



Abbott Pakistan

Un-Audited Financial Statements for the Quarter
and Nine Months Ended September 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 present the un-audited condensed interim financial statements of your Company, for the nine months ended September 30, 2019 as well as for the third quarter ended September 30, 2019.

FINANCIAL HIGHLIGHTS

For nine months' period ended September 30, 2019

Sales for the nine months increased by 3%. Nutritional sales increased by 15% mainly driven by increase in sales for child nutrition supplements whereas Pharmaceutical sales decreased by 1%.

Gross profit margin of your Company over this period was 28%. Gross profit margin for the pharmaceutical business declined to 31% from 36%, whilst gross profit margin for Nutritional business declined to 17% from 28% mainly on account of devaluation of Pakistani Rupee and increase in material prices.

Selling and distribution expenses increased by 13% on account of higher promotional spend. Administrative expenses increased by 11% mainly on account of inflation. Overall, the profit after tax declined by 63% due to the reasons mentioned above.

For Third quarter ended September 30, 2019

Sales for the quarter declined by 11%. Pharmaceutical sales declined by 19% due to overall challenging economic and regulatory environment, whereas sales for nutrition increased by 7% mainly driven by increase in sales for child nutrition supplements.

Similar to the year-to-date results, gross profit margin of the pharmaceutical business declined to 25% from 34%. This is mainly due to rapid devaluation of Pakistani Rupee witnessed during 2019. Gross profit margin for the Nutritional segment has also declined to 20% from 23%.

Selling and distribution expenses increased by 13%, whilst administrative expenses registered a slight decrease of 2% versus the same period last year.

As a result of reasons mentioned above, profit after tax has declined by 68% in the quarter

FUTURE OUTLOOK

The company continues to face challenges due to cost escalation caused by the devaluation of Pak 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 improve productivity through innovation and cost containment initiatives.



Karachi: October 17th, 2019

Chief Executive



Director

ڈائریکٹران کی رپورٹ

فروخت اور تقسیم کے اخراجات 13 فیصد بڑھ گئے ، جبکہ انتظامی اخراجات گزشتہ سال کی اسی مدت کے مقابلے میں 2 فیصد گر گئے ۔ مذکورہ بالا اسباب کی بنا پر سہ ماہی میں بعد از ٹیکس منافع 68 فیصد کم ہو گیا۔

مستقبل کا منظر نامہ

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

اس بات سے قطع نظر، آپ کی کمپنی دشواریوں سے آگاہ ہے اور اختراع کے ذریعے اور اخراجات محدود کرنے کے اقدامات کر کے پیداواریت (productivity) بہتر بنانے کی اپنی کوششیں جاری رکھے گی۔



ڈائریکٹر



چیف ایگزیکٹو

کراچی : 17 اکتوبر 2019ء

ڈائریکٹران کی رپورٹ

ڈائریکٹرز آپ کی کمپنی کے 30 ستمبر 2019ء کو ختم ہونے والی نو ماہ کی مدت ، اور ساتھ ساتھ 30 ستمبر 2019ء کو ختم ہونے والی تیسری سہ ماہی کے بھی یہ غیر آڈٹ شدہ عبوری مالی گوشوارے پیش کرتے ہیں۔

مالی جھلکیاں

30 ستمبر 2019ء کو ختم ہونے والی نو ماہ کی مدت کے لئے

نو ماہی مدت کی سیلز 3 فیصد بڑھی۔ نیوٹریشنل (غذائی مصنوعات) کی فروخت میں 15 فیصد اضافہ ہوا جس میں بنیادی حصہ بچوں کی غذائی مصنوعات کا تھا جبکہ فارماسوٹیکل کی سیلز ایک فیصد گر گئی۔

فروخت اور تقسیم کے اخراجات 13 فیصد بڑھ گئے کیونکہ تشریح کے اخراجات پہلے سے زیادہ ہوئے۔ انتظامی اخراجات بنیادی طور پر مہنگائی کی بنا پر 11 فیصد بڑھے۔ مجموعی طور پر بعد از ٹیکس منافع مذکورہ بالا وجوہات کی بنا پر 63 فیصد کم ہو گیا۔

30 ستمبر 2019ء کو ختم ہونے والی تیسری سہ ماہی کے لئے

سہ ماہی کی سیلز 11 فیصد کم ہو گئی۔ معاشی اور ضوابطی ماحول کی دشواری کے باعث فارماسوٹیکل کی سیلز 19 فیصد گر گئی جبکہ نیوٹریشنل کی فروخت میں 7 فیصد اضافہ ہوا جس کا بنیادی سبب بچوں کی غذائی سپلیمنٹس کی سیلز بڑھنا تھا۔

