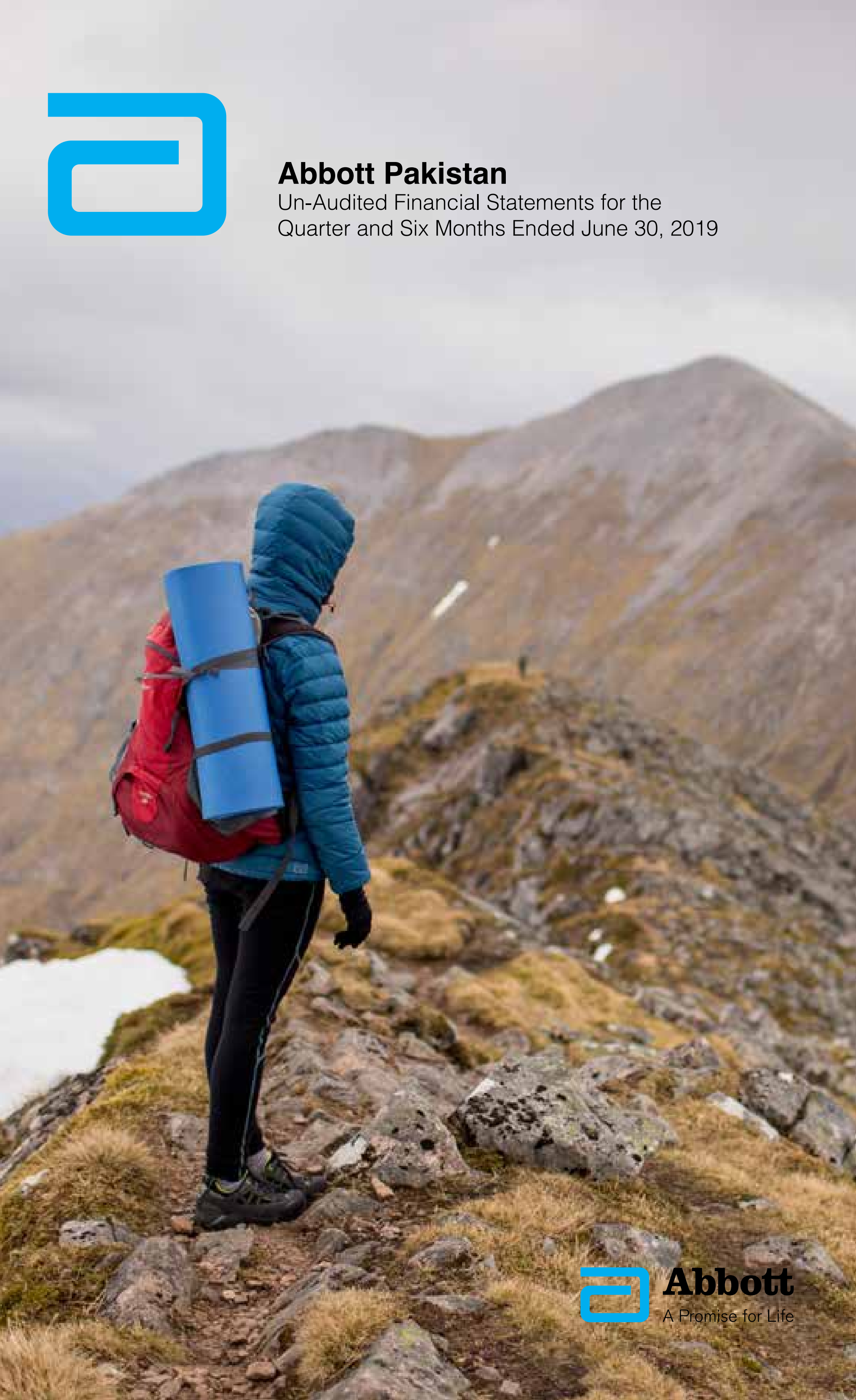
Abbott Pakistan

Un-Audited Financial Statements for the
Quarter and Six Months Ended June 30, 2019



Abbott
A Promise for Life

CORPORATE INFORMATION

BOARD OF DIRECTORS
Munir A. Shaikh (Chairman) (Non-Executive Director)
Syed Anis Ahmed (Chief Executive Officer)
Kamran Y. Mirza (Non-Executive Director)
Ehsan Ali Malik (Independent Director)
Shamim Ahmad Khan (Non-Executive Director)
Zehra Naqvi (Independent Director)
Seema Khan (Executive Director)

AUDIT COMMITTEE
Ehsan Ali Malik (Chairman)
Shamim Ahmad Khan
Kamran Y. Mirza

HUMAN RESOURCE AND REMUNERATION COMMITTEE
Zehra Naqvi (Chairperson)
Munir A. Shaikh
Kamran Y. Mirza
Shamim Ahmad Khan
Syed Anis Ahmed

RISK MANAGEMENT COMMITTEE
Shamim Ahmad Khan (Chairman)
Syed Anis Ahmed
Zehra Naqvi
Kamran Y. Mirza

SHARE TRANSFER COMMITTEE
Syed Anis Ahmed (Chairman)
Kamran Y. Mirza
Seema Khan

BANKING COMMITTEE
Zehra Naqvi (Chairperson)
Syed Anis Ahmed
Seema Khan

CHIEF FINANCIAL OFFICER
Jamshed Azhar

COMPANY SECRETARY
Malik Saadatullah

CHIEF INTERNAL AUDITOR
Fahad Rehman

AUDITORS
EY Ford Rhodes, Chartered Accountants
(a member firm of Ernst &
Young Global Limited)

LEGAL ADVISORS
Orr, Dignam & Co.
Surridge & Beecheno

BANKERS
Standard Chartered Bank (Pakistan) Limited
Deutsche Bank AG
Habib Bank Limited
National Bank of Pakistan
MCB Bank Limited
Faysal Bank Limited

SHARE REGISTRAR
FAMCO Associates (Pvt) Limited,
8-F, Next to Hotel Faran, Nursery Block 6,
P.E.C.H.S, Shahrah-e-Faisal, Karachi.

