Officer



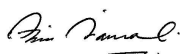
Condensed Interim Statement of Changes in Equity (Un-audited) For the six months period ended June 30, 2018

	Capital Reserves				Revenue Reserves		
	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, 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	96,448	5,935	18,000	222,979	2,735,538	670,394	3,749,294
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	96,448	5,935	18,000	251,555	3,335,538	624,463	4,331,939

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 SECIPE, 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) Note June 30, 2018	(Audited) December 31, 2017
	.....Rupees in `000.....	
6. STOCK-IN-TRADE		
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>
6.1 Movement of provision against raw and packing material		
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>
6.2 Movement of provision against finished goods		
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>
6.3	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.	
7. OTHER RECEIVABLES		
Includes Rs. 6,037 (2017: Rs. 5,607) million receivable from related parties.		
	(Un-audited) June 30, 2018	(Audited) December 31, 2017
	.....Rupees in `000.....	
8. TRADE AND OTHER PAYABLES		
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.....	
9.2 Commitments		
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	(77,675)	(184,154)
	<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	-	27,406	-	27,406	-	25,677	-	25,677
- Provident fund	-	20,029	-	20,029	-	9,563	-	9,563
- Gratuity fund	-	21,102	-	21,102	-	8,884	-	8,884
- Pension fund	-	-	-	-	-	-	-	-
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
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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 Pir Muhammad
Chief Financial Officer