فارماسوٹیکل کاروبار کے مجموعی منافع کی شرح گزشتہ سال کی اسی مدت کی شرح 34 فیصد سے کم ہو کر 25 فیصد ہو گئی۔ اس کا بنیادی سبب 2019ء کے دوران پاکستانی روپے کی قدر میں تیزی سے ہونے والی کمی ہے۔ نیوٹریشنل زمرے کی مجموعی شرح منافع بھی 23 فیصد کے مقابلے میں گر کر 20 فیصد رہ گئی۔

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at September 30, 2019

	Note	September 30, 2019 -----Rupees in '000----- (Un-audited)	December 31, 2018 ----- (Audited)
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
- Property, plant and equipment	3	8,016,405	7,191,606
- Intangible assets		18,787	24,879
		<u>8,035,192</u>	<u>7,216,485</u>
Long-term loans and advances		53,608	55,009
Long-term deposits		7,513	7,513
Long-term prepayments		4,731	4,119
		<u>8,101,044</u>	<u>7,283,126</u>
CURRENT ASSETS			
Stores and spares		239,591	178,815
Stock-in-trade	4	7,722,228	4,428,893
Trade debts		869,110	1,143,015
Loans and advances		293,792	147,183
Trade deposits and short-term prepayments	5	616,061	620,876
Interest accrued		1,541	7,857
Other receivables		555,114	383,054
Taxation - net		888,969	410,302
Cash and bank balances	6	1,926,902	5,678,136
		<u>13,113,308</u>	<u>12,998,131</u>
TOTAL ASSETS		<u>21,214,352</u>	<u>20,281,257</u>
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		620,402	533,783
- Revenue		11,520,402	11,722,225
		<u>12,140,804</u>	<u>12,256,008</u>
		<u>13,119,807</u>	<u>13,235,011</u>
NON-CURRENT LIABILITIES			
Deferred taxation		242,028	255,405
Long-term lease liabilities	8	312,833	173,719
CURRENT LIABILITIES			
Trade and other payables	9	7,401,421	6,510,381
Unclaimed dividend		50,542	66,208
Current maturity of lease liabilities	8	87,721	40,533
CONTINGENCIES AND COMMITMENTS			
TOTAL EQUITY AND LIABILITIES	10	<u>21,214,352</u>	<u>20,281,257</u>

The annexed notes 1 to 16 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 Nine Months and Quarter Ended September 30, 2019

	Nine Months Ended		Quarter Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
-----Rupees in '000-----				
NET SALES				
Local	20,546,038	20,484,746	6,173,012	7,446,102
Export	1,734,315	1,109,622	801,819	370,496
	<u>22,280,353</u>	<u>21,594,368</u>	<u>6,974,831</u>	<u>7,816,598</u>
Cost of sales	(15,964,549)	(14,276,546)	(5,255,613)	(5,337,993)
GROSS PROFIT	<u>6,315,804</u>	<u>7,317,822</u>	<u>1,719,218</u>	<u>2,478,605</u>
Selling and distribution expenses	(3,927,475)	(3,488,546)	(1,263,603)	(1,117,684)
Administrative expenses	(477,102)	(430,200)	(135,858)	(138,635)
Other charges	(449,978)	(480,081)	64,958	(150,068)
Other income	247,821	329,108	54,816	92,357
	<u>(4,606,734)</u>	<u>(4,069,719)</u>	<u>(1,279,687)</u>	<u>(1,314,030)</u>
	<u>1,709,070</u>	<u>3,248,103</u>	<u>439,531</u>	<u>1,164,575</u>
Finance costs	(34,801)	(9,602)	(13,325)	(4,064)
PROFIT BEFORE TAXATION	<u>1,674,269</u>	<u>3,238,501</u>	<u>426,206</u>	<u>1,160,511</u>
Taxation				
- Current	(823,598)	(981,705)	(206,059)	(284,336)
- Prior	(91,811)	(143,360)	-	-
- Deferred	13,377	(42,561)	45,644	(58,242)
	<u>(902,032)</u>	<u>(1,167,626)</u>	<u>(160,415)</u>	<u>(342,578)</u>
NET PROFIT FOR THE PERIOD	<u>772,237</u>	<u>2,070,875</u>	<u>265,791</u>	<u>817,933</u>
BASIC AND DILUTED EARNINGS PER SHARE (Rs. per share)	<u>7.89</u>	<u>21.15</u>	<u>2.71</u>	<u>8.35</u>

The annexed notes 1 to 16 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 Nine Months and Quarter Ended September 30, 2019

