



Abbott Pakistan

Un-Audited Financial Statements for the
Quarter and Six Months Ended June 30, 2017



Abbott
A Promise for Life

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
Seema Khan

AUDIT COMMITTEE

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

HUMAN RESOURCE AND REMUNERATION COMMITTEE

Munir A. Shaikh (Chairman)
Syed Anis Ahmed
Shamim Ahmad Khan
Zehra Naqvi

SHARE TRANSFER COMMITTEE

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

BANKING COMMITTEE

Zehra Naqvi (Chairman)
Syed Anis Ahmed
Seema Khan

CHIEF FINANCIAL OFFICER

Jamshed Azhar

COMPANY SECRETARY

Malik Saadatullah

CHIEF INTERNAL AUDITOR

Fahad Rehman

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

SENIOR MANAGEMENT TEAM

Syed Anis Ahmed
(Chief Executive Officer)
Jamshed Azhar
(Chief Financial Officer)
Rana A. Latif
(Director 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)
Malik Saadatullah
*(Director Finance - EPD Operations &
Company Secretary)*
Abdul Wahab Godil
(Director Finance - EPD Commercial)
Dr. Farrukh Hafeez
(Director Quality Assurance)
Dr. Suleman Alvi
(Director Marketing)
Asghar Huda
(Director Human Resource)
Seema Khan
(Director Regulatory Affairs)
Dr. Raef Ahmed
(Director Medical Affairs)
Zahid Hussain
(Director Supply Chain)
Ejaz Ahmed
(Director Engineering)
Jamal Nasir
(Director Sales)
Ahmed Ashraf
(Director Commercial Excellence)
Syed Javed Akhter Bukhari
(Director Distribution)

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 30th, 2017.

FINANCIAL HIGHLIGHTS

For six months' period ended June 30, 2017

Sales for the half year increased by 10% over the same period last year. Pharmaceutical sales increased by 12%, Nutritional by 11% whereas Others declined by 5%. Gross profit declined from 39% to 38% mainly due to inflation. Selling and distribution expenses increased by 13% owing to inflation and cost increases.

For second quarter ended June 30, 2017

Sales for the quarter increased by 10% over the same period last year. Pharmaceutical sales increased by 8%, Nutritional by 15% and Other sales increased by 16%. Gross profit margin declined from 41% in 2016 to 38% due to Sales Tax on Nutritional products and inflation. Selling and Distribution expenses witnessed an increase of 14% mainly due to inflation and cost increases.

FUTURE OUTLOOK

The pharmaceutical industry in Pakistan has great potential in spite of the challenges of rapid cost escalation and devaluation. Your Company is making efforts to overcome these challenges.



CHIEF EXECUTIVE



DIRECTOR

Karachi: August 21st, 2017

ڈائریکٹران کی رپورٹ

ڈائریکٹرز کمپنی کے 30 جون 2017ء کو ختم ہونے والی دوسری سہ ماہی اور نصف سال کے حسابات کے ساتھ اپنی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

مالی جھلکیاں

30 جون 2017ء کو ختم ہونے والی ششماہی مدت کے لئے

ششماہی کے دوران سیلز گزشتہ سال کی اسی مدت کے مقابلے میں 10 فیصد اضافہ ہوا۔ دواؤں کی سیلز میں 12 فیصد اور غذائی ادویات (Nutritional) کی سیلز میں 11 فیصد اضافہ ہوا، جبکہ دیگر ایشیا کی سیلز 5 فیصد کم ہو گئی۔ مجموعی منافع (Gross profit) 39 فیصد سے کم ہو کر 38 فیصد رہ گیا جس کا اہم سبب گرانی ہے۔ فروخت اور تقسیم کے اخراجات میں 13 فیصد اضافہ ہوا جس کی وجہ گرانی اور لاگت کا بڑھنا ہے۔

30 جون 2017ء کو ختم ہونے والی دوسری سہ ماہی کے لئے

سہ ماہی کے دوران سیلز گزشتہ سال کی اسی مدت کے مقابلے میں 10 فیصد بڑھی۔ دواؤں کی سیلز میں 8 فیصد اور غذائی ادویات (Nutritional) کی سیلز میں 15 فیصد اضافہ ہوا، دیگر ایشیا کی سیلز 16 فیصد بڑھیں۔ مجموعی منافع (Gross profit) 2016ء میں ہونے والے 41 فیصد سے کم ہو کر 38 فیصد رہ گیا جس کا اہم سبب غذائی ادویات پر سیلز ٹیکس اور گرانی ہے۔ فروخت اور تقسیم کے اخراجات میں 14 فیصد اضافہ ہوا جس کی وجہ گرانی اور لاگت کا بڑھنا ہے۔

