



## Abbott Pakistan

Un-Audited Financial Statements for the  
Quarter and Six Months Ended June 30, 2016



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Munir A. Shaikh (Chairman)  
Syed Anis Ahmed (Chief Executive Officer)  
Kamran Y. Mirza  
Ehsan Ali Malik  
Shamim Ahmad Khan  
Zehra Naqvi

### AUDIT COMMITTEE

Ehsan Ali Malik (Chairman)  
Shamim Ahmad Khan  
Kamran Y. Mirza  
Shahzeb Khan (Chief Internal Auditor - by invitation)  
Syed Anis Ahmed\* (CFO by invitation)  
Malik Saadatullah - (Secretary)

### HUMAN RESOURCE AND REMUNERATION COMMITTEE

Munir A. Shaikh (Chairman)  
Syed Anis Ahmed  
Shamim Ahmad Khan  
Zehra Naqvi  
Asghar Huda - (Secretary)

### SHARE TRANSFER COMMITTEE

Syed Anis Ahmed (Chairman)  
Kamran Y. Mirza  
Malik Saadatullah - (Secretary)

### BANKING COMMITTEE

Zehra Naqvi (Chairman)  
Syed Anis Ahmed

### CHIEF FINANCIAL OFFICER

Syed Anis Ahmed\*

### COMPANY SECRETARY

Malik Saadatullah

### AUDITORS

Ernst & Young Ford Rhodes  
Sidat Hyder & Company  
(a member firm of Ernst & Young)  
Chartered Accountants

### LEGAL ADVISORS

Orr, Dignam & Co.  
Surridge & Beecheno

### SHARE REGISTRAR

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

### BANKERS

Faysal Bank Limited  
Citibank N.A.  
Deutsche Bank AG  
MCB Bank Limited  
National Bank of Pakistan  
Standard Chartered Bank (Pakistan) Limited  
The Bank of Tokyo-Mitsubishi UFJ Limited  
Habib Bank Limited

### REGISTERED OFFICE

Opposite Radio Pakistan  
Transmission Centre,  
Hyderabad Road, Landhi,  
P.O. Box 7229, Karachi Pakistan.

### CITY OFFICE

8th Floor, Faysal House,  
St-02, Shahrah-e-Faisal, Karachi Pakistan.

### WEBSITE

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

### SENIOR MANAGEMENT TEAM

Syed Anis Ahmed  
(Chief Executive Officer)  
Rana A. Latif  
(Director Plant Operations)  
Asim Shafiq  
(General Manager, Abbott Nutrition  
International Pakistan)  
Habib Ahmed  
(Country Manager, Abbott Diagnostics  
Division Pakistan)  
Dr. Sheikh Adnan Lateef  
(Head of Abbott Diabetes Care Pakistan)  
Dr. Farrukh Hafeez  
(Director Quality Assurance)  
Asghar Huda  
(Director Human Resource)  
Seema Khan  
(Director Regulatory Affairs)  
Dr. Raef Ahmed  
(Director Medical Affairs)  
Dr. Suleman Alvi  
(Director Business Development)  
Zahid Hussain  
(Director Materials Management)  
Ejaz Ahmed  
(Director Engineering)

\* Board of Directors appointed Syed Anis Ahmed as "Managing Director & Chief Executive Officer" of Abbott Laboratories (Pakistan) Limited in March 2016. Previously, he was holding position as Chief Financial Officer of the Company.

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## DIRECTORS' REPORT

The Directors have pleasure in presenting their Report with the accounts of the Company for the half year and second quarter ended June 30<sup>th</sup>, 2016.

### FINANCIAL HIGHLIGHTS

#### For six months period ended June 30, 2016

Sales for the half year increased by 12% over the same period last year. Pharmaceutical sales increased by 9%, Nutritional by 15% and Others by 24%. Gross profit increased from 38% to 39% mainly due to increased through put. During this period five new products were launched which contributed to increase in selling and distribution expenses by 17%.