	Nine Months Ended		Quarter Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	-----Rupees in '000-----			
Profit for the period	772,237	2,070,875	265,791	817,933
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>772,237</u>	<u>2,070,875</u>	<u>265,791</u>	<u>817,933</u>

The annexed notes 1 to 16 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 Nine Months and Quarter Ended September 30, 2019

September 30, 2019 September 30, 2018

Note -----Rupees in '000-----

CASH FLOWS FROM OPERATING ACTIVITIES

Cash generated from operations	11	(155,197)	2,787,518
Income taxes paid		(1,394,076)	(1,491,545)
Long-term loans and advances - net		1,401	(3,476)
Long-term deposits - net		-	-
Long-term prepayments - net		(612)	(335)
Net cash (outflow) / inflow from operating activities		(1,548,484)	1,292,162

CASH FLOWS FROM INVESTING ACTIVITIES

Fixed capital expenditure	(1,331,659)	(1,367,825)
Acquisition of intangible asset	-	(24,280)
Sale proceeds from disposal of property, plant and equipment	61,170	8,151
Interest income	200,985	283,978
Net cash outflow from investing activities	(1,069,504)	(1,099,976)

CASH FLOWS FROM FINANCING ACTIVITIES

Finance costs paid	(26,116)	(7,493)
Lease rentals paid	(112,461)	-
Dividends paid	(994,669)	(3,866,225)
Net cash outflow from financing activities	(1,133,246)	(3,873,718)

NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,751,234)	(3,681,532)
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CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5,678,136	8,571,721
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CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	1,926,902	4,890,189
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The annexed notes 1 to 16 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 Nine Months and Quarter Ended September 30, 2019

	Share Capital	Reserves				Total	Total Equity
		Capital Reserves		Revenue Reserves			
		Reserve arising on Merger	Other	General Reserves	Un-appropri- ated 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)
Interim dividend for the year ended December 31, 2018 @ Rs. 10 per share	-	-	-	-	(979,003)	(979,003)	(979,003)
Employee benefit cost under IFRS 2 - “Share based payment”	-	-	55,697	-	-	55,697	55,697
Total comprehensive income for the period ended September 30, 2018							
Net profit for the period	-	-	-	-	2,070,875	2,070,875	2,070,875
Other comprehensive income for the period	-	-	-	-	-	-	-
	-	-	-	-	2,070,875	2,070,875	2,070,875
Balance as at September 30, 2018	979,003	46,097	469,361	5,338,422	5,733,512	11,587,392	12,566,395
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”	-	-	86,619	-	-	86,619	86,619
Total comprehensive income for the period ended September 30, 2019							
Net profit for the period	-	-	-	-	772,237	772,237	772,237
Other comprehensive income for the period	-	-	-	-	-	-	-
	-	-	-	-	772,237	772,237	772,237
Balance as at September 30, 2019	979,003	46,097	574,305	5,338,422	6,181,980	12,140,804	13,119,807

The annexed notes 1 to 16 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 Nine Months and Quarter Ended September 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 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 nine months ended September 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.

2.2 Accounting policies

The accounting policies and the methods of computation used in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the 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 Nine Months and Quarter Ended September 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.

- (a) 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 and 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 Nine Months and Quarter Ended September 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 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) September 30, 2019	(Audited) December 31, 2018
-----Rupees in '000-----			
3. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	3.1	6,388,482	5,786,436
Capital work-in-progress	3.1	1,199,831	1,192,083
Right-of-use assets	3.2	428,092	213,087
		<u>8,016,405</u>	<u>7,191,606</u>

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

	Additions	Disposals Cost	Accumulated Depreciation
-----Rupees in '000-----			
Buildings on freehold land	118,848	6,805	6,200
Plant and machinery	665,863	130,727	117,561
Office equipment	136	40,528	38,217
Vehicles	55,742	139,774	82,198
Computers	6,033	-	-
Service equipment	477,289	-	-
Capital work-in-progress - net transfers	7,748	-	-
	<u>1,331,659</u>	<u>317,834</u>	<u>244,176</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the Nine Months and Quarter Ended September 30, 2019

3.2 Right-of-use assets

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

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	-----Rupees in '000-----	
Vehicles under finance lease	370,971	213,087
Warehouses, sales offices and city office - operating lease	57,121	-
	<u>428,092</u>	<u>213,087</u>

4. STOCK-IN-TRADE

Raw and packing materials	3,566,141	2,207,683
Work-in-process	330,597	338,289
Finished goods	4,078,308	2,017,732
	<u>7,975,046</u>	<u>4,563,704</u>
Less: Provision for slow moving and obsolete items	(252,818)	134,811
	<u>7,722,228</u>	<u>4,428,893</u>

5. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

Represents trade deposits and short-term prepayments amounting to Rs. 303.000 million and Rs. 313.061 million (December 31, 2018: Rs. 435.759 million and Rs. 185.117 million), respectively, net of provision.