FACTORY LOCATIONS
Plot No. 258 & 324, Opposite Radio
Pakistan Transmission Centre,
Hyderabad Road, Landhi, Karachi, Pakistan.

Plot No. 13, Sector 20,
Korangi Industrial Area, Karachi.

SALES OFFICES
House No. 25/III/B, Jamrud Lane,
University Town, Peshawar, Pakistan.

House No. 187, Aurangzeb Block,
Near Garden Town, Lahore, Pakistan.

House No. 168-F, Adamjee Road,
Near Panj Sarki Chowk,
Rawalpindi Cantt, Pakistan.

WAREHOUSES
Plot No. 136, Street # 9, Sector 1-10/3,
Industrial Area, Islamabad, Pakistan-44800.

16 KM Shahpur Kanjran,
Multan Road, Lahore, Pakistan.

Hasanabad Gate # 2,
Near Pak Arab Fertilizers,
Khanewal Road, Multan, Pakistan-60650.

WEBSITE
www.pk.abbott

SENIOR MANAGEMENT TEAM
Syed Anis Ahmed
(Chief Executive Officer)
Jamshed Azhar
(Chief Financial Officer)
Ihsan Ullah Khan Khattak
(Director Operations)
Asim Shafiq
(General Manager, Abbott Nutrition International Pakistan)
Habib Ahmed
(Country Manager, Abbott Diagnostics Division Pakistan)
Dr. Shaikh Adnan Lateef
(Head of Abbott Diabetes Care Pakistan)
Asghar Huda
(Director Human Resource)

DIRECTORS' REPORT

The Directors are pleased to present the un-audited condensed interim financial statements of your Company, for the six months ended June 30, 2019 as well as for the second quarter ended June 30, 2019.

FINANCIAL HIGHLIGHTS

For six months' period ended June 30, 2019

Sales for the half year increased by 11% over the same period last year. Pharmaceutical sales increased by 9%, whereas Nutritional sales increased by 21% mainly due to increase in sales for child nutrition supplements.

Gross profit margin of your Company over this period was 30%. Gross profit margin for the pharmaceutical business declined to 33% from 36% mainly on account of devaluation of Pakistani Rupee and increase in raw material prices. Similarly, gross profit margin for Nutritional declined to 16% from 31% which is also attributed to inflation and devaluation of Pakistani Rupee.

Selling and distribution expenses increased by 12% against the same period last year in line with sales growth.

Other charges showed an increase of 56% mainly on account of exchange losses due to devaluation of Pakistani Rupee. Overall, the profit after tax declined by 60% due to the reasons mentioned above.

For second quarter ended June 30, 2019

Sales for the quarter increased by 9% over the same period last year. Pharmaceutical sales increased by 6% whereas sales for nutrition increased by 22% mainly due to increase in sales for child nutrition supplements.

Similar to the year-to-date results, gross profit margin of the pharmaceutical business declined to 33% from 35% during the same period last year. This is mainly due to rapid devaluation of Pakistani Rupee during the second quarter. Gross profit margin for the Nutritional segment has also declined to 14% versus 28% during the same period last year.

Selling and distribution expenses remained at the same value as last year, whilst administrative expenses registered an increase of 39% versus the same period last year mainly due to inflation.
Other charges increased by 128% mainly due to impact of exchange loss. As a result of reasons mentioned above, profit after tax has declined by 72% in the quarter.

FUTURE OUTLOOK

The company continues to face challenges due to cost escalation caused by the devaluation of our rupee. Adequate price adjustments are necessary to sustain the Company's profitability in the long run.

Notwithstanding, your Company remains cognizant of the challenges and would continue to make all efforts to mitigate adverse impact through productivity and cost containment initiatives.

Karachi: August 16th, 2019 Chief Executive Director

ڈائریکٹران کی رپورٹ

سے کم ہو کر 33 فیصد ہو گئی۔ اس کا بنیادی سبب دوسری سہ ماہی کے دوران پاکستانی روپے کی قدر میں تیزی سے ہونے والی کمی ہے۔ نیوٹریشنل زمرے کی مجموعی شرح منافع بھی گزشتہ سال کی اسی مدت کے مقابلے میں 28 فیصد سے گر کر 14 فیصد رہ گئی۔

فروخت اور تقسیم کے اخراجات گزشتہ سال کی سطح پر رہے، جبکہ انتظامی اخراجات گزشتہ سال کے مقابلے میں 39 فیصد بڑھے جس کا بنیادی سبب مہنگائی ہے۔

دیگر اخراجات میں128 فیصد اضافہ ہوا جس کا اہم سبب شرحِ مبادلہ کے اثرات ہیں۔ مذکورہ بالا اسباب کی بنا پر سہ ماہی میں بعد از ٹیکس منافع 72 فیصد کم ہوا۔

مستقبل کا منظر نامہ

کمپنی کو پاکستانی روپے کی قدر میں کمی کی بنا پر اخراجات میں اضافے کی دشواریوں کا بدستور سامنا ہے۔ مستقبل بعید میں کمپنی کی نفع یابی کو برقرار رکھنے کے لئے قیمتوں کی مناسب ایڈجسمنٹ ضروری ہے۔

اس بات سے قطع نظر، آپ کی کمپنی دشواریوں سے آگاہ ہے اور پیداواریت (productivity) میں اضافے اور اخراجات محدود رکھنے کے اقدامات کر کے منفی اثرات کم کرنے کی اپنی کوششیں جاری رکھے گی۔