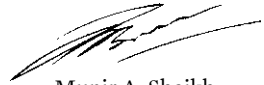
#### For second quarter ended June 30, 2016

Sales for the quarter increased by 10% over the same period last year. Pharmaceutical sales increased by 11%, and Nutritional by 13%. During this period one new product was launched.

### FUTURE OUTLOOK

In spite of operating in a highly challenging and controlled environment, the company is continuing its efforts for sustained growth.

Karachi: August 19<sup>th</sup>, 2016



Munir A. Shaikh  
Chairman

## ڈائریکٹران کی رپورٹ

ڈائریکٹر حضرات ششماہی، اور 30 جون 2016ء کو ختم ہونے والی دوسری سہ ماہی کی اپنی رپورٹ کمپنی حسابات کے ہمراہ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

### مالی جھلکیاں

#### 30 جون 2016ء کو ختم ہونے والی ششماہی مدت کے لئے

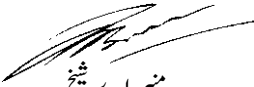
ششماہی کے دوران سیلز میں اضافہ گذشتہ سال کی اسی مدت کے مقابلے میں 12 فیصد زائد رہا۔ دواؤں کی سیلز 9 فیصد بڑھی، غذائی اشیاء (Nutritional) کی سیلز 15 فیصد بڑھی اور دیگر کی سیلز میں 24 فیصد اضافہ ہوا۔ خام منافع 38 فیصد سے بڑھ کر 39 فیصد ہو گیا جس کا بنیادی سبب ایشیا کی پیداوار (Through put) میں ہونے والا اضافہ تھا۔ اس مدت کے دوران پانچ نئی مصنوعات متعارف کی گئیں جن سے فروخت اور تقسیم کے اخراجات میں 17 فیصد اضافہ ہوا۔

#### 30 جون 2016ء کو ختم ہونے والی دوسری سہ ماہی کے لئے

سہ ماہی کے دوران سیلز میں اضافہ گذشتہ سال کی اسی مدت کے مقابلے میں 10 فیصد زائد رہا۔ دواؤں کی سیلز 11 فیصد بڑھی اور غذائی اشیاء (Nutritional) کی سیلز 13 فیصد بڑھی۔ اس مدت کے دوران ایک نئی پراڈکٹ متعارف کی گئی۔

### مستقبل کے امکانات

انتہائی دشوار اور رکاوٹوں کے ماحول میں کام کرنے کے باوجود کمپنی مستحکم نمو کے لئے اپنی کوششیں جاری رکھے ہوئے ہے۔



میر اے شیخ  
چیئرمین

کراچی: 19 اگست 2016ء



Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
P.O. Box 15541, Karachi 75530  
Pakistan

Tel: +9221 3565 0007-11  
Fax: +9221 3568 1965  
eyfrsh.khi@pk.ey.com  
ey.com/pk

## AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

### Introduction

We have reviewed the accompanying condensed interim balance sheet of Abbott Laboratories (Pakistan) Limited as at 30 June 2016, related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity and notes to the accounts for the six months period then ended (herein after referred to as "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

### 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 information 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 information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Chartered Accountants  
Review Engagement Partner: Riaz A. Rehman Chamdia  
Date: 19 August 2016  
Place: Karachi