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	-----Rupees in '000-----	

6. CASH AND BANK BALANCES

With banks

Savings accounts:		
- Local currency	284,991	575,088
Deposit accounts:		
- Local currency	1,000,000	4,500,000
Current accounts		
- Local currency	6,709	6,638
- Foreign currency	481,563	475,271
	<u>488,272</u>	<u>481,909</u>

In hand

- Foreign currency	1,688	2,435
- Local currency	2,486	1,707
	<u>4,174</u>	<u>4,142</u>
Cheques and drafts in hand and in transit	149,465	116,997
	<u>1,926,902</u>	<u>5,678,136</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the Nine Months and Quarter Ended September 30, 2019

7. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

As at September 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

	September 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	75,563	299,768	375,331	40,533	173,719	214,252
Warehouses, sales offices and City Office - operating lease	12,158	13,065	25,223	-	-	-
Total	87,721	312,833	400,554	40,533	173,719	214,252

9. TRADE AND OTHER PAYABLES

Includes accrued liabilities and bills payable amounting to Rs. 2,413.570 million and Rs. 2,393.231 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 has filed 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 Nine Months and Quarter Ended September 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 September 30, 2019 aggregated to Rs. 365.740 million (December 31, 2018: Rs. 517.096 million).

10.2.2 Commitments in respect of letters of credit as at September 30, 2019 aggregated to Rs. 571.384 million (December 31, 2018: Rs. 946.384 million).

10.2.3 The Company has given bank guarantees of Rs. 261.847 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 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 as at September 30, 2019.

	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Note	-----Rupees in '000-----	
11. CASH GENERATED FROM OPERATIONS		
Profit before taxation	1,674,269	3,238,501
Adjustment for non-cash changes and other items:		
Depreciation	648,207	527,718
Right-of-use assets	75,073	
Amortisation on intangible assets	6,092	7,437
Loss on disposal of property, plant and equipment	12,488	541
Interest income	(194,669)	(274,999)
Expense recognized in profit or loss in respect of equity-settled shared-based compensation	86,619	55,697
Finance costs	34,801	9,602
Working capital changes	11.1 (2,498,077)	(776,979)
	<u>(155,197)</u>	<u>2,787,518</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the Nine Months and Quarter Ended September 30, 2019

	Nine months ended September 30, 2019	Nine months ended September 30, 2018
	-----Rupees in '000-----	
11.1 Working capital changes		
(Increase) / decrease in current assets net of provision		
Stores and spares	(60,776)	(43,288)
Stock-in-trade	(3,293,335)	(1,287,159)
Trade debts	278,848	(201,753)
Loans and advances	(146,609)	(40,785)
Trade deposits and short-term prepayments	4,815	(360,444)
Other receivables	(172,060)	(89,732)
	<u>(3,389,117)</u>	<u>(2,023,161)</u>
Increase in current liabilities		
Trade and other payables	<u>891,040</u>	<u>1,246,182</u>
	<u>(2,498,077)</u>	<u>(776,979)</u>

12. TRANSACTIONS WITH RELATED PARTIES

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

	Nine months ended September 30, 2019	Nine months ended September 30, 2018
	-----Rupees in '000-----	
Group companies		
Sale of goods	756,803	267,792
Purchase of materials	6,273,439	5,038,545
Technical service fee	119,981	123,173
Reimbursement of expenses - net	129,460	120,388
Other income	41,425	30,457
Retirement fund:		
- Contribution to Pension fund	165,236	147,368
- Contribution to Provident fund	79,232	71,664
Key management personnel:		
Short-term employee benefits	265,060	219,657
Post-employment benefits	25,645	24,247

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the Nine Months and Quarter Ended September 30, 2019