کراچی: 16 اگست 2019ء

چیف ایگزیکٹو

ڈائریکٹر

ڈائریکٹران کی رپورٹ

ڈائریکٹرز آپ کی کمپنی کے 30 جون 2019ء کو ختم ہونے والی ششماہی کے مالی گوشوارے، اور ساتھ ساتھ 30 جون 2019ء کو ختم ہونے والی دوسری سہ ماہی کے غیر آڈٹ شدہ عبوری مالی گوشوارے پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

مالی جھلکیاں

30 جون 2019ء کو ختم ہونے والی ششماہی مدت کے لئے

ششماہی کے دوران سیلز میں گذشتہ سال کی اسی مدت کے مقابلے میں 11 فیصد اضافہ ہوا۔فارماسوٹیکل کی سیلز 9 فیصد بڑھی ، جبکہ بچّوں کے غذائی سپلیمنٹس کی سیلز بڑھنے کی بنا پر نیوٹریشنل سیلز میں 21 فیصد اضافہ ہوا۔

اس عرصے کے دوران آپ کی کمپنی کی مجموعی منافع کی شرح30 فیصد تھی۔ فارماسوٹیکل بزنس کے مجموعی منافع کی شرح 36 فیصد سے گر کر 33 فیصد ہوگئی اس کا بنیادی سبب پاکستانی روپے کی قدر میں کمی اور خام مال کی قیمتوں میں اضافہ ہے۔ اسی طرح نیوٹریشنل کے مجموعی منافع کی شرح 31 فیصد سے گر کر 16 فیصد ہوگئی، اس کا سبب بھی مہنگائی اور پاکستانی روپے کی قدر میں کمی ہے۔

فروخت اور تقسیم کے اخراجات گذشتہ سال کی اسی مدت کے مقابلے میں 12 فیصد بڑھے جو فروخت میں اضافے کے مطابق ہے۔

دیگر اخراجات میں 56 فیصد اضافہ دیکھا گیا جس کا سبب پاکستانی روپے کی قدر گرنے کی بنا پر شرحِ مبادلہ کا خسارہ تھا۔ مجموعی طور پر بعد از ٹیکس منافع مذکورہ بالا وجوہات کی بنا پر60 فیصد کم ہوگیا۔

30 جون 2019ء کو ختم ہونے والی دوسری سہ ماہی کے لئے

سہ ماہی کے دوران سیلز گذشتہ سال کی اسی مدت کے مقابلے میں 9 فیصد بڑھی۔فارماسوٹیکل کی سیلز6 فیصد بڑھی جبکہ نیوٹریشنل سیلز میں 22فیصد اضافہ ہوا جس کا بنیادی سبب بچّوں کے غذائی سپلیمنٹس کی سیلز میں اضافہ ہے۔

اس عرصے کے دوران فارماسوٹیکل کاروبار کے مجموعی منافع کی شرح گذشتہ سال کی اسی مدت کی شرح35 فیصد

Building a better working world

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ABBOTT LABORATORIES (PAKISTAN) LIMITED

REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Abbott Laboratories (Pakistan) Limited** (the Company) 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 condensed interim financial statements for the six months 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 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 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 Tariq Feroz Khan.

EY Ford Rhodes

Chartered Accountants
Place: Karachi
Date: 16 August 2019

A member firm of Ernst & Young Global Limited

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at June 30, 2019

	Note	(Un-audited) June 30, 2019	(Audited) December 31, 2018
		------- (Rupees in '000) -------	
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
- Property, plant and equipment	3	7,856,567	7,191,606
- Intangible assets		20,651	24,879
		7,877,218	7,216,485
Long-term loans and advances		54,283	55,009
Long-term deposits		7,513	7,513
Long-term prepayments		3,192	4,119
		7,942,206	7,283,126
CURRENT ASSETS			
Stores and spares		232,604	178,815
Stock-in-trade	4	6,690,910	4,428,893
Trade debts		861,293	1,143,015
Loans and advances		315,222	147,183
Trade deposits and short-term prepayments	5	711,441	620,876
Interest accrued		1,780	7,857
Other receivables		420,214	383,054
Taxation - net		653,602	410,302
Cash and bank balances	6	3,193,986	5,678,136
		13,081,052	12,998,131
TOTAL ASSETS		21,023,258	20,281,257
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
200,000,000 ordinary shares of Rs.10 each		2,000,000	2,000,000
Issued, subscribed and paid-up capital	7	979,003	979,003
Reserves			
- Capital		586,756	533,783
- Revenue		11,254,611	11,722,225
		11,841,367	12,256,008
		12,820,370	13,235,011
NON-CURRENT LIABILITIES			
Deferred taxation		287,672	255,405
Long-term lease liabilities	8	267,571	173,719
CURRENT LIABILITIES			
Trade and other payables	9	7,504,358	6,510,381
Unclaimed dividends		62,724	66,208
Current maturity of lease liabilities	8	80,563	40,533
CONTINGENCIES AND COMMITMENTS	10		
TOTAL EQUITY AND LIABILITIES		21,023,258	20,281,257

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

CHIEF EXECUTIVE DIRECTOR CHIEF FINANCIAL OFFICER

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (Unaudited)