**CONDENSED INTERIM BALANCE SHEET**

As at June 30, 2016

		UNAUDITED JUNE 30, 2016	AUDITED DECEMBER 31, 2015
	Note	----- (Rupees '000) -----	
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed Assets			
- Property, plant and equipment	3	4,090,237	4,017,403
- Intangible assets		<u>12,658</u>	<u>21,983</u>
		4,102,895	4,039,386
Long-term loans and advances	4	55,997	51,712
Long-term deposits	5	7,475	7,475
Long-term prepayments		<u>8,431</u>	<u>9,610</u>
		4,174,798	4,108,183
<b>CURRENT ASSETS</b>			
Stores and spares		164,199	140,069
Stock-in-trade		4,183,475	2,908,690
Trade debts		638,600	476,403
Loans and advances	6	352,980	100,194
Trade deposits and short-term prepayments	7	348,985	231,897
Interest accrued		9,308	8,573
Other receivables		127,239	97,495
Taxation - net		-	95,858
Cash and bank balances	8	<u>6,815,267</u>	<u>8,320,913</u>
		12,640,053	12,380,092
<b>TOTAL ASSETS</b>		<u>16,814,851</u>	<u>16,488,275</u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital 200,000,000 ordinary shares of Rs.10 each		<u>2,000,000</u>	<u>2,000,000</u>
Issued, subscribed and paid-up capital	10	979,003	979,003
Reserves			
- Capital		400,284	381,945
- Revenue		<u>11,331,115</u>	<u>11,588,299</u>
		11,731,399	11,970,244
		12,710,402	12,949,247
<b>NON-CURRENT LIABILITY</b>			
Deferred taxation		188,971	219,144
<b>CURRENT LIABILITIES</b>			
Trade and other payables		<u>3,909,377</u>	<u>3,319,884</u>
Taxation - net		6,101	-
		3,915,478	3,319,884
<b>CONTINGENCIES AND COMMITMENTS</b>	9		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>16,814,851</u>	<u>16,488,275</u>

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.



SYED ANIS AHMED  
CHIEF EXECUTIVE



EHSAN ALI MALIK  
DIRECTOR

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (Unaudited)**

For The Quarter And Six Months Ended June 30, 2016

	Six Months Ended		Quarter Ended	
	June 30,	June 30,	June 30,	June 30,
	2016	2015	2016	2015
Note	----- Rupees in '000 -----			
<b>NET SALES</b>				
Domestic	10,363,552	9,331,213	5,704,485	5,219,323
Export	602,875	470,221	376,414	315,386
	<u>10,966,427</u>	<u>9,801,434</u>	<u>6,080,899</u>	<u>5,534,709</u>
Cost of goods sold	<u>(6,639,710)</u>	<u>(6,076,788)</u>	<u>(3,615,876)</u>	<u>(3,325,623)</u>
<b>GROSS PROFIT</b>	<u>4,326,717</u>	<u>3,724,646</u>	<u>2,465,023</u>	<u>2,209,086</u>
Selling and distribution expenses	(1,631,905)	(1,394,705)	(812,148)	(691,261)
Administrative expenses	(210,745)	(186,991)	(101,109)	(98,015)
Other charges	11 (213,334)	(197,503)	(133,185)	(124,230)
Other income	12 221,848	245,813	105,119	121,430
	<u>(1,834,136)</u>	<u>(1,533,386)</u>	<u>(941,323)</u>	<u>(792,076)</u>
	<u>2,492,581</u>	<u>2,191,260</u>	<u>1,523,700</u>	<u>1,417,010</u>
Finance costs	<u>(2,621)</u>	<u>(2,227)</u>	<u>(1,493)</u>	<u>(1,329)</u>
<b>PROFIT BEFORE TAXATION FOR THE PERIOD</b>	<u>2,489,960</u>	<u>2,189,033</u>	<u>1,522,207</u>	<u>1,415,681</u>
Taxation				
- Current	(695,811)	(624,073)	(422,638)	(395,660)
- Prior	(123,499)	(116,324)	(123,499)	(116,324)
- Deferred	30,172	23,364	3,342	5,792
	<u>(789,138)</u>	<u>(717,033)</u>	<u>(542,795)</u>	<u>(506,192)</u>
<b>NET PROFIT FOR THE PERIOD</b>	<u>1,700,822</u>	<u>1,472,000</u>	<u>979,412</u>	<u>909,489</u>
<b>BASIC AND DILUTED EARNINGS PER SHARE (Rs. per share)</b>	<u>17.37</u>	<u>15.04</u>	<u>10.00</u>	<u>9.29</u>

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.