مستقبل کے امکانات

پاکستان میں دوا سازی کی صنعت لاگت میں تیزی سے اضافے اور روپے کی قدر میں کمی (devaluation) کے چیلنجوں کے باوجود ترقی کی زبردست صلاحیت رکھتی ہے۔ آپ کی کمپنی ان چیلنجوں پر قابو پانے کی کوششیں کر رہی ہے۔


ڈائریکٹر


چیف ایگزیکٹو
کراچی: 21 اگست 2017ء



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

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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 2017**, 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: 21 August 2017
Place: Karachi

CONDENSED INTERIM BALANCE SHEET

As at June 30, 2017

		UNAUDITED JUNE 30, 2017	AUDITED DECEMBER 31, 2016
	Note	----- (Rupees '000) -----	
ASSETS			
NON-CURRENT ASSETS			
Fixed Assets			
- Property, plant and equipment	3	4,946,177	4,443,019
- Intangible assets		<u>13,450</u>	<u>16,250</u>
		4,959,627	4,459,269
Long-term loans and advances		50,059	49,654
Long-term deposits		7,475	7,475
Long-term prepayments		<u>5,848</u>	<u>6,635</u>
		5,023,009	4,523,033
CURRENT ASSETS			
Stores and spares		109,105	103,766
Stock-in-trade		3,549,542	3,575,927
Trade debts		991,305	880,297
Loans and advances		307,259	160,388
Trade deposits and short-term prepayments	4	601,011	285,443
Interest accrued		10,748	11,535
Other receivables		189,662	160,366
Cash and bank balances		<u>7,160,509</u>	<u>7,944,429</u>
		12,919,141	13,122,151
TOTAL ASSETS		<u>17,942,150</u>	<u>17,645,184</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
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	5	979,003	979,003
Reserves			
- Capital		437,286	414,380
- Revenue		<u>11,940,814</u>	<u>13,199,857</u>
		12,378,100	13,614,237
		13,357,103	14,593,240
NON-CURRENT LIABILITY			
Deferred taxation		218,521	203,477
CURRENT LIABILITIES			
Trade and other payables	6	4,288,774	2,843,217
Taxation - net		77,752	5,250
CONTINGENCIES AND COMMITMENTS	7		
TOTAL EQUITY AND LIABILITIES		<u>17,942,150</u>	<u>17,645,184</u>

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (Unaudited)

For the Six Months and Quarter Ended June 30, 2017

	Six Months Ended		Quarter Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
----- Rupees in '000 -----				
NET SALES				
Domestic	11,377,105	10,363,552	6,250,027	5,704,485
Export	680,441	602,875	412,921	376,414
	<u>12,057,546</u>	<u>10,966,427</u>	<u>6,662,948</u>	<u>6,080,899</u>
Cost of goods sold	<u>(7,510,737)</u>	<u>(6,639,710)</u>	<u>(4,113,179)</u>	<u>(3,615,876)</u>
GROSS PROFIT	<u>4,546,809</u>	<u>4,326,717</u>	<u>2,549,769</u>	<u>2,465,023</u>
Selling and distribution expenses	(1,844,256)	(1,631,905)	(927,373)	(812,148)
Administrative expenses	(208,714)	(210,745)	(108,147)	(101,109)
Other charges	(275,557)	(213,334)	(134,192)	(133,185)
Other income	231,007	221,848	116,985	105,119
	<u>(2,097,520)</u>	<u>(1,834,136)</u>	<u>(1,052,727)</u>	<u>(941,323)</u>
	<u>2,449,289</u>	<u>2,492,581</u>	<u>1,497,042</u>	<u>1,523,700</u>
Finance costs	<u>(4,667)</u>	<u>(2,621)</u>	<u>(2,536)</u>	<u>(1,493)</u>
PROFIT BEFORE TAXATION FOR THE PERIOD	<u>2,444,622</u>	<u>2,489,960</u>	<u>1,494,506</u>	<u>1,522,207</u>
Taxation				
- Current	(588,273)	(695,811)	(323,351)	(422,638)
- Prior	(163,339)	(123,499)	(163,339)	(123,499)
- Deferred	(15,044)	30,172	(34,613)	3,342
	<u>(766,656)</u>	<u>(789,138)</u>	<u>(521,303)</u>	<u>(542,795)</u>
NET PROFIT FOR THE PERIOD	<u>1,677,966</u>	<u>1,700,822</u>	<u>973,203</u>	<u>979,412</u>
BASIC AND DILUTED EARNINGS PER SHARE (Rs. per share)	<u>17.14</u>	<u>17.37</u>	<u>9.94</u>	<u>10.00</u>