For the Six Months and Quarter Ended June 30, 2019

	Six Months Ended		Quarter Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	---------------------- Rupees in '000 ----------------------			
SALES - NET				
Local	14,373,026	13,038,644	7,631,664	7,055,042
Export	932,496	739,126	458,059	390,204
	15,305,522	13,777,770	8,089,723	7,445,246
Cost of sales	(10,708,936)	(8,945,595)	(5,654,956)	(4,911,216)
GROSS PROFIT	4,596,586	4,832,175	2,434,767	2,534,030
Selling and distribution expenses	(2,663,872)	(2,376,672)	(1,154,764)	(1,154,306)
Administrative expenses	(341,244)	(278,713)	(173,684)	(125,306)
Other charges	(514,936)	(330,013)	(442,658)	(194,249)
Other income	193,005	236,751	84,712	118,100
	(3,327,047)	(2,748,647)	(1,686,394)	(1,355,761)
	1,269,539	2,083,528	748,373	1,178,269
Finance costs	(21,476)	(5,538)	(13,403)	(2,215)
PROFIT BEFORE TAXATION	1,248,063	2,077,990	734,970	1,176,054
Taxation				
- Current	(617,539)	(697,369)	(400,085)	(398,404)
- Prior	(91,811)	(143,360)	(91,811)	(143,360)
- Deferred	(32,267)	15,681	(64,297)	(1,580)
	(741,617)	(825,048)	(556,193)	(543,344)
NET PROFIT FOR THE PERIOD	506,446	1,252,942	178,777	632,710
BASIC AND DILUTED EARNINGS PER SHARE (Rs. per share)	5.17	12.80	1.83	6.46

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

CHIEF EXECUTIVE DIRECTOR CHIEF FINANCIAL OFFICER

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

For the Six Months and Quarter Ended June 30, 2019

	Six Months Ended		Quarter Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	------------------ Rupees in ‘ 000 ------------------			
Profit for the period	506,446	1,252,942	178,777	632,710
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	506,446	1,252,942	178,777	632,710

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

CHIEF EXECUTIVE DIRECTOR CHIEF FINANCIAL OFFICER

CONDENSED INTERIM STATEMENT OF CASH FLOWS (Unaudited)

For the Six Months and Quarter Ended June 30, 2019

	Note	June 30, 2019	June 30, 2018
		---- Rupees in '000 ----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	11	296,772	1,163,050
Income taxes paid		(952,650)	(976,829)
Long-term loans and advances - net		726	(1,765)
Long-term prepayments - net		927	(1,486)
Net cash (outflow) / inflow from operating activities		(654,225)	182,970
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(946,885)	(822,895)
Acquisition of intangible asset		-	(24,280)
Sale proceeds from disposal of property, plant and equipment		38,719	6,805
Interest income		165,366	205,191
Net cash outflow from investing activities		(742,800)	(635,179)
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance costs paid		(15,305)	(5,538)
Lease rentals paid		(89,333)	-
Dividends paid		(982,487)	(2,898,116)
Net cash outflow from financing activities		(1,087,125)	(2,903,654)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(2,484,150)	(3,355,863)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		5,678,136	8,571,721
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		3,193,986	5,215,858

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

CHIEF EXECUTIVE DIRECTOR CHIEF FINANCIAL OFFICER

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Unaudited)

For the Six Months and Quarter Ended June 30, 2019

	Share Capital	Reserves					Total Equity
		Capital Reserves		Revenue Reserves		Total	
		Reserve arising on Merger	Other	General Reserves	Un-appropriated Profit		
	---(Rupees '000) ---						
Balance as at January 1, 2018	979,003	46,097	413,664	5,338,422	7,578,649	13,376,832	14,355,835
Transactions with owners, recorded directly in equity							
Final dividend for the year ended December 31, 2017 @ Rs. 30 per share declared subsequent to the year end	-	-	-	-	(2,937,009)	(2,937,009)	(2,937,009)
Employee benefit cost under IFRS 2 - "Share based payment"	-	-	36,216	-	-	36,216	36,216
Total comprehensive income for the period ended June 30, 2018							
Net profit for the period	-	-	-	-	1,252,942	1,252,942	1,252,942
Other comprehensive income for the period	-	-	-	-	-	-	-
	-	-	-	-	1,252,942	1,252,942	1,252,942
Balance as at June 30, 2018	979,003	46,097	449,880	5,338,422	5,894,582	11,728,981	12,707,984
Balance as at December 31, 2018	979,003	46,097	487,686	5,338,422	6,383,803	12,256,008	13,235,011
Impact of initial application of IFRS 9 (note 2.2.1)	-	-	-	-	4,943	4,943	4,943
Balance as at January 01, 2019	979,003	46,097	487,686	5,338,422	6,388,746	12,260,951	13,239,954
Transactions with owners, recorded directly in equity							
Final dividend for the year ended December 31, 2018 @ Rs. 10 per share declared subsequent to the year end	-	-	-	-	(979,003)	(979,003)	(979,003)
Employee benefit cost under IFRS 2 - "Share based payment"	-	-	52,973	-	-	52,973	52,973
Total comprehensive income for the period ended June 30, 2019							
Net profit for the period	-	-	-	-	506,446	506,446	506,446
Other comprehensive income for the period	-	-	-	-	-	-	-
	-	-	-	-	506,446	506,446	506,446
Balance as at June 30, 2019	979,003	46,097	540,659	5,338,422	5,916,189	11,841,367	12,820,370

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

CHIEF EXECUTIVE DIRECTOR CHIEF FINANCIAL OFFICER

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the Six Months and Quarter Ended June 30, 2019

1. THE COMPANY AND ITS OPERATIONS

Abbott Laboratories (Pakistan) Limited (the Company) is a public limited company incorporated in Pakistan on July 02, 1948, and its shares are quoted on the Pakistan Stock Exchange. The address of its registered office is Plot No. 258 & 324, Opposite Radio Pakistan Transmission Centre, Hyderabad Road, Landhi, Karachi. The Company is principally engaged in the manufacture, import and marketing of research based pharmaceutical, nutritional, diagnostic, diabetes care, molecular devices, hospital and consumer products.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

Statement of compliance

These condensed interim financial statements of the Company for the six months ended June 30, 2019 have been prepared in accordance with the provisions of and directives issued under the Companies Act, 2017 and the accounting and reporting standards as applicable in Pakistan for interim financial reporting which comprise of International Accounting Standard 34 - “Interim Financial Reporting” issued by the International Accounting Standards Board as notified under the Companies Act, 2017. In case where requirements differ, the provisions of, or directives issued under the Companies Act, 2017 have been followed.