SYED ANIS AHMED  
CHIEF EXECUTIVE



EHSAN ALI MALIK  
DIRECTOR

## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

For The Quarter And Six Months Ended June 30, 2016

	Six Months Ended		Quarter Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
	----- Rupees in ' 000 -----			
Profit for the period	1,700,822	1,472,000	979,412	909,489
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>1,700,822</u>	<u>1,472,000</u>	<u>979,412</u>	<u>909,489</u>

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.



SYED ANIS AHMED  
CHIEF EXECUTIVE



EHSAN ALI MALIK  
DIRECTOR



**CONDENSED INTERIM CASH FLOW STATEMENT (Unaudited)**

For The Six Months Ended June 30, 2016

	Note	June 30, 2016	June 30, 2015
		----- (Rupees '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	13	1,287,563	2,536,311
Income tax paid		(717,352)	(642,564)
Long-term loans and advances - net		(4,285)	(2,387)
Long-term deposits - net		-	119
Long-term prepayment - net		1,179	(2,233)
Net cash inflow from operating activities		567,105	1,889,246
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(345,137)	(624,313)
Acquisition of intangible asset		-	(18,500)
Sale proceeds from disposal of property, plant and equipment		22,987	38,889
Interest income		204,469	234,797
Net cash outflow from investing activities		(117,681)	(369,127)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Finance costs paid		(2,621)	(2,227)
Dividend paid		(1,952,449)	(468,079)
Net cash outflow from financing activities		(1,955,070)	(470,306)
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(1,505,646)</b>	<b>1,049,813</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>8,320,913</b>	<b>6,381,381</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>6,815,267</b>	<b>7,431,194</b>

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.



SYED ANIS AHMED  
CHIEF EXECUTIVE



EHSAN ALI MALIK  
DIRECTOR

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Unaudited)

For The Six Months Ended June 30, 2016

	Reserves						Total Equity
	Capital Reserves		Revenue Reserves		Total		
	Share Capital	Reserve arising on Merger	Other	General Reserve		Un-appropri- ated Profit	
	(Rupees '000)						
Balance as at January 1, 2015	979,003	46,097	293,384	5,338,422	4,214,694	9,892,597	10,871,600
<i>Transactions with owners, recorded directly in equity</i>							
Final dividend for the year ended December 31, 2014 @ Rs. 4.8 per share declared subsequent to the year end	-	-	-	-	(469,921)	(469,921)	(469,921)
Employee benefit cost under IFRS 2 - "Share based payment"	-	-	21,671	-	-	21,671	21,671
Profit for the period	-	-	-	-	1,472,000	1,472,000	1,472,000
Other comprehensive income for the period, net of tax	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	1,472,000	1,472,000	1,472,000
Balance as at June 30, 2015	<u>979,003</u>	<u>46,097</u>	<u>315,055</u>	<u>5,338,422</u>	<u>5,216,773</u>	<u>10,916,347</u>	<u>11,895,350</u>
Balance as at January 1, 2016	979,003	46,097	335,848	5,338,422	6,249,877	11,970,244	12,949,247
<i>Transactions with owners, recorded directly in equity</i>							
Final dividend for the year ended December 31, 2015 @ Rs. 20 per share declared subsequent to the year end	-	-	-	-	(1,958,006)	(1,958,006)	(1,958,006)
Employee benefit cost under IFRS 2 - "Share based payment"	-	-	18,339	-	-	18,339	18,339
Profit for the period	-	-	-	-	1,700,822	1,700,822	1,700,822
Other comprehensive income for the period, net of tax	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	1,700,822	1,700,822	1,700,822
Balance as at June 30, 2016	<u>979,003</u>	<u>46,097</u>	<u>354,187</u>	<u>5,338,422</u>	<u>5,992,693</u>	<u>11,731,399</u>	<u>12,710,402</u>

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.