The annexed notes 1 to 12 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, 2017

	Six Months Ended		Quarter Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
	----- Rupees in ' 000 -----			
Profit for the period	1,677,966	1,700,822	973,203	979,412
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>1,677,966</u>	<u>1,700,822</u>	<u>973,203</u>	<u>979,412</u>

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

CONDENSED INTERIM CASH FLOW STATEMENT (Unaudited)

For the Six Months Ended June 30, 2017

	Note	June 30, 2017	June 30, 2016
		----- (Rupees '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	8	3,413,377	1,287,563
Income tax paid		(679,110)	(717,352)
Long-term loans and advances - net		(405)	(4,285)
Long-term prepayment - net		787	1,179
Net cash inflow from operating activities		2,734,649	567,105
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(795,597)	(345,137)
Sale proceeds from disposal of property, plant and equipment		6,358	22,987
Interest income		202,411	204,469
Net cash outflow from investing activities		(586,828)	(117,681)
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance costs paid		(4,667)	(2,621)
Dividends paid		(2,927,074)	(1,952,449)
Net cash outflow from financing activities		(2,931,741)	(1,955,070)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(783,920)	(1,505,646)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		7,944,429	8,320,913
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		7,160,509	6,815,267

The annexed notes 1 to 12 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 Ended June 30, 2017

	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, 2016	979,003	46,097	335,848	5,338,422	6,249,877	11,970,244	12,949,247
Transactions with owners, recorded directly in equity							
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
Total comprehensive income for the period ended June 30, 2016							
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	979,003	46,097	354,187	5,338,422	5,992,693	11,731,399	12,710,402
Balance as at January 1, 2017	979,003	46,097	368,283	5,338,422	7,861,435	13,614,237	14,593,240
Transactions with owners, recorded directly in equity							
Final dividend for the year ended December 31, 2016 @ 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"	-	-	22,906	-	-	22,906	22,906
Total comprehensive income for the period ended June 30, 2017							
Profit for the period	-	-	-	-	1,677,966	1,677,966	1,677,966
Other comprehensive income for the period, net of tax	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	1,677,966	1,677,966	1,677,966
Balance as at June 30, 2017	979,003	46,097	391,189	5,338,422	6,602,392	12,378,100	13,357,103

The annexed notes 1 to 12 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 Ended June 30, 2017

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 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, hospital and consumer products.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

Statement of compliance

During the current period, the Companies Act, 2017 (the Act) has been promulgated effective May 30, 2017 which has repealed the Companies Ordinance 1984. The Act through its promulgation has introduced many changes in presentation and disclosure in the financial statements. However, the Securities and Exchange Commission of Pakistan (SECP) through its Circular no. 17 of 2017 dated July 20, 2017 and press release dated July 20, 2017 has deferred the application of the Act in relation to preparation of the financial statements for companies whose financial year, including quarterly and other interim period closes on or before June 30, 2017.

Accordingly these condensed interim financial statements of the Company for the half year ended June 30, 2017 are prepared in accordance with the provisions of and directives issued under the repealed Companies Ordinance, 1984 and requirements of the International Accounting Standard 34 - "Interim Financial Reporting". In case where requirements differ, the provisions of or directives issued under the repealed Companies Ordinance, 1984 have been followed.

This 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, 2016.

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 profit and loss account and condensed interim statement of comprehensive income for the quarters ended June 30, 2017 and 2016 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, 2017 and 2016.

2.2 Accounting policies

The accounting policies and the methods of computation used in the preparation of this condensed interim financial statements are the same as those applied in the preparation of the financial statements for the year ended December 31, 2016 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:

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the Six Months Ended June 30, 2017

IAS 7 - Statement of Cash flows - Disclosure Initiative (Amendments)

IAS 12 - Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)

The adoption of the above amendments to accounting standards did not have any effect on the condensed interim financial statements.

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 this 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, 2016.