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, 2018.

These condensed interim financial statements are unaudited but subject to limited scope review by the statutory auditors as required by the Code of Corporate Governance. The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the quarters ended June 30, 2019 and June 30, 2018 have not been reviewed by the statutory auditors of the Company as they have reviewed the cumulative figures for the six months ended June 30, 2019 and June 30, 2018.

2.2 Accounting policies

The accounting policies and the methods of computation used in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements for the year ended December 31, 2018 except as disclosed below:

New / Revised Standards, Interpretations and Amendments

The Company has adopted the following amendments and interpretations to International Financial Reporting Standards (IFRSs) which became effective for the current period:

- IFRS 9 - Financial Instruments
- IFRS 15 - Revenue from Contracts with Customers
- IFRS 16 - Leases
- IAS 19 - Employee Benefits: Plan Amendment, Curtailment or Settlement (Amendment)
- IAS 28 - Investments in associates and joint ventures: Long-term interest in Associates and Joint Ventures (Amendments)
- IFRIC 23 - Uncertainty over income tax treatments
- Improvement to accounting standards issued by IASB in December 2017

The adoption of the above amendments to accounting standards did not have any material effect on the condensed interim financial statements except as disclosed in note 2.2.1 below.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the Six Months and Quarter Ended June 30, 2019

2.2.1 Changes in accounting policies due to adoption of certain standards

The following changes in accounting policies have taken place effective from January 01, 2019:

(a) IFRS 16 'Leases' - IFRS 16 replaces the previous lease standard: IAS 17 Leases. It resulted in almost all leases being recognised on the condensed interim statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) (refer note 3.2) and a lease liability (refer note 8) to pay rentals are recognised. The only exceptions are short term and low value leases.

The Company has adopted IFRS 16 by applying the modified retrospective approach according to which the Company is not required to restate the prior year results. Consequently, no impact of adoption of IFRS 16 on opening equity has been recognised by the Company.

(b) IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company is principally engaged in the manufacture, import and marketing of research based pharmaceutical, nutritional, diagnostic, diabetes care, molecular devices, hospital and consumer products. The Company has concluded that revenue from sale of goods should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition and the amount of revenue recognised.

(c) IFRS 9 'Financial Instruments' has replaced IAS 39 'Financial Instruments: Recognition and Measurement' for annual periods beginning on or after July 01, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting. The initial application date of IFRS 9 was July 01, 2018 as notified by the Securities and Exchange Commission of Pakistan (SECP). During February 2019, the SECP modified the effective date for applicability of IFRS 9 as reporting period / year ending on or after June 30, 2019. The Company has adopted IFRS 9 from January 01, 2019 using the modified retrospective approach.

The Company's financial assets mainly include long term loans, long term deposits, trade debts, loans, trade deposits, interest accrued, other receivables, cash and bank balances held with commercial banks.

IFRS 9 retains but simplifies the measurement model and establishes the measurement categories of financial assets: amortised cost, fair value through other comprehensive income and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets.

Further, the adoption of IFRS 9 has changed the accounting for impairment losses for financial assets by replacing the incurred loss model approach with a forward-looking Expected Credit Loss (ECL) approach. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. Considering the nature of the financial assets, the Company has applied the standard's simplified approach and has calculated ECL based on lifetime ECL.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the Six Months and Quarter Ended June 30, 2019

The effect of adopting IFRS 9 on the classification and the carrying amounts of the financial assets as at January 01, 2019 are as follows:

Financial Assets	Original Category under IAS 39	New category under IFRS 9	Carrying amount under IAS 39 as at December 31, 2018	Impact of ECL in opening equity as at January 01, 2019	Carrying amount under IFRS 9 as at January 01, 2019
			.... Rupees in '000		....
Long-term loans	Loans and receivables	Amortised cost	88,382	-	88,382
Long-term deposits	Loans and receivables	Amortised cost	7,513	-	7,513
Trade debts	Loans and receivables	Amortised cost	1,143,015	4,943	1,147,958
Loans	Loans and receivables	Amortised cost	36,028	-	36,028
Trade deposits	Loans and receivables	Amortised cost	435,759	-	435,759
Interest accrued	Loans and receivables	Amortised cost	7,857	-	7,857
Other receivables	Loans and receivables	Amortised cost	383,054	-	383,054
Cash and bank balances	Loans and receivables	Amortised cost	5,678,136	-	5,678,136

The Company has not designated any financial liabilities at fair value through profit or loss. There are no changes in classification and measurement for the Company's financial liabilities.

2.3 Accounting estimates and judgments

The preparation of condensed interim financial statements in conformity with approved accounting standards, as applicable in Pakistan requires the management to make estimates, assumptions and use judgments that affect the application of policies and the reported amount of assets and liabilities and income and expenses.

Estimates and judgments made by management in the preparation of these condensed interim financial statements are the same as those that were applied to the audited annual financial statements of the Company as at and for the year ended December 31, 2018.

	Note	(Un-audited) June 30, 2019	(Audited) December 31, 2018
		---- Rupees in '000	----
3. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	3.1	6,596,193	5,786,436
Capital work-in-progress	3.1	875,949	1,192,083
Right-of-use assets	3.2	384,425	213,087
		7,856,567	7,191,606

3.1 Following were the additions and disposals of operating fixed assets and capital work-in-progress during the period:

	Additions	Disposals: Cost	Disposals: Accumulated Depreciation
	-------------------	Rupees in '000	-----------------
Buildings on freehold land	118,848	-	-
Plant and machinery	665,863	-	-
Vehicles	47,926	82,366	48,963
Computers	6,033	-	-
Service equipment	424,349	-	-
Capital work-in-progress - net transfers	(316,134)	-	-
	946,885	82,366	48,963

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the Six Months and Quarter Ended June 30, 2019

3.2 Right-of-use assets

The Company has recognised right-of-use assets in respect of the following leases:

	(Un-audited) June 30, 2019	(Audited) December 31, 2018
	---- Rupees in '000 ----	
Vehicles under finance lease	310,612	213,087
Warehouses, sales offices and city office - operating lease	73,813	-
	384,425	213,087

4. STOCK-IN-TRADE

Raw and packing materials	3,290,810	2,207,683
Work-in-process	520,154	338,289
Finished goods	3,071,697	2,017,732
	6,882,661	4,563,704
Less: provision for slow moving and obsolete items	191,751	134,811
	6,690,910	4,428,893

5. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

Represents trade deposits and short-term prepayments amounting to Rs. 403.828 million and Rs. 307.613 million (December 31, 2018: Rs. 435.759 million and Rs. 185.117 million), respectively, net of provision.

6. CASH AND BANK BALANCES

	(Un-audited) June 30, 2019	(Audited) December 31, 2018
	---- Rupees in '000 ----	
With banks		
Savings accounts:		
- Local currency	449,182	575,088
Deposit accounts:		
- Local currency	1,600,000	4,500,000
Current accounts:		
- Local currency	4,281	6,638
- Foreign currency	521,620	475,271
	525,901	481,909
In hand		
- Foreign currency	2,099	2,435
- Local currency	2,602	1,707
	4,701	4,142
Cheques and drafts in hand and in transit	614,202	116,997
	3,193,986	5,678,136

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the Six Months and Quarter Ended June 30, 2019

7. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

As at June 30, 2019, Abbott Asia Investments Limited, UK (the holding company) held 76,259,454 (December 31, 2018: 76,259,454) shares. The ultimate holding company is Abbott Laboratories, USA.

8. LEASE LIABILITIES

	June 30, 2019			December 31, 2018		
	Current maturity of lease liabilities	Long-term lease liabilities	Total	Current maturity of lease liabilities	Long-term lease liabilities	Total
	----------------------- Rupees in '000 -----------------------					
Vehicles under finance lease	61,319	251,879	313,198	40,533	173,719	214,252
Warehouses, sales offices and City Office - operating lease	19,244	15,692	34,936	-	-	-
Total	80,563	267,571	348,134	40,533	173,719	214,252

9. TRADE AND OTHER PAYABLES

Includes accrued liabilities and bills payable amounting to Rs. 2,459.759 million and Rs. 2,597.043 million (December 31, 2018: Rs. 1,808.962 million and Rs. 2,131.489 million), respectively.

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

Following are the change in the status of contingencies as reported in annual financial statements for the year ended December 31, 2018:

10.1.1 The Deputy Commissioner Inland Revenue (DCIR) while finalising the Income tax audit proceedings for tax year 2016 issued an order raising a demand of Rs. 106.007 million on various contentions, the most significant of which is that the Company has allegedly paid excessive amounts for importing certain raw materials. The Company filed an appeal with the Commissioner Inland Revenue (Appeals) (CIRA) against the order of DCIR. In 2019, Company's appeal to CIRA in respect of its income tax assessment for tax year 2016 was decided whereby additions amounting to Rs. 81.205 million were decided in favor of the tax department, whilst certain additions were remanded back to the DCIR. The Company has filed appeal before the Appellate Tribunal Inland Revenue (ATIR) against the additions to income confirmed by the CIRA whereas the department has filed appeal before the ATIR against the additions to income deleted by CIRA.

Based on the legal advisor's opinion, management is of the view that the position of the Company is sound and the eventual outcome is expected to be in the Company's favour.

10.1.2 The Deputy Commissioner Inland Revenue (DCIR) while finalising the income tax audit proceedings for tax year 2014 has issued an order raising a demand of Rs. 298.598 million on various contentions. The Company filed an appeal with the Commissioner Inland Revenue (Appeals) (CIRA) against the order of DCIR. In 2019, Company's appeal to CIRA in respect of its income tax assessment for tax year 2014 was decided whereby additions amounting to Rs. 42.795 million were decided in favor of the tax department, whilst certain additions were remanded back to the DCIR. The Company is in the process of filing an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the additions to income confirmed by the CIRA.

Based on the legal advisor's opinion, management is of the view that the position of the Company is sound and the eventual outcome is expected to be in the Company's favour.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the Six Months and Quarter Ended June 30, 2019

10.1.3 As a result of monitoring of withholding tax for the tax year 2018 (accounting year ended December 31, 2017), the taxation officer has contended that the Company has not deducted tax under the law on certain expenses. DCIR issued an order raising tax demand amounting to Rs. 26.483 million. The Company filed an appeal with the Commissioner Inland Revenue (Appeals) (CIRA) against the order of DCIR. CIR(A) decided one of the matter in favor of the Company amounting to Rs. 25.503 million and deleted the impugned demand. The other matter was decided in favor of the tax department. The department has filed appeal before the ATIR against the additions to income deleted by CIRA.

Based on the tax advisor's opinion, management is of the view that the position of the Company is sound and the eventual outcome is expected to be in the Company's favour.

10.1.4 The Company is defending various suits filed against it in various courts in Pakistan related to its business operations. The Company's management is confident, based on the advice of its legal advisors, that these suits will be decided in Company's favor.

10.2 Commitments

10.2.1 Commitments for capital expenditure as at June 30, 2019 aggregated to Rs. 336.827 million (December 31, 2018: Rs. 517.096 million).

10.2.2 Commitments in respect of letters of credit as at June 30, 2019 aggregated to Rs. 1,001.115 million (December 31, 2018: Rs. 946.384 million).

10.2.3 The Company has given bank guarantees of Rs. 237.068 million (December 31, 2018: Rs. 212.758 million) to the Customs Department, a utility company and other institutions against tenders.

10.2.4 The Company has entered into short term financing facilities from various commercial banks amounting to Rs. 1,800 million (December 31, 2018: Rs. 1,320 million). These facilities can be utilized for letters of credit, guarantees and running finance / short term loans. However, the running finance / short term loan utilization cannot exceed Rs. 250 million (December 31, 2018: Rs. 250 million). The running finance / short term loan carries markup at rates ranging from KIBOR plus 1% to KIBOR plus 2% (December 31, 2018: KIBOR plus 1% to KIBOR plus 2%) and are secured against first joint pari passu hypothecation charge over stocks and book debts, ranking hypothecation charge over stocks and book debts, promissory notes, and counter guarantees. The Company has not borrowed any amount against running finance / short term loan facilities as at June 30, 2019.

11. CASH GENERATED FROM OPERATIONS

	Note	Six months ended June 30, 2019	Six months ended June 30, 2018
		---- Rupees in '000 ----	
Profit before taxation		1,248,063	2,077,990
Adjustment for non-cash changes and other items:			
Depreciation		419,859	341,053
Right-of-use assets		45,706	-
Amortisation on intangible assets		4,228	4,823
Gain on disposal of property, plant and equipment		(5,316)	(504)
Interest income		(159,289)	(197,134)
Expense recognized in profit or loss in respect of equity-settled shared-based compensation		52,973	36,216
Finance costs		21,476	5,538
Working capital changes	11.1	(1,330,928)	(1,104,932)
		296,772	1,163,050

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the Six Months and Quarter Ended June 30, 2019

	Six months ended June 30, 2019	Six months ended June 30, 2018
	---- Rupees in '000 ----	
11.1 Working capital changes		
(Increase) / decrease in current assets net of provision		
Stores and spares	(53,789)	(29,506)
Stock-in-trade	(2,262,017)	(1,235,351)
Trade debts	286,665	(276,489)
Loans and advances	(168,039)	(108,442)
Trade deposits and short-term prepayments	(90,565)	(424,880)
Other receivables	(37,160)	(83,029)
	(2,324,905)	(2,157,697)
Increase in current liabilities		
Trade and other payables	993,977	1,052,765
	(1,330,928)	(1,104,932)

12. TRANSACTIONS WITH RELATED PARTIES

The related parties of the Company comprise the holding company, ultimate holding company, group companies, employee retirement benefit plans, directors and key management personnel. Transactions with related parties are as follows:

	Six months ended June 30, 2019	Six months ended June 30, 2018
	---- Rupees in '000 ----	
Group companies		
Sale of goods	363,030	204,586
Purchase of materials	4,063,497	3,323,582
Technical service fee	85,175	81,459
Reimbursement of expenses - net	81,289	64,401
Other income	19,880	19,881
Retirement fund:		
- Contribution to Pension fund	107,830	95,289
- Contribution to Provident fund	51,700	41,917
Key management personnel:		
Short-term employee benefits	169,870	143,205
Post-employment benefits	16,537	15,838

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the Six Months and Quarter Ended June 30, 2019

13 SEGMENT ANALYSIS

13.1 Segment wise operating results for six months ended (Un-audited):

	June 30, 2019				June 30, 2018			
	Pharmaceutical	Nutritional	Others	Total	Pharmaceutical	Nutritional	Others	Total
	(Rupees '000)							
Sales	11,140,877	3,195,821	1,368,953	15,705,651	10,196,760	2,649,112	1,342,027	14,187,899
Less:								
Sales return and discount	57,369	8,685	28,027	94,081	60,278	10,817	57,102	128,197
Sales tax and excise duty	-	281,899	24,149	306,048	-	235,056	46,876	281,932
Sales - net	11,083,508	2,905,237	1,316,777	15,305,522	10,136,482	2,403,239	1,238,049	13,777,770
Cost of sales	(7,421,332)	(2,438,963)	(848,641)	(10,708,936)	(6,445,564)	(1,658,045)	(841,986)	(8,945,595)
Gross profit	3,662,176	466,274	468,136	4,596,586	3,690,918	745,194	396,063	4,832,175
Selling and distribution expenses	(1,813,453)	(525,062)	(325,357)	(2,663,872)	(1,594,268)	(520,352)	(262,052)	(2,376,672)
Administrative expenses	(294,705)	(36,935)	(9,604)	(341,244)	(247,603)	(25,182)	(5,928)	(278,713)
Segment result	1,554,018	(95,723)	133,175	1,591,470	1,849,047	199,660	128,083	2,176,790

13.2 Segment wise operating results for the second quarter (Un-audited):

	June 30, 2019				June 30, 2018			
	Pharmaceutical	Nutritional	Others	Total	Pharmaceutical	Nutritional	Others	Total
	(Rupees '000)							
Sales	5,974,100	1,617,200	710,521	8,301,821	5,655,145	1,325,606	652,478	7,633,229
Less:								
Sales return and discount	34,593	3,148	20,469	58,210	26,000	8,333	23,143	57,476
Sales tax and excise duty	-	145,260	8,628	153,888	-	112,945	17,562	130,507
Sales - net	5,939,507	1,468,792	681,424	8,089,723	5,629,145	1,204,328	611,773	7,445,246
Cost of sales	(3,979,979)	(1,269,356)	(405,621)	(5,654,956)	(3,631,416)	(862,244)	(417,556)	(4,911,216)
Gross profit	1,959,528	199,436	275,803	2,434,767	1,997,729	342,084	194,217	2,534,030
Selling and distribution expenses	(802,174)	(200,104)	(152,486)	(1,154,764)	(789,142)	(246,658)	(118,506)	(1,154,306)
Administrative expenses	(153,542)	(17,188)	(2,954)	(173,684)	(108,572)	(13,028)	(3,706)	(125,306)
Segment result	1,003,812	(17,856)	120,363	1,106,319	1,100,015	82,398	72,005	1,254,418