SYED ANIS AHMED  
CHIEF EXECUTIVE



EHSAN ALI MALIK  
DIRECTOR

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Unaudited)

For The Six Months Ended June 30, 2016

### 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 (formerly Karachi, Lahore and Islamabad Stock Exchanges). The address of its registered office is 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, diabetic care, hospital and consumer products.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of preparation

##### Statement of compliance

This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard 34 – “Interim Financial Reporting” and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. These condensed interim financial statements of the Company for the half year ended June 30, 2016 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 profit and loss account and condensed interim statement of comprehensive income for the quarters ended June 30, 2016 and 2015 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, 2016. 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, 2015.

This condensed interim financial information is being submitted to the shareholders as required by the Listing Regulations of Pakistan Stock Exchange and Section 245 of the Companies Ordinance, 1984.

#### 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, 2015 except as disclosed below:

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

The Company has adopted the following amendment to IFRSs which became effective for the current period:

IFRS 10 – Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates – Investment Entities: Applying the Consolidation Exception (Amendment)

IFRS 11 – Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Unaudited)

For The Six Months Ended June 30, 2016

- IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendment)
- IAS 16 – Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)
- IAS 16 – Property, Plant and Equipment and IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)
- IAS 27 – Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)

### Improvements to Accounting Standards Issued by the IASB

- IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal
- IFRS 7 – Financial Instruments: Disclosures - Servicing contracts
- IFRS 7 – Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements
- IAS 19 – Employee Benefits - Discount rate: regional market issue
- IAS 34 – Interim Financial Reporting - Disclosure of information ‘elsewhere in the interim financial report’

The adoption of the above amendments, revisions, improvements to accounting standards and interpretations did not have any effect on the condensed interim financial information.

### 2.3 Accounting estimates and judgments

The preparation of condensed interim financial information 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 this condensed interim financial information 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, 2015.

	(Un-audited) June 30, 2016	(Audited) December 31, 2015
Note	---- Rupees in '000 ----	

### 3. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	3.1	3,243,422	3,299,161
Capital work-in-progress		846,815	718,242
		<u>4,090,237</u>	<u>4,017,403</u>

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Unaudited)

For The Six Months Ended June 30, 2016

### 3.1 Operating fixed assets

Following were the additions and disposals of fixed assets during the period :

	Additions	Disposals	
		Cost	Accumulated Depreciation
	-----	Rupees in '000	-----
Improvements on buildings	4,000	-	-
Plant and machinery	37,407	-	-
Office equipment	1,983	-	-
Vehicles	52,511	50,259	28,821
Computers	15,705	-	-
Demonstration equipment	104,958	-	-
Capital work in progress (CWIP) - net of transfers	128,573	-	-
	<u>345,137</u>	<u>50,259</u>	<u>28,821</u>

### 4. LONG-TERM LOANS AND ADVANCES

These loans and advances are interest free.

### 5. LONG-TERM DEPOSITS

Represents interest free deposits.

### 6. LOANS AND ADVANCES

6.1 Include advances to suppliers, executives and employees amounting to Rs. 243.831 million, Rs. 66.601 million and Rs. 8.402 million (December 31, 2015: Rs. 56.769 million, Rs. 7.435 million and Rs. 4.978 million), respectively, net of provision. These advances are interest free.

6.2 Include current portion of long term loans amounting to Rs. 34.146 million (December 31, 2015: Rs. 31.012 million). These loans are interest free.

### 7. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

7.1 Represents trade deposits and short-tem prepayments amounting to Rs. 124.690 million and Rs. 224.295 million (December 31, 2015: Rs. 94.804 million and Rs. 137.093 million), respectively, net of provision.

7.2 These trade deposits are interest free.

### 8. CASH AND BANK BALANCES

Bank balances with deposits and saving accounts are placed under interest/markup arrangements. The Company has conventional banking relationships with all the banks having islamic window operations.

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Unaudited)

For The Six Months Ended June 30, 2016

### 9. CONTINGENCIES AND COMMITMENTS

#### 9.1 Contingencies

9.1.1 The Company has given bank guarantees of Rs. 155.432 million (December 31, 2015: Rs. 141.626 million) to the Customs Department, a utility company and other institutions against tenders.