	(Un-audited) June 30, 2017	(Audited) December 31, 2016
Note	---- Rupees in '000 ----	

3. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	3.1	4,268,810	3,639,626
Capital work-in-progress		<u>677,367</u>	<u>803,393</u>
		<u>4,946,177</u>	<u>4,443,019</u>

3.1 Operating fixed assets

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

	Additions	Disposals Cost Accumulated Depreciation	Disposals Accumulated Depreciation
	-----	Rupees in '000	-----
Improvements on buildings	18,506	-	-
Plant and machinery	757,051	-	-
Office equipment	5,106	-	-
Vehicles	30,328	11,300	5,740
Computers	5,666	-	-
Demonstration equipment	104,966	45,437	45,437
	<u>921,623</u>	<u>56,737</u>	<u>51,177</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the Six Months Ended June 30, 2017

4. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

Represents trade deposits and short-term prepayments amounting to Rs. 316.221 million and Rs. 284.790 million (December 31, 2016: Rs. 102.383 million and Rs. 183.060 million), respectively, net of provision.

5. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

As at June 30, 2017, Abbott Asia Investments Limited, UK held 76,259,454 (December 31, 2016: 76,259,454) shares. The ultimate holding company is Abbott Laboratories, USA.

6. TRADE AND OTHER PAYABLES

Includes accrued liabilities, bills payable and trade payables amounting to Rs. 1,761.092 million, Rs. 1,128.344 million and Rs. 361.366 million (December 31, 2016: Rs. 1,115.892 million, Rs. 851.033 million and Rs. 86.358 million), respectively.

7. CONTINGENCIES AND COMMITMENTS

7.1 There is no material change in the status of contingencies and commitments as disclosed in the annual financial statements of the Company for the year ended December 31, 2016 except as following:

7.2 Contingencies

7.2.1 The Company has given bank guarantees of Rs. 224.317 million (December 31, 2016: Rs. 175.667 million) to the Customs Department, a utility company and other institutions against tenders.

7.3 Commitments

7.3.1 Commitments for capital expenditure as at June 30, 2017 aggregated to Rs. 458.437 million (December 31, 2016: Rs. 371.248 million).

7.3.2 The Company has entered into short term financing facilities from various commercial banks amounting to Rs. 1,120 million (December 31, 2016: 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, 2016: Rs. 250 million). The running finance / short term loan carries markup at rates ranging from KIBOR plus 1% to KIBOR plus 2% (December 31, 2016: 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. 705.253 million (December 31, 2016: Rs. 568.028 million).

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the Six Months Ended June 30, 2017

	Note	Six months ended June 30, 2017	Six months ended June 30, 2016
---- Rupees in '000----			
8. CASH GENERATED FROM OPERATIONS			
Profit before taxation		2,444,622	2,489,960
Adjustment for non-cash changes and other items:			
Depreciation		286,879	250,865
Amortisation on intangible assets		2,800	9,325
Gain on disposal of property, plant and equipment		(798)	(1,549)
Interest income		(201,624)	(205,204)
Expense recognized in profit or loss in respect of equity-settled shared-based compensation		22,906	18,339
Finance costs		4,667	2,621
Working capital changes	8.1	<u>853,925</u>	<u>(1,276,794)</u>
		<u>3,413,377</u>	<u>1,287,563</u>
8.1 Working capital changes			
(Increase) / decrease in current assets net of provision			
Stores and spares		(5,339)	(24,130)
Stock-in-trade		26,385	(1,274,785)
Trade debts		(111,008)	(162,197)
Loans and advances		(146,871)	(252,786)
Trade deposits and short-term prepayments		(315,568)	(117,088)
Other receivables		(29,296)	(29,744)
		<u>(581,697)</u>	<u>(1,860,730)</u>
Increase in current liabilities			
Trade and other payables		<u>1,435,622</u>	583,936
		<u>853,925</u>	<u>(1,276,794)</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the Six Months Ended June 30, 2017

9. TRANSACTIONS WITH RELATED PARTIES

The related parties of the Company comprises 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 companies. Transactions with related parties are as follows:

	Six months ended June 30, 2017	Six months ended June 30, 2016
	---- Rupees in '000----	
Other related parties		
Sale of goods	154,445	181,227
Purchase of materials	1,915,388	2,069,950
Technical service fee	69,376	70,404
Reimbursements from a related party on account of:		
- Selling and distribution expenses	51,811	45,036
- Administrative expenses	5,625	3,234
Interest income earned	15,459	17,680
Contribution paid		
- Pension fund	85,793	78,958
- Provident fund	41,561	38,581
Key management personnel		
Short-term employee benefits	107,568	90,805
Post-employment benefits	12,647	11,876

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the Six Months Ended June 30, 2017