13.3 Reconciliation of segment results with profit before taxation (Un-audited)

	Six Months Ended		Quarter Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	Rupees in '000			
Sales to external customers, net of returns, discounts, sales tax and excise duty				
Total segment results	1,591,470	2,176,790	1,106,319	1,254,418
Other income	193,005	236,751	84,712	118,100
Other charges	(514,936)	(330,013)	(442,658)	(194,249)
Finance costs	(21,476)	(5,538)	(13,403)	(2,215)
Profit before taxation	1,248,063	2,077,990	734,970	1,176,054

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the Six Months and Quarter Ended June 30, 2019

13.4 Geographical information (Un-audited)

	Six Months Ended		Quarter Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	Rupees in '000			
Sales to external customers, net of returns, discounts, sales tax and excise duty				
Pakistan	14,373,026	13,038,644	7,631,664	7,055,042
Afghanistan	524,713	494,788	320,684	284,386
Srilanka	11,016	33,562	11,016	24,227
Bangladesh	33,737	6,190	17,414	3,086
Switzerland	363,030	204,586	108,945	78,505
	15,305,522	13,777,770	8,089,723	7,445,246

13.5 Segment Assets and Liabilities

	Un-audited				Audited			
	June 30, 2019				December 31, 2018			
	Pharmaceutical	Nutritional	Others	Total	Pharmaceutical	Nutritional	Others	Total
	(Rupees '000)							
Segment assets employed	11,554,228	1,449,990	3,094,980	16,099,198	9,517,008	1,263,188	2,839,381	13,619,577
Unallocated corporate assets				4,924,060				6,661,680
Total reported assets				21,023,258				20,281,257
Segment liabilities	4,624,240	659,584	560,414	5,844,238	3,508,996	731,776	993,434	5,234,196
Unallocated corporate liabilities				2,358,650				1,812,050
Total liabilities				8,202,888				7,046,246

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the Six Months and Quarter Ended June 30, 2019

14. 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.

14.1 Fair value of financial assets and liabilities

As of the statement of financial position date, the Company does not have any financial instruments measured at fair value.

15. NON ADJUSTING EVENT AFTER THE STATEMENT OF FINANCIAL POSITION DATE

The Board of Directors in its meeting held on August 16, 2019 have proposed an interim cash dividend @ Nil (June 30, 2018: 100%). These condensed interim financial statements for the six months ended June 30, 2019 do not include the effect of the above interim cash dividend which will be accounted for subsequent to the period end.

16. RECLASSIFICATION

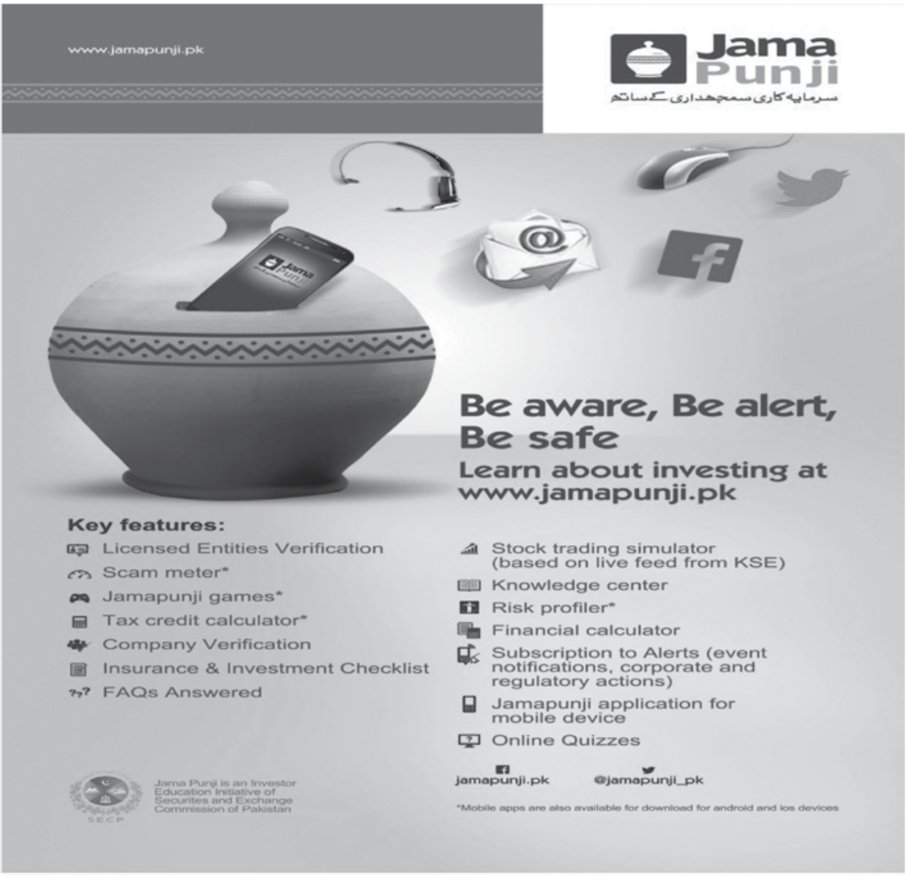
Following corresponding figures have been reclassified for better presentation:

From	To	Rupees in '000
Cost of sales	Administrative expenses	13,735
Selling and distribution expenses	Administrative expenses	11,330

17. DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue on August 16, 2019 by the Board of Directors of the Company.

CHIEF EXECUTIVE   DIRECTOR   CHIEF FINANCIAL OFFICER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