9.1.2 The taxation officer has contended that the Company has not deducted tax under the law on certain expenses. The order was passed and a demand of Rs. 20 million was raised against the Company, however an appeal has been filed by the Company with the Appellate Tribunal Inland Revenue which is pending for adjudication.

Based on the tax advisors 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.

9.1.3 The Commissioner Inland Revenue (CIR) has selected the case of the Company for audit of tax year 2012 (accounting year December 31, 2011) and tax year 2014 (accounting year December 31, 2013) and has requested various information from the Company in this regard. The Company believes that only the Federal Board of Revenue has the right to select the Company for audit based on defined criteria or through random balloting and the CIR does not have the right to select the Company for Audit. The Company has filed writ petition in the High court in this regard, which is pending for hearing.

9.1.4 The Deputy Commissioner Inland Revenue (DCIR) while finalizing the Sales Tax audit for tax year 2014 has issued an order raising a demand of Rs. 235.712 million on the contention that the Company has allegedly excess claimed/adjusted input tax in its sales tax returns. The actual amount of claim of input tax is Rs. 42.618 million for rectification application has also been moved. The Company has filed an appeal with the Commissioner Inland Revenue (Appeals) (CIRA) against the order of DCIR. In addition to this, on the Company's appeal The Sindh High Court has granted stay against the recovery proceedings.

Based on the tax advisors opinion, management of the Company is confident that the eventual outcome of the appeal would be in favor of the Company.

#### 9.2 Commitments

9.2.1 Commitments for capital expenditure as at June 30, 2016 aggregated to Rs. 412.446 million (December 31, 2015: Rs. 298.176 million).

9.2.2 The Company has obtained short term financing facilities from various commercial banks amounting to Rs. 1,120 million (December 31, 2015: Rs. 1,120 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, 2015: Rs. 250 million). The running finance / short term loan carries markup at rates ranging from KIBOR plus 1% to KIBOR plus 2% (December 31, 2015: KIBOR plus 1% to KIBOR plus 2%) and are secured against first joint pari passu hypothecation charge over stocks and book debts of the Company, ranking hypothecation charge over stocks and book debts of the Company, promissory notes, and counter guarantees. The Company has not borrowed any amount against running finance / short term loan facilities at the balance sheet date. Commitments in respect of letters of credit as at balance sheet date aggregated to Rs. 453.180 million (December 31, 2015: Rs. 384.742 million).

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Unaudited)

For The Six Months Ended June 30, 2016

### 10. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

As at June 30, 2016, Abbott Asia Investments Limited, UK held 76,259,454 (December 31, 2015: 76,259,454) shares. The ultimate holding company is Abbott Laboratories, USA.

### 11. OTHER CHARGES

Includes exchange loss - net amounting to Rs 8.996 million (June 30, 2015: Rs. 10.868 million) arising on revaluation of foreign currency financial assets and liabilities and on transactions in foreign currencies.

	Note	Six months ended June 30, 2016	Six months ended June 30, 2015
---- Rupees in '000----			
<b>12. OTHER INCOME</b>			
Gain on disposal of property, plant and equipment		1,549	10,023
Interest income	12.1	205,204	227,537
Scrap sales		13,540	7,427
Reversal of provision for doubtful trade debts		1,555	807
Reversal of provision for doubtful other receivables		-	19
		<u>221,848</u>	<u>245,813</u>

12.1 Represents markup on bank accounts amounting to Rs. 187.524 million (June 30, 2015: Rs. 214.053 million) and interest income earned from Abbott GmbH & Co. KG., a related party amounting to Rs. 17.680 million (June 30, 2015: Rs. 13.484 million) at the rate of 10% (June 30, 2015: 10%) per annum of half of the written down value of assets deployed by the Company on their behalf in the Company's diagnostic division in Pakistan.