10. SEGMENT ANALYSIS

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

	June 30, 2017				June 30, 2016			
	Pharmaceutical	Nutritional	Others	Total	Pharmaceutical	Nutritional	Others	Total
	----- Rupees in '000 -----							
Sales	8,784,680	2,384,440	1,220,713	12,389,833	7,842,860	2,125,745	1,292,894	11,261,499
Less:								
Sales return and discount	40,949	6,671	1,915	49,535	28,249	3,286	11,559	43,094
Sales tax and excise duty	-	223,751	59,001	282,752	-	185,951	66,027	251,978
Sales - net	8,743,731	2,154,018	1,159,797	12,057,546	7,814,611	1,936,508	1,215,308	10,966,427
Cost of goods sold	5,310,065	1,464,577	736,095	7,510,737	4,737,042	1,238,050	664,618	6,639,710
Gross profit	3,433,666	689,441	423,702	4,546,809	3,077,569	698,458	550,690	4,326,717
Selling and distribution expenses	1,385,549	238,722	219,985	1,844,256	1,127,597	263,961	240,347	1,631,905
Administrative expenses	180,188	23,882	4,644	208,714	182,643	23,793	4,309	210,745
Segment result	1,867,929	426,837	199,073	2,493,839	1,767,329	410,704	306,034	2,484,067

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

	June 30, 2017				June 30, 2016			
	Pharmaceutical	Nutritional	Others	Total	Pharmaceutical	Nutritional	Others	Total
	----- Rupees in '000 -----							
Sales	4,925,844	1,233,428	681,591	6,840,863	4,565,035	1,070,545	592,055	6,227,635
Less:								
Sales return and discount	21,831	3,736	1,762	27,329	12,232	1,452	8,782	22,466
Sales tax and excise duty	-	112,289	38,297	150,586	-	95,431	28,839	124,270
Sales - net	4,904,013	1,117,403	641,532	6,662,948	4,552,803	973,662	554,434	6,080,899
Cost of goods sold	2,926,943	795,695	390,541	4,113,179	2,663,751	635,113	317,012	3,615,876
Gross profit	1,977,070	321,708	250,991	2,549,769	1,889,052	338,549	237,422	2,465,023
Selling and distribution expenses	720,135	115,572	91,666	927,373	578,678	123,001	110,469	812,148
Administrative expenses	92,572	12,447	3,128	108,147	86,404	12,170	2,535	101,109
Segment result	1,164,363	193,689	156,197	1,514,249	1,223,970	203,378	124,418	1,551,766

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

	Six Months Ended		Quarter Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
	----- Rupees in '000 -----			
Total segment results	2,493,839	2,484,067	1,514,249	1,551,766
Other income	231,007	221,848	116,985	105,119
Other charges	(275,557)	(213,334)	(134,192)	(133,185)
Finance costs	(4,667)	(2,621)	(2,536)	(1,493)
Profit before taxation	2,444,622	2,489,960	1,494,506	1,522,207

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the Six Months Ended June 30, 2017

10.4 Geographical information (Un-audited)

	Six Months Ended		Quarter Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
----- Rupees in '000 -----				
Sales to external customers				
Pakistan	11,377,105	10,363,552	6,250,027	5,704,485
Afghanistan	513,224	400,447	341,205	260,405
Srilanka	12,772	21,201	12,772	10,957
Switzerland	154,445	181,227	58,944	105,052
	<u>12,057,546</u>	<u>10,966,427</u>	<u>6,662,948</u>	<u>6,080,899</u>

10.5 Segment Assets and Liabilities

	UNAUDITED				AUDITED			
	June 30, 2017				December 31, 2016			
	Pharmaceutical	Nutritional	Others	Total	Pharmaceutical	Nutritional	Others	Total
----- (Rupees '000) -----								
Segment assets employed	7,933,762	610,702	1,445,088	9,989,552	7,488,742	556,231	1,046,738	9,091,711
Unallocated corporate assets				7,952,598				8,553,473
Total reported assets				<u>17,942,150</u>				<u>17,645,184</u>
Segment liabilities	2,306,222	493,581	447,741	3,247,544	1,375,430	421,195	367,444	2,164,069
Unallocated corporate liabilities				1,337,503				887,875
Total reported liabilities				<u>4,585,047</u>				<u>3,051,944</u>

11. NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on August 21, 2017 have proposed an interim cash dividend @ 100 % (June 30, 2016: 100%). These condensed interim financial statements for the six months ended June 30, 2017 does not include the effect of the above interim cash dividend which will be accounted for subsequent to the period end.

12. DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue on August 21, 2017 by the Board of Directors of the Company.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

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