13. SEGMENT ANALYSIS

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

	September 30, 2019				September 30, 2018			
	Pharmaceutical	Nutritional	Others	Total	Pharmaceutical	Nutritional	Others	Total
Rupees in '000								
Sales	15,806,544	4,993,982	2,150,758	22,951,284	15,912,296	4,355,653	1,941,600	22,209,549
Less:								
Sales return and discount	132,890	11,255	39,419	183,564	78,737	14,842	63,535	157,114
Sales tax and excise duty	-	437,692	49,675	487,367	-	399,617	58,450	458,067
Sales - net	15,673,654	4,545,035	2,061,664	22,280,353	15,833,559	3,941,194	1,819,615	21,594,368
Cost of sales	(10,886,699)	(3,754,022)	(1,323,828)	(15,964,549)	(10,201,070)	(2,836,267)	(1,239,209)	(14,276,546)
Gross profit	4,786,955	791,013	737,836	6,315,804	5,632,489	1,104,927	580,406	7,317,822
Selling and distribution expenses	(2,622,284)	(799,879)	(505,312)	(3,927,475)	(2,297,575)	(796,027)	(394,944)	(3,488,546)
Administrative expenses	(412,128)	(53,403)	(11,571)	(477,102)	(379,840)	(40,932)	(9,428)	(430,200)
Segment result	1,752,543	(62,269)	220,953	1,911,227	2,955,074	267,968	176,034	3,399,076

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

	September 30, 2018				September 30, 2017			
	Pharmaceutical	Nutritional	Others	Total	Pharmaceutical	Nutritional	Others	Total
Rupees in '000								
Sales	4,665,667	1,798,161	781,805	7,245,633	5,715,536	1,706,541	599,573	8,021,650
Less:								
Sales return and discount	75,521	2,570	11,392	89,483	18,459	4,025	6,433	28,917
Sales tax and excise duty	-	155,793	25,526	181,319	-	164,561	11,574	176,135
Sales - net	4,590,146	1,639,798	744,887	6,974,831	5,697,077	1,537,955	581,566	7,816,598
Cost of sales	(3,465,367)	(1,315,059)	(475,187)	(5,255,613)	(3,762,548)	(1,178,222)	(397,223)	(5,337,993)
Gross profit	1,124,779	324,739	269,700	1,719,218	1,934,529	359,733	184,343	2,478,605
Selling and distribution expenses	(808,831)	(274,817)	(179,955)	(1,263,603)	(708,016)	(276,533)	(133,135)	(1,117,684)
Administrative expenses	(117,423)	(16,468)	(1,967)	(135,858)	(118,219)	(15,750)	(4,666)	(138,635)
Segment result	198,525	33,454	87,778	319,757	1,108,294	67,450	46,542	1,222,286

13.3 Reconciliation of segment results with profit before taxation:

	Un-audited		Un-audited	
	Jan - Sep 2019	Jan - Sep 2018	Jul - Sep 2019	Jul - Sep 2018
Rupees in '000				
Total segment results	1,911,227	3,399,076	319,757	1,222,286
Other income	247,821	329,108	54,816	92,357
Other charges	(449,978)	(480,081)	64,958	(150,068)
Finance costs	(34,801)	(9,602)	(13,325)	(4,064)
Profit before taxation	1,674,269	3,238,501	426,206	1,160,511

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the Nine Months and Quarter Ended September 30, 2019

13.4 Geographical information:

Un-audited		Un-audited	
Jan - Sep 2019	Jan - Sep 2018	Jul - Sep 2019	Jul - Sep 2018
----- Rupees in '000 -----			

Sales to external customers, net of returns, discounts, sales tax and excise duty

Pakistan	20,546,038	20,484,746	6,173,012	7,446,102
Afghanistan	903,825	780,914	379,112	286,126
Srilanka	39,950	54,726	28,934	21,164
Bangladesh	33,737	6,190	-	-
Switzerland	756,803	267,792	393,773	63,206
	<u>22,280,353</u>	<u>21,594,368</u>	<u>6,974,831</u>	<u>7,816,598</u>

13.5 Segment Assets and Liabilities

Un-audited				Audited			
September 30, 2019				December 31, 2018			
Pharmaceutical	Nutritional	Others	Total	Pharmaceutical	Nutritional	Others	Total
----- (Rupees '000) -----							

Segment assets employed	12,772,947	1,691,138	3,132,618	17,596,703	9,517,008	1,263,188	2,839,381	13,619,577
Unallocated corporate assets				3,617,649				6,661,680
Total reported assets				<u>21,214,352</u>				<u>20,281,257</u>
Segment liabilities	4,086,536	1,199,142	568,463	5,854,141	3,508,996	731,776	993,424	5,234,196
Unallocated corporate liabilities				2,240,404				1,812,050
Total liabilities				<u>8,094,545</u>				<u>7,046,246</u>

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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the Nine Months and Quarter Ended September 30, 2019

15. RECLASSIFICATION

Following corresponding figures have been reclassified for better presentation:

From	To	Rupees in '000
Cost of sales	Administrative expenses	20,777
Selling and distribution expenses	Administrative expenses	17,140

16. DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue on October 17, 2019 by the Board of Directors of the Company.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

NOTES

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