	Note	Six months ended June 30, 2016	Six months ended June 30, 2015
---- Rupees in '000----			
<b>13. CASH GENERATED FROM OPERATIONS</b>			
Profit before taxation		2,489,960	2,189,033
<b>Adjustment for non-cash changes and other items:</b>			
Depreciation		250,865	220,987
Amortisation on intangible assets		9,325	10,152
Gain on disposal of property, plant and equipment		(1,549)	(10,023)
Interest income		(205,204)	(227,537)
Expense recognised in profit or loss in respect of equity-settled share-based compensation		18,339	21,671
Finance costs		2,621	2,227
Working capital changes	13.1	<u>(1,276,794)</u>	<u>329,801</u>
		<u>1,287,563</u>	<u>2,536,311</u>

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Unaudited)

For The Six Months Ended June 30, 2016

	Six months ended June 30, 2016	Six months ended June 30, 2015
	---- Rupees in '000----	
<b>13.1 Working capital changes</b>		
<b>(Increase) / decrease in current assets net of provision</b>		
Stores and spares	(24,130)	9,823
Stock-in-trade	(1,274,785)	(179,193)
Trade debts	(162,197)	46,915
Loans and advances	(252,786)	(145,650)
Trade deposits and short-term prepayments	(117,088)	(71,244)
Other receivables	(29,744)	42,156
	<u>(1,860,730)</u>	<u>(297,193)</u>
<b>Increase in current liabilities</b>		
Trade and other payables	<u>583,936</u>	626,994
	<u>(1,276,794)</u>	<u>329,801</u>

### 14. TRANSACTIONS WITH RELATED PARTIES

The related parties of the Company comprise parent, ultimate parent, other related parties, employee retirement benefit plans, directors and key management personnel. Transactions with related parties essentially entail sale and purchase of goods and services and expenses charged between these parties. Transactions with related parties are as follows:

	Six months ended June 30, 2016	Six months ended June 30, 2015
	---- Rupees in '000----	
<b>Other related parties</b>		
Sale of goods	181,227	89,207
Purchase of materials	2,069,950	1,828,886
Technical service fee	70,404	61,502
<b>Reimbursements from a related party on account of:</b>		
- Selling and distribution expenses	45,036	39,911
- Administrative expenses	3,234	4,001
Interest income earned	17,680	13,484
<b>Contribution paid</b>		
- Pension fund	78,958	75,167
- Provident fund	38,581	36,471
<b>Key management personnel</b>		
Short-term employee benefits	90,805	112,717
Post-employment benefits	11,876	12,835



## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Unaudited)

For The Six Months Ended June 30, 2016

### 15. SEGMENT ANALYSIS

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

	June 30, 2016				June 30, 2015			
	Pharmaceutical	Nutritional	Others	Total	Pharmaceutical	Nutritional	Others	Total
	----- Rupees in '000 -----							
Sales	7,842,860	2,125,745	1,292,894	11,261,499	7,203,231	1,852,174	1,066,979	10,122,384
Less:								
Sales return and discount	28,249	3,286	11,559	43,094	62,732	1,750	22,474	86,956
Sales tax and excise duty	-	185,951	66,027	251,978	-	171,076	62,918	233,994
Sales - net	7,814,611	1,936,508	1,215,308	10,966,427	7,140,499	1,679,348	981,587	9,801,434
Cost of goods sold	4,737,042	1,238,050	664,618	6,639,710	4,510,940	1,009,090	556,758	6,076,788
Gross profit	3,077,569	698,458	550,690	4,326,717	2,629,559	670,258	424,829	3,724,646
Selling and distribution expenses	1,127,597	263,961	240,347	1,631,905	960,708	239,280	194,717	1,394,705
Administrative expenses	182,643	23,793	4,309	210,745	162,493	18,018	6,480	186,991
Segment result	1,767,329	410,704	306,034	2,484,067	1,506,358	412,960	223,632	2,142,950

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

	June 30, 2016				June 30, 2015			
	Pharmaceutical	Nutritional	Others	Total	Pharmaceutical	Nutritional	Others	Total
	----- Rupees in '000 -----							
Sales	4,565,035	1,070,545	592,055	6,227,635	4,107,919	952,528	630,627	5,691,074
Less:								
Sales return and discount	12,232	1,452	8,782	22,466	15,613	947	7,040	23,600
Sales tax and excise duty	-	95,431	28,839	124,270	-	88,873	43,892	132,765
Sales - net	4,552,803	973,662	554,434	6,080,899	4,092,306	862,708	579,695	5,534,709
Cost of goods sold	2,663,751	635,113	317,012	3,615,876	2,502,584	509,405	313,634	3,325,623
Gross profit	1,889,052	338,549	237,422	2,465,023	1,589,722	353,303	266,061	2,209,086
Selling and distribution expenses	578,678	123,001	110,469	812,148	469,411	120,225	101,625	691,261
Administrative expenses	86,404	12,170	2,535	101,109	87,351	9,015	1,649	98,015
Segment result	1,223,970	203,378	124,418	1,551,766	1,032,960	224,063	162,787	1,419,810

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

	Six Months Ended		Quarter Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
	----- Rupees in '000 -----			
Total segment results	2,484,067	2,142,950	1,551,766	1,419,810
Other income	221,848	245,813	105,119	121,430
Other charges	(213,334)	(197,503)	(133,185)	(124,230)
Finance costs	(2,621)	(2,227)	(1,493)	(1,329)
Profit before taxation	2,489,960	2,189,033	1,522,207	1,415,681

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Unaudited)

For The Six Months Ended June 30, 2016

### 15.4 Geographical information (Un-audited)

	Six Months Ended		Quarter Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
----- Rupees in '000 -----				
Sales to external customers				
Pakistan	10,363,552	9,331,213	5,704,485	5,219,323
Afghanistan	400,447	375,069	260,405	251,355
Srilanka	21,201	5,945	10,957	4,377
Netherland	-	18,447	-	10,205
Switzerland	181,227	70,760	105,052	49,449
	<u>10,966,427</u>	<u>9,801,434</u>	<u>6,080,899</u>	<u>5,534,709</u>

### 15.5 Segment Assets

	UNAUDITED				AUDITED			
	June 30, 2016				December 31, 2015			
	Pharmaceutical	Nutritional	Others	Total	Pharmaceutical	Nutritional	Others	Total
----- (Rupees '000) -----								
Segment assets employed	7,191,082	608,527	1,378,248	9,177,857	5,967,338	333,624	1,225,157	7,526,119
Unallocated corporate assets				7,636,994				8,962,156
Total reported assets				<u>16,814,851</u>				<u>16,488,275</u>

	UNAUDITED				AUDITED			
	June 30, 2016				December 31, 2015			
	Pharmaceutical	Nutritional	Others	Total	Pharmaceutical	Nutritional	Others	Total
----- (Rupees '000) -----								
Segment liabilities	2,169,460	410,104	503,029	3,082,593	1,922,325	318,196	413,541	2,654,062
Unallocated corporate liabilities				1,021,856				884,966
Total reported liabilities				<u>4,104,449</u>				<u>3,539,028</u>

### 16. NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on August 19, 2016 have proposed an interim cash dividend @ 100 % (June 30, 2015: 100%). This condensed interim financial information for the six months ended June 30, 2016 does not include the effect of the above interim cash dividend which will be accounted for subsequent to the period end.

### 17. DATE OF AUTHORISATION

This condensed interim financial information was authorised for issue on August 19, 2016 by the Board of Directors of the Company.



SYED ANIS AHMED  
CHIEF EXECUTIVE



EHSAN ALI MALIK  
DIRECTOR



**ABBOTT LABORATORIES (PAKISTAN) LIMITED**

**Registered Office**

Opposite Radio Pakistan  
Transmission Centre, Hyderabad Road,  
Landhi, P.O. Box 7229, Karachi  
Phone :111-ABBOTT (111-222-688)  
Fax: (92-21) 35001903

**City Office**

8th Floor, Faysal House,  
St-02, Shahrah-e-Faisal, Karachi  
Phone: (92-21) 32799018, 32799019  
Fax: (92-21) 32800244  
URL: [www.abbott.com.pk](http://www.abbott.com.